



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, June 25, 2019 at 8:30 a.m.
Goodmans LLP
34th Floor, Bay Adelaide Centre, West Tower
333 Bay Street
Toronto, Ontario

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#

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 February 26, 2019 Meeting	Ken Crofoot	5 mins	3.1
<i>Proposed Resolution: To approve the minutes.</i>			
4. Business Arising Out of the Minutes	Ken Crofoot		
5. Comments of the Chair	Ken Crofoot	5 mins	



	<u>Responsibility</u>	<u>Est. Time</u>	<u>Tab</u>
6. Pro-Form Insurance Services – Excess Insurance Renewal	Bob Wilson	15 mins	Hand-out
7. Reinsurance Renewal	Ryan Durrell	35 mins	
7.1 Status of Reinsurance Renewal			7.1
7.2 Surplus Position and Impact on 2019/20 Premium			
7.3 Update on Associate Firm Initiative			
7.4 Confirmation of Rate Setting Policy	Patrick Mahoney		7.4
<i>Proposed Resolution: To confirm CLLAS' Rate Setting Policy</i>			
<i>Proposed Resolution: To approve the 2019/20 rates, including premium credit as appropriate</i>			
8. Report of the General Manager's Office	Patrick Mahoney	30 mins	
8.1 Management Financial Statements as at March 31, 2019			8.1
8.2 CLLAS 2019 Business Plan			8.2
8.3 ORSA Risk Evaluation			8.3
9. Committee Reports		20 mins	
9.1 Audit Committee	Gordon Goodman		
9.2 Claims Committee	Bill Scott		9.2
9.3 Risk Management Committee	Julia Holland		
9.4 Policy Committee	Donald Milner		
10. Other Business			
10.1 Quarterly Report of the Investment Manager	Patrick Mahoney	5 mins	10.1
10.2 Updated Committee Membership	Ken Crofoot	5 mins	10.2
<i>(Audit Committee membership to be filled)</i>			
11. Next Meeting – September 10, 2019			

Anticipated Adjournment Time: 10:45 a.m.

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

Minutes of a Meeting of the Advisory Board

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

Tuesday, February 26, 2019

Present:

Ken Crofoot (Chair)	Goodmans LLP
Melanie Koszegi (via phone)	Davies Ward Phillips & Vineberg LLP
Robert Love	Borden Ladner Gervais LLP
Gordon Goodman	Cassels Brock & Blackwell LLP
Donald Milner	Fasken Martineau DuMoulin LLP
Bill Scott	McCarthy Tétrault
Dan MacDonald	McMillan LLP
Margaret McNee	McMillan LLP
David Morritt	Osler, Hoskin & Harcourt LLP
Julia Holland (via phone)	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 December 11, 2018 Meeting of the Advisory Board

It was moved by Dan MacDonald and seconded by Donald Milner that the minutes of the December 11, 2018 meeting of the Advisory Board be approved, as amended. The motion was carried unanimously.

4. Business Arising Out of the Minutes

All business arising out of the minutes will be dealt with elsewhere in the agenda.

5. Comments of the Chair

Chair welcomed Bob Love who is the new Board representative for BLG. He also noted that this will be Dan MacDonald's last meeting with CLLAS. The Chair thanked Mr. MacDonald on behalf of the Board for his many years of involvement. He welcomed Margaret McNee who will be taking over as the McMillan Board representative. The Chair also reported that Carol Lyons from McMillan has announced her retirement and as a result will be leaving the Audit Committee on April 30, 2019.

Renewal meetings will take place May 22 to 24, 2019 in London. Along with the Chair, Bill Scott will be attending. The Chair advised that all indications are that the Lloyd's market is hardening and that there will be upwards pressure on rates for the up-coming renewal.

6. Market Update and Reinsurance Renewal Planning

Ryan Durrell updated the Board with respect to renewal planning. There does appear to be a market hardening. Lloyds, in particular, is looking at the performance of its syndicates and requiring that underperforming lines of business (which includes professional indemnity) be addressed via rate increases. At the same time, syndicates have been told they cannot write more premium volume than they did last year. This will lead to all syndicates seeking price increases, and some syndicates being more selective in the business they write. We anticipate that most of the pressure will be on the 49MMx1MM layer. We are, however, expecting an increase (perhaps 5%) even in the CLLAS upper layers, although Bob Wilson advises that he should be able to hold the line given his two-year arrangement and the fact that his layers do not involve Lloyd's. He does advise that he expects pressure on the CLLAS International coverage due to claims experience. We are hopeful that the domestic markets will see the Lloyd's hardening as a marketing opportunity, which may enable us temper the anticipated increases in Lloyd's.

Mr. Durrell put the current situation in context by reminding the Board that CLLAS had recently received two significant decreases (including a 25% decrease two years ago) and so the impact of the current situation could be viewed, so long as CLLAS remains in step with the market generally, as giving some of that decrease back.

7. Cyber and Associate Firm Initiative - Update

Ryan Durrell updated the Board with respect to two items discussed at the December Board meeting related to cyber. He advised that an anonymized description of a CLLAS cyber claim has been prepared and is included under a tab called "Cyber" on the CLLAS intranet. Additional examples of claims will be posted from time to time. He also indicated that he had posted information on a service provider who does dark web searches on behalf of law firms in the same tab on the intranet.

As noted at the December board meeting, one of the Associate Firms had asked about doing a dark web search. Ascent provided a recommendation for a service provider and Ryan Durrell reviewed the options. This service provider has offered to do one search for free, with the possibility of a firm signing up for regularly monitoring for a fee that is comparable to what the Associate Firm was quoted

elsewhere for a one-time search. The service is completely optional, but if more firms sign on, the price will be reduced. This application is included on the CLLAS intranet under the new “Cyber” tab, for any firms who are interested.

Mr. Durrell advised that meeting with prospective CLLAS Associate Firms continue from time-to-time, and a meeting is the process of being arranged with an Ontario-based firm.

8. Report of the General Manager’s Office

Financial Statements for the Period Ending December 31, 2018

Patrick Mahoney reported that CLLAS finished 2018 with a surplus position of just over \$12.3 million versus \$11.5 million at December 31, 2017. As shown on Exhibit II of the financial management report, CLLAS experienced an underwriting gain (premiums minus claims and expenses) for the year of \$483,000 with a total comprehensive gain, after taking into account investment income (including unrealized losses arising during the period) of \$786,000. Favourable net claims development, lower operating expenses and a stronger investment return all contributed to the positive result.

Mr. Mahoney advised that there had been a lot of claims activity in 2018 (and in the first quarter of 2019), including the resolution of two significant claims. Since the bulk of CLLAS’ exposure is reinsured, this activity does not translate to CLLAS’ bottom line, but of note that that we received full reimbursement of these two claims from reinsurers prior to processing the payments.

The Budget Variance (Exhibit IV) shows that expenses for the year finished slightly under budget. A more detailed discussion of the variance will take place under a subsequent agenda item.

CLLAS’ risk metrics are shown in Exhibit V. CLLAS had cash and approved securities well in excess of the minimum AMRGF requirement mandated by Alberta insurance law. CLLAS’ MCT ratio at December 31, 2018 was 496%, well above CLLAS’ internal target of 210%.

Presentation of the Actuary to the Audit Committee

CLLAS’ actuary, Julie-Linda Laforce, presented the results of the 2018 valuation to the Audit Committee at a meeting held on February 14, 2019. The actuary’s presentation was included in the Board material as an information item and the full valuation report will be posted to the website. The presentation highlights among other things, claim counts (Chart 5) and the change in ultimate reserves over the past 12 months (Chart 6 and Chart 7). A review of the actuarial work is done by the Auditor’s Actuary each year as well.

2019 Operating Budget

Mr. Mahoney presented the proposed operating budget for 2019. The budget letter addresses expenses incurred in 2018 and the budget being proposed for 2019. The proposal is a decrease of roughly 3.7% for Axxima management fees (fixed fee) and an increase of 3.8% in Axxima professional fees (fee for service). We continue to budget conservatively as reflected by finishing 2018 slightly under budget by \$80,000.

Mr. Mahoney drew the Board's attention to the offset of the CLLAS budget figure by a credit provided for commissions that Axxima receives on the CLLAS Cyber and Associate Firm programs. Further, if the CLLAS Associate firm program is profitable, profit sharing amounts will be received from the insurers, and these amounts will be applied against the CLLAS budget in future years. Details are included in the budget letter.

There was discussion on the risk management budget line and what should be contemplated in the area for 2019. It was agreed that 2020 would be a good year to have John Walker conduct re-audits of the firms and so this should be reflected in next year's budget.

It was moved by Gordon Goodman and seconded by Dan MacDonald that the 2019 budget be approved. The motion was carried unanimously.

Interim ORSA Update

The report in the Board material constitutes the fiscal year 2018 interim update to the Own Risk and Solvency Assessment ("ORSA") for CLLAS. The initial full ORSA report was adopted by CLLAS on February 24, 2016. Since the last ORSA analysis was performed, there was no material change to CLLAS' risk profile. Management recommends that the current surplus target based on an MCT ratio of 210% be maintained. Further, Management recommends no changes to CLLAS' risk metrics at this time. Risk metrics for individual risk categories should continue to be monitored quarterly and the overall internal target of 210% and the targets and limits for individual risk metrics should be reviewed in 12 months.

A full ORSA report is required every three years, so this will need to be done in 2019. This has been provided for in the 2019 budget.

It was moved by Donald Milner and seconded by Gordon Goodman that the Interim ORSA update be confirmed. The motion was carried unanimously.

9. Committee Reports

Report of the Audit Committee

Gordon Goodman reported on behalf of the Audit Committee.

The year-end meeting with CLLAS' auditor and actuary took place on February 14, 2019. An unqualified audit opinion will be issued. Neil Harrison is the new audit partner from Deloitte, replacing Elaine Hultzer. He had been CLLAS' Audit Partner in the past so he starts with some knowledge of the operation. The Audit Committee had an opportunity to meet with the auditor without management, and no issues or concerns were identified. Copies of the Audit Findings Report and the Audited Financial Statements were included in the Board meeting material.

It was moved by Gordon Goodman and seconded by Bill Scott that the Financial Statements at December 31, 2018 be adopted. The motion was carried unanimously.

The P&C1 regulatory filing will be signed and filed after today's meeting.

With the retirement of Carol Lyons the Committee will need a new member. Ms. Lyons' expertise in the insurance industry and her longevity on the Committee were acknowledged and will be missed.

Report of the Claims Committee

Bill Scott reported to the Board. Included in the material are some charts summarizing CLLAS' claims activity at December 31, 2018. It has been a very active period with numerous settlements. We expect that the claim settlements will be a heavily discussed item during the renewal discussions in London. Part of the message we intend to deliver to the markets is that CLLAS has settled a number files, but there are also a number that fell away in the underlying layers.

Report of the Risk Management Committee

There was no report of the Risk Management Committee.

Report of the Policy Committee

Donald Milner reported to the Board. The Committee is working on no new initiatives at this point. One issue has arisen since the last meeting (which does not involve a CLLAS firm). According to newspaper reports, there was a ransomware attack on a company, which tried to collect on its property policy issued by Zurich. Zurich denied the claim on the basis that it was an act of war and was therefore excluded. With Axxima's assistance, the CLLAS cyber policy issued by Ascent was reviewed and it was concluded that no change was required to the wording to ensure coverage as there is an override to the terrorism clause that would trigger a payout on the set of facts presented by the Zurich denial, i.e. short of a situation involving a formally declared war.

Firms were advised to review their property policies to see if there is coverage for cyber attacks that cause property damage. The example was given of a hack into a company's HVAC system which causes servers to overheat. Some property policies would not cover this first party kind of claim.

10. Other Business

Quarterly Report of the Investment Manager at December 31, 2018

This is an information item for the Board.

Committee Membership

This is an information item for the Board. New members for the Audit Committee and Risk Management Committee will be sought.

CLLAS – Axxima Service Agreement

An updated agreement was discussed at the December Board meeting, and a final version of the agreement was circulated prior to this meeting.

It was moved by Dan MacDonald and seconded by Gordon Goodman to approve execution of the new Axxima Services Agreement.

11. Next Meeting

The next regularly scheduled meeting of the Board will be on June 25, 2019.

There being no further business, the meeting was terminated.

12. Annual Dinner

The Annual Dinner will be held Thursday, April 25, 2019 at the National Club.

There being no further business, the meeting was terminated.

Chairman

Secretary



PRIVATE AND CONFIDENTIAL

Date: June 18, 2019

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

From: Patrick Mahoney, Ryan Durrell and Christopher Marley

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

The purpose of this report is to provide the CLLAS Board with information on the reinsurance placement for July 1, 2019/2020 and preliminary rates for CLLAS members.

CLLAS Renewal Objectives

The CLLAS renewal objectives for the period July 1, 2019/2020 are as follows:

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

CLLAS Renewal Negotiations

We are presently entering the third year of the current five-year underwriting period.

Last year we were able to achieve an as-is renewal. The year before that, i.e. at the last five-year underwriting period renewal, we achieved an overall reduction in CLLAS' rates of 25% through a combination of:

- reinsurance rate reductions of 20%,
- continued return of CLLAS surplus, and
- subsidized rates on Colchester's placement.

Our argument for last year's as-is renewal was that an increase in the first year following the five-year underwriting period renewal would be inappropriate, and would be damaging to the credibility of the CLLAS program in the eyes of the firms who elected to remain in CLLAS.

The timing of last year's reinsurance renewal worked in our favour, because shortly after the renewal Lloyd's completed a significant review of its business lines in order to address poor loss experience. Over and above the



historically high catastrophe losses in 2016 and 2017, it reviewed the worst performing 10 classes of business, which included international professional indemnity, and forced syndicates writing in these classes to:

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

Internally, we are referring to this as a “technical hardening” of the market.

Syndicates with especially poor performance in these areas or who had not been able to file an acceptable business plans ahead of January 1, 2019 were either forced to exit the line of business in question or were assessed additional capital charges by Lloyd’s which made writing business in that line prohibitively expensive. Some syndicates exited Lloyd’s altogether.

Furthermore, Lloyd’s has now initiated what they refer to as the “Decile 10” review. The Decile 10 review concentrates Lloyd’s business plan review process on the worst performing 10% of premium of each syndicate. Lloyd’s is focusing particularly on syndicates that have not been profitable in each of the past three years of account.

The effect of these initiatives has been a material impact not only on the Lloyd’s market, but the entire insurance market. Inflow of capital into the insurance market over the past decade has led to increased competition, steadily falling premiums, and lack-luster financial results. Lloyd’s Decile 10 review has signaled to the market that, for specific classes of business, a more principled approach to underwriting is necessary.

Couple this new market reality with a reinsurance submission showing \$29.6 million in additional incurred losses in 2018, and we anticipated a hard negotiation for this renewal.

This year, Ken Crofoot, Bill Scott, Patrick Mahoney, Ryan Durrell and Christopher Marley met with Miller Insurance Services LLP and many of the incumbent London underwriters to present our proposed renewal terms. In response to the shift in the market, claims experience of the past year, and to support our renewal objective of maintaining and enhancing existing reinsurer relationships, we proposed rate increases. The proposed rate increase was 12.5% on the primary policy, and a 5% rate increases on the \$60,000,000 excess of \$160,000,000 optional excess and \$30,000,000 excess of minimum \$65,000,000 umbrella layers.

Ken Crofoot provided an update on the overall legal landscape in Canada, a detailed update on risk management activities within the CLLAS law firms, and closed on an acknowledgement of the market dynamics at play in this renewal. Bill Scott provided a terrific overview of the claims process in general, and hinted at the level of claims activity over the past year. Bill also managed to weave in several key risk management points throughout his talking points. These updates were very well received by underwriters.

We left our meetings with the impression that CLLAS’ relationship with most of the markets remains positive, however the business needs of the individual markets varied and would ultimately mean hard negotiations following the meetings. None of the markets were committal regarding the rates during the meetings.

We continue to work with the lead Syndicate, Argo, who is still reviewing with their actuaries to come to a landing place on renewal terms. An up-to-date report on the renewal will be provided at the Board meeting.



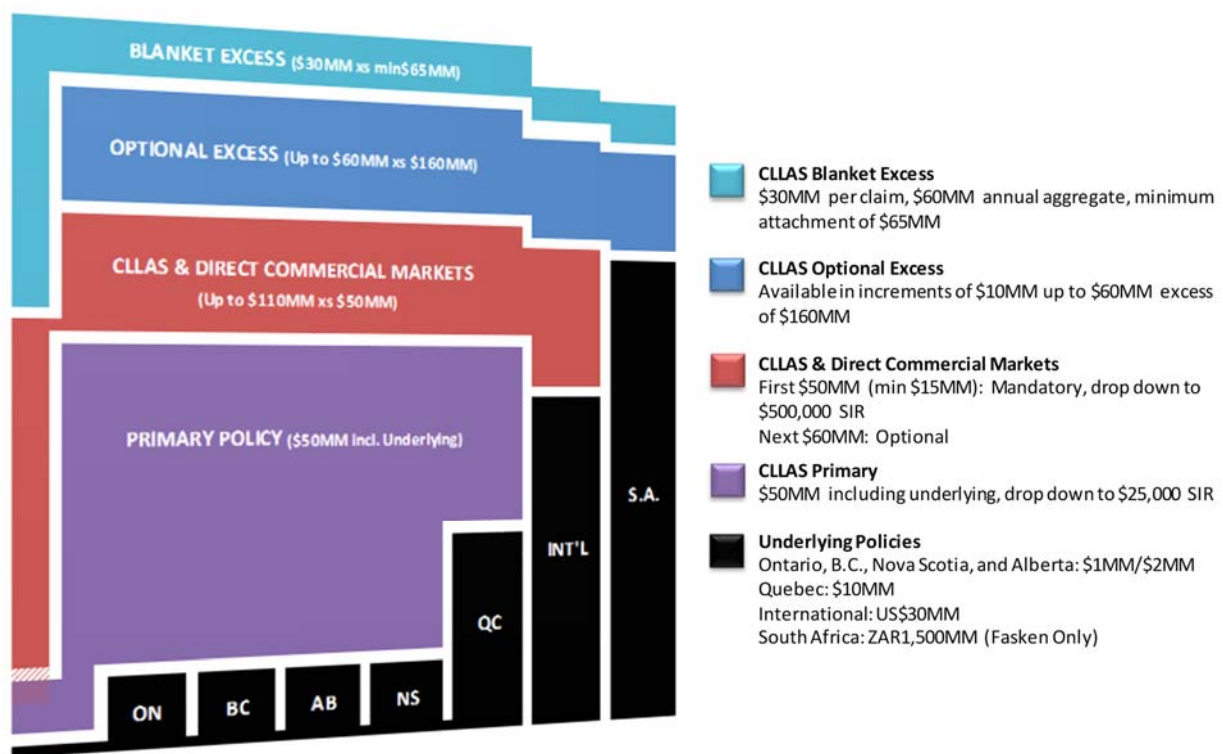
CLLAS Insurance Structure

CLLAS currently offers a \$50,000,000 primary policy, of which it retains only the drop-down exposure between \$25,000 and \$1,000,000 where underlying policies do not respond.

Beginning in 2017/2018, CLLAS began participating in the direct commercial market layers between \$50,000,000 and \$160,000,000. CLLAS provides 5% of those layers, and fully reinsures this exposure.

Above the commercial market layers are CLLAS' optional excess and blanket excess layers, which provide up to \$60,000,000 optionally before the blanket excess layer, which provides \$30,000,000 per claim with a \$60,000,000 aggregate. Again, these layers are fully reinsured.

In total the CLLAS insurance structure offers limits of up to \$250,000,000, as follows:



The current policies and limits issued by CLLAS are described in more detail below:

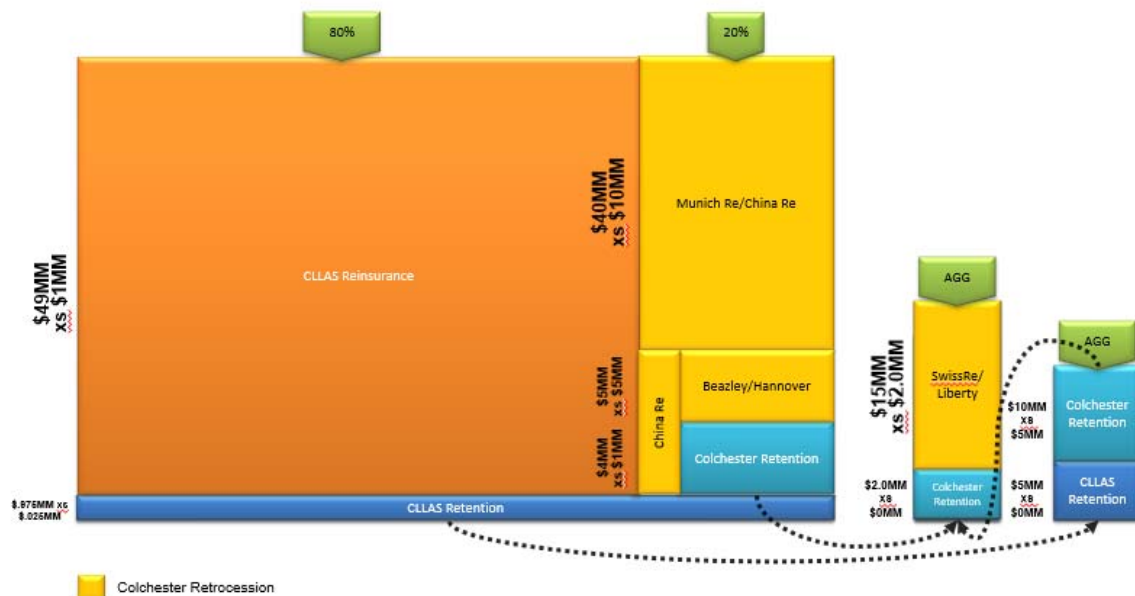
1. CLLAS Primary Policy of \$50M – A Primary Policy of \$50,000,000 each and every claim and in the annual aggregate, including costs, charges and expenses, inclusive of the minimum mandatory coverage provided by the applicable law society professional liability insurance program or by the professional liability insurance program of the governing body of a self-regulatory profession other than law and/or other applicable insurance and/or \$25,000 per claim self-insured retention. The rate for lawyers in Quebec is lower in this layer because of the higher underlying limit provided by Barreau du Quebec.



2. CLLAS First Excess Policy of Up to \$50M Excess of \$50M – CLLAS has a 5% participation on the First Excess Policy of up to \$50M excess of the CLLAS Primary \$50M and/or other specific underlying insurance arranged by certain CLLAS member firms for their offices in the U.S. and/or other international locations.
3. CLLAS Optional Second Excess Policy of Up to \$60M Excess of \$100M – CLLAS has a 5% participation on the Second Excess Policy of up to \$60M excess of \$100M. This policy follows the CLLAS First Excess Policy.
4. CLLAS Optional Third Excess Policy of Up to \$60M excess of \$160M – This is an existing layer issued 100% by CLLAS of up to \$60M excess of \$160M. This policy follows the First Excess and Optional Second Excess Policies.
5. CLLAS Blanket Excess Policy of \$30M per claim/\$60M aggregate – This policy is shared by all CLLAS member firms. This policy follows the CLLAS First Excess Policy (\$15M excess of \$50M must be purchased at a minimum) and also follows the Optional Second and Third Excess Policies, where purchased.

CLLAS Reinsurance Structure

The proposed reinsurance structure for the primary policy is unchanged from the expiring structure and it is depicted below:



The reinsurance program is described in more detail below:

- a) Primary Policy Reinsurance: \$49M excess of \$1M – 100% reinsured.
 - 80% of this layer will be proportionally reinsured with Lloyd's and other reinsurers.



- 20% will be reinsured with Colchester. Colchester's involvement will then be layered and retroceded to various markets. A portion of Colchester's participation which is not transferred to other markets will be retained by Colchester. Colchester also purchases stop-loss cover to manage its retained exposure.
 - CLLAS will retain the entire drop-down exposure below \$1M.
 - Note: The 80%/20% split referred to above may change as this year's placement is finalized.
- b) First Excess Policy Reinsurance: Up to \$50M excess of \$50M – The 5% participation by CLLAS will be fully reinsured.
- c) Second Excess Policy Reinsurance: Up to \$60M Excess of \$100M – The 5% participation by CLLAS will be fully reinsured.
- d) Optional Excess Policy Reinsurance: Up to \$60M excess of \$160M – 100% reinsured.
- e) Umbrella Policy Reinsurance: \$30M/\$60M excess of \$65M (minimum) – 100% reinsured.
- f) Aggregate Stop-Loss Reinsurance: CLLAS aggregate protection of \$10M excess of \$5M in aggregate losses – 100% reinsured by Colchester.
- g) Loss Portfolio Transfer Reinsurance: Claims reserves and IBNR as at June 30, 2012 – 100% reinsured by Colchester.

Reinsurance Security

All proposed markets meet CLLAS' reinsurance security requirements, as show in appendix A, which summarizes the AM Best and S&P financial strength ratings for the proposed reinsurance markets.

CLLAS performs a robust analysis of reinsurance security each fall which is reviewed by the Audit Committee, which provides management with direction for the renewal. No special direction was provided for the current renewal.

Premium Reductions Through CLLAS Surplus Contributions

As will be discussed in more detail at the Board meeting, CLLAS' surplus remains sufficient to continue to provide a reduction consistent with last year.

Proposed CLLAS Structure and Rates – July 1, 2019/2020

No substantive changes to the CLLAS insurance or reinsurance structures are being proposed, however, due to the potential loss of some capacity, especially from Lloyd's, we are preparing for a potential increase in Colchester's participation.

Our suggested rate increases of 12.5% on the primary layer and 5% on the optional excess and umbrella layers is being met with mixed reactions. Our most optimistic view has CLLAS with 70% of the placements at the recommended increase on the primary layer. This means we will likely experience larger increases to complete the placement.

Lead terms on the primary are not available at the time of writing. These terms will influence not only the final primary layer pricing, but also the excess layers to some degree, as well. This is a challenging renewal, but we are actively



managing the level of increase that firms will experience. Our best estimate of the overall increase in the per-lawyer rate will be in the order of 15% to 20%.

Proposed Policy Wording Changes at Renewal

CLLAS does not expect to amend any of the policy wordings for the coming year.

Conclusions

As indicated in this memo from last year, member firms should be prepared for a more rational market in the years ahead. The rational market appears to have arrived, and we are working hard to hold on to the exceptional risk transfer pricing achieved over the past eight plus years.

While this preliminary report should provide firms with an update on ongoing renewal negotiations, a more definitive report, including lead reinsurance terms and conditions, will be provided at the upcoming Board meeting.

CLLAS Reinsurance

A.M Best Ratings over a 5 year period
October 2018

Appendix A

Reinsurers	Registered Status		2012	2013	2014	2015	2016	2017	2018
Lloyd's	Registered	Rating	A	A	A	A	A	A	A
		Outlook	Stable	Stable	Positive	Stable	Stable	Stable	Stable
Aspen Re	Registered	Rating	A	A	A	A	A	A	A
		Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Hannover Rueck	Registered	Rating	A	A+	A+	A+	A+	A+	A+
		Outlook	Positive	Stable	Stable	Stable	Stable	Stable	Stable
Transatlantic Reinsurance Company (UK)	Registered	Rating	A	A	A	A	A+	A+	A+
		Outlook	Stable	Stable	Positive	Positive	Positive	Stable	Stable
Arch Insurance Company (Canada Branch)	Registered	Rating	A+	A+	A+	A+	A+	A+	A+
		Outlook	Stable	Stable	Stable	Stable	Stable	Negative	Negative
Allied World Assurance Company Ltd.	Unregistered	Rating	A	A	A	A	A	A	A
		Outlook	Positive	Stable	Stable	Stable	Stable	Negative	Stable
CRC (Bermuda) Reinsurance Ltd.	Unregistered	Rating	A	A-	N/A	N/A	N/A	N/A	N/A
		Outlook	Stable	Stable	N/A	N/A	N/A	N/A	N/A
RSA Insurance Group(formerly GCAN Insurance Company)	Registered	Rating	A	A	N/A	N/A	N/A	N/A	N/A
		Outlook	Stable	Stable	N/A	N/A	N/A	N/A	N/A
SCOR Canada Reinsurance Company	Registered	Rating	A	A	A	A	A	A+	A+
		Outlook	Stable	Stable	Stable	Positive	Positive	Positive	Stable
Swiss Reinsurance Company Ltd. (Canada Branch)	Registered	Rating	A+	A+	A+	A+	A+	A+	A+
		Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Toa Reinsurance Company of America	Registered	Rating	A+	A+	A+	A+	A+	A	A
		Outlook	Negative	Stable	Stable	Stable	Stable	Stable	Stable
Alleghany Corporation (formerly Transatlantic Reinsurance Company) (Parent)	Registered	Rating	N/A	bbb+	bbb+	bbb+	A-	A-	A-
		Outlook	N/A	N/A	N/A	Positive	Stable	Stable	Stable
Transatlantic Reinsurance Company (Canada)	Registered	Rating	A	A	A	A	A+	A+	A+
		Outlook	Stable	Stable	Positive	Positive	Stable	Stable	Stable
Colchester Reinsurance Ltd.	Unregistered	Rating	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		Outlook	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Munich Re	Registered	Rating	A+	A+	A+	A+	A+	A+	A+
		Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Argo Group Operating Subsidiaries (AMA 1200 Parent)	Registered	Rating	A	A	A	A	A	A	A
		Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Axis Reinsurance Company	Registered	Rating	A	A	A+	A+	A+	A+	A+
		Outlook	Positive	Positive	Stable	Stable	Stable	Stable	Negative
Continental Casualty Company (CNA)	Registered	Rating	A	A	A	A	A	A	A
		Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Allianz Global Risks	Registered	Rating	A+	A+	A+	A+	A+	A+	A+
		Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Stable
CNA Canada	Registered	Rating	N/A	N/A	N/A	A*	A*	A*	A*
		Outlook	N/A	N/A	N/A	Stable*	Stable*	Stable*	Stable*

* As of March 31, 2012

CLLAS Reinsurance

S&P Ratings over a 5 year period

October 2018

Appendix A

Reinsurers		2012	2013	2014	2015	2016	2017	2018
Lloyd's	Rating	A+	A+	A+	A+	A+	A+	A+
	Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Negative
Aspen Re	Rating	A	A	A	A	A	A	A
	Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Negative
Hannover Rueck	Rating	AA-	AA-	AA-	AA-	AA-	AA-	AA-
	Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Transatlantic Reinsurance Company (UK)	Rating	A+	A+	A+	A+	A+	A+	A+
	Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Arch Insurance Company (Canada Branch)	Rating	A+	A+	A+	A+	A+	A+	A+
	Outlook	Stable	Stable	Stable	Stable	Negative	Negative	Stable
Allied World Assurance Company Ltd.	Rating	A	A	A	A	A	A-	A-
	Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Positive
CRC (Bermuda) Reinsurance Ltd.	Rating	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Outlook	N/A	N/A	N/A	N/A	N/A	N/A	N/A
RSA Insurance Group(formerly GCAN Insurance Company)	Rating	A+	A	A	A	A	A	A
	Outlook	Negative	Negative	Stable	Stable	Stable	Stable	Stable
SCOR Canada Reinsurance Company	Rating	A+	A+	A+	AA-	AA-	AA-	AA-
	Outlook	Stable	Stable	Positive	Stable	Stable	Stable	Stable
Swiss Reinsurance Company Ltd. (Canada Branch)	Rating	AA-	AA-	AA-	AA-	AA-	AA-	AA-
	Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Toa Reinsurance Company of America	Rating	A+	A+	A+	A+	A+	A+	A+
	Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Alleghany Corporation (formerly Transatlantic Reinsurance Company) (Parent)	Rating	BBB	BBB	BBB+	BBB+	BBB+	BBB+	BBB+
	Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Transatlantic Reinsurance Company (Canada)	Rating	A+	A+	A+	A+	A+	A+	A+
	Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Colchester Reinsurance Ltd.	Rating	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Outlook	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Munich Re	Rating	AA-	AA-	AA-	AA-	AA-	AA-	AA-
	Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Argo Group Operating Subsidiaries (AMA 1200 Parent)	Rating	A-	A-	A-	A-	A-	A-	A-
	Outlook	Stable	Negative	Stable	Stable	Stable	Stable	Stable
Axis Reinsurance Company	Rating	A+	A+	A+	A+	A+	A+	A+
	Outlook	Stable	Stable	Stable	Stable	Stable	Negative	Negative
Continental Casualty Company (CNA)	Rating	A-	A	A	A	A	A	A
	Outlook	Positive	Positive	Stable	Stable	Stable	Stable	Stable
Allianz Global Risks	Rating	AA	AA	AA	AA	AA	AA	AA
	Outlook	Negative	Stable	Stable	Stable	Stable	Stable	Stable
CNA Canada	Rating	N/A	N/A	N/A	A	A	A	A
	Outlook	N/A	N/A	N/A	Stable	Stable	Stable	Stable



M E M O R A N D U M

TO: CLLAS Board
FROM: Patrick Mahoney
RE: CLLAS Rate Setting Policy
DATE: June 14, 2019

Over the years, CLLAS has adopted a number of governance policies, including policies addressing Reinsurance Risk Management, Surplus, Investments, Outsourcing and Relative Party Transactions. CLLAS' Rate Setting Policy was adopted five years ago and is due for review.

The Policy is attached. Management has reviewed and has no changes to suggest. The Board should discuss the Policy at its June 2019 Board meeting and, if appropriate, confirm the policy.



Rate Setting Policy

Effective July 1, 2014

Purpose and Scope

The purpose of this policy is to document the process used to establish CLLAS' premiums. In order for CLLAS to sustain long-term operations, premium rates must be both adequate and competitive. Inadequate premiums could present significant solvency and reputational risks for CLLAS. Uncompetitive rates create the potential for member firms to explore alternatives to CLLAS.

This policy applies in the context of the annual rate setting exercise performed by the appointed actuary and the Office of the General Manager. Premium rates are submitted to the Advisory Board for approval.

Rate Setting Process

Indicated premium rates reflect the best estimate of all expected costs associated with the underwriting of policies for the prospective policy period, i.e. expected future claim costs, reinsurance costs, policy and administration expenses and premium taxes. Premium rates are calculated for each of the coverage layers offered (mandatory and optional).

Indicated premium rates consist of the sum of the following:

1. Expected Loss Costs

1.1. The appointed actuary determines the expected loss costs on an undiscounted basis for any losses retained by CLLAS for the prospective policy period with consideration of the following:

- Availability and relevance of available data;
- Credibility, or assumed predictive value, of available data;
- Changes in circumstances, such as the adoption of new underwriting or claims practices, changes in the provisions of insurance contracts or changes in legal precedents;
- Development of losses over time;
- Trending of losses over time; and
- Large or unusual losses, or lack thereof.

1.2. The appointed actuary may segment the portfolio of insured members in the determination of expected loss costs if appropriate. Segmentation allows for different premium rates to be established for insureds who present different expected loss potential. An example of a segmentation variable currently used by CLLAS is the provincial jurisdiction (Quebec vs. rest of Canada). It is not CLLAS' approach to segment based on historical loss experience; in general,



CLLAS' philosophy is not to segment insureds unless a material difference in the underlying exposure can be identified.

- 1.3. The appointed actuary discounts expected losses to reflect the investment income expected to be earned from the time the premium is collected to the time claims made during the policy period are paid.
- 1.4. Expected loss costs per lawyer are determined by coverage layer and by segment by dividing the total expected loss cost for that coverage layer and segment by the number of insured lawyers in that coverage layer and segment.

2. Reinsurance Costs

- 2.1. CLLAS' reinsurance structure is reviewed annually with consideration of CLLAS' risk appetite and then-prevailing reinsurance market conditions.
- 2.2. Reinsurance costs are negotiated annually prior to the date of effective coverage of the policy period and are known at the time premium rates are finalized.
- 2.3. Reinsurance costs by coverage layer are translated into a per-lawyer cost based on the estimated number of lawyers provided by CLLAS' member firms as of June 15th for a policy year incepting July 1st.

3. Expected Policy and Administration Expenses

- 3.1. Expected policy and administration expenses for the prospective policy period include management, actuarial, reinsurance, risk management, strategic, audit, investment and other operational expenses, including sales taxes.
- 3.2. These expenses by coverage layer are translated into a per-lawyer cost based on the estimated number of lawyers provided by CLLAS' member firms as of June 15th for a policy year incepting July 1st.

4. Premium Taxes

- 4.1. Premium taxes would be determined as a load on total premium rates.
- 4.2. Premium tax rates would be selected and applied in accordance with appropriate legislation by provincial jurisdiction.



Adopted premium rates may differ from indicated premium rates as they may reflect additional considerations, such as the following:

1. Contingency Margins

A contingency margin is a risk load applied to expected losses to increase the probability of premium adequacy. The contingency margin is reflective of risk appetite. The current contingency margin is 0%, meaning that net losses underlying premium rates are set at the mean level.

2. Surplus Contributions or Distributions

The equity management policy may dictate surplus contributions or distributions via premium assessments.

Non-Lawyer Professionals

CLLAS applies a different rate for each respective layer of coverage to certain non-lawyer professionals at the member firms:

- Non-lawyer patent and trademark agents: 25% of the lawyer rate;
- Other non-lawyer consultants/professionals:
 - Who have no client contact and provide no advice to clients: 0% of the lawyer rate;
 - Who advise clients but act under the supervision of a lawyer: 25% of the lawyer rate; and
 - Who advise clients and act on their own without the supervision of a lawyer: 100% of the lawyer rate.

Approval of Rates by the Advisory Board

The Advisory Board is responsible for the approval of premium rates. The Board meets annually in late June to review the reinsurance renewal and approve the rates for the policy year commencing July 1st.

Review of Adequacy of Premium Rates

The appointed actuary reviews ultimate loss estimates and claims development on a quarterly basis. Given the relative size of CLLAS' insurance portfolio and the volatile nature of professional liability losses, the adequacy of premium rates should be reviewed over a long-term horizon.

History of Modifications

The rate setting policy was first approved by the Advisory Board on June 25, 2014.



MEMORANDUM

DATE: May 27, 2019
TO: CLLAS Advisory Board
FROM: Patrick Mahoney
COPY:
RE: March 31, 2019 Financial Management Report

CLLAS' financial management report for the year ended March 31, 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 of \$143,000 for the quarter, with the total comprehensive gain (after taking into account realized and unrealized gains/losses on the investment portfolio) of \$349,000. The main driver for the gain was favourable claims development.

As shown on Exhibit I, CLLAS' surplus at March 31, 2019 stood at just over \$12.6 million.

The Budget Variance (Exhibit IV) shows that expenses were about \$59,000, or 9.0%, under budget for the quarter. This was the result of many budget lines being slightly under budget in the first quarter and may in part be a result of timing of expenses.

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 2016, 2017 and 2018, and the first quarter result for 2019 against risk targets and risk limits. While the results at March 31, 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 the previous year (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. 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 December 31, 2018.
- Line 14: CLLAS also monitors its Minimum Capital Test ratio. At March 31, 2019, CLLAS' MCT ratio was 707%. 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

March 31, 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
March 31, 2019

	As at March 31, 2019	As at March 31, 2018
ASSETS		
Cash	3,919,746	2,241,900
Short term investments	7,164,792	9,731,832
Bonds	6,022,810	5,119,931
Interest income due and accrued	43,462	33,456
Premium receivable	-	-
Other receivable	-	-
Prepaid expenses	91,452	102,556
Deferred policy acquisition costs	53,291	51,655
Unearned reinsurance premium ceded	1,375,569	1,277,646
Reinsurance recoverable	3,622,979	4,004,677
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	55,740,000	95,067,000
	<u>78,034,100</u>	<u>117,630,654</u>
LIABILITIES		
Accounts payable & accrued charges	74,418	475,784
Premium taxes payable	-	-
Unearned premium	1,842,584	1,779,716
Due to reinsurers	967,587	824,516
Provision for unpaid claims and adjustment expenses	62,467,000	102,909,000
Premium deficiency liability	-	-
	<u>65,351,589</u>	<u>105,989,017</u>
SUBSCRIBERS' EQUITY		
Surplus	12,607,304	11,688,786
Accumulated Other Comprehensive Income (Loss)	75,207	(47,149)
	<u>12,682,511</u>	<u>11,641,637</u>
	<u>78,034,100</u>	<u>117,630,654</u>

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF COMPREHENSIVE INCOME
For the Period Ending March 31, 2019

	Current Year		Prior Year	
	Quarter March 31, 2019	Year to Date March 31, 2019	Quarter March 31, 2018	Year to Date March 31, 2018
Written Premium	-	-	-	-
Gross Written Premiums	-	-	-	-
Less: Reinsurance Ceded	-	-	-	-
Net Written Premiums	-	-	-	-
Change in Unearned Premiums	461,883	461,883	496,552	496,552
Earned Premiums	461,883	461,883	496,552	496,552
Claims Paid	488,729	488,729	(56,203)	(56,203)
Change in IBNR	(216,000)	(216,000)	(68,000)	(68,000)
Change in Case Reserve	(546,000)	(546,000)	(21,000)	(21,000)
Premium Deficiency Expense	-	-	-	-
Incurred Claims	(273,271)	(273,271)	(145,203)	(145,203)
Management and operating expenses	468,645	468,645	465,299	465,299
Reinsurance fees	69,750	69,750	69,750	69,750
Premium taxes	53,291	53,291	51,655	51,655
Total Operating Expenses	591,686	591,686	586,704	586,704
Underwriting Gain (Loss)	143,468	143,468	55,052	55,052
Investment Income	96,091	96,091	64,773	64,773
Income on Claim Related Matters	-	-	-	-
Interest Income on Premium Tax	-	-	-	-
NET GAIN/(LOSS)	<u>239,559</u>	<u>239,559</u>	<u>119,825</u>	<u>119,825</u>
Other comprehensive income (loss)				
Unrealized gains (losses) on available for sale financial assets arising during the year	109,797	109,797	(25,381)	(25,381)
Recognition of realized (gain) loss included in income	-	-	-	-
Other comprehensive income (loss) for the year	109,797	109,797	(25,381)	(25,381)
Total comprehensive income (loss)	<u>349,356</u>	<u>349,356</u>	<u>94,444</u>	<u>94,444</u>

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF CHANGES IN EQUITY
March 31, 2019

	Minimum Surplus	Additional Surplus	Unrealized gains and losses on AFS financial assets	Total Equity
Balance, beginning of year	50,000	12,317,745	(34,590)	12,333,155
Prior year adjustment		-		-
Comprehensive income (loss) for the year				
Net gain (loss) for the year		239,559		239,559
Other comprehensive income (loss)				
Change in unrealized gain on available-for-sale assets			109,797	109,797
Recognition of realized (gain) loss on available-for-sale assets			-	-
Total comprehensive income (loss) for the year		239,559	109,797	349,356
Distribution of premium surplus		-		-
Balance at March 31, 2019	50,000	12,557,304	75,207	12,682,511

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS
FOR THE PERIOD ENDED March 31, 2019**

	Annual Budget	Year to Date Budget %	Year to Date Budget \$	Year to Date Actual \$	Fav/(Unfav) Variance \$
MANAGEMENT SERVICES* (See Note 1)	501,500	25%	125,375	116,871	8,504
PROFESSIONAL SERVICES					
Actuarial Services	90,000	21%	18,900	32,926	(14,026)
Reinsurance Matters	300,000	21%	63,000	41,770	21,230
Strategic Matters	160,000	21%	33,600	16,251	17,349
Sub-Total Professional Services	550,000		115,500	90,947	24,553
GST/HST on Consulting Fees	136,695		31,314	27,016	4,297
Total Management & Professional Services * (See Note 2)	1,188,195		272,189	234,834	37,355
OTHER EXPENSES					
Audit Expenses	117,000	25%	29,250	29,160	90
Annual Dinner	7,500	0%	-	-	-
Premium Taxes	224,000	25%	56,000	53,291	2,709
Chairman's Expenses	3,000	25%	750	-	750
Chairman's Honourarium	150,000	100%	150,000	150,000	-
Reinsurance Expense	8,500	0%	-	-	-
D&O Insurance	20,000	0%	-	-	-
Office Expenses	25,000	25%	6,250	2,621	3,629
Office Expenses - Scanning Offsite Files	38,000	66%	25,000	23,862	1,138
Claims: Bordereaux (LawPro/LIF)	16,800	82%	13,800	13,875	(75)
Special Services	25,000	25%	6,250	-	6,250
Miller Insurance Fees (Reins. Comm.) (See Note 3)	286,000	25%	71,500	69,750	1,750
I.B.C Statistical Plan Fees	3,000	25%	750	310	440
Assessment Fees	3,000	25%	750	-	750
Investment counsel fees	27,000	25%	6,750	6,279	471
Investment - Custodial	16,000	25%	4,000	4,204	(204)
Risk Management/Loss Prevention	15,000	25%	3,750	-	3,750
License Fee	5,000	70%	3,500	3,500	-
Insurance: Sundry	-		-	-	-
Sub-total	989,800		378,300	356,852	21,448
TOTAL	2,177,995		650,489	591,686	58,803

*** 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
March 31, 2019

Exhibit V

	Risk Category	Risk Metric	December 31, 2017	December 31, 2018	March 31, 2019	Target	Limit
(1a)	Insurance	Prior year development - Gross of reinsurance	-8%	15%	-2%	≤ 0%	> 20%
(1b)		Prior year development - Net of reinsurance	8%	-31%	-7%	≤ 0%	> 10%
(2a)		3-year net combined ratio	115%	114%	120%		
(2b)		3-year net combined ratio before surplus adjustments via premiums	91%	86%	88%	≤ 100%	> 125%
(3)		Maximum allocation to a single jurisdiction	60%	59%	59%	n/a	> 67%
(4)	Reinsurance	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)	Interest Rate	Interest rate risk per MCT formula at 1.25%	\$198,000	\$289,000	\$222,000	≤ \$250,000	> \$600,000
(7)	Liquidity	Ratio of cash and short-term investments to gross claim liabilities	14%	13%	18%	≥ 15%	< 10%
(8)		Ratio of short term funds to total short & long term funds	70%	55%	54%	≥ 40%	< 20%
(9a)	Asset Default	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)	Strategic	Annual Advisory Board turnover	0	2	1	≤ 2 members	> 4 members
(12)	Operational	Key management/advisor turnover	0	2	1	≤ 1 per 3 years	> 1 per year
(13)	Regulatory Solvency Indicators	AMRGF - Excess of cash and approved securities over required reserve and guarantee fund	\$7,749,500	\$6,765,000	\$8,243,000	\$3,500,000 to \$7,000,000	< \$3,500,000
(14)		MCT	451%	496%	707%	≥ 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 March 31, 2019

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

	Current Year to Date 03/31/2019 (in \$000's)	Prior Year End 03/31/2018 (in \$000's)
<u>Reserve Fund</u>		
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
<u>Guarantee Fund</u>		
Total Liabilities	(7) 65,352	105,989
Less: Unearned Premiums	(8) 1,843	1,780
Less: Recoverable from licensed reinsurers	(9) 55,659	94,062
Plus: Statutory Margin	(10) 50	50
Guarantee Fund Required (Line 7 minus Lines 8 and 9 plus line 10)	(11) 7,900	10,197
TOTAL RESERVE & GUARANTEE FUND REQUIRED (Line 6+11)	(12) 8,863	11,229
Cash & Approved Securities	(13) 17,106	17,094
Excess of Cash & Securities over Reserve & Guarantee Fund (line 13 minus line 12)	(14) 8,243	5,866



CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Business Plan Projected for the
Fiscal Years Ending December 31, 2019, 2020 and 2021

Final Report
March 14, 2019



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1. Executive Summary

This report summarizes the business plan for the Canadian Lawyers Liability Assurance Society (“CLLAS”) for fiscal years 2019 to 2021. A copy of this report was submitted to the Alberta Superintendent of Insurance (“Superintendent”), the regulatory authority responsible for the supervision of CLLAS under the Alberta *Insurance Act*.

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

Operations and Operating Environment

CLLAS’ core business objective is to meet the liability insurance needs of its subscribers. It provides professional liability insurance to select Canadian law firms since 1987. Professional liability claims are subject to significant volatility and are expected to trend at approximately 5% per year.

CLLAS has purchased proportional and aggregate stop loss reinsurance since its inception. In addition, CLLAS entered into a loss portfolio transfer agreement at June 30, 2012 with Colchester Reinsurance Limited, which covers all outstanding claim obligations on policies written between July 1, 1987 and June 30, 2012. These risk management initiatives have the effect of limiting CLLAS’ loss exposure. While CLLAS’ reinsurance rates and availability will be affected by prevailing insurance market conditions, the impact is expected to be tempered due to CLLAS’ strong long-term relationships with its reinsurers.

In March 2013, the Superintendent adopted solvency, governance and other supervisory guidelines that were historically applicable only to federally-regulated insurance companies. The adoption of these guidelines has led to additional solvency and governance requirements for CLLAS. The Superintendent has discretion in the application of these guidelines for reciprocals.

Summary of Financial Projections for Fiscal Year 2019

The underwriting income and investment income for fiscal year 2019 are projected at (\$792,000) and \$364,000 respectively, for a total net income of (\$428,000). The surplus at December 31, 2019 is projected at \$11,940,000. The projections assume that the premiums reflect surplus distributions of \$700,000 per year from 2019 to 2021, consistent with the surplus distribution in the 2018/2019 premium rates.

CLLAS is expected to meet the Alberta Maintenance of Reserves and Guarantee (“AMRGF”) Funds requirement with an excess margin of \$8,297,000 at December 31, 2019. The Minimum Capital Test (“MCT”) ratio at December 31, 2019 is projected at 470%, a slight decrease over the MCT ratio of 496% at December 31, 2018. The MCT ratio is expected to remain comfortably above CLLAS’ internal target and regulatory expectations of 210%.



This business plan report is organized as follows:

- Section 2: Overview of CLLAS Operations
- Section 3: Operating Environment
- Section 4: Short-Term Opportunities and Threats
- Section 5: Short-Term Priorities and Initiatives
- Section 6: Financial Performance Measures
- Section 7: Financial Condition Measures and Regulatory Solvency Requirements
- Section 8: Financial Projections

Any questions regarding this report should be addressed to Mr. Patrick Mahoney:

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2. Overview of CLLAS Operations

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

Insurance Operations

CLLAS was formed on December 22, 1986 under the Reciprocal Insurance Exchange Agreement for Select Canadian Law Firms. CLLAS started its insurance underwriting operations in June 1987 and was regulated by the Financial Services Commission of Ontario. Effective July 1, 2012, CLLAS' lead regulator was changed from Ontario to Alberta. CLLAS is licensed in Alberta, British Columbia, Ontario and Nova Scotia.

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

In the fiscal year ending December 31, 2018, CLLAS issued 20 insurance policies to 10 Canadian law firms. CLLAS also participants on a subscription basis on a number of insurance policies issued to these 10 firms. CLLAS provides a combined maximum limit of liability insurance per occurrence of \$145,475,000 to cover the cost of damages that an insured is legally obligated to pay as a result of single or related act, error, omission or negligent act in the performance of or failure to perform professional services by the insured or by any person for whose acts, errors, or omissions the insured is legally responsible.

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



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

Reinsurance

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

In addition, for its treaty underwriting year from July 1, 2018 to June 30, 2019, CLLAS purchased an annual stop-loss coverage that provides \$10,000,000 of coverage in excess of \$5,000,000. Annual stop-loss coverage limiting CLLAS' overall annual net retained losses in any one treaty year was also purchased in prior treaty years.

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

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

Operational Results for Fiscal Year 2018

In 2018, CLLAS generated written premium volumes of \$7,391,000 and \$1,873,000 on gross and net of reinsurance bases respectively. \$5,517,000 of written premium volume was ceded to proportional and aggregate stop loss reinsurers.

CLLAS' net income (loss) was \$799,000 and its net subscribers' equity inclusive of accumulated other comprehensive income was \$12,333,000 at December 31, 2018.

At December 31, 2018, CLLAS held \$18,142,000 in invested assets comprised of cash and fixed-income securities. CLLAS' main liability was its net provision for unpaid claims in the amount of \$7,489,000.



3. Operating Environment

Professional liability losses are subject to significant volatility surrounding the timing, frequency and severity of claims, especially in insured layers excess of \$1,000,000. Claims frequency is expected to remain stable but individual claims are expected to trend up faster than inflation at a rate of approximately 5% per year.

CLLAS is not aware of any legal or regulatory changes or any precedents set in case law that would impact existing or future claims.

Reinsurance

Reinsurance costs tend to be cyclical, with high prices and tighter underwriting restrictions following years with poor underwriting results. CLLAS has developed strong relationships with its reinsurers and reinsurance rates have been reducing in recent years. While market conditions indicate that rates in the immediate term will not reduce further and in fact are likely to increase, CLLAS expects to maintain these relationships in the future.

Regulatory Environment

In March 2013, the Superintendent adopted the Office of the Superintendent of Financial Institutions' ("OSFI") guidelines. These are solvency, governance and other supervisory guidelines which were historically only applicable to federally-regulated insurance companies. The Superintendent has flexibility and discretion in the application of these guidelines for reciprocals. CLLAS has been adapting its practices and policies to address the additional regulatory requirements that result from these guidelines.

4. Short-Term Opportunities and Threats

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

5. Short-Term Priorities and Initiatives

During 2019, CLLAS will focus on the following initiatives in addition to the management of its usual insurance operations:

1. Development of a budget and business plan for fiscal year 2019;



2. Refinement of the recently implemented cyber insurance group purchase program;
3. Determination of expected loss costs and premium rates for the policy year starting July 1, 2019;
4. Negotiation of reinsurance contracts and costs for the policy year starting July 1, 2019;
5. Periodic review of reinsurance concentration and risk;
6. Quarterly valuation of policy liabilities;
7. A full Own risk and solvency assessment (“ORSA”) and quarterly risk monitoring;
8. Review and update of its Reinsurance Risk Management Policy.

6. Financial Performance Measures

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

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

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

Quarterly financial statements are provided to the Advisory Board.

7. Financial Condition Measures and Regulatory Solvency Requirements

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

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

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



CLLAS must maintain cash and securities in excess of the regulatory requirement to avoid a retroassessment of its members. At December 31, 2018, CLLAS met this requirement with an excess margin of \$6,765,000.

The AMRGF is shown in Exhibit 3.

b. Minimum Capital Test (“MCT”)

The Superintendent requires reciprocals to make annual regulatory filings including the MCT. The MCT is a solvency test which has historically applied to incorporated insurance entities. The Superintendent is increasingly looking to apply the MCT standard to reciprocals but has indicated that it has discretion in the application of solvency requirements for reciprocals.

The MCT ratio is calculated as follows:

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

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

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

At December 31, 2018, CLLAS’s MCT ratio was 496%. CLLAS’ internal target MCT ratio is 210%.

The MCT is shown in Exhibit 4.

8. Financial Projections

The expected financial performance over fiscal years 2019 to 2021 is presented in Exhibits 1 to 4 as follows:

- Exhibit 1: Proforma Statement of Financial Position
- Exhibit 2: Proforma Statement of Income
- Exhibit 3: Proforma AMRGF Requirement
- Exhibit 4: Proforma Minimum Capital Test



These projections are based on a starting financial position at December 31, 2018 and were completed in accordance with the directives of the Superintendent issued for the completion of the 2018 P&C-1 Annual Return filed by CLLAS. We present below details of the analysis for the 2019 projection. Similar assumptions were taken to project the results for 2020 and 2021.

Data

To develop the expected financial performance, we relied on the following information developed by CLLAS at December 31, 2018:

- The 2018 P&C-1 Annual Return and AMRGF worksheet filed by CLLAS with the Alberta Superintendent of Insurance;
- The 2018 Auditor's Report issued by Deloitte LLP;
- The Report on the Valuation of the Policy Liabilities as at December 31, 2018 issued by Ms. Julie-Linda Laforce, the Appointed Actuary for CLLAS; and
- The operating expense budget for 2019 approved by the Advisory Board.

Projection of Premiums

Net premiums written in 2019 are expected to be \$1,920,000, up from \$1,873,000 in 2018. Renewal premiums were assumed to increase based on a trend of 4.75% in retained loss costs and inflation of 3% on operating expenses. In addition, net premiums reflect an annual surplus distribution of \$700,000, in line with the surplus distribution reflected in the 2018/2019 rates. Reinsurance costs were assumed to increase by 10%.

Projection of Investment Income

The expected investment income for 2019 is \$364,000 (\$315,000 in 2018). The yield-to-maturity on invested assets at December 31, 2018 was 2.62% gross of investment management expenses and the investment yield gross of investment management expenses was projected at 2.62% for 2019.

Projection of Claims

Claims were projected before and after taking into account reinsurance. These projections assume, to a large extent, that the reinsurance structure in effect at December 31, 2018 is maintained on renewal. Gross and net incurred losses for 2019 were projected in two steps:

a. Settlement of claim liabilities incurred on or prior to December 31, 2018

Paid claims during 2019 and undiscounted claim liabilities at December 31, 2019 were projected based on the Appointed Actuary's estimates at December 31, 2018 and CLLAS' historical claims settlement patterns. There is no expected gain or loss relative to the actuary's ultimate estimates at December 31, 2018.



In accordance with accepted actuarial practice in Canada, undiscounted claim liabilities were then discounted and a provision for adverse deviation (“PfAD”) was added. The assumptions used in the December 31, 2018 actuarial valuation were used. PfADs are assumed to be gradually released as losses are paid.

On a gross of reinsurance basis, CLLAS’ expected payments in 2019 are \$13,689,000 and the claim liabilities on a discounted basis including PfAD at December 31, 2019 are expected to be \$81,664,000.

On a net of reinsurance basis, CLLAS’ expected payments in 2019 are \$238,000 and the claim liabilities on a discounted basis including PfAD at December 31, 2019 are expected to be \$6,489,000.

b. Projected claims incurred after December 31, 2018 on policies in-force at December 31, 2018 and on policies expected to be renewed on July 1, 2019 under the new 2019/2020 policy year

Ultimate gross and net incurred claims for those policies were estimated based on the projected loss cost per layer estimated by the Appointed Actuary at December 31, 2018 with a 4.75% loss severity trend. These loss costs were then applied to the estimated in-force lawyers at December 31, 2018, since no growth at renewal was assumed for the underlying number of insured lawyers.

The expected projected loss costs per layer for the first and second half of 2019 are as listed in the following table.

Projected Loss Costs by Reinsured Layer for Fiscal Year 2019

Reinsurance Layers	Estimated loss cost for 1st Half of 2019	Estimated loss cost for 2nd Half of 2019
\$975,000 xs \$25,000	\$ 120	\$ 125
\$49,000,000 xs \$1,000,000	3,574	3,735
\$30,000,000 xs Umbrella	10	10
\$40,000,000 xs \$160,000,000	17	18
\$60,000,000 xs \$160,000,000	21	22
\$30,000,000 xs \$50,000,000	324	339
\$110,000,000 xs \$50,000,000	514	538

On a gross of reinsurance basis, CLLAS’ expected payments in 2019 are \$560,000 and the claim liabilities on a discounted basis including PfAD at December 31, 2019 are expected to be \$13,962,000.



On a net of reinsurance basis, CLLAS' expected payments in 2019 are \$18,000 and the claim liabilities on a discounted basis including PfAD at December 31, 2019 are expected to be \$1,247,000.

Total Claims

Total net claim liabilities at December 31, 2019 were estimated at \$7,736,000, which represents an increase of \$247,000 over the December 31, 2018 net claim liabilities of \$7,489,000. Net paid losses were projected at \$256,000 during 2019.

Incurred claims for fiscal year 2019 are estimated at \$503,000 as the sum of net paid claims in the year and the change in net claim liabilities.

The net results of this analysis can be summarized as follows:

Summary of Outstanding Claim Liabilities Projections for December 31, 2019

Net Amounts	Occurrences on or prior to Dec. 31, 2018	Occurrences after Dec. 31, 2018	Total
(1) Net Payments during 2019	\$ 238,000	\$ 18,000	\$ 256,000
(2) Net Claim Liabilities at December 31, 2019 *	6,489,000	1,247,000	7,736,000
(3) Net Claim Liabilities at December 31, 2018 *	7,489,000	n/a	7,489,000
(4) Net Incurred Claims in 2019 [(1) + (2) – (3)]	\$ (762,000)	\$ 1,265,000	\$ 503,000

* Liabilities on a discounted basis including PfAD.

Projection of Operating Expenses

Operating expenses are projected at \$1,677,000 for general management fees, \$279,000 for reinsurance fees and \$222,000 for premium taxes. Premium taxes vary by province and are expected to average 2.9% of direct written premiums. A portion of premium taxes is deferred in order for the expense to be recognized as the premium is earned. At December 31, 2019, the deferred policy acquisition cost asset is estimated at \$116,000.

Summary of Results

Based on the foregoing assumptions, the underwriting income and investment income for fiscal year 2019 are projected at (\$792,000) and \$364,000 respectively, for a total net negative income of (\$428,000) as shown in Exhibit 2. The surplus at December 31, 2019 is projected at \$11,905,000 as shown in Exhibit 1.



CLLAS is expected to meet the AMRGF requirement with an excess margin of \$8,297,000 at December 31, 2019, as shown in Exhibit 3.

CLLAS' MCT ratio at December 31, 2019 is projected at 470%, a slight decrease over the MCT ratio of 496% at December 31, 2018, as shown in Exhibit 4. The MCT ratio is expected to remain above CLLAS' internal target of 210%.

Exhibit 1
Canadian Lawyers Liability Assurance Society

Proforma Statement of Financial Position

	2018 Actual	2019 Projected	2020 Projected	2021 Projected
Assets				
Cash	\$ 5,081,001	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Investments				
Short Term	7,128,611	9,062,000	8,974,000	8,867,000
Long Term	5,911,332	6,041,000	5,983,000	5,911,000
Interest Income Due and Accrued	20,988	0	0	0
Premiums Receivable	1,635,998	1,877,000	1,965,000	2,057,000
Unearned Reinsurance Premium Ceded	2,736,021	3,035,000	3,186,000	3,346,000
Prepaid Expenses	140,827	152,000	159,000	166,000
Deferred Policy Acquisition Costs	106,582	116,000	121,000	127,000
Reinsurance and Other Claims Receivable	2,996,041	800,000	800,000	800,000
Other Receivable	0	0	0	0
Provision for Unpaid Claims and Adjustment Expenses Recoverable from Reinsurers	87,941,000	87,890,000	88,087,000	88,186,000
Total Assets	113,698,402	113,973,000	114,275,000	114,460,000
Liabilities				
Provision for Unpaid Claims and Adjustment Expenses	95,430,000	95,626,000	96,071,000	96,378,000
Premium Deficiency Liability	0	0	0	0
Unearned Premium	3,664,920	3,995,000	4,181,000	4,377,000
Due to Reinsurers	1,935,175	1,979,000	2,077,000	2,182,000
Accounts Payable & Accrued Charges	289,973	436,000	447,000	457,000
Premium Taxes Payable	45,179	32,000	33,000	35,000
Total Liabilities	101,365,246	102,068,000	102,809,000	103,429,000
Subscribers' Equity				
Retained Earnings	12,367,745	11,940,000	11,501,000	11,066,000
Accumulated Other Comprehensive Income (Loss)	(34,590)	(35,000)	(35,000)	(35,000)
Total Subscribers' Equity	12,333,155	11,905,000	11,466,000	11,031,000
Total Liabilities and Subscribers' Equity	113,698,402	113,973,000	114,275,000	114,460,000

Exhibit 2
Canadian Lawyers Liability Assurance Society

Proforma Statement of Income

	2018 Actual	2019 Projected	2020 Projected	2021 Projected
Premiums				
Gross Written Premiums	\$ 7,390,585	\$ 7,989,000	\$ 8,363,000	\$ 8,754,000
Less: Reinsurance Ceded	5,517,391	6,069,000	6,373,000	6,691,000
Net Written Premiums	1,873,194	1,920,000	1,990,000	2,063,000
Change in Net Unearned Premiums	69,723	(31,000)	(35,000)	(36,000)
Net Earned Premiums	1,942,917	1,889,000	1,955,000	2,027,000
Incurred Claims				
Net Claims Paid	(144,867)	256,000	302,000	355,000
Change in Net Reserves	(442,000)	247,000	248,000	208,000
Premium Deficiency Expense	0	0	0	0
Net Incurred Claims	(586,867)	503,000	550,000	563,000
Operating Expenses				
Management and Operating Expenses *	1,557,345	1,677,000	1,711,000	1,745,000
Reinsurance Fees	279,000	279,000	285,000	291,000
Premium Taxes	209,892	222,000	237,000	248,000
Total Operating Expenses	2,046,238	2,178,000	2,233,000	2,284,000
Underwriting Gain (Loss)	483,546	(792,000)	(828,000)	(820,000)
Investment Income	315,238	364,000	389,000	385,000
Other Income	0	0	0	0
Comprehensive Income (Loss) for the year	798,784	(428,000)	(439,000)	(435,000)
Retained Earnings, Beginning of Period	11,568,961	12,368,000	11,940,000	11,501,000
Distribution in Year	0	0	0	0
Retained Earnings, End of Period	12,367,745	11,940,000	11,501,000	11,066,000

* Includes investment management fees

Exhibit 3
Canadian Lawyers Liability Assurance Society

Proforma Alberta Maintenance of Reserve and Guarantee Fund Requirement

	2018 Actual	2019 Projected	2020 Projected	2021 Projected
Reserve Fund				
(1) Premiums Collected or Credited Having One Year or Less to Run	7,391,000	7,989,000	8,363,000	8,754,000
(2) Less: Amount Paid to Licensed Reinsurers	5,465,000	6,011,000	6,312,000	6,627,000
(3) Premiums Collected With More Than One Year to Run, Less Expired Portion	0	0	0	0
(4) Less: Amount Paid to Reinsurers on Premiums on Line 3, Less Expired Portion	0	0	0	0
(5) Subtotal [(1) - (2) + (3) - (4)]	1,926,000	1,978,000	2,051,000	2,127,000
(6) Reserve Fund Required [50% x (5)]	963,000	989,000	1,025,500	1,063,500
Guarantee Fund				
(7) Total Liabilities	101,365,000	102,068,000	102,809,000	103,429,000
(8) Less: Unearned Premiums	3,665,000	3,995,000	4,181,000	4,377,000
(9) Less: Recoverable from Licensed Reinsurers *	87,357,000	87,306,000	87,502,000	87,600,000
(10) Plus: Statutory Margin	50,000	50,000	50,000	50,000
(11) Guarantee Fund Required [(7) - (8) - (9) + (10)]	10,393,000	10,817,000	11,176,000	11,502,000
(12) Total Reserve and Guarantee Fund Required [(6) + (11)]	11,356,000	11,806,000	12,201,500	12,565,500
(13) Cash & Approved Securities	18,121,000	20,103,000	19,957,000	19,778,000
(14) Excess of Cash & Securities over Reserve & Guarantee Fund [(13) - (12)]	6,765,000	8,297,000	7,755,500	7,212,500

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

Exhibit 4
Canadian Lawyers Liability Assurance Society

Proforma Minimum Capital Test

	2018 Actual	2019 Projected	2020 Projected	2021 Projected
Capital Available				
Total Equity	12,333,000	11,905,000	11,466,000	11,031,000
Less: Deductions from Capital Available	611,000	519,000	396,000	319,000
(1) Capital Available	11,722,000	11,386,000	11,070,000	10,712,000
Capital Required				
Insurance Risk				
Premium Liabilities	169,000	173,000	179,000	186,000
Unpaid Claims	1,038,000	1,093,000	1,147,000	1,193,000
Catastrophes	0	0	0	0
Margin Required for Reinsurance Ceded to Unregistered Insurers	91,000	91,000	92,000	93,000
Subtotal	1,298,000	1,357,000	1,418,000	1,472,000
Market Risk				
Interest Rate Risk	289,000	298,000	314,000	329,000
Foreign Exchange Risk	0	0	0	0
Equity Risk	0	0	0	0
Real Estate Risk	0	0	0	0
Other Market Risk Exposures	0	0	0	0
Subtotal	289,000	298,000	314,000	329,000
Credit Risk				
Counterparty Default Risk for Balance Sheet Assets	1,625,000	1,624,000	1,630,000	1,634,000
Counterparty Default Risk for Off-Balance Sheet Exposures	0	0	0	0
Counterparty Default Risk for Unregistered Reinsurance Collateral and SIRs	147,000	147,000	148,000	148,000
Subtotal	1,772,000	1,771,000	1,778,000	1,782,000
Operational Risk	609,000	643,000	666,000	691,000
Diversification Credit	(425,000)	(438,000)	(452,000)	(464,000)
(2) Total Capital Required at 150% MCT	3,543,000	3,631,000	3,724,000	3,810,000
(3) Total Capital Required at 100% MCT [= (2) / 1.5]	2,362,000	2,421,000	2,483,000	2,540,000
(5) MCT Ratio [= (1) / (3)]	496.3%	470.3%	445.8%	421.7%



M E M O R A N D U M

TO: CLLAS Board
FROM: Patrick Mahoney
RE: ORSA – Risk Identification and Qualitative Risk Evaluation
DATE: June 14, 2019

Background

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

The steps to complete the ORSA for 2019 are set out below, together with a rough timeline aimed at having the ORSA Report ready for adoption by CLLAS before the end of 2019; adoption would likely happen at the December 2019 meeting.

Action	Resp.	Timing
1 Prepare updated: <ul style="list-style-type: none">• risk appetite statement (from ERM policy)• description of material risks (from ERM policy)• qualitative risk assessment	Mgt.	May/June
2 Discuss/revise/confirm updated info from Item 1	Board	June mtg
3 Evaluate material risks, stress test, develop internal capital target, prepare exhibits for report	Actuary	Summer
4 Develop updated risk metrics report template which tracks material risks (including those that can’t be modeled)	Mgt.	Summer
5 Prepare report for Board review	Mgt./Actuary	Summer
6 Review any material conclusions and internal capital target with Board (as required based on findings)	Mgt./Board	Sept mtg.
7 CLLAS to adopt final report	Board	Dec mtg.

The first step involves the review of three elements:

1. CLLAS’ risk appetite statement;
2. the description of CLLAS’ material risks, and
3. the qualitative evaluation of those material risks.



Each of these elements is discussed in turn below.

Risk Appetite Statement

CLLAS' risk appetite statement, as documented in its ERM Policy, is set out below. Management has reviewed the statement and has no suggested amendments. The statement should be reviewed by the Board and amended or confirmed as considered appropriate

Risk appetite is the high-level direction for the amounts and types of risks CLLAS wants to pursue based on its risk profile, vision and overall strategy. CLLAS currently considers the following risk appetite statements to be appropriate:

- *CLLAS has an overall low to medium risk appetite;*
- *CLLAS wants to balance the likelihood of retroassessment against the efficiency of operating with as little capital as is prudent and appropriate;*
- *CLLAS does not want to engage in risk-taking activities that could be detrimental to its reputation or the reputation of its subscribers;*
- *CLLAS wants protection against extreme events that could compromise its solvency;*
- *CLLAS strives to maintain excellent long-term relationships with its reinsurance partners in order to continue accessing reinsurance markets at a reasonable cost;*
- *CLLAS strives to protect itself from strategic risk by having knowledgeable and stable Advisory Board and senior management;*
- *CLLAS reduces its operational risk by outsourcing operational functions to experts (accounting, claims management, actuarial, investments, etc.).*

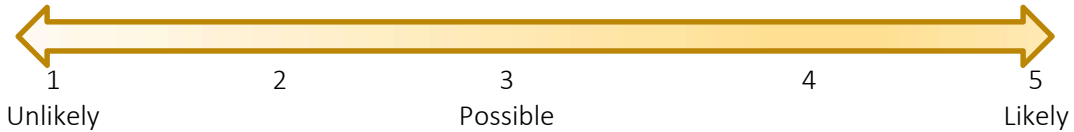
Description of Material Risks

CLLAS has set out a description of its material risks in an Appendix to its ERM Policy first approved in September 2016. That Appendix, blacklined with some suggested revisions, is attached to this memo. The Appendix should be reviewed by the Board and amended or confirmed as considered appropriate.

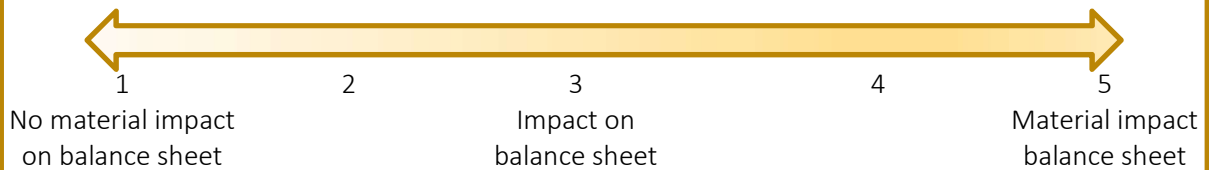
Assessment of Material Risks

In 2016, CLLAS qualitatively evaluated each of the risks in the Appendix based on the scale set out on the following page.

A qualitative likelihood ranking ranging from 1 to 5, as follows:



A qualitative magnitude ranking ranging from 1 to 5, as follows:



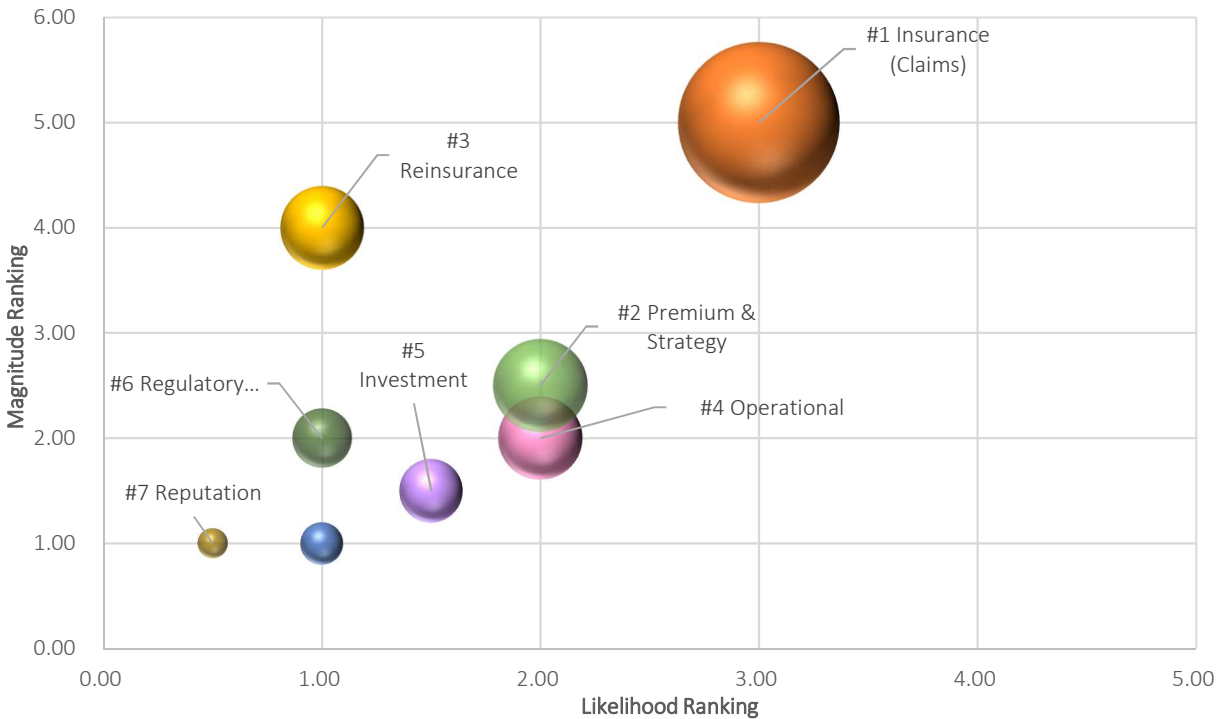
The results of the 2016 assessment are set out in the table below. As you will see highlighted in yellow/gold, moving forward, we propose to consolidate the investment risks in a single category. The assessments should be reviewed and adjusted/confirmed as appropriate. Please keep in mind that the order of priority of the risks is more important than the actual numerical scores.

Category	Likelihood	Magnitude	Overall
#1 Insurance (Claims)	3.00	5.00	15.00
#2 Premium & Strategy	2.00	2.50	5.00
#3 Reinsurance	1.00	4.00	4.00
#4 Operational	2.00	2.00	4.00
#5 Investment	1.50	1.50	2.25
#6 Regulatory Compliance	1.00	2.00	2.00
#7 Reputation	0.50	1.00	0.50
#5 Investments (details from 2016 evaluation)			
- Inflation	1.50	2.50	3.75
- Interest Rate	2.00	1.00	2.00
- Asset Default	1.00	1.00	1.00
- Liquidity	1.00	0.50	0.50
- Equity	0.00	0.00	0.00
- Foreign Exchange	0.00	0.00	0.00



The following chart presents a graphical summary of the risk categories for CLLAS:

CLLAS Qualitative Risk Assessment



Note: The size of each bubble represents the overall ranking for the risk category.

Next Steps

As noted above, the next steps in the ORSA process involve a qualitative evaluation of material risks and a review of the appropriateness of CLLAS' current risk targets/limits and internal surplus target. These elements will be addressed by management and CLLAS' actuary over the summer, and a draft ORSA Report will be made available in the fall.

I look forward to discussing this memo with you.

Patrick Mahoney
General Manager



APPENDIX A – MATERIAL RISKS

Pursuant to its ERM policy, CLLAS periodically identifies, assesses and monitors material risks. The following are CLLAS' exposure to material risks:

- 1. Insurance risk:** CLLAS provides Canadian law firms with up to \$139,975,000 of professional liability insurance coverage per occurrence. CLLAS also has a 5% subscription participation in up to \$140 million of optional excess layers purchased by the law firms. Coverage is provided on a claims-made basis. Coverage is provided excess of the mandatory law society coverage (or \$25,000 in the case of drop-down coverage) and so CLLAS is exposed to low frequency, high severity losses. There is significant uncertainty around the timing, frequency and severity of these insurance losses.

Further, CLLAS is a monoline insurer, with no line of business diversification to mitigate insurance risk. However, CLLAS has a geographical diversification benefit as it insures lawyers in multiple Canadian provinces.

- 2. Reinsurance default risk (credit risk):** Given the loss portfolio transfer at June 30, 2012 and the low net claim retention since July 1, 2012, CLLAS retains only a small proportion of its insurance exposure and cedes the remaining exposure to reinsurers. A reinsurer default or dispute on claims presents a material risk as CLLAS has the ultimate responsibility for the payment of claims.

CLLAS places reinsurance with multiple reinsurers, the largest placement being with Colchester Reinsurance Limited. due to the loss portfolio transfer. Colchester also has an important participation on the proportional treaty since July 1, 2012.

Deposits held in Canada for unregistered reinsurance amounts recoverable from Colchester Reinsurance Limited do not present a material off-balance sheet risk exposure for CLLAS given that amounts are secured under a security agreement and are held in cash or government bonds in Canadian denomination.

- 3. Strategic risk:** Strategic risk arises from the potential inability to implement appropriate business plans and strategies, make decisions, allocate resources, or adapt to changes in the business environment¹.

CLLAS operates on the basis of five year underwriting periods, and can expect

¹ OSFI Own Risk and Solvency Assessment Guideline, January 2014.



significant competitive pressure from insurance brokers during the lead up to a new underwriting period. In order for CLLAS' premium rates to remain competitive, there must be a sufficiently large subscriber base to share the administrative costs necessary to maintain the self-insurance structure. If the subscriber base decreased significantly as a result of, for example, uncompetitive rates, the viability of the reciprocal may be compromised.

4. **Operational risk:** Operational risk is defined as the risk of loss resulting from people, inadequate or failed internal processes and systems, or from external events. This includes legal risk but excludes strategic and reputational risk. The risk of loss resulting from people includes, for example, operational risk events relating specifically to internal or external fraud, non-adherence to internal procedures/values/objectives, or unethical behaviour more broadly. Risk exposure relating to external events and that stems from coverage sold by insurers to third parties is excluded, while risk on an insurer's own operations is considered within scope.~~Operational risk arises from inadequate or failed internal processes, people and systems, or from external events. It includes selling practices, claims processes, physical security, people, product, project, internal fraud, external fraud, model, legal, privacy and information security, technology and infrastructure, business continuity, third party, financial reporting, and money laundering / terrorist financing risks¹.~~
5. **Inflation Risk:** General inflation risk: Sudden and sustained increases in the inflation rate would most likely lead to higher-than-anticipated claim payments and general expenses as well as disruptions in fixed income and capital markets.
- Social inflation risk: This is the risk of unfavorable changes in claim behavior driven by new legal precedents as well as changes in social attitudes and expectations. Social inflation could be exacerbated by the fact that information is readily available through global news, social media and the internet.
6. **Interest rate risk (market risk):** CLLAS' fixed income investments are classified as available-for-sale and are therefore reported at fair market value in the financial statements. Claim liabilities are also reported on a fair value basis (i.e. liabilities are discounted using market rates).

¹ OