



## ADVISORY BOARD MEETING

<u>Board Member</u>	<u>Alternate</u>	<u>Board Member</u>	<u>Alternate</u>
David Morritt	Lyndon Barnes	Donald Milner	S. Bruce Blain
Robert Love	Kate Menear	Gordon Goodman	John Birch
Mike Swartz	Paul Wilson	Ken Crofoot	Eugene Cipparone
Julia Holland	James C. Tory	Melanie Koszegi	Natasha MacParland
William Scott	David E. Woollcombe	Margaret McNee	TBA

Tuesday, September 10, 2019 at 8:30 a.m.  
Goodmans LLP  
34<sup>th</sup> Floor, Bay Adelaide Centre, West Tower  
333 Bay Street.  
Toronto, Ontario

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DIAL-IN INFORMATION for those participating by phone:

Toronto:	416-915-3623
Toll Free North America:	1-877-211-3621
Conference ID #:	558 181 8200#

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## AGENDA

	<u>Responsibility</u>	<u>Est. Time</u>	<u>Tab</u>
1. Constitution of Meeting	Ken Crofoot		
2. Appointment of Secretary	Ken Crofoot		
3. Approval of the Minutes of June 25, 2019 Meeting	Ken Crofoot	5 mins	3.1
<i><b>Proposed Resolution: To approve the minutes.</b></i>			
4. Business Arising Out of the Minutes	Ken Crofoot		
5. Comments of Chair	Ken Crofoot	5 mins	



	<u>Responsibility</u>	<u>Est. Time</u>	<u>Tab</u>
6. Reinsurance Renewal Final/Associate Firm Update <ul style="list-style-type: none"> <li>• Miller Update</li> </ul>	Patrick Mahoney	10 mins	6.1
7. Report of the General Manager's Office	Patrick Mahoney	35 mins	
7.1 Management Financial Statements as at June 30, 2019			7.1
7.2 ORSA Update			7.2
7.3 Overview of CLLAS Governance Policies			7.3
8. Committee Reports		20 mins	
8.1 Audit Committee	Gord Goodman		
8.2 Claims Committee	Bill Scott		8.2
8.3 Risk Management Committee	Julia Holland		
8.4 Policy Committee	Donald Milner		
9. Other Business		5 mins	
9.1 Quarterly Report of the Investment Manager	Patrick Mahoney		9.1
9.2 Annual Dinner – April 23, 2020	Ken Crofoot		
10. Proposed Meeting Dates in 2020: <ul style="list-style-type: none"> <li>• February 25, 2020</li> <li>• June 23, 2020</li> <li>• September 15, 2020</li> <li>• December 8, 2020</li> </ul>			
11. Next Meeting – December 10, 2019			

**Anticipated Adjournment Time: 10:00 a.m.**

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

**Minutes of a Meeting of the Advisory Board**

8:30 a.m.  
Goodmans LLP  
34<sup>th</sup> Floor, Bay Adelaide Centre, West Tower  
333 Bay Street.  
Toronto, Ontario

**Tuesday, June 25, 2019**

**Present:**

Ken Crofoot (Chair)	Goodmans LLP
Melanie M. Koszegi	Davies Ward Phillips & Vineberg LLP
Robert Love	Borden Ladner Gervais LLP
Kate Menear	Borden Ladner Gervais LLP
Gordon Goodman	Cassels Brock & Blackwell LLP
Donald Milner	Fasken Martineau DuMoulin LLP
Bill Scott	McCarthy Tétrault LLP
Margaret McNee	McMillan LLP
David Morritt	Osler, Hoskin & Harcourt LLP
Julia Holland	Torys LLP
Mike Swartz (via phone)	WeirFoulds LLP
Patrick Mahoney	Office of the General Manager, CLLAS
Norma Ibbetson	Office of the General Manager, CLLAS
Ryan Durrell	Axxima

**1. Constitution of Meeting**

The Chair brought the meeting to order.

**2. Appointment of Secretary**

Norma Ibbetson acted as Secretary.

**3. Approval of Minutes of the February 26, 2019 Meeting of the Advisory Board**

It was moved by Margaret McNee and seconded by Donald Milner that the minutes of the February 26, 2019 meeting of the Advisory Board be approved. The motion was carried unanimously.

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

All business arising out of the minutes is being dealt with elsewhere in the agenda.

#### **5. Comments of the Chair**

Ken Crofoot reported to the Board on the reinsurance renewal meetings in London. This year Ken Crofoot and Bill Scott from the CLLAS Board and Patrick Mahoney, Ryan Durrell and Christopher Marley from Axxima met with Miller and many of the incumbent London underwriters to present CLLAS' proposed renewal terms. In response to the shift in the market and CLLAS' recent claims experience, we proposed rate increases on all layers.

CLLAS' relationship with the markets remains positive, however the business requirements of the individual markets varied, and we were aware that this meant that there would be some hard negotiations following the meetings. The discussions were cordial, but most of the markets advised that they had not yet heard back from their actuaries on the proposed rates.

Graeme Lynch and Mark Popple of Miller have been working diligently on CLLAS' behalf with all the syndicates to obtain the best possible rates for the renewal.

#### **6. Pro-Form Insurance Services**

Bob Wilson joined the meeting. The insurance marketplace has hardened dramatically. Lloyds completed a detailed review of the 2019 business plans of its syndicates to address its overall poor loss experience. As a result, Lloyds forced some syndicates to close down, some to stop writing specific lines of business (including professional liability) and in other cases to:

- obtain increased rates for the upcoming year (2019)
- allow no rate decreases and
- not write any additional premium volume for 2019

This has resulted in the closing of business for 10 syndicates.

With respect to CLLAS specifically, there has been considerable deterioration in loss experience, including payments in the excess layer. Mr. Wilson advised that 46% of his participating markets non-renewed at the start of the negotiations. Chubb, a long term participant on the program, withdrew and was replaced by Sovereign General.

The restructuring of the program that took place a couple of year's ago remains in place, i.e. the integration of many layers into two, as follows:

- Layer 1 - \$50 million excess of \$50 million
- Layer 2 - \$60 million excess of \$100 million

The renewal of the commercial excess layers has been challenging, with some 50 markets approached, resulting in a 15% rate increase. While no-one like to see an increase, the rate is still competitive at \$740 for \$110 million of coverage.

Mr. Wilson advised that there were no changes expected to the policy wording.

The CLLAS International program will be renewing with a 10% rate increase. This is as a result of claims experience and the overall market hardening. Mr. Wilson views this as a good result given the program's claims experience. He reminded the Board that the International program is marketed as a group but each firm is rated separately based on claims experience. Currently five firms participate in the program.

A schedule summarizing the AM Best and S&P ratings of all the insurers on the excess and international programs was included in the hand-out materials. Also included was a rate summary going back to 2001 which highlights the decrease in rates since 2004.

With respect to non-CLLAS renewals that Pro-Form handles, Mr. Wilson advised that firms without claims activity are seeing rate increases of 10-15%.

Mr. Wilson indicated that firms will be renewed based on expiring limits, unless he is advised otherwise. He then left the meeting.

## **7. Reinsurance Renewal**

Ryan Durrell reported on the reinsurance renewal.

### *Reinsurance Renewal*

The Board received a copy of a June 18, 2019 report on the placement. The primary renewal objective for this year was to achieve the best renewal terms possible for CLLAS members given the current market conditions.

The effect of the Lloyd's initiatives has been a material impact not only on the Lloyd's market but the entire insurance market as it has signalled to others that a more principled approach to underwriting is necessary.

The proposed renewal terms were a 12.5% increase on the primary layer and 5% on the optional excess and umbrella layers. This was met with mixed reaction. Some markets indicated support for the proposed terms but were likely doing so in the expectation that the lead would seek more. The most difficult discussions were with Argo, the lead on the primary layer. Argo's actuary suggested a 70% increase. Argo's underwriters were working hard with assistance from both Axxima and Miller to provide rationale to temper the actuaries' view. After difficult and prolonged discussions, Argo has agreed to a 17.5% increase. This rate will be accepted by the following markets. He advised that two syndicates, who participated on CLLAS, have had to exit the professional liability market as a result of the Lloyds audit, but that this capacity was being replaced. He advised that he expected no substantive changes to the CLLAS insurance or reinsurance structures being proposed, however, due to the potential loss of some capacity we are preparing for a small increase in Colchester's participation.

Mr. Durrell noted that the cost of reinsurance is still well below the actuarially projected loss costs. Even with the increases this year it makes sense to continue to purchase reinsurance vs retaining the risk ourselves.

The hardening market, which has been rumoured for many years, seems finally to have arrived.

#### *Surplus Position and Impact on 2019/20 Premium*

CLLAS' surplus position at December 31, 2018 was \$12,330,000. In considering the appropriate surplus level for CLLAS, it is important to take into account regulatory requirements and surplus attributable to departed. Taking all factors into consideration, there is \$5.1 million of available, or "free" surplus. CLLAS' actuary recommends the application of \$700,000 of surplus towards premium credits for 2019/2020, which is the same amount as in the previous two years.

The OFSI rules with respect to security required from unlicensed reinsurers will be changing effective January 1, 2020. The margin required under a Reinsurance Security Agreement (such as the one CLLAS has in place with Colchester) will be increased from 15% to 20%. There was some discussion about the need to retain adequate surplus, not only to address the current retention levels but also to account for the possibility of CLLAS retaining more risk in the future. The Board agreed that the return of a certain amount of surplus was appropriate to smooth premium increases but that it should be at a level that is sustainable for the next three or four years.

**It was moved by Gordon Goodman and seconded by David Morritt that the 2019/20 premium rate be set at 20% increase including the distribution of surplus by way of premium credit for 2019/20 of \$700,000 be approved. The motion was carried unanimously.**

#### *Update on Associate Firm Initiative*

With the change in the market conditions, it appears CLLAS will be well positioned to be able to provide competitive quotes and it will be interesting to see how those discussions go in the new year.

#### *Confirmation of Rate Setting Policy*

CLLAS' Rate Setting Policy was adopted five years ago and is due for a review. The current policy was distributed with the Board material and there are no suggested changes.

**It was moved by Donald Milner and seconded by Gordon Goodman to confirm CLLAS' Rate Setting Policy of July 1, 2014. The motion was carried unanimously.**

## **8. Report of the General Manager's Office**

Mr. Mahoney reported.

### *Financial Statements Quarter Ending March 31, 2019*

CLLAS's financial management report for the three months ended March 31, 2019 was included with the meeting materials.

CLLAS experienced a small underwriting gain (premiums minus claims and expenses) of \$143,000 first three months of 2019. After taking into account investment income (including unrealized gains arising during the quarter) CLLAS' total comprehensive income was just over \$349,000. At March 31, 2019, CLLAS had a surplus of \$12.6 million. Expenses to date are slightly under budget.

The key regulatory solvency test that CLLAS is required to comply with is known as the Alberta Maintenance of Reserve and Guarantee Fund ("AMRGF"). CLLAS must maintain "cash and approved securities" in excess of the reserve fund plus the guarantee fund required by the Alberta regulator. The AMRGF required for CLLAS at March 31, 2019 was \$8.24 million. CLLAS' cash and approved securities are well in excess of the minimum requirement.

CLLAS also monitors its Minimum Capital Test ratio. At March 31, 2018, CLLAS' MCT ratio is estimated to be 707%, well above CLLAS' minimum internal requirements of 210% and slightly above the December 31, 2018 result of 496%.

Mr. Mahoney also referred the Board to the risk metrics, Exhibit V, monitored by CLLAS on a quarterly basis. The results for March 31, 2019 are within CLLAS' risk tolerances with the exception of an operational change on Line 12 of the metrics relating to the change over of the lead audit partner both at year end and again in the first quarter of 2019. These metrics will be reviewed as part of the ORSA review taking place this Fall.

### *Business Plan for Regulator – FY19 to FY21*

The Business Plan, which has been filed with the regulator, was included with the Board materials and is for the period December 31, 2019 to December 31, 2021.

### *ORSA Risk Evaluation*

The regulator requires that a full ORSA be undertaken every three years. CLLAS' first ORSA report was prepared over the course of 2015 and the ORSA report was adopted in February 2016. In 2017 and 2018 the Board on managements recommendation concluded that there had been no material change to CLLAS' risk profile. Over the period, adjustments were made to CLLAS's risk metrics and CLLAS' internal surplus target was confirmed as appropriate.

The steps to complete the ORSA for 2019 were included in the June 14, 2019 memorandum in the Board package with the full ORSA report proposed to be available for adoption by the Board at their December 2019 meeting. The key elements for discussion are CLLAS' risk appetite, the description of CLLAS' material risks and the quantitative evaluation of those risks. Proposed changes were documented in the Board material the main one being to consolidate the various

investment risks under one category. After discussion, the Board agreed with the proposed changes and confirmed the risk evaluations in the memo.

**9. Committee Reports**

*Report of the Audit Committee*

Gordon Goodman reported. The Committee met on February 14, 2019 and that report was provided to the Board at their February meeting. No further report was required.

*Report of the Claims Committee*

Bill Scott reported. The Committee continues to meet quarterly in person, and as needed by phone and email. The next meeting is scheduled for early July 2019.

*Report of the Risk Management Committee*

Julia Holland reported. The firm audits will get underway in the next year. John Walker will lead the audit and is in the process of updating some of the questions. The Associates firms will again be part of the audit review.

*Report of the Policy Committee*

Don Milner reported. There is currently no new activity.

**10. Other Business**

*Report of the Investment Manager at March 31, 2019*

The report of the investment manager was included with the Board materials for information.

*Updated Committee membership*

An updated committee list was provided. Of note is that Margret McNee has joined the Audit committee upon Carol Lyons' retirement. CLLAS requires a new member for the Risk Management Committee with Dan McDonald's retirement.

There was no other business.

**11. Next Meeting**

The next scheduled meeting of the Board will be on September 10, 2019.

There being no further business, the meeting was terminated.

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Chairman

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Secretary



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## PRIVATE AND CONFIDENTIAL

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**Date:** September 3, 2019

**To:**

David Morritt	Donald Milner
Robert Love	Gordon Goodman
Mike Swartz	Ken Crofoot
Julia Holland	Melanie Koszegi
William Scott	Margaret McNee

**From:** Patrick Mahoney, Ryan Durrell and Christopher Marley

**Re:** **Report on the CLLAS Reinsurance Renewal Placement for July 1, 2019/2020 and Rates for CLLAS Members**

The purpose of this report is to provide the CLLAS Board with a final summary of the renewal, including the rating and reinsurance placement for July 1, 2019/2020. For ease of reference, we have attached the following exhibits:

- A. CLLAS Limit Structure
- B. Reinsurance and Colchester Retrocession Structure Overview
- C. Current Rate Structure and Participation by Reinsurer – Proportional and Aggregate Stop-Loss Reinsurance for CLLAS
- D. Current Rate Structure and Participation by Retrocessionaire – Proportional and Aggregate Stop-Loss Retrocession for Colchester

### Highlights

CLLAS' reinsurance was successfully renewed. As indicated in our report to the Board in June, the main objectives for the July 1, 2019/2020 renewal were:

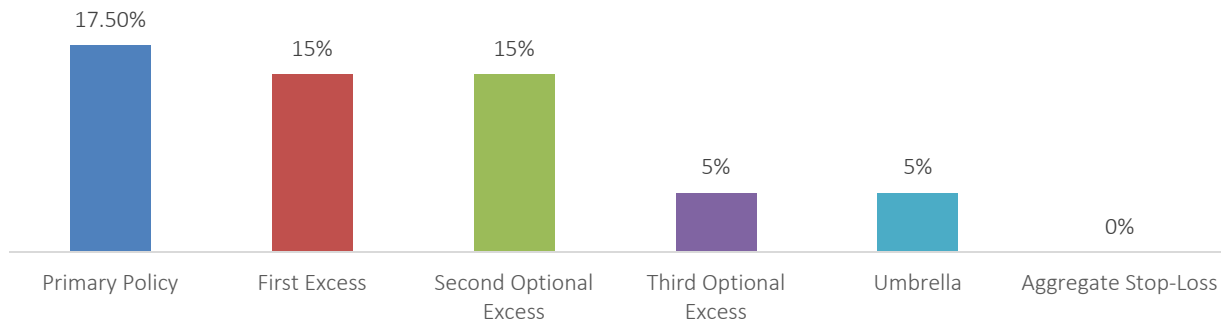
- Obtaining the best renewal terms possible given current (re)insurance market conditions;
- Attract new markets;
- Maintain existing reinsurer relationships; and
- Continue to evaluate ability to distribute surplus to members through premium credits.

We are very pleased to say that we were able to meet the objectives and all reinsurance placements were bound for renewal.

As reported at the June 2019 board meeting, the renewal was very challenging. We arrived at final reinsurance rates only days before the June meeting, leaving a short period of time to firm up placements with all the markets.

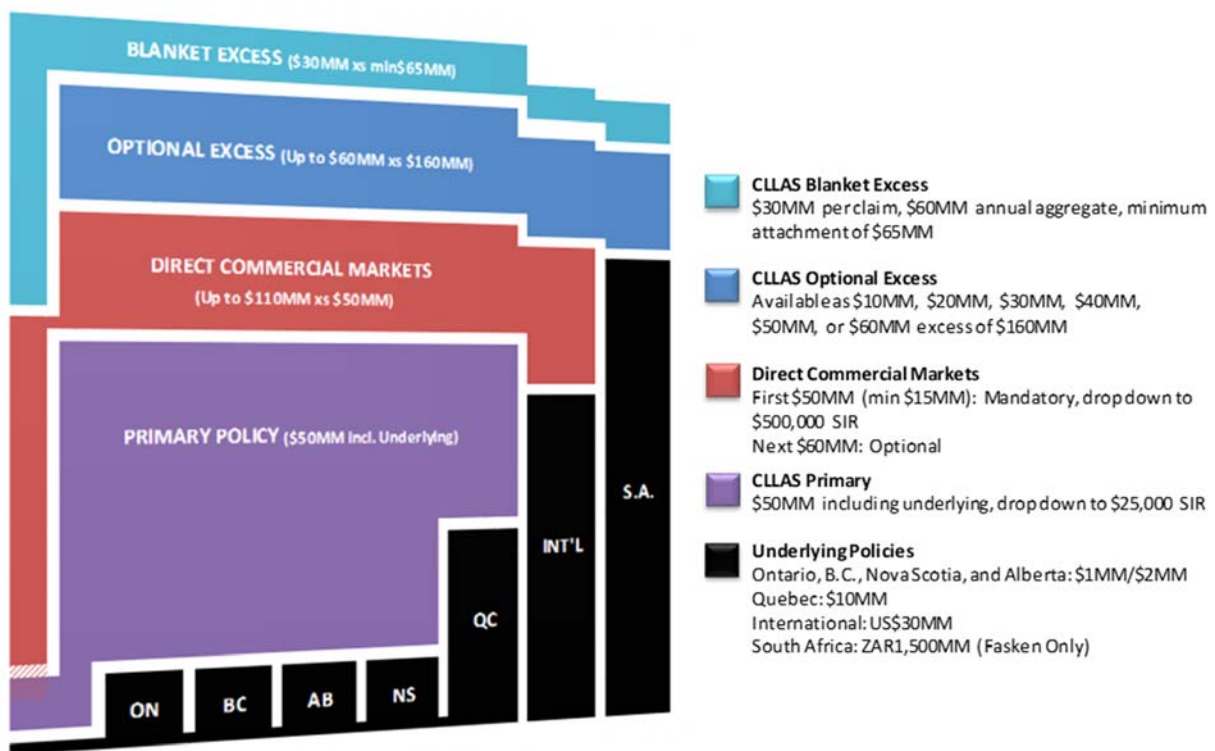


Ultimately, the reinsurance rate changes were as follows:



The CLLAS board agreed to increase CLLAS rates by 20% in all CLLAS layers, which required a continued distribution of CLLAS surplus of \$700,000, and a required a distribution of surplus via premium credits by Colchester of \$1.2MM. Colchester's distribution was reduced by a little over 25% from the \$1.62MM distribution made in the 2018/2019 policy year, which is why CLLAS' premium increase was greater than the reinsurance rate increases.

CLLAS insurance structure as of July 1, 2019 remains unchanged and is depicted below. Please also see Exhibit A for a more detailed insurance structure chart.





Reinsurance and renewal details, by policy/reinsurance agreement are as follows:

**CLLAS Primary Policy (Reinsurance Layer 1)**  
**\$50M per Claim and in the Annual Aggregate**

The CLLAS Primary Policy provides coverage per firm of \$50M per claim and in the annual aggregate, including any underlying coverage provided by the respective law society and/or other mandatory insurance and/or any other insurance arranged on behalf of the firm. In Quebec, the Primary Policy is excess of the Quebec mandatory limit of \$10M. If there is no underlying insurance, then CLLAS would provide \$49.975M of coverage excess of \$25,000 deductible. CLLAS retains 100% of the drop-down exposure of up to \$975,000 per claim.

Reinsurance Markets: Argo (lead), Amlin, Antares, Allianz, Axis Re, Vibe, and Colchester

Reinsurance Structure: 100% reinsured

- 77% of this layer is proportionally reinsured with Lloyd's and other reinsurers (decreased by 3% over last year).
- 23% is reinsured with Colchester (increased by 3% over last year). Colchester's involvement is then layered and retroceded to various markets. A portion of Colchester's participation is not transferred to other markets and is retained by Colchester.

The reinsurance structure for this layer, inclusive of Colchester's participation with retrocession details, can be found in Exhibit B.

Reinsurance Limit: \$49M aggregate per firm excess of \$1M aggregate per lawyer

Reinsurance Rates: \$1,871 per lawyer (\$834 per Quebec lawyer)/\$468 per P&T agent

Colchester applied additional premium credits to reduce its reinsurance rates to \$1,482 per lawyer (\$661 per Quebec lawyer)/\$749 per P&T agent

Insurance rates: CLLAS members were charged \$2,327 per lawyer (\$1,062 per Quebec lawyer) and \$582 per patent & trademark agent to cover the expected loss costs, administration costs and premium taxes related to the CLLAS drop-down retention. The rates were increased by 20% over last year.

CLLAS Retention: Nil other than 100% of the drop-down exposure of up to \$975,000 per claim. Colchester retained 25% of the \$4MM xs of \$1MM layer of coverage, or \$920,000. The combined CLLAS/Colchester retention is therefore \$1,895,000.



**First Excess Policy (Reinsurance Layer 2)**  
**Between \$15M and \$50M Aggregate xs \$50M Aggregate**

CLLAS has a 5% participation on this layer of coverage. Firms have the option of purchasing limits between \$15M and \$50M. One firm purchased the limit of \$30M while the remaining firms purchased the maximum limit of \$50M.

Reinsurance Markets: Swiss Re (via Westport Insurance Corporation)

Reinsurance Structure: 100% reinsured

Reinsurance Limit: Between \$15M and \$50M aggregate per firm excess of the CLLAS Primary Policy

Reinsurance Rates: \$244 per lawyer for limit of \$30M  
\$353 per lawyer for limit of \$50M

Insurance rates: CLLAS members were charged \$271 per lawyer and \$392 per lawyer for policies with limits of \$30M and \$50M, respectively. The rates were increased by 15% over last year.

CLLAS Retention: Nil

**Optional Second Excess Policy (Reinsurance Layer 3)**  
**\$60M Aggregate xs \$100M Aggregate**

CLLAS has a 5% participation on this layer of coverage, which is entirely reinsured. Nine of the ten CLLAS firms purchased this layer of coverage.

Reinsurance Markets: Swiss Re (via Westport Insurance Corporation)

Reinsurance Structure: 100% reinsured

Reinsurance Limit: \$60M aggregate per firm excess of \$50M aggregate per firm excess of the CLLAS Primary Policy

Reinsurance Rates: \$313 per lawyer

Insurance rates: CLLAS members were charged \$348 per lawyer. The rates were increased by 15% over last year.

CLLAS Retention: Nil



#### **Optional Third Excess Policy (Reinsurance Layer 4)**

##### **Up to \$60M Aggregate xs \$160M Aggregate**

Firms have the option of purchasing limits between \$10M and \$60M in increments of \$10M. All firms purchasing this policy purchase the maximum limit of \$60M. Only one firm did not purchase this policy.

Reinsurance Markets: Brit (Lead), Acappella, Endurance, Faraday, Markel, Pembroke, Probitas, Amtrust, Allied World, Axis Re, HDI Global Specialty SE, Royal & Sun Alliance, Swiss Re (via Westport Insurance Corporation), and Colchester

Note: Colchester fully retrocedes its participation to Munich Re

Reinsurance Structure: 100% reinsured

Reinsurance Limit: Between \$10M and \$60M (in increments of \$10M) aggregate per firm excess of \$110M aggregate per firm excess of the CLLAS Primary Policy

Reinsurance Rates: \$150 per lawyer/\$38 per patent & trademark agent

Insurance rates: CLLAS members were charged \$176 per lawyer and \$44 per patent & trademark agent. The rates were increased by 20% over last year.

CLLAS Retention: Nil

#### **CLLAS Umbrella Policy (Reinsurance Layer 5)**

##### **\$30M per Claim/\$60M Aggregate All Firms Combined xs Minimum of \$65M per Firm**

This policy is shared by all CLLAS firms.

Reinsurance Markets: Brit (Lead), Beazley, Catlin, Faraday, Markel, Pembroke, Amtrust, Allied World, HDI Global Specialty SE, and Swiss Re (via Westport Insurance Corporation)

Reinsurance Structure: 100% reinsured

Reinsurance Limit: \$30M per claim/\$60M aggregate all firms combined excess of a minimum of \$65M per firm

Reinsurance Rates: \$75 per lawyer/\$19 per patent & trademark agent

Insurance rates: CLLAS members were charged \$89 per lawyer and \$22 per patent & trademark agent. The rates were increased by 20% over last year.

CLLAS Retention: Nil



### **CLLAS Aggregate Stop-Loss Reinsurance Agreement** **\$10M xs \$5M**

This reinsurance agreement with Colchester provides CLLAS with reinsurance of all aggregate losses retained by CLLAS excess of \$5M up to a limit of \$10M.

Reinsurance Markets: Colchester

Note: Colchester purchases its own aggregate stop-loss retrocession cover of \$15M xs \$3M from Swiss Re and Catlin

Reinsurance Structure: 100% reinsured

Reinsurance Limit: \$10M in the annual aggregate xs of \$5M in the annual aggregate

Reinsurance Rates: \$22.80 per lawyer/\$5.70 per patent & trademark agent

Insurance rates: Not applicable

CLLAS Retention: Nil

*Note: For all CLLAS policies (reinsurance layers 1, 4, and 5), certain non-lawyer consultants, depending on risk, are charged the lawyer rate or the patent & trademark agent rate as appropriate.*

### **Reinsurance Security**

Reinsurers' security ratings remain within the guidelines laid out by CLLAS' Reinsurance Policy and CLLAS maintains a rigorous security monitoring process which the Audit Committee continues to oversee.

### **Reinsurance Overview**

The following table compares the 2019/2020 reinsurance allocation to those of 2018/2019:

	London		Domestic		Colchester	
	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019
Reinsurance Layer 1	70%	75%	7%	5%	23%	20%
Reinsurance Layer 2	Nil	Nil	100%	100%	Nil	Nil
Reinsurance Layer 3	Nil	Nil	100%	100%	Nil	Nil
Reinsurance Layer 4	55%	32.5%	35%	60%	10%	7.5%
Reinsurance Layer 5	55%	55%	45%	45%	Nil	Nil

*Note: One Bermuda reinsurer is included under "Domestic".*



Due to the hardening market, especially at Lloyd's, we lost two Lloyd's syndicates from the reinsurance program (Hamilton and Pioneer). As a result, Lloyd's capacity on Reinsurance Layer 1, decreased. We also lost some of our support from Swiss Re (via Westport Insurance Corporation) on Reinsurance Layer 4, resulting in an increase in London capacity over last year in that layer. In large measure, our ability to complete this year's renewal was due to the overcapacity we had stored over the past several years, highlighting the importance of continuing to introduce new reinsurers and maintain relationships with existing reinsurers.

Please refer to Exhibits C and D for more details on the participating reinsurers and retrocessionaires and their percentages.

### **Changes to Reinsurance Contracts**

There are no material changes to the reinsurance contracts this year.

### **Expectations for the Next Reinsurance Renewal**

In our view, market conditions for the next renewal will be driven primarily by three factors:

1. Lloyd's business plan reviews and approvals

According to underwriters we have met with recently, expectations are that Lloyd's will continue to restrict premium volumes in professional lines, allowing for modest capacity increases at most. Lloyd's will be looking to see evidence that measures taken in 2019 are providing positive results. Unfortunately, the claims development tail on professional indemnity business is generally expected to be 7 to 9 years, meaning that this could be a protracted period of restricted capacity in the London market.

2. Reinsurance rates

Insurers, including Lloyd's syndicates, renew their own reinsurance contracts around January 1, 2020. Only then will they have a complete picture of their total cost base for the coming year. Bad catastrophe losses, especially through hurricane season in the fall, or continued negative development in other claims areas (most notably construction claims), may result in rising reinsurance costs which will add further upward pressure on reinsurance rates. Conversely, positive developments may help ease rates.

3. Domestic market appetite

Thus far, domestic markets have been behaving somewhat erratically. Some have embraced the Lloyd's "technical hardening" of the market, while others are seeing this market as an opportunity to be competitive and acquire new accounts. A softer domestic market may put some downward pressure on renewal rates next year. However, if domestic markets more consistently take the same view as Lloyd's, we may see a more pronounced reinsurance market contraction next year.

One positive is that these three factors will impact the whole market, not just CLLAS. Barring any further negative claims development, CLLAS should be well positioned to remain comparatively strong relative to stand-alone



firms and traditionally brokered programs. We will continue to monitor the marketplace and expect to begin formulating the reinsurance renewal strategy for 2020 some time in the late winter with the guidance of the audit committee's recommendations following its review of the reinsurance security report in the fall.

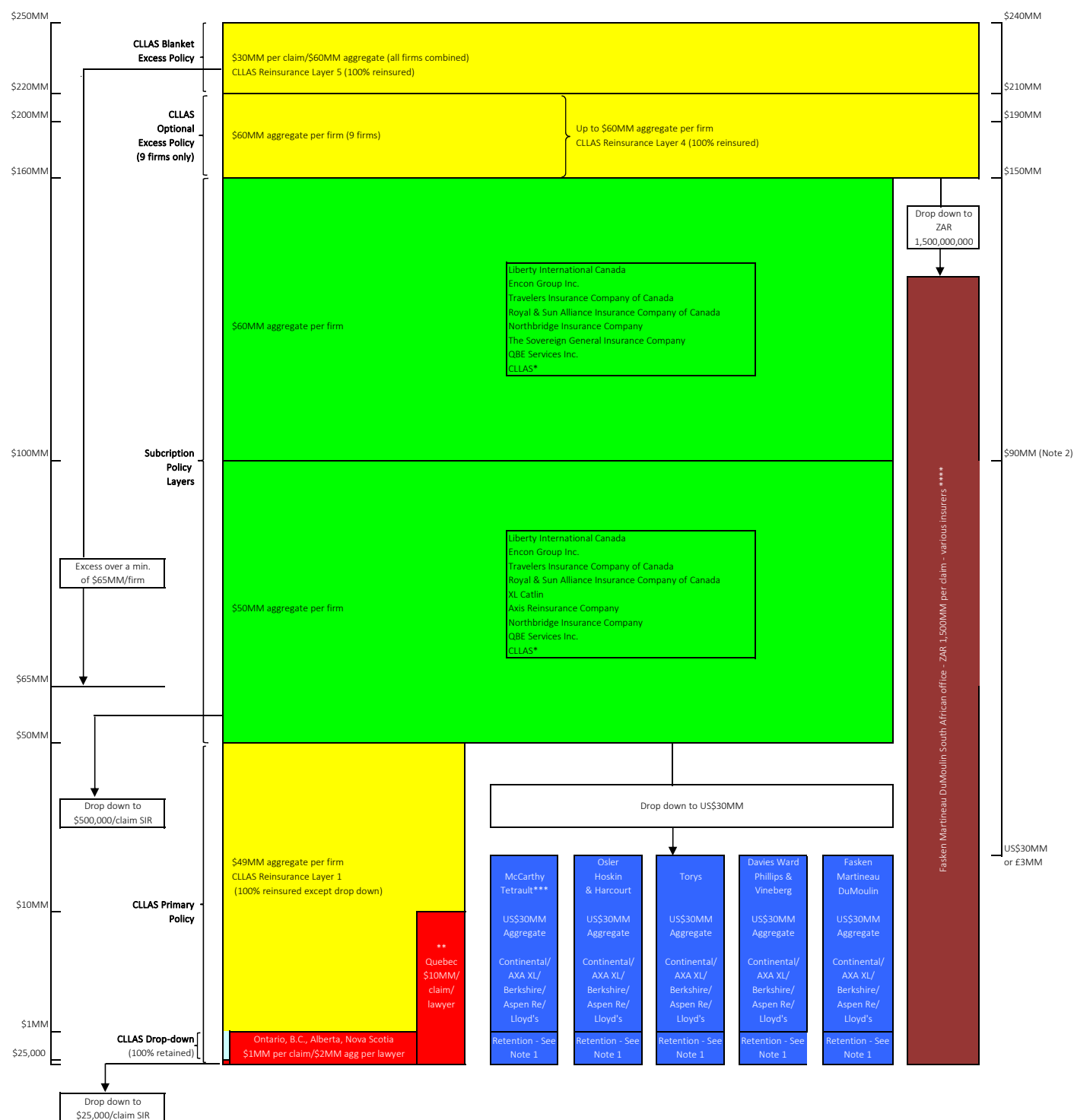
### **Concluding Remarks**

The above summarizes the insurance and reinsurance programs that have been put in place for the July 1, 2019/2020 policy year. While we had hoped for more favourable results, CLLAS' overall results are in line with general market indications for similar risks.

As we begin to formulate longer-term strategies for the coming years in the face of a potential prolonged hard (or at least harder) insurance and reinsurance market, we are looking to balance holding onto historically low rates, preservation of meaningful surplus to fund future risk retention, and maintenance of long-term relationships with reinsurers to ensure that CLLAS continues to provide member firms with outstanding service at market-competitive premiums.

Encl.  
Ad-Bd\_1909\_Final Report to Board re 2019-20 Reins Placement

**CLLAS LIMIT STRUCTURE**  
**JULY 1, 2019 - JULY 1, 2020**

**Canadian Exposures****Foreign Exposures**

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

\* CLLAS Reinsures 100% of its participation in these layers.

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

\*\*\* The policy runs from September 30 to September 30.

\*\*\*\* The policies run from February 1 to February 1.

Note 1: Retentions based on locations of the risk as follows:

U.S. - US\$200,000 for Torlys and DWPV, US\$150,000 for Fasken and Osler, US\$50,000 for McCarthy; U.K. - US\$75,000 for McCarthy, US\$350,000 for Fasken; Elsewhere in the world - US\$50,000

Patent & Trademark work for McCarthy Tetrault only - US\$50,000 worldwide

Note 2: Assume underlying limit of US\$30MM equivalent to \$40MM.

CLLAS Primary Policy Underlying

Direct Commercial Market

CLLAS Retained

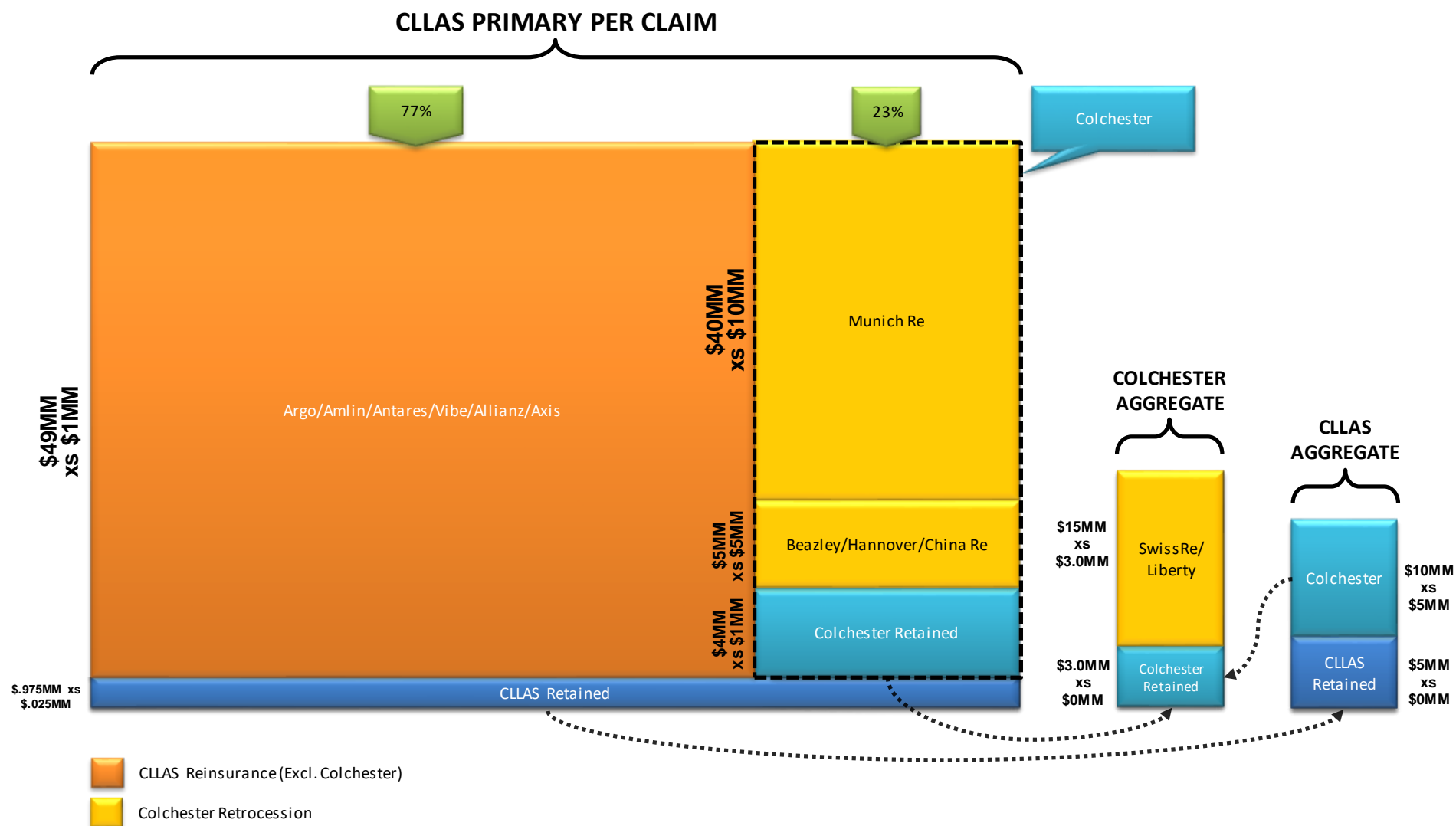
CLLAS International Program

Reinsured Portion

Dedicated Underlying Policies for Fasken Martineau DuMoulin's South African office

## CLLAS

## Reinsurance and Colchester Retrocession Structure Overview (2019/2020)





COLCHESTER REINSURANCE LTD.		2019-2020 REINSURANCE CASH FLOW/PAYMENT SCHEDULE - INFORMATION AS AT JULY 1, 2019 \1															Exhibit D
		LAYER 1		LAYER 2		LAYER 3				AGGREGATE							
		\$5MM XS \$5MM		\$40MM XS \$10MM		Up to \$60MM XS \$160MM				\$15MM XS \$3.0MM							
						\$40MM XS \$160MM		\$60MM XS \$160MM									
REINSURERS		SHARE	PREMIUM	SHARE	PREMIUM	SHARE	PREMIUM	SHARE	PREMIUM	SHARE	PREMIUM		DUE	DUE	DUE	DUE	DUE
													JUL.15, 2019	SEP. 1, 2019	OCT. 1, 2019	JAN.1, 2020	APR. 1, 2020
																	GRAND TOTAL
TOTAL PROPORTIONAL		100.00%	\$1,034,477	100.00%	\$3,254,608	100.00%	\$0	100.00%	\$591,438	100.00%	\$219,050						\$5,099,573
CLLAS PROPORTIONAL		77.00%	\$796,547	77.00%	\$2,506,048	90.00%	\$0	90.00%	\$532,294	0.00%	\$0						\$3,834,889
RETENTION																	
COLCHESTER PROPORTIONAL		0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0						\$0
RETENTION																	
OTHER REINSURANCE		0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0						\$0
PROPORTIONAL REINSURERS																	
Lloyd's		12.00%	\$124,137	0.00%	\$0	0.00%	\$0	0.00%	\$0	20.00%	\$43,810			\$41,987	\$41,987	\$41,987	\$41,987
AFB 623 / 2623		9.00%	\$93,103											\$23,276	\$23,276	\$23,276	\$23,276
LIB4472										20.00%	\$43,810			\$10,953	\$10,953	\$10,953	\$10,953
ChinaRe2088		3.00%	\$31,034											\$7,759	\$7,759	\$7,759	\$7,759
London Companies		11.00%	\$113,792	23.00%	\$748,560	10.00%	\$0	10.00%	\$59,144	80.00%	\$175,240			\$274,184	\$274,184	\$274,184	\$274,184
Hannover Re		11.00%	\$113,792											\$28,448	\$28,448	\$28,448	\$28,448
Munich Re - UK Branch				23.00%	\$748,560	10.00%	\$0	10.00%	\$59,144					\$201,926	\$201,926	\$201,926	\$201,926
Swiss Re International SE										80.00%	\$175,240			\$43,810	\$43,810	\$43,810	\$43,810
Total London Market		23.00%	\$237,930	23.00%	\$748,560	10.00%	\$0	10.00%	\$59,144	100.00%	\$219,050			\$316,171	\$316,171	\$316,171	\$316,171
Payable to Miller														\$316,171	\$316,171	\$316,171	\$316,171
Canadian Companies		0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0		\$0	\$0	\$0	\$0	\$0
None																	
TOTAL PROPORTIONAL REINSURERS		23.00%	\$237,930	23.00%	\$748,560	10.00%	\$0	10.00%	\$59,144	100.00%	\$219,050		\$0	\$316,171	\$316,171	\$316,171	\$316,171
PROPORTIONAL REINSURANCE																	
Rate per Lawyer		\$330.00		\$838.00		\$110.00		\$150.00		\$56.40							
Rate per Quebec Lawyer		\$0.00		\$838.00		\$110.00		\$150.00		\$56.40							
Total # Lawyers other than Quebec at 6/15/19		3117.95		3117.95		0.00		3011.95		3117.95							
Total # Quebec Lawyers at 6/15/19		749.05		749.05		0.00		749.05		749.05							
Total # Lawyers practising foreign law at 6/15/19		0.00		0.00		0.00		165.00		0.00							
Total # NLC at Lawyer Rate at 6/15/19		4.00		4.00		0.00		4.00		4.00							
Rate per P&T Agent		\$83.00		\$210.00		\$28.00		\$38.00		\$14.10							
Total # P&T Agents at 6/15/19		34.00		34.00		0.00		34.00		34.00							
Total # NLC at P&T Rate at 6/15/19		17.00		17.00		0.00		17.00		17.00							
NLC = Non-lawyer Consultant																	
NOTE: \1 This is an information document, not an accounting ledger.																	



# MEMORANDUM

DATE: August 9, 2019  
TO: CLLAS Advisory Board  
FROM: Patrick Mahoney  
COPY:  
RE: June 30, 2019 Financial Management Report

---

CLLAS' financial management report for the six months ended June 30, 2019 is attached. Included are the following exhibits:

Exhibit I:	Statement of Financial Position
Exhibit II:	Statement of Comprehensive Income
Exhibit III:	Statement of Changes in Equity
Exhibit IV:	Budget Variance Analysis
Exhibit V:	Summary of Risk Metrics
Exhibit VI:	Alberta Maintenance of Reserve and Guarantee Fund

## Financial Results

As shown on Exhibit II, CLLAS experienced an underwriting gain (premiums minus claims and expenses) of \$23,000 for the quarter, with a total comprehensive gain (after taking into account realized and unrealized gains/losses on the investment portfolio) of \$357,000. Claims development has been slightly favourable and expenses are somewhat lower than last year.

As shown on Exhibit I, CLLAS' surplus at June 30, 2019 stood at just under \$12.6 million.

The Budget Variance (Exhibit IV) shows that expenses were about \$120,000, or 9.5%, under budget for the first six months. Axxima fees are well under budget and many of the other budget lines are slightly under budget.

## Risk Metrics

Exhibit V presents the results of various "risk metrics" monitored by CLLAS based on what have been identified through the ORSA process as its material risks. The Exhibit shows the year-end results for 2017 and 2018, and the June 30<sup>th</sup> result of 2019, against risk targets and risk limits. While the results at June 30, 2019 exceed CLLAS' risk targets for a number of metrics (as discussed below), the results are all within CLLAS' risk limits. Items of note include:



- Line 4: As has been discussed as part of CLLAS' Reinsurance Security Report, a couple of CLLAS reinsurers have A- ratings with AM Best and/or S&P.
- Line 5: Again as noted as part of CLLAS' Reinsurance Security Report, the Argo Syndicate (Lloyds) reinsures 12.7% of CLLAS' total liabilities. Argo's participation on the CLLAS program has reduced in recent years and this percentage is down marginally from 2017r (when it was 12.8%).
- Line 10a: CLLAS exceeds its risk target slightly for its exposure to a Schedule I bank. This is not a concern.
- Line 12: CLLAS exceeded its limit in turnover of key advisors with the changeover in Principal Attorney and lead audit partner in 2018. The lead audit partner changed again in the first quarter of 2019. The list of key advisors is shown in note (12). All roles were transitioned properly and no concerns are noted. As previously indicated, the way this risk metric is defined makes it somewhat difficult to assess and this will be addressed as part of the ORSA process currently underway.
- Line 13: The key regulatory solvency test that CLLAS is required to comply with is known as AMRGF. Details of this calculation are shown in Exhibit VI, with the result summarized in Exhibit V. CLLAS must maintain "cash and approved securities" in excess of the reserve fund plus the guarantee fund required by the Alberta regulator. Exhibit VI shows that the CLLAS held cash and approved securities well in excess of the AMRGF requirement at June 30, 2019.
- Line 14: CLLAS also monitors its Minimum Capital Test ratio. At June 30, 2019, CLLAS' MCT ratio was 690%. This is a considerable increase over recent results and is attributable to the reduction in gross case reserves resulting from recent claim file settlements. The result is well above CLLAS' internal target of 210%. Note that mid-year MCT calculations are done on a simplified basis in the interest of efficiency; the "official" MCT calculation is done at year-end.

Please contact me if you have any questions with respect to the statements or the risk metrics.

Sincerely,

Patrick Mahoney, General Manager

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**

**FINANCIAL MANAGEMENT REPORT**

# **CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**

## **QUARTERLY FINANCIAL MANAGEMENT REPORT**

**June 30, 2019**

### **CONTENTS**

Exhibit I	Statement of Financial Position
Exhibit II	Statement of Comprehensive Income
Exhibit III	Statement of Changes in Equity
Exhibit IV	Operating Budget Variance Analysis
Exhibit V	Risk Metrics
Exhibit VI	Alberta Maintenance of Reserve and Guarantee Funds

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2019**

	<b>As at June 30, 2019</b>	<b>As at June 30, 2018</b>
<b>ASSETS</b>		
Cash	5,647,618	4,288,441
Short term investments	7,225,181	9,795,812
Bonds	6,075,517	5,106,270
Interest income due and accrued	21,949	20,414
Premium receivable	-	-
Other receivable	-	-
Prepaid expenses	79,246	76,947
Deferred policy acquisition costs	0	0
Unearned reinsurance premium ceded	0	0
Reinsurance recoverable	525,696	319,730
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	55,883,000	96,738,000
	<u>75,458,206</u>	<u>116,345,614</u>
<b>LIABILITIES</b>		
Accounts payable & accrued charges	134,431	145,818
Premium taxes payable	-	-
Unearned premium	-	-
Due to reinsurers	-	1
Provision for unpaid claims and adjustment expenses	62,634,000	104,698,000
Premium deficiency liability	-	-
	<u>62,768,431</u>	<u>104,843,819</u>
<b>SUBSCRIBERS' EQUITY</b>		
Surplus	12,567,139	11,563,894
Accumulated Other Comprehensive Income (Loss)	122,636	(62,099)
	<u>12,689,775</u>	<u>11,501,795</u>
	<u>75,458,206</u>	<u>116,345,614</u>

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the Period Ending June 30, 2019**

	<b>Current Year</b>		<b>Prior Year</b>	
	<b>Quarter June 30, 2019</b>	<b>Year to Date June 30, 2019</b>	<b>Quarter June 30, 2018</b>	<b>Year to Date June 30, 2018</b>
Written Premium	-	-	-	-
Gross Written Premiums	-	-	-	-
Less: Reinsurance Ceded	-	-	-	-
Net Written Premiums	-	-	-	-
Change in Unearned Premiums	467,015	928,899	502,070	998,622
Earned Premiums	467,015	928,899	502,070	998,622
Claims Paid	11,477	500,206	(55,795)	(111,998)
Change in IBNR	41,000	(175,000)	118,000	50,000
Change in Case Reserve	(17,000)	(563,000)	-	(21,000)
Premium Deficiency Expense	-	-	-	-
Incurred Claims	35,477	(237,794)	62,205	(82,998)
Management and operating expenses	428,200	896,845	515,275	980,574
Reinsurance fees	69,750	139,500	69,750	139,500
Premium taxes	53,291	106,582	51,655	103,310
Total Operating Expenses	551,241	1,142,928	636,680	1,223,384
<b>Underwriting Gain (Loss)</b>	(119,703)	23,765	(196,815)	(141,764)
Investment Income	79,538	175,629	71,924	136,697
Income on Claim Related Matters	-	-	-	-
Interest Income on Premium Tax	-	-	-	-
<b>NET GAIN/(LOSS)</b>	<u>(40,165)</u>	<u>199,394</u>	<u>(124,892)</u>	<u>(5,067)</u>
<b>Other comprehensive income (loss)</b>				
Unrealized gains (losses) on available for sale financial assets arising during the year	47,429	157,226	(14,950)	(40,331)
Recognition of realized (gain) loss included in income	-	-	-	-
Other comprehensive income (loss) for the year	47,429	157,226	(14,950)	(40,331)
<b>Total comprehensive income (loss)</b>	<u>7,264</u>	<u>356,620</u>	<u>(139,842)</u>	<u>(45,398)</u>

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**  
**STATEMENT OF CHANGES IN EQUITY**  
**June 30, 2019**

	<b>Minimum Surplus</b>	<b>Additional Surplus</b>	<b>Unrealized gains and losses on AFS financial assets</b>	<b>Total Equity</b>
<b>Balance, beginning of year</b>	<b>50,000</b>	<b>12,317,745</b>	<b>(34,590)</b>	<b>12,333,155</b>
Prior year adjustment		-		-
<b>Comprehensive income (loss) for the year</b>				
Net gain (loss) for the year		199,394		199,394
<b>Other comprehensive income (loss)</b>				
Change in unrealized gain on available-for-sale assets			157,226	157,226
Recognition of realized (gain) loss on available-for-sale assets			-	-
<b>Total comprehensive income (loss) for the year</b>		<b>199,394</b>	<b>157,225</b>	<b>356,619</b>
Distribution of premium surplus		-		-
<b>Balance at June 30, 2019</b>	<b>50,000</b>	<b>12,517,139</b>	<b>122,636</b>	<b>12,689,775</b>

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**  
**STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS**  
**FOR THE PERIOD ENDED June 30, 2019**

	Annual Budget	Year to Date Budget %	Year to Date Budget \$	Year to Date Actual \$	Fav/(Unfav) Variance \$
<b>MANAGEMENT SERVICES*</b> (See Note 1)	501,500	50%	250,750	231,653	19,097
<b>PROFESSIONAL SERVICES</b>					
Actuarial Services	90,000	62%	55,800	64,505	(8,705)
Reinsurance Matters	300,000	62%	186,000	186,239	(239)
Strategic Matters	160,000	62%	99,200	34,192	65,008
Sub-Total Professional Services	550,000		341,000	284,936	56,064
GST/HST on Consulting Fees	136,695		76,927	67,157	9,771
<b>Total Management &amp; Professional Services *</b> (See Note 2)	<b>1,188,195</b>		<b>668,677</b>	<b>583,746</b>	<b>84,931</b>
<b>OTHER EXPENSES</b>					
Audit Expenses	117,000	50%	58,500	58,410	90
Annual Dinner	7,500	100%	7,500	4,731	2,769
Premium Taxes	224,000	50%	112,000	106,582	5,418
Chairman's Expenses	3,000	50%	1,500	-	1,500
Chairman's Honourarium	150,000	100%	150,000	150,000	-
Reinsurance Expense	8,500	100%	8,500	7,800	700
D&O Insurance	20,000	0%	-	-	-
Office Expenses	25,000	50%	12,500	6,190	6,310
Office Expenses - Scanning Offsite Files	38,000	100%	38,000	45,025	(7,025)
Claims: Bordereaux (LawPro/LIF)	16,800	82%	13,800	13,875	(75)
Special Services	25,000	50%	12,500	-	12,500
Miller Insurance Fees (Reins. Comm.) (See Note 3)	286,000	50%	143,000	139,500	3,500
I.B.C Statistical Plan Fees	3,000	50%	1,500	619	881
Assessment Fees	3,000	50%	1,500	2,000	(500)
Investment counsel fees	27,000	50%	13,500	12,618	882
Investment - Custodial	16,000	50%	8,000	8,331	(331)
Risk Management/Loss Prevention	15,000	50%	7,500	-	7,500
License Fee	5,000	80%	4,000	3,500	500
Insurance: Sundry	-		-	-	-
<b>Sub-total</b>	<b>989,800</b>		<b>593,800</b>	<b>559,181</b>	<b>34,619</b>
<b>TOTAL</b>	<b>2,177,995</b>		<b>1,262,477</b>	<b>1,142,928</b>	<b>119,550</b>

**\* NOTE 1: MANAGEMENT SERVICES**

The actual budget of \$604,00 has been reduced to \$501,500 as a result of Commissions on CLLAS associate program.

**\* 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	21%
Second Quarter, ending June 30th	41%
Third Quarter, ending September 30th	17%
Fourth Quarter, ending December 31st	21%
	<u>100%</u>

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

The annual budget is based upon the annual fee actual for the policy year 2018/2019 and estimated for the policy period 2019/2020.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY  
SUMMARY OF RISK METRICS  
June 30, 2019

Exhibit V

	Risk Category	Risk Metric	December 31, 2017	December 31, 2018	June 30, 2019	Target	Limit
(1a)	<b>Insurance</b>	Prior year development - Gross of reinsurance	-8%	15%	-6%	≤ 0%	> 20%
(1b)		Prior year development - Net of reinsurance	8%	-31%	-11%	≤ 0%	> 10%
(2a)		3-year net combined ratio	115%	114%	128%		
(2b)		3-year net combined ratio before surplus adjustments via premiums	91%	86%	83%	≤ 100%	> 125%
(3)		Maximum allocation to a single jurisdiction	60%	59%	59%	n/a	> 67%
(4)	<b>Reinsurance</b>	Reinsurer credit rating	A- to A+	A- to A+	A- to A+	≥ A	< A-
(5)		Maximum concentration with a single reinsurer excl. Colchester	12.8%	12.7%	12.7%	≤ 10%	> 15%
(6)	<b>Interest Rate</b>	Interest rate risk per MCT formula at 1.25%	\$198,000	\$289,000	\$197,000	≤ \$250,000	> \$600,000
(7)	<b>Liquidity</b>	Ratio of cash and short-term investments to gross claim liabilities	14%	13%	21%	≥ 15%	< 10%
(8)		Ratio of short term funds to total short & long term funds	70%	55%	54%	≥ 40%	< 20%
(9a)	<b>Asset Default</b>	Credit rating of invested assets	AA to AAA	AA to AAA	AA to AAA	AA to AAA	< A
(9b)		Credit rating of Bankers Acceptances and Certificates of Deposit	R1 - High	R1 - High	R1 - High	R1-High	< R1-High
(10a)		Maximum allocation to a single non-government security - Schedule I/II Banks	6.7%	7.6%	9.4%	< 7.5%	> 10%
(10b)		Maximum allocation to a single non-government security - Other	2.1%	2.7%	2.7%	< 3.75%	> 5%
(11)	<b>Strategic</b>	Annual Advisory Board turnover	0	2	1	≤ 2 members	> 4 members
(12)	<b>Operational</b>	Calendar year key management/advisor turnover	0	2	1	≤ 1 per 3 years	> 1 per year
(13)	<b>Regulatory Solvency Indicators</b>	AMRGF - Excess of cash and approved securities over required reserve and guarantee fund	\$7,749,500	\$6,765,000	\$10,974,000	\$3,500,000 to \$7,000,000	< \$3,500,000
(14)		MCT	451%	496%	690%	≥ 210%	< 210%

Notes

- (1) = Year-over-year change in ultimate losses / Prior year undiscounted unpaid claims (excl. ULAE)  
(2a) = [3-year net incurred losses + 3-year operating expenses] / [3-year net earned premiums]  
(2b) = (2a), where 3-year net earned premiums reflect actuary's indicated premium rates before surplus distributions  
(3) Based on insured lawyer counts  
(4) Based on A.M. Best. information from report on reinsurance security (October 31, 2018).  
(5) Based on claim liabilities exposure. Lloyds syndicates are assessed separately. 2017 information from report on reinsurance security (October 31, 2017); 2018 information from report on reinsurance security (October 31, 2018).  
(10) Maximum allocation does not consider cash and cash equivalents.  
(12) Includes principal attorney, general manager, accountant, auditor, actuary, reinsurance broker and excess insurance broker.

Color Code
Meets Target
Between Target and Limit
Exceeds Limit

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**  
**For the Period Ending June 30, 2019**

**ALBERTA MAINTENANCE OF RESERVE AND GUARANTEE FUNDS**  
 (Section 99 and 100)

	Current Year to Date 6/30/2019 (in \$000's)	Prior Year End 06/30/2018 (in \$000's)
<b><u>Reserve Fund</u></b>		
Premiums collected or credited having one year or less to run	(1) 7,391	7,138
Less: Amount paid to licensed reinsurers	(2) 5,465	5,075
Premiums collected with more than one year to run, less expired portion	(3) -	-
Less: Amount paid to reinsurers on premiums on line 3, less expired portion.	(4) -	-
Subtotal (lines 1, minus line 2, plus line 3, minus line 4)	(5) 1,926	2,063
Reserve Fund Required (50% of Line 5)	(6) 963	1,032
<b><u>Guarantee Fund</u></b>		
Total Liabilities	(7) 62,768	104,844
Less: Unearned Premiums	(8) -	-
Less: Recoverable from licensed reinsurers	(9) 55,806	95,729
Plus: Statutory Margin	(10) 50	50
Guarantee Fund Required (Line 7 minus Lines 8 and 9 plus line 10)	(11) 7,012	9,165
<b>TOTAL RESERVE &amp; GUARANTEE FUND REQUIRED (Line 6+11)</b>	(12) 7,975	10,197
Cash & Approved Securities	(13) 18,949	19,190
Excess of Cash & Securities over Reserve & Guarantee Fund (line 13 minus line 12)	(14) 10,974	8,994

# MEMORANDUM

DATE: September 3, 2019  
TO: CLLAS Advisory Board  
FROM: Patrick Mahoney  
COPY: Ken Crofoot  
RE: ORSA Risk Metrics Review

---

CLLAS adopted its first Own Risk and Solvency Assessment (ORSA) in February 2016. At that time, a series of metrics to monitor material risks were adopted. These metrics have since been presented in an exhibit attached to the management financial statements which are presented to the Board on a quarterly basis.

As CLLAS is currently undergoing its second ORSA, we have reviewed the current risk metrics exhibit and in this memo we propose a number of modifications aimed at enhancing the usefulness of the report to the Audit Committee and Board. Attached as Appendix I is the template for the proposed new exhibit. In reviewing that exhibit, you will notice that some of the risk metrics currently being monitored are not included. The rationale behind the deletion of specific metrics is set out in Appendix II; it follows the format of the current risk metrics exhibit and adds a column commenting on each individual metric.

The balance of this memo will present a “walkthrough” of the proposed new exhibit. The risk targets and limits presented in the exhibit will be confirmed as part of the ORSA quantitative analysis.

## General

- (1) **AMRGF – Excess Cash and Approved Securities over Reserve and Guarantee Fund** – No change to this metric, which is a key requirement under the *Alberta Insurance Act*.
- (2) **MCT Ratio** – No change to this metric, which is the primary solvency test applicable to insurers in Canada.
- (3) **Status of Governance Policies** – We propose that the General Manager provide a report to the Board once a year in September documenting the status of CLLAS’s governance policies and the proposed cycle for preparing/reviewing/confirming the policies (a matrix or set schedule of review would be set for each policy and communicated). The list of policies should generally follow OSFI’s requirements as adopted by the Alberta Superintendent, and would likely include:

- Defence Counsel Rates Policy
- Enterprise Risk Management Policy
- Investment Policy
- Outsourcing Policy
- Rate Setting Policy
- Reinsurance Risk Management Policy
- Surplus Management Policy
- Related Party Transactions Policy

## Insurance Risk

- (4) **Gross Loss Ratio** – The loss ratio represents the ratio of claims to premiums. It is a useful measure of performance of an insurance program. The gross loss ratio is calculated without the application of any reinsurance, and for this reason can be volatile from year to year due to large losses.

The previous risk metrics report presented a 3-year combined ratio before surplus adjustments; we propose changing the metric to the loss ratio for the year to date. The combined ratio is a measure of performance for claims and administrative costs combined – we propose separating these two concepts so that the loss ratio is monitored as part of the Insurance Risk category, and expenses vs. budget are tracked directly in the Premium & Strategy Risk category. As for reflecting surplus adjustments, we propose instead to adapt the target to allow for a higher loss ratio to reflect the fact that premiums are discounted in order to return surplus to members. Finally, the loss ratio would be presented alongside comparative figures in prior years in order to put this information in its proper context.

- (5) **Net Loss Ratio** – This represents the loss ratio after the application of reinsurance. The net loss ratio would typically be more stable from year to year as large claims would be ceded to reinsurers.
- (6) **Risk of Systemic Loss** – Systemic risk arises from dynamics which produce shocks or uncertainty faced by all (or in any event multiple) insureds. Examples could include an economic recession or an adverse court ruling on a limitations issue. The risk of systemic loss is a difficult matter to assess but it is worth the effort to try. A focused discussion would take place once per year in December. That discussion would then be summarized in a memo from the General Manager to the Board, which could be as simple as “no issues noted”.

## Premium & Strategy Risk

- (7) **Actual Expenses vs. Budget** – This metric tracks the variation of expenses from the budget as compiled in the quarterly management financial statements. Previously, expenses were tracked indirectly as part of the net combined ratio.

- (8) **State of the Market Outlook** – This metric would be assessed once a year in December following a report from the General Manager. The objective of the report would be to identify any industry trends that could put pressure on CLLAS premium rates, such as predatory pricing. This exercise would also be useful in the context of preparing for annual reinsurance negotiations.

## Reinsurance Risk

- (9) **Reinsurer Credit Rating** – No change to this metric.
- (10) **Maximum Concentration with a Single Reinsurer Excl. Colchester** – No change to this metric.

## Operational Risk

- (11) **Board Discussion of Prior Quarter Risk Metrics** – This metric ensures that the Board holds regular discussions on its key material risks. The General Manager would prepare a short accompanying memo to highlight any metrics in “yellow” and “red” zones. Such metrics as well relevant corrective measures, if necessary, should be discussed with the Board.
- (12) **Resiliency Capacity - People (redundancy, succession)** – This metric centers on business continuity/crisis management. The General Manager would report once per year in December. CLLAS’ status would be assessed by the Board on a five-point satisfaction scale.
- (13) **Resiliency Capacity – Data/Systems** – This metric centers on IT systems and data management. The General Manager would report once per year in December. CLLAS’ status would be assessed by the Board on a five-point satisfaction scale.
- (14) **Board Turnover in Last 12 Months** – No change to this metric, except to change “annual turnover” to “turnover in last 12 months” for clarity.
- (15) **Senior Management/Key Advisor Turnover in Last 36 Months** – No change to this metric, except to express it as the turnover over the last 36 months instead of on an annual basis. This change is proposed for added consistency with the adopted target turnover of 0 to 1, every 3 years.

## Investment Risk

- (16) **Investment Manager Compliance Statement** – The risk metrics report identifies whether the portfolio is in or out of compliance, with the latter case leading to Board disclosure and discussion. This change lead to the elimination of several metrics tracked in the current report which centered on investment policy compliance.

## Regulatory Risk

- (17) **Regulatory Outlook Report** – This metric focuses on the nature and pace of regulatory change. The General Manager would provide a report, once per year in December, identifying regulatory changes on the horizon and CLLAS’s ability to effectively deal with current and anticipated future regulatory requirements.

Risk Category	Risk Metric	Result 6/30/19	Green Zone (Meets Target)	Yellow Zone	Red Zone (Limit Exceeded)	Timing	Comment
General	(1) AMRGF - Excess of Cash and Approved Securities Over Regulatory Requirement	\$10,974,000	\$7M + 210% + Up to date	\$3.5M to \$7.0M n/a Items outstanding	Less than \$3.5M Less than 210% Materially behind schedule	Quarterly Quarterly September	Retained Retained New
	(2) MCT Ratio	690%					
	(3) Status of Governance Policies	New					
Insurance	(4) Gross Loss Ratio	New	Less than 150% Less than 50% Nothing on horizon	150% to 300% 50% to 100% Some concerns raised	300% + 100% + Adverse experience anticipated	Quarterly Quarterly December	New New New
	(5) Net Loss Ratio	New					
	(6) Risk of Systemic Loss	New					
Premium & Strategy	(7) Actual Expenses vs. Budget	New	Less than 105% Nothing on horizon	105% to 120% Some concerns raised	120% + Adverse experience anticipated	Quarterly December	New New
	(8) State of the Market Outlook	New					
Reinsurance	(9) Reinsurer Credit Rating	A- to A+	A or above Less than 10%	A- 10% to 15%	B+ and below 15% +	Annually Quarterly	Retained Retained
	(10) Maximum Concentration with a Single Reinsurer excl. Colchester	12.7%					
Operational	(11) Board Discussion of Prior Quarter Risk Metrics	New	Discussed corrective measures Score of 4 to 5 Score of 4 to 5 0 to 2 0 to 1	Received, but no discussion Score of 3 Score of 3 3 to 4 2 to 3	Not received Score of 1 to 2 Score of 1 to 2 5+ 4+	Quarterly December December Quarterly Quarterly	New New New Retained Retained
	(12) Resiliency Capacity - People (e.g. redundancy, succession)	New					
	(13) Resiliency Capacity - Data/Systems	New					
	(14) Advisory Board Turnover in Last 12 Months	1					
	(15) Key Management/Advisor Turnover in Last 36 Months	1					
Investments	(16) Investment Manager Compliance Statement	New	In compliance	Temporarily (or slightly) not in compliance	Consistently or materially not in compliance	Quarterly	New
Regulatory Compliance	(17) Regulatory Outlook Report	New	No significant issues noted	Issues being addressed	Significant issues outstanding	December	New

Risk Category	Risk Metric	Result 6/30/19	Target	Limit	Timing	Recommendation for 2020
Insurance	(1a) Prior year development - Gross of reinsurance	-6%	≤ 0%	> 20%	Quarterly	Delete as not providing useful info to Board
	(1b) Prior year development - Net of reinsurance	-11%	≤ 0%	> 10%	Quarterly	Delete as not providing useful info to Board
	(2a) 3-year net combined ratio	128%				
	(2b) 3-year net combined ratio before surplus adjustments via premiums	83%	≤ 100%	> 125%	Quarterly	Replace by loss ratio (insurance risk) and expenses vs. budget (premium/strategy risk)
	(3) Maximum allocation to a single jurisdiction	59%	n/a	> 67%	Annually	Delete as not providing useful info to Board
Reinsurance	(4) Reinsurer credit rating	A- to A+	≥ A	< A-	Annually	Retain
	(5) Maximum concentration with a single reinsurer excl. Colchester	12.7%	≤ 10%	> 15%	Quarterly	Retain
Interest Rate	(6) Interest rate risk per MCT formula at 1.25%	\$197,000	≤ \$250,000	> \$600,000	Quarterly	Delete as not providing useful info to Board
Liquidity	(7) Ratio of cash and short-term investments to gross claim liabilities	21%	≥ 15%	< 10%	Quarterly	Delete as dealt with in compliance statement
	(8) Ratio of short term funds to total short & long term funds	54%	≥ 40%	< 20%	Quarterly	Delete as dealt with in compliance statement
Asset Default	(9a) Credit rating of invested assets	AA to AAA	AA to AAA	< A	Quarterly	Delete as dealt with in compliance statement
	(9b) Credit rating of Bankers Acceptances and Certificates of Deposit	R1 - High	R1-High	< R1-High	Quarterly	Delete as dealt with in compliance statement
	(10a) Maximum allocation to a single non-government security - Schedule I/II Banks	9.4%	< 7.5%	> 10%	Quarterly	Delete as dealt with in compliance statement
	(10b) Maximum allocation to a single non-government security - Other	2.7%	< 3.75%	> 5%	Quarterly	Delete as dealt with in compliance statement
Strategic	(11) Annual Advisory Board turnover	1	≤ 2 members	> 4 members	Quarterly	Retain
Operational	(12) Calendar year key management/advisor turnover	1	≤ 1 per 3 years	> 1 per year	Quarterly	Retain
Regulatory Solvency Indicators	(13) AMRGF - Excess of cash and approved securities over required reserve and guarantee fund	\$10,974,000	\$3,500,000 to \$7,000,000	< \$3,500,000	Quarterly	Retain
	(14) MCT Ratio	690%	≥ 210%	< 210%	Quarterly	Retain

**Notes**

- (1) = Year-over-year change in ultimate losses / Prior year undiscounted unpaid claims (excl. ULAE)  
(2a) = [3-year net incurred losses + 3-year operating expenses] / [3-year net earned premiums]  
(2b) = (2a), where 3-year net earned premiums reflect actuary's indicated premium rates before surplus distributions  
(3) Based on insured lawyer counts  
(4) Based on A.M. Best. information from report on reinsurance security (October 31, 2018).  
(5) Based on claim liabilities exposure. Lloyds syndicates are assessed separately. 2017 information from report on reinsurance security (October 31, 2017); 2018 information  
(10) Maximum allocation does not consider cash and cash equivalents.  
(12) Includes principal attorney, general manager, accountant, auditor, actuary, reinsurance broker and excess insurance broker.

Color Code
Meets Target
Between Target and Limit
Exceeds Limit



## M E M O R A N D U M

**TO:** CLLAS Board  
**FROM:** Patrick Mahoney  
**RE:** Summary of CLLAS Governance Policies  
**DATE:** August 30, 2019

CLLAS has adopted a number of governance policies over the past few years. The table below summarizes the status of these policies together with the anticipated dates for on-going review and approval.

Policy	Status	Regulatory requirement for approval	Last Reviewed/ Approved	Next Review/ Approval
Reinsurance Risk Management	Adopted	Annual	Dec 2018	Dec 2019
Surplus	Adopted	Annual	June 2018	Dec 2019 /1
Investment	Adopted	Annual	Dec 2018	Dec 2019
Enterprise Risk Management	Adopted	Annual	Dec 2017	Dec 2019 /1
Rate Setting	Adopted		June 2019	June 2024
Outsourcing	Adopted		Dec 2017	Dec 2022
Related Party Transactions	Adopted	Annual /2	Dec 2017	Dec 2022

- /1 Review/approval of the Surplus and ERM Policies should be deferred to Dec/19 to be dealt with together with the updated ORSA Report.  
/2 The Superintendent has agreed to a review every five years for CLLAS' related party transaction policy.



Actuaries & Insurance Management Advisors

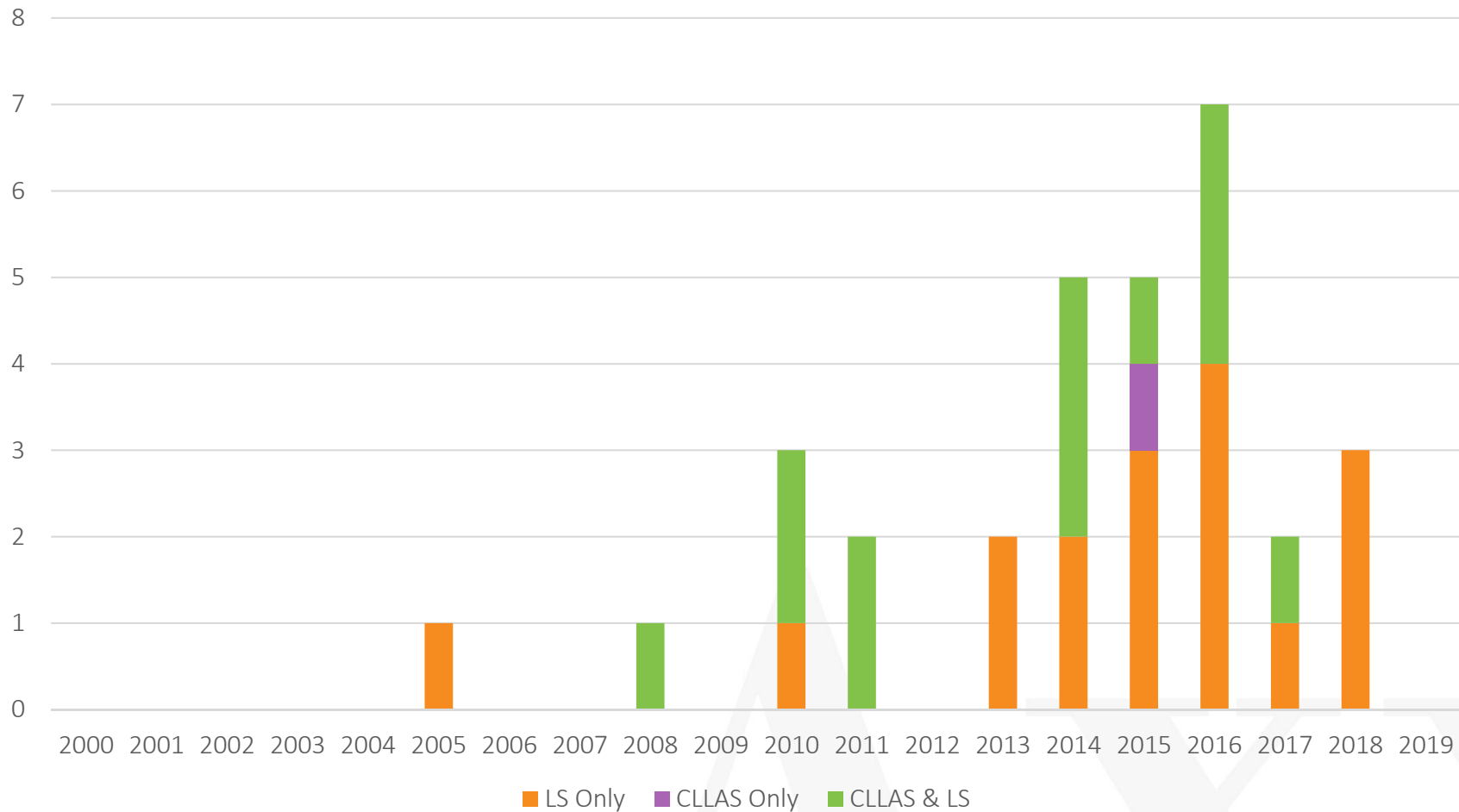
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CLLAS

Open Large Loss Claims Summary  
As at June 30, 2019

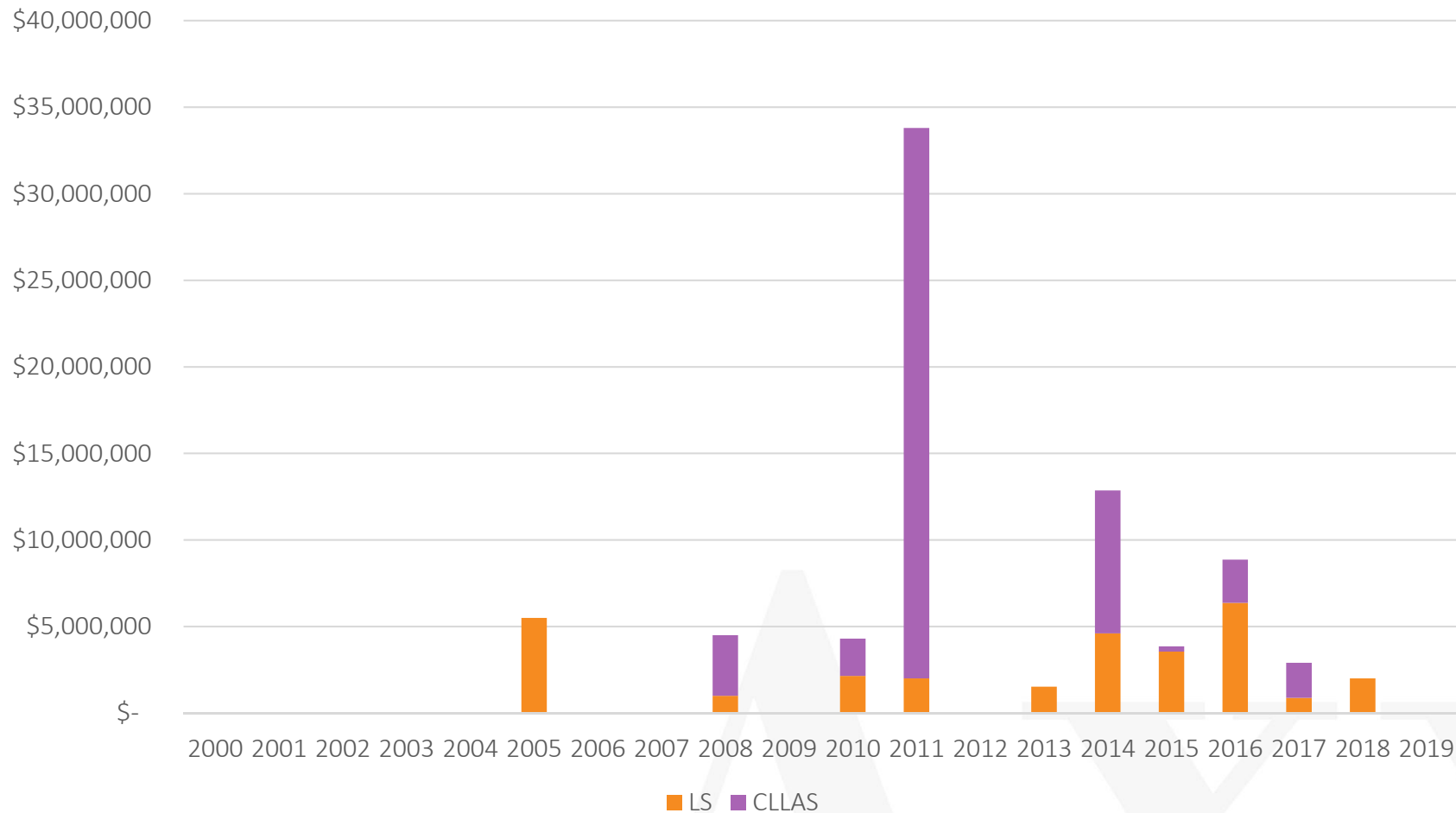
# Open Large Loss Claims

## Number of Claims by Insurer



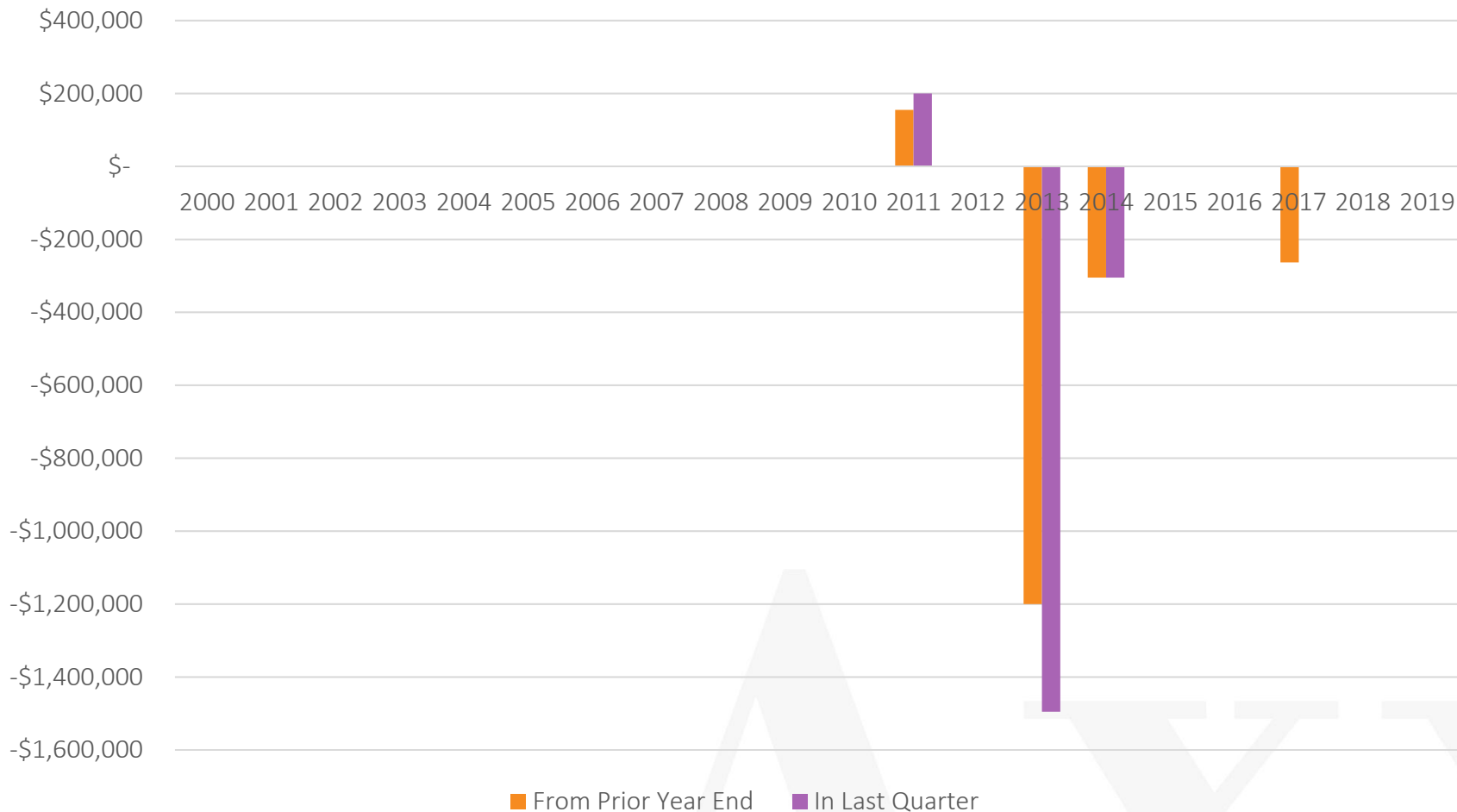
# Open Large Loss Claims

## Incurred Amounts by Insurer



# Open Large Loss Claims

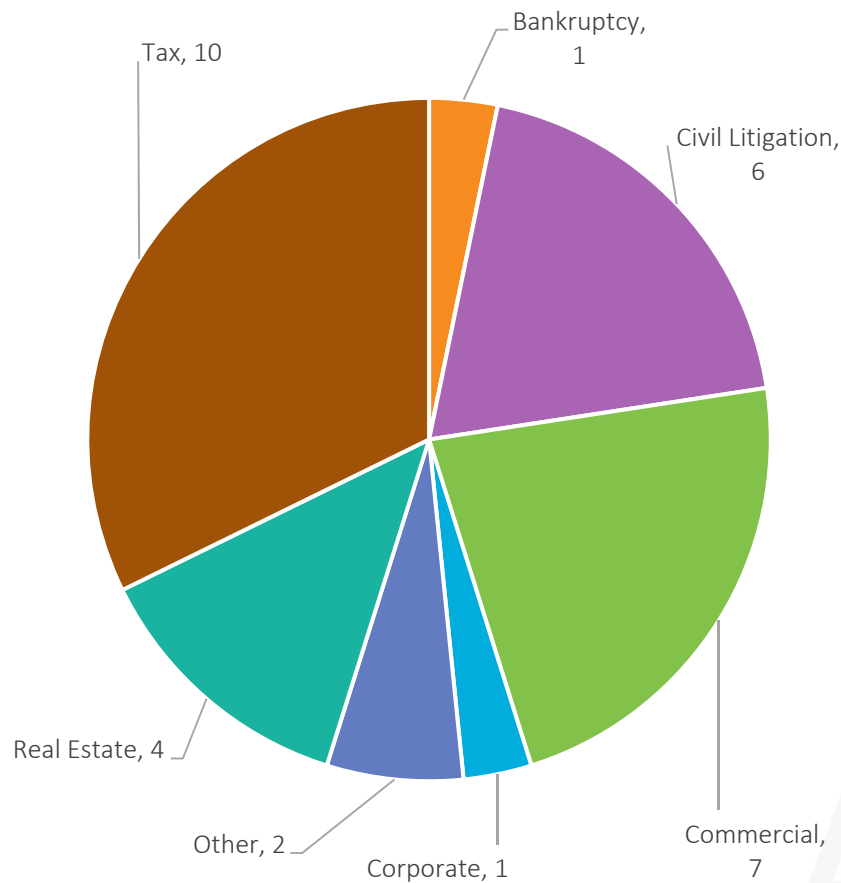
## Change in Incurred Amounts (CLLAS)



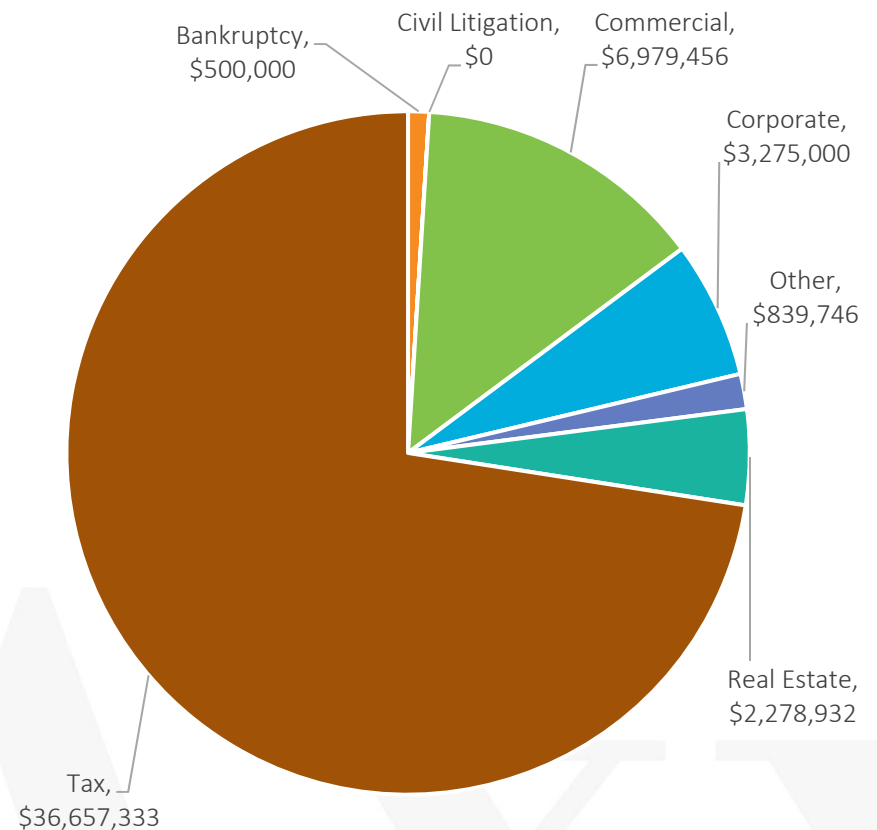
# Open Large Loss Claims

## By Area of Law

Number of Claims (CLLAS & LS)

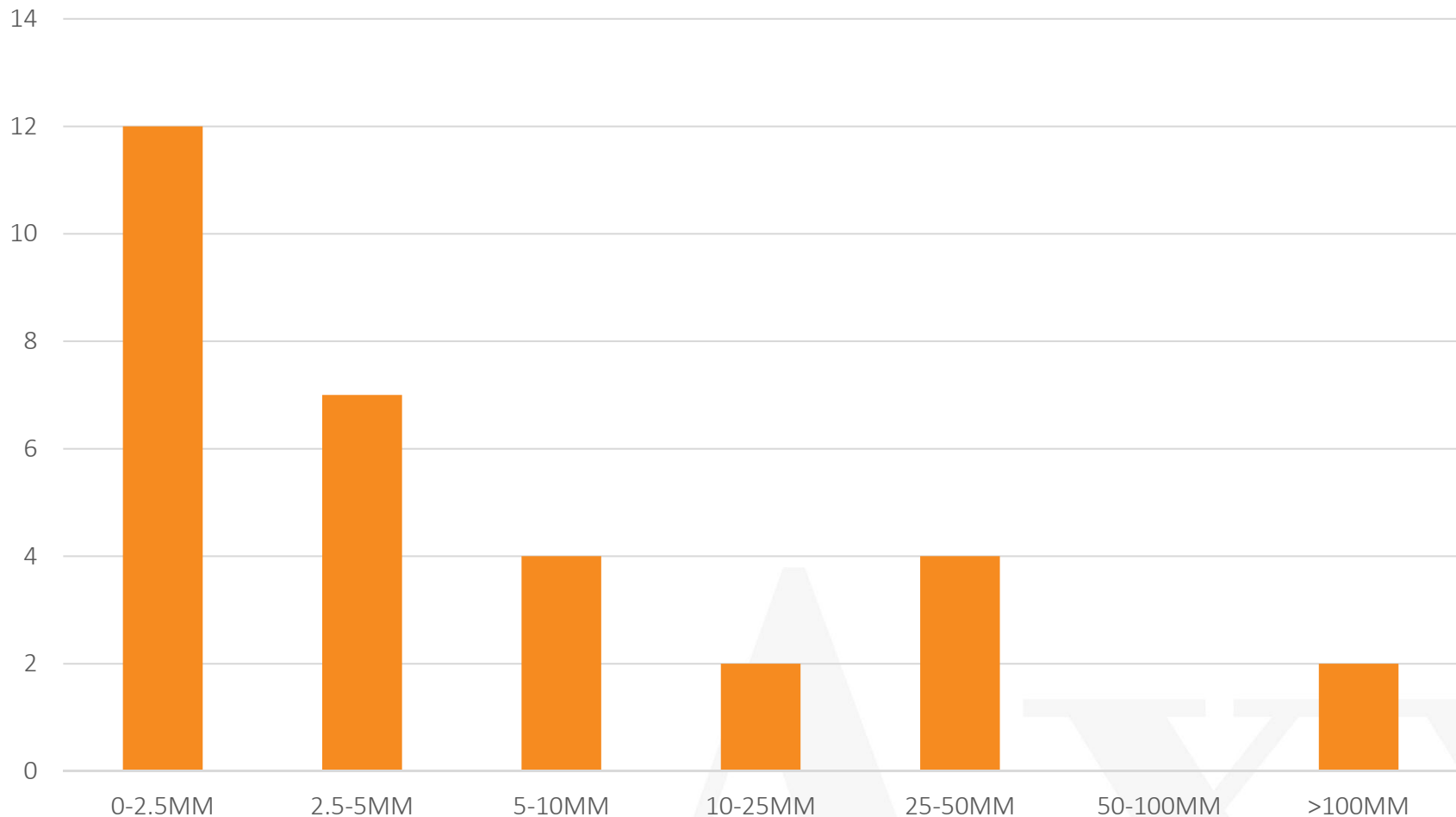


CLLAS Incurred



# Open Large Loss Claims

## Number of Claims by Best Estimate of Worst Case



# Open Large Loss Claims

## Claim Count Movement in Quarter

Policy Year	Law Society Only	CLLAS Only	CLLAS & Law Society
2000	0	0	0
2001	0	0	0
2002	0	0	0
2003	0	0	0
2004	0	0	0
2005	0	0	0
2006	0	0	0
2007	0	0	0
2008	0	0	0
2009	0	0	0
2010	0	0	0
2011	0	0	0
2012	0	0	0
2013	1	0	-1
2014	0	0	0
2015	-1	0	0
2016	1	0	0
2017	0	0	0
2018	0	0	0
2019	0	0	0

# Notes

## Slide 1

- Illustrates the number of open claims by insurer.
- LS Only: Large (\$500,000+) Law Society (“LS”) claims which have not yet developed into CLLAS (\$1,000,000+) claims
- CLLAS Only: Claims which are typically drop-down claims where the Law Society does not respond
- CLLAS & LS: Claims where amounts have been incurred by both the Law Society and CLLAS

## Slide 2

- Illustrates the aggregate incurred amounts (paid + reserved) by policy year
- Identifies the quantum yet to be crystalized and highlights extraordinary years

## Slide 3

- Illustrates movements in paid (always positive, except in cases of recovery) and reserved amounts
- Positive values highlight strengthening of reserves, or adverse claim development. Negative values highlight reduced reserves or better than expected outcomes

# Notes (Cont'd)

## Slide 4

- Illustrates the split between areas of law for the number of open claims and the incurred amounts (paid + reserved)
- Highlights the law areas of claims being actively managed

## Slide 5

- Based on counsel's best estimate of the worst case outcome of each open claim
- Highlights the potential claim sized being actively managed

## Slide 6

- Illustrates the emergence or closure (including reduction of incurred value below the large loss monitoring threshold of \$500,000) of claims over the previous quarter
- Note: Claims may move between Law Society Only, CLLAS & Law Society, and CLLAS Only

**CLLAS**  
***CANADIAN LAWYERS LIABILITY***  
***ASSURANCE SOCIETY***

INVESTMENT REPORT  
JUNE 30, 2019

**MARTIN, LUCAS & SEAGRAM LTD.**  
INDEPENDENT INVESTMENT COUNSEL

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**CANADIAN LAWYERS LIABILITY**  
**ASSURANCE SOCIETY**

**COMMENTARY FOR THE QUARTER ENDING JUNE 30, 2019**

**Review of Market Yields**

After holding fairly steady during the first half of the second quarter, longer term bond yields shifted lower before settling into a sideways trading range for the balance of the quarter. At the end of June, the decline in yields ranged from 13 basis points for the 5-year Canada to 16 basis points for the 10-year issue. Meanwhile, the yield on 3-month Treasury Bills held practically steady.

As a result of these shifts, the slope of the yield curve inverted further. At the end of June, the yield on the 10-year issue was 20 basis points below the Treasury bill yield compared to being just 5 basis points lower three months earlier.

	<b>Jan. 01/95</b>	<b>Dec. 31/18</b>	<b>Mar. 31/19</b>	<b>Jun. 30/19</b>
3-month Treasury Bills	6.80%	1.64%	1.67%	1.66%
5-year Canadas	8.99%	1.88%	1.52%	1.39%
10-year Canadas	9.09%	1.96%	1.62%	1.46%

During the second quarter, activity in the Short Term Investment Fund involved the roll-over of money market securities.

Over the second quarter, the market value of the Long Term Investment Fund increased \$45,833 which represents a capital increase of 0.8%. A government bond matured and a medium-term government bond was purchased with the proceeds from the maturity

At June 30, 2019, the average term to maturity of the Long Term Investment Fund stood at 4.3 years and the duration was 4.0 years.

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

<b><i>Distribution at June 30, 2019</i></b>	<b><i>Valuation</i></b>	<b><i>%</i></b>
Short Term Investment Fund	\$7,245,435	54.4%
Long Term Investment Fund	\$6,076,698	45.6%
<b>TOTAL COMBINED VALUATION</b>	<b>\$13,322,133</b>	<b>100.0%</b>

**CANADIAN LAWYERS LIABILITY**  
**ASSURANCE SOCIETY**

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

- 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 Term and Long Term Investment Funds  
Listed and Valued Separately as at June 30, 2019
- Security Purchases and Sales
- Cash Reconciliations
- External Individual Credit Rating Report

### **LONG TERM INVESTMENT FUND**

#### **TIME-WEIGHTED RATES OF TOTAL RETURN FOR PERIODS ENDING JUNE 30, 2019**

	3 Years*	2 Years*	1 Year	Last 3 months
<b><i>Long Term Investment Fund – Gross of Fees</i></b>	<b><i>1.85%</i></b>	<b><i>2.87%</i></b>	<b><i>5.53%</i></b>	<b><i>1.41%</i></b>
<b><i>Long Term Investment Fund – Net of Fees</i></b>	<b><i>1.59%</i></b>	<b><i>2.62%</i></b>	<b><i>5.31%</i></b>	<b><i>1.33%</i></b>
<b>Benchmark Portfolio **</b>	<b>1.78%</b>	<b>2.81%</b>	<b>5.50%</b>	<b>1.37%</b>

\*Annualized

\*\* The Benchmark Portfolio is based on the sum of the following total return indices:

60% Canada Short Bond Index

40% Canada Mid Bond Index

### **SHORT TERM INVESTMENT FUND**

#### **TIME-WEIGHTED RATES OF TOTAL RETURN FOR PERIODS ENDING JUNE 30, 2019**

	Since Inception Oct. 01/08 *	3 Years*	2 Years *	1 Year	Last 3 Months
<b><i>Short Term Investment Fund – Gross of Fees</i></b>	<b><i>0.88%</i></b>	<b><i>1.11%</i></b>	<b><i>1.38%</i></b>	<b><i>1.64%</i></b>	<b><i>0.43%</i></b>
<b><i>Short Term Investment Fund – Net of Fees</i></b>	<b><i>0.74%</i></b>	<b><i>1.00%</i></b>	<b><i>1.27%</i></b>	<b><i>1.52%</i></b>	<b><i>0.40%</i></b>
<b>Benchmark Portfolio **</b>	<b>0.82%</b>	<b>1.00%</b>	<b>1.24%</b>	<b>1.55%</b>	<b>0.42%</b>

\* Annualized

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

**LONG TERM INVESTMENT FUND**

**DISTRIBUTION OF SECURITIES BY CREDIT RISK**  
(Based on Market Values)

	Dec. 17/13	Sep. 30/18	Dec. 31/18	Mar. 31/19	Jun. 30/19
<b>Bonds, Treasury Bills &amp; Cash</b> Less than 1 year term	100.0%	8.9%	7.6%	7.5%	12.4%
<b>Canadas</b> Greater than 1 year term		18.6%	20.3%	20.3%	24.5%
<b>Provincials</b> Greater than 1 year term		38.2%	38.3%	38.4%	38.4%
<b>Corporates</b> Greater than 1 year term		34.3%	33.8%	33.8%	24.7%
<b>TOTAL PORTFOLIO</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

**LONG TERM INVESTMENT FUND**

**DISTRIBUTION OF SECURITIES BY MATURITY**  
(Based on Market Values)

	Sep. 30/18	Dec. 31/18	Mar. 31/19	Jun. 30/19
Under 1 year	8.9%	7.6%	7.5%	12.4%
1 - 3 years	14.9%	21.3%	27.6%	25.2%
3 - 5 years	35.6%	31.5%	24.9%	22.2%
5 - 7 years	17.7%	24.7%	24.9%	26.5%
7 - 10 years	22.9%	14.9%	15.1%	13.6%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Average Maturity (yrs)</b>	<b>4.69</b>	<b>4.42</b>	<b>4.20</b>	<b>4.33</b>
<b>Average Duration (yrs)</b>	<b>4.28</b>	<b>4.07</b>	<b>3.88</b>	<b>4.02</b>

**SHORT TERM INVESTMENT FUND**

	Sep. 30/18	Dec. 31/18	Mar. 31/19	Jun. 30/19
<b>Short Term Average Duration (yrs)</b>	<b>0.10</b>	<b>0.07</b>	<b>0.08</b>	<b>0.10</b>

## COMPLIANCE WITH INVESTMENT POLICY STATEMENT

AT JUNE 30, 2019

	Investment Limits	Investment Funds	Compliance
<b><i>Short Term Investment Fund</i></b>			
Maximum Term of Any Issue	1 year	0.2 years	Yes
Minimum Percentage of Total Fund (Short & Long)	40% of Total	54.4%	Yes
Minimum Canada & Provincial Percentage	50%	51.4%	Yes
Minimum Provincial Quality	A	N/A	Yes
Minimum Bank CD & BA Quality	R1 (high)	R1 (high)	Yes
<b><i>Long Term Investment Fund</i></b>			
Maximum Term of Any Issue	10 years	8.7 years	Yes
Maximum Percentage of Total Fund (Short & Long)	60% of Total	45.6%	Yes
Minimum Canada Percentage	20%	24.5%	Yes
Maximum Provincial Percentage	40%	38.4%	Yes
Minimum Canada & Provincial Percentage	60%	62.9%	Yes
Minimum Provincial Quality *	A	AA (low)	Yes
Maximum Corporate Percentage	40%	37.1%	Yes
Minimum Corporate Quality *	A	AA (low)	Yes

\* At time of purchase

This will confirm that during the second quarter the Long Term Investment Fund was managed in compliance with the Investment Policy limits provided on December 3, 2013.

Similarly, during the same period the Short Term Fund remained in compliance with the Investment Policy Statement that became effective on May 5, 2012.

Martin, Lucas & Seagram Ltd.  
 PERFORMANCE REPORT  
 GROSS OF FEES  
**CLLAS – LONG TERM INVESTMENT FUND**  
*(RBC Investor Services)*  
*From 03-31-19 to 06-30-19*

Portfolio Value on 03-31-19	6,020,965
Accrued Interest	43,462
Contributions	11,461
Withdrawals	-62,271
Realized Gains	-72
Unrealized Gains	45,905
Interest	60,710
Dividends	0
Change in Accrued Interest	-21,513
Portfolio Value on 06-30-19	6,076,698
Accrued Interest	21,949
Average Capital	6,048,666
Total Gains before Fees	85,029
<b>IRR for 0.25 Years</b>	<b>1.41%</b>

## **BOND MARKET COMMENTARY AND FUTURE POLICY**

Following the gains recorded during the first quarter, the North American bond and equity markets continued to strengthen during the second quarter, although the advance was more muted during the latter period. In Canada, 10-year yields are now some 52 basis points below their level at the start of the year and the yield curve has been inverted since late in the first quarter. In the U.S., yields have declined some 63 basis points over the same period and the yield curve is also presently inverted, by a small margin. The reduction in yields has coincided with a sharp shift in investors' expectations for monetary policy and signs that the global expansion is weakening.

Meanwhile, equity markets have also performed well since the beginning of the year. During the advance, investor sentiment has been buoyed by a reasonably strong U.S. economy, indications that China's stimulative measures were having the desired effect, the Federal Reserve's sharp pivot away from more restrictive monetary policies and renewed expectations that a trade deal between the U.S. and China remains possible after last month's agreement to resume trade negotiations and to hold off on any additional tariffs for now.

The rally in both bonds and stocks suggests that investors have conflicting expectations surrounding the outlook for the economy. On the one hand, bond market investors expect slowing global growth and low inflation will be supportive of bond prices and that downside risks to the economic outlook warrant a move into safe haven assets such as bonds. On the other hand, equity investors seem to be discounting the likelihood that the shift to more expansionary monetary policies in the U.S. and offshore will arrest the slowdown in global growth and extend the expansion. While it is not unusual for bonds and stocks to rally in tandem over the shorter term after the monetary authorities reverse course to a more dovish stance, the eventual course of the economy will derail the synchronized rally between the two asset classes.

On the economic front, conditions in both the U.S. and, to a lesser extent, China showed improvement during the first quarter. South of the border, GDP growth continued to outperform the rest of the advanced economies with an annualized gain of 3.1%, well above consensus. Meanwhile, China's economy grew 6.4%, which was near the upper end of the government's target of 6 to 6.5% growth in 2019. However, subsequent economic indicators show that growth in both countries downshifted during the second quarter. China's expansion slowed to 6.2%, which marked the lowest gain in over 25 years. During this period, there has been some deterioration in retail sales, industrial production and investment, particularly in the technology sector, which has been one of the hardest hit sectors from the escalation in tariffs. Meanwhile, the most recent trade data showed China's exports contracted due to higher U.S. tariffs while imports shrank due to slowing domestic demand. In response to these developments, the Chinese government has scaled back its deleveraging campaign and the authorities have committed to support growth by employing countercyclical measures along with expansionary fiscal and monetary policies.

Meanwhile, amid signs of a slowing American economy, evidenced by recent weakness in business investment and retail sales, the Chairman of the Federal Reserve stated "we will act as appropriate to sustain the expansion". The Chairman, in his latest testimony, mentioned

the re-emergence of crosscurrents, such as trade tensions and concerns about global growth, and indicated that the case for a somewhat more accommodative monetary policy had strengthened. These latest signals have raised expectations for multiple Fed rate cuts this year, with the futures market now fully discounting that the first reduction will occur at the end of this month.

Elsewhere on the global economic front, results have been mixed and the ongoing deterioration in composite leading indicators published by the Organization for Economic Cooperation and Development points to easing growth momentum in most major economies. While first quarter growth in the Euro Area of 1.6% annualized exceeded expectations, a slowdown in international demand, trade uncertainty with the US, the ongoing Brexit stalemate and a regulation-driven slowdown in Germany is expected to restrain growth going forward. The European Commission recently cut its growth forecast to 1.2% for this year and warned that the continent's economy risks a "major shock" from escalating global trade tensions. In response to these fears, the European Central Bank said it would further delay its first rate hike until mid-2020 and could cut interest rates again or conduct more asset purchases if the economic situation deteriorates.

Closer to home, the Bank of Canada recently updated its growth forecast for 2019 to 1.3%, up slightly from its April call of 1.2%, due to better than expected results in the second quarter. During the latest quarter, exports strengthened, business confidence improved and investment in machinery and equipment got a boost from the recovering oil sector. Moreover, a strong labour market, together with stable house prices and the downward shift in interest rates, continued to support domestic demand. While trade frictions with the U.S. have also eased following the lifting of tariffs on Canadian steel and aluminum last month, questions surrounding trade continue to cast a shadow over the domestic outlook. This is due to uncertainty that congress will approve the new North American trade agreement, the elevation of trade and diplomatic tensions with China, which recently curtailed meat and canola imports from Canada, and the potential fallout on global economic activity from international trade conflicts.

Ongoing uncertainty on the trade front continues to complicate an already challenging environment for investors. With the latest rebound in stocks, investor sentiment has again become extended on the upside, leaving the equity markets vulnerable to disappointing developments. As demonstrated by the sharp pullback in May, an escalation in the U.S.-China trade war could quickly derail investor confidence and invoke legitimate worries about the global economy. The latest round of tariff threats between the world's two largest economies would be the most economically damaging compared to the previous moves. Forecasters believe that if these additional tariffs are implemented the Chinese economy would bear the bigger negative impact, since the value of its exports are far greater, although the U.S. should also expect to experience a meaningful slowdown in growth. From an economic perspective, this gives an edge to the U.S. in the negotiations. However, from a political standpoint, China seems better positioned to play the long game compared to the U.S., given the political consequences of an economic slowdown at this point in the U.S. election cycle.

All things considered, after a strong run since the beginning of the year, the equity markets have performed well in the face of an escalating trade war, which has coincided with slower global growth. For the time being, the downward shift in the yield curve, which has eased financial conditions, and the expectation that the leading central banks are poised to loosen policy to keep the expansion intact have been important backstops to investor confidence.

Considering the high stakes and negative consequences for the U.S. and China, as well as the risks of collateral damage to the global economy, we believe there is reason for cautious optimism that a trade settlement will eventually be reached. However, last month's agreement to a 90-day truce while negotiations resume presents a tight timeline for a breakthrough on fundamental issues. Keeping in mind Mr. Trump's track record and his willingness to use trade barriers as a geopolitical weapon, the possibility that the dispute will drag on should not be ruled out and we do not think it would be prudent to make a strong bet on a particular scenario. In the meantime, investors are facing a fickle market where sentiment can be whipsawed with a single presidential tweet.

Over the near term, we expect bond yields will likely remain in a trading range around current levels given the economic crosscurrents, contradictory signals from the security markets and the strong likelihood that investors' expectations for monetary policy will be met. Looking further ahead, we believe yields are more likely to drift moderately higher in light of our base case scenario that the global expansion will remain intact. However, in view of the increasingly uncertain investment environment, we think a balanced approach remains prudent and believe the Long Term Fund's laddered maturity structure and duration of 4 years provides a reasonable hedge against the wide range of possible outcomes.

RWB/de

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

Martin, Lucas & Seagram Ltd.

**CLLAS - SHORT TERM INVESTMENT FUND**  
(RBC Investor Services)

**Portfolio Holdings at June 30, 2019**

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
<b>CASH</b>					
	Cash Account			13,373	0
<b>MONEY MARKET ISSUES</b>					
1,010,000	FirstBank BA 1.780062% due July 8, 2019	99.83	99.95	1,009,494	17,948
1,250,000	Toronto Dominion Bank BA 1.775272% due July 19, 2019	99.86	99.89	1,248,686	22,161
1,185,000	Canada Treasury Bill 1.619938% due July 25, 2019	99.69	99.88	1,183,582	19,138
1,280,000	Canada Treasury Bill1 1.630273% due August 8, 2019	99.75	99.82	1,277,660	20,815
1,250,000	Royal Bank BA 1.809057% due August 21, 2019	99.55	99.73	1,246,614	22,512
1,270,000	Canada Treasury Bill 1.60% due September 5, 2019	99.69	99.69	1,266,026	20,258
				7,232,062	122,831
<b>TOTAL PORTFOLIO</b>				<b>7,245,435</b>	<b>122,831</b>

Disclosures:

1. Please note that the securities listed herein are held on your behalf by the above noted custodian. You may wish to contact them directly to determine if your account is covered by any recognized Investor Protection Plan and/or for information on how these securities are held.
2. The cost of each position shown in the account is the book cost (original cost adjusted for distributions, capital returns and re-orgs). For unit costs marked with an \*, the book cost cannot be determined and the value shown is based on the closing market price on July 15, 2015.

Martin, Lucas & Seagram Ltd.  
**PURCHASE AND SALE**  
**CLLAS - SHORT TERM INVESTMENT FUND**  
**(RBC Investor Services)**  
*From 01-01-19 To 06-30-19*

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
<b>PURCHASES</b>					
01-03-19	01-04-19	980,000	Toronto Dominion Bank BA 2.194% due February 1, 2019	99.83	978,353.60
01-09-19	01-10-19	1,250,000	Canada Treasury Bill 1.55% due February 21, 2019	99.82	1,247,775.00
01-10-19	01-11-19	1,000,000	Bank of Nova Scotia BA 2.129% due February 7, 2019	99.84	998,427.00
01-16-19	01-17-19	510,000	FirstBank BA 2.108% due February 28, 2019	99.76	508,765.80
01-31-19	02-01-19	990,000	Royal Bank BA 1.999% due April 1, 2019	99.68	986,810.22
02-06-19	02-07-19	1,000,000	Bank of Nova Scotia BA 1.95% due March 25, 2019	99.75	997,548.00
02-06-19	02-07-19	1,200,000	Canada Treasury Bill 1.61% due March 21, 2019	99.82	1,197,781.20
02-08-19	02-11-19	1,000,000	CIBC BA 1.927% due April 9, 2019	99.70	997,000.00
02-20-19	02-21-19	1,250,000	Canada Treasury Bill 1.60% due April 4, 2019	99.82	1,247,757.50
02-20-19	02-22-19	1,250,000	Canada Treasury Bill 1.65% due May 2, 2019	99.69	1,246,113.75
02-20-19	02-21-19	1,250,000	FirstBank BA 1.827% due March 21, 2019	99.87	1,248,312.50
02-20-19	02-21-19	1,250,000	Royal Bank BA 1.90% due May 21, 2019	99.54	1,244,300.00
03-20-19	03-21-19	1,175,000	Canada Treasury Bill 1.630273% due May 16, 2019	99.75	1,172,068.38
03-20-19	03-21-19	1,250,000	Toronto Dominion Bank BA 1.770314% due April 23, 2019	99.84	1,248,002.50
04-03-19	04-04-19	1,250,000	Canada Treasury Bill 1.631949% due June 13, 2019	99.69	1,246,100.00
04-08-19	04-09-19	1,000,000	Bank of Nova Scotia BA 1.843379% due June 3, 2019	99.72	997,230.00
04-22-19	04-23-19	1,250,000	CIBC BA 1.799286% due June 21, 2019	99.71	1,246,375.00
05-01-19	05-02-19	1,250,000	Canada Treasury Bill 1.6532% due June 27, 2019	99.75	1,246,837.50
05-16-19	05-16-19	1,185,000	Canada Treasury Bill 1.619938% due July 25, 2019	99.69	1,181,382.20
05-21-19	05-22-19	1,250,000	Royal Bank BA 1.809057% due August 21, 2019	99.55	1,244,387.50
05-31-19	06-03-19	1,010,000	FirstBank BA 1.780062% due July 8, 2019	99.83	1,008,278.96

Martin, Lucas & Seagram Ltd.  
**PURCHASE AND SALE**  
**CLLAS - SHORT TERM INVESTMENT FUND**  
**(RBC Investor Services)**  
*From 01-01-19 To 06-30-19*

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
06-12-19	06-13-19	1,280,000	Canada Treasury Bill 1.630273% due August 8, 2019	99.75	1,276,806.40
06-20-19	06-21-19	1,250,000	Toronto Dominion Bank BA 1.775272% due July 19, 2019	99.86	1,248,300.00
06-26-19	06-27-19	1,270,000	Canada Treasury Bill 1.60% due September 5, 2019	99.69	1,266,115.07
					<b>27,280,828.08</b>
<b>SALES</b>					
01-04-19	01-04-19	975,000	Toronto Dominion Bank BA 2.06% due January 4, 2019	100.00	975,000.00
01-10-19	01-10-19	1,250,000	Canada Treasury Bill 1.56% due January 10, 2019	100.00	1,250,000.00
01-11-19	01-11-19	1,000,000	Royal Bank BA 2.059% Jan 11/19 due January 11, 2019	100.00	1,000,000.00
01-17-19	01-17-19	510,000	FirstBank BA 2.141% due January 17, 2019	100.00	510,000.00
02-01-19	02-01-19	980,000	Toronto Dominion Bank BA 2.194% due February 1, 2019	100.00	980,000.00
02-07-19	02-07-19	1,000,000	Bank of Nova Scotia BA 2.129% due February 7, 2019	100.00	1,000,000.00
02-07-19	02-07-19	1,200,000	Canada Treasury Bill 1.59% due February 7, 2019	100.00	1,200,000.00
02-11-19	02-11-19	1,000,000	CIBC BA 2.118% due February 11, 2019	100.00	1,000,000.00
02-19-19	02-20-19	1,000,000	Bank of Nova Scotia BA 1.95% due March 25, 2019	99.81	998,078.00
02-19-19	02-20-19	1,200,000	Canada Treasury Bill 1.59% due March 7, 2019	99.93	1,199,172.00
02-19-19	02-20-19	50,000	Canada Treasury Bill 1.61% due March 21, 2019	99.87	49,934.15
02-19-19	02-20-19	510,000	FirstBank BA 2.108% due February 28, 2019	99.96	509,778.66
02-19-19	02-20-19	990,000	Royal Bank BA 1.999% due April 1, 2019	99.77	987,694.29
02-21-19	02-21-19	1,250,000	Canada Treasury Bill 1.55% due February 21, 2019	100.00	1,250,000.00
03-21-19	03-21-19	1,150,000	Canada Treasury Bill 1.61% due March 21, 2019	100.00	1,150,000.00
03-21-19	03-21-19	1,250,000	FirstBank BA 1.827% due March 21, 2019	100.00	1,250,000.00
04-04-19	04-04-19	1,250,000	Canada Treasury Bill 1.60% due April 4, 2019	100.00	1,250,000.00

Martin, Lucas & Seagram Ltd.  
**PURCHASE AND SALE**  
**CLLAS - SHORT TERM INVESTMENT FUND**  
**(RBC Investor Services)**  
*From 01-01-19 To 06-30-19*

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
04-09-19	04-09-19	1,000,000	CIBC BA 1.927% due April 9, 2019	100.00	1,000,000.00
04-23-19	04-23-19	1,250,000	Toronto Dominion Bank BA 1.770314% due April 23, 2019	100.00	1,250,000.00
05-02-19	05-02-19	1,250,000	Canada Treasury Bill 1.65% due May 2, 2019	100.00	1,250,000.00
05-16-19	05-16-19	1,175,000	Canada Treasury Bill 1.630273% due May 16, 2019	100.00	1,175,000.00
05-21-19	05-21-19	1,250,000	Royal Bank BA 1.90% due May 21, 2019	100.00	1,250,000.00
06-03-19	06-03-19	1,000,000	Bank of Nova Scotia BA 1.843379% due June 3, 2019	100.00	1,000,000.00
06-13-19	06-13-19	1,250,000	Canada Treasury Bill 1.631949% due June 13, 2019	100.00	1,250,000.00
06-21-19	06-21-19	1,250,000	CIBC BA 1.799286% due June 21, 2019	100.00	1,250,000.00
06-27-19	06-27-19	1,250,000	Canada Treasury Bill 1.6532% due June 27, 2019	100.00	1,250,000.00
					<b>27,234,657.10</b>

Martin, Lucas & Seagram Ltd.  
**CASH RECONCILIATION**  
***CLLAS - SHORT TERM INVESTMENT FUND***  
***(RBC Investor Services)***  
***From 03-31-19 to 06-30-19***

Cash Balance at March 31, 2018		<u>9,765.18</u>
ADD: Proceeds from Sales	11,925,000.00	
Bond Interest Credited (from Long Term Investment Fund)	60,709.95	
Trust Company Interest	16.83	
Transfer to/from Long Term Investment Fund	<u>-9,900.00</u>	<u>11,975,826.78</u>
LESS: Cost of Purchases	-11,961,812.63	
Q1 2019 Investment Counsel Fees - Short Term Investment Fund	-2,026.77	
Q1 2019 Investment Counsel Fees - Long Term Investment Fund	-4,252.30	
Trust Company Charges	-4,127.38	
Capital Withdrawal	<u>0.00</u>	<u>-11,972,219.08</u>
<b>Cash Balance at June 30, 2019</b>		<b><u><u>13,372.88</u></u></b>

Martin, Lucas & Seagram Ltd.							
EXTERNAL INDIVIDUAL CREDIT RATING REPORT - JUNE 30, 2019							
CLLAS - SHORT TERM INVESTMENT FUND							
			Unit	Total		Market	%
Quantity	Security	Rating	Cost	Cost	Price	Value	Assets
1,185,000	Canada Treasury Bill 1.619938%	R-1 (high)	99.69	1,181,382	99.88	1,183,582	16.4%
	due July 25, 2019						
1,280,000	Canada Treasury Bill1 1.630273%	R-1 (high)	99.75	1,276,806	99.82	1,277,660	17.7%
	due August 8, 2019						
1,270,000	Canada Treasury Bill 1.60%	R-1 (high)	99.69	1,266,115	99.69	1,266,026	17.5%
	due September 5, 2019						
1,010,000	FirstBank BA 1.780062%	R-1 (high)	99.83	1,008,279	99.95	1,009,494	14.0%
	due July 8, 2019						
1,250,000	Royal Bank BA 1.809057%	R-1 (high)	99.55	1,244,388	99.73	1,246,614	17.2%
	due August 21, 2019						
1,250,000	Toronto Dominion Bank BA 1.775272%	R-1 (high)	99.86	1,248,300	99.89	1,248,686	17.3%
	due July 19, 2019						
				7,225,270		7,232,061	100%

Martin, Lucas & Seagram Ltd.

**CLLAS - LONG TERM INVESTMENT FUND**  
(RBC Investor Services)

**Portfolio Holdings at June 30, 2019**

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
<b>GOVERNMENT BONDS</b>					
250,000	Canada Housing Trust Ser 71 1.25% due June 15, 2021	96.83	99.27	248,163	3,125
200,000	Canada Housing Trust 2.4% Series 48 due December 15, 2022	100.37	102.53	205,058	4,800
200,000	Canada Housing Trust 2.35% due September 15, 2023	105.62	102.73	205,468	4,700
250,000	Canada Housing Trust 2.9% due June 15, 2024	102.64	105.71	264,270	7,250
300,000	Canada Housing Trust Ser. 70 2.25% due December 15, 2025	100.98	102.88	308,628	6,750
250,000	Canada Housing Trust No.1 2.350% due March 15, 2028	103.96	103.91	259,783	5,875
				<hr/> 1,491,369	<hr/> 32,500
<b>PROVINCIAL BONDS</b>					
250,000	British Columbia 3.25% due December 18, 2021	102.30	103.79	259,468	8,125
400,000	Ontario 3.15% due June 2, 2022	100.00	104.07	416,296	12,600
500,000	Ontario 2.85% due June 2, 2023	102.29	104.09	520,430	14,250
400,000	Ontario 2.60% due June 2, 2025	101.08	103.81	415,228	10,400
350,000	British Columbia 2.3% due June 18, 2026	104.40	102.44	358,540	8,050
350,000	Ontario 2.60% due June 2, 2027	97.56	103.85	363,458	9,100
				<hr/> 2,333,419	<hr/> 62,525
<b>CORPORATE BONDS</b>					
200,000	Wells Fargo Canada 2.944% due July 25, 2019	100.02	100.08	200,150	5,888
300,000	Bank of Montreal 2.84% due June 4, 2020	101.77	100.84	302,526	8,520
250,000	Toronto Dominion Bank Dep. Note 2.563% due June 24, 2020	104.57	100.65	251,613	6,408
200,000	Bank of Montreal 3.4% due April 23, 2021	100.65	102.57	205,146	6,800
150,000	Royal Bank 1.968% due March 2, 2022	100.05	99.98	149,967	2,952

Martin, Lucas & Seagram Ltd.

***CLLAS - LONG TERM INVESTMENT FUND***  
***(RBC Investor Services)***

**Portfolio Holdings at June 30, 2019**

<b>Quantity</b>	<b>Security</b>	<b>Unit Cost</b>	<b>Price</b>	<b>Market Value</b>	<b>Annual Income</b>
250,000	National Bank of Canada 2.105% due March 18, 2022	102.04	100.34	250,843	5,263
150,000	Wells Fargo 3.46% due January 24, 2023	102.36	104.38	156,564	5,190
250,000	Toronto Dominion Bank Dep. Note 3.226% due July 24, 2024	102.02	105.58	263,957	8,065
250,000	CIBC Deposit Note 3.3% due May 26, 2025	100.24	106.33	265,825	8,250
200,000	Bank of Nova Scotia Dep. Notes 2.62% due December 2, 2026	99.23	102.66	205,320	5,240
				2,251,910	62,575
<b>TOTAL PORTFOLIO</b>				<b>6,076,698</b>	<b>157,600</b>

Disclosures:

1. Please note that the securities listed herein are held on your behalf by the above noted custodian. You may wish to contact them directly to determine if your account is covered by any recognized Investor Protection Plan and/or for information on how these securities are held.
2. The cost of each position shown in the account is the book cost (original cost adjusted for distributions, capital returns and re-orgs). For unit costs marked with an \*, the book cost cannot be determined and the value shown is based on the closing market price on July 15, 2015.

Martin, Lucas & Seagram Ltd.  
**PURCHASE AND SALE**  
**CLLAS - LONG TERM INVESTMENT FUND**  
*(RBC Investor Services)*  
*From 01-01-19 To 06-30-19*

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
<b>PURCHASES</b>					
06-18-19	06-20-19	250,000	Canada Housing Trust No.1 2.350% due March 15, 2028	103.96	259,900.00
					<b>259,900.00</b>
<b>SALES</b>					
06-17-19	06-17-19	250,000	Canada Housing Trust 1.95% due June 15, 2019	100.00	250,000.00
					<b>250,000.00</b>

Martin, Lucas & Seagram Ltd.  
**CASH RECONCILIATION**  
***CLLAS - LONG TERM INVESTMENT FUND***  
*From 03-31-19 to 06-30-19*

Cash Balance at March 31, 2018		<u>0.00</u>
ADD: Transfer from Short Term Investment Fund		<u>0.00</u>
ADD: Proceeds from Sales	250,000.00	
Bond Interest Credited (to Long Term Investment Fund)	60,709.95	
Transfer to Short Term Investment Fund	<u>-50,809.95</u>	<u>259,900.00</u>
LESS: Cost of Purchases	-259,900.00	
Accrued Interest Debited (from Long Term Investment Fund)		<u>-259,900.00</u>
<b>Cash Balance at June 30, 2019</b>		<u><u>0.00</u></u>

## EXTERNAL INDIVIDUAL CREDIT RATING REPORT -JUNE 30, 2019

## CLLAS - LONG TERM INVESTMENT FUND

					Unit	Total		Market	Pct.
Quantity	CUSIP	Security		Rating	Cost	Cost	Price	Value	Assets
<b>GOVERNMENT BONDS</b>									
250,000	13509PFJ7	Canada Housing Trust Ser 71 1.25%	due June 15, 2021	AAA	96.83	242,075	99.27	248,163	4.1%
200,000	13509PDL4	Canada Housing Trust 2.4% Series 48	due December 15, 2022	AAA	100.37	200,740	102.53	205,058	3.4%
200,000	13509PDV2	Canada Housing Trust 2.35%	due September 15, 2023	AAA	105.62	211,240	102.73	205,468	3.4%
250,000	13509PEF6	Canada Housing Trust 2.9%	due June 15, 2024	AAA	102.64	256,600	105.71	264,270	4.3%
300,000	13509PFD0	Canada Housing Trust Ser. 70 2.25%	due December 15, 2025	AAA	100.98	302,940	102.88	308,628	5.1%
250,000	13509PGF4	Canada Housing Trust 2.35%	due March 15, 2028	AAA	103.96	259,900	103.91	259,783	4.3%
						1,473,495		1,491,369	24.5%
<b>PROVINCIAL BONDS</b>									
250,000	110709BJ0	British Columbia 3.25%	due December 18, 2021	AA (high)	102.30	255,750	103.79	259,468	4.3%
400,000	68323AAW4	Ontario 3.15%	due June 2, 2022	AA (low)	100.00	400,000	104.07	416,296	6.9%
500,000	68323ABN3	Ontario 2.85%	due June 2, 2023	AA (low)	102.29	511,430	104.09	520,430	8.6%
400,000	68323ACX0	Ontario 2.60%	due June 2, 2025	AA (low)	101.08	404,305	103.81	415,228	6.8%
350,000	68323AEE0	Ontario 2.60%	due June 2, 2027	AA (low)	97.56	341,460	102.44	358,540	5.9%
350,000	11070TAJ7	British Columbia 2.3%	due June 18, 2026	AA (high)	104.40	365,400	103.85	363,458	6.0%
						2,278,345		2,333,419	38.4%
<b>CORPORATE BONDS</b>									
300,000	06367VCT0	Bank of Montreal 2.84%	due June 4, 2020	AA	101.77	305,307	100.84	302,526	5.0%
200,000	06367VJN6	Bank of Montreal 3.4%	due April 23, 2021	AA	100.65	201,300	102.57	205,146	3.4%
200,000	064151QE6	Bank of Nova Scotia Dep. Note 2.62%	due December 2, 2026	AA	99.23	198,460	102.66	205,320	3.4%
250,000	13596Z3Y9	CIBC Deposit Note 3.3%	due May 26, 2025	AA	100.24	250,600	106.33	265,825	4.4%
250,000	633067C27	National Bank of Canada 2.105%	due March 18, 2022	AA (low)	102.04	255,100	100.34	250,843	4.1%
150,000	780086KD5	Royal Bank 1.968%	due Mar 2, 2022	AA (high)	100.05	150,075	99.98	149,967	2.5%
250,000	891145S47	Toronto Dominion Bank Dep. Note 2.563%	due June 24, 2020	AA (high)	104.57	261,425	100.65	251,613	4.1%
250,000	891145T79	Toronto Dominion Bank Dep. Note 3.226%	due July 24, 2024	AA (high)	102.02	255,050	105.58	263,957	4.3%
150,000	94975ZBN5	Wells Fargo 3.46%	due January 24, 2023	AA (low)	102.36	153,542	104.38	156,564	2.6%
200,000	94975ZBM7	Wells Fargo Canada 2.944%	due July 25, 2019	AA (low)	100.02	200,040	100.08	200,150	3.3%
						2,230,899		2,251,910	37.1%
<b>TOTAL PORTFOLIO</b>						<b>5,982,739</b>		<b>6,076,698</b>	<b>100.0%</b>

Martin, Lucas & Seagram Ltd.  
**DATE TO DATE GAINS AND LOSSES**  
**CLLAS - LONG TERM INVESTMENT FUND**  
**(RBC Investor Services)**  
*From 03-31-19 to 06-30-19*

Security	03-31-19 Market Value	Additions Withdrawals	06-30-19 Market Value	06-30-19 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
<b>CASH</b>								
Cash Account	0	0	0	0				
<b>GOVERNMENT BONDS</b>								
Canada Housing Trust 1.95% due June 15, 2019	250,073	-252,438	0	0	-238	-73	0	0
Canada Housing Trust Ser 71 1.25% due June 15, 2021	247,440	-1,563	248,163	242,075	0	0	6,088	723
Canada Housing Trust 2.4% Series 48 due December 15, 2022	204,176	-2,400	205,058	200,740	0	0	4,318	882
Canada Housing Trust 2.35% due September 15, 2023	204,106	0	205,468	211,240	0	0	-5,772	1,362
Canada Housing Trust 2.9% due June 15, 2024	262,148	-3,625	264,270	256,600	0	0	7,670	2,123
Canada Housing Trust Ser. 70 2.25% due December 15, 2025	304,752	-3,375	308,628	302,940	0	0	5,688	3,876
Canada Housing Trust No.1 2.350% due March 15, 2028	0	261,461	259,783	259,900	0	0	-118	-118
<b>GOVERNMENT BONDS Total</b>	<u>1,472,694</u>		<u>1,491,369</u>	<u>1,473,495</u>	<u>-238</u>	<u>-73</u>	<u>17,874</u>	<u>8,848</u>
<b>PROVINCIAL BONDS</b>								
British Columbia 3.25% due December 18, 2021	259,730	-4,063	259,468	255,750	0	0	3,718	-263
Ontario 3.15% due June 2, 2022	415,548	-6,300	416,296	400,000	0	0	16,296	748
Ontario 2.85% due June 2, 2023	517,125	-7,125	520,430	511,430	0	0	9,000	3,305
Ontario 2.60% due June 2, 2025	409,964	-5,200	415,228	404,305	0	0	10,923	5,264
British Columbia 2.3% due June 18, 2026	352,877	-4,025	358,540	365,400	0	0	-6,860	5,663
Ontario 2.60% due June 2, 2027	356,881	-4,550	363,458	341,460	0	0	21,998	6,577
<b>PROVINCIAL BONDS Total</b>	<u>2,312,125</u>		<u>2,333,419</u>	<u>2,278,345</u>	<u>0</u>	<u>0</u>	<u>55,074</u>	<u>21,294</u>
<b>CORPORATE BONDS</b>								
Wells Fargo Canada 2.944% due July 25, 2019	200,584	0	200,150	200,040	0	0	110	-434
Bank of Montreal 2.84% due June 4, 2020	302,682	-4,260	302,526	305,307	0	0	-2,781	-156
Toronto Dominion Bank Dep. Note 2.563% due June 24, 2020	251,533	-3,204	251,613	261,425	0	0	-9,813	80
Bank of Montreal 3.4% due April 23, 2021	205,198	-3,400	205,146	201,300	0	0	3,846	-52
Royal Bank 1.968% due March 2, 2022	148,910	0	149,967	150,075	0	0	-108	1,058
National Bank of Canada 2.105% due March 18, 2022	248,920	0	250,843	255,100	0	0	-4,258	1,923
Wells Fargo 3.46% due January 24, 2023	155,540	0	156,564	153,542	0	0	3,023	1,025
Toronto Dominion Bank Dep. Note 3.226% due July 24, 2024	260,794	0	263,957	255,050	0	0	8,907	3,163
CIBC Deposit Note 3.3% due May 26, 2025	261,313	-4,125	265,825	250,600	0	0	15,225	4,513

					Realized Gain or Loss		Unrealized Gain or Loss	
Security	03-31-19 Market Value	Additions Withdrawals	06-30-19 Market Value	06-30-19 Cost Basis	Cost	Market	Cost	Market
Bank of Nova Scotia Dep. Notes 2.62% due December 2, 2026	200,674	-2,620	205,320	198,460	0	0	6,860	4,646
CORPORATE BONDS Total	2,236,146		2,251,910	2,230,899	0	0	21,011	15,764
<b>TOTAL PORTFOLIO</b>	<b>6,020,965</b>		<b>6,076,698</b>	<b>5,982,739</b>	<b>-238</b>	<b>-73</b>	<b>93,959</b>	<b>45,905</b>
TOTAL DATE TO DATE GAIN OR LOSS								45,833
<b>% CHANGE DURING PERIOD</b>								<b>0.76</b>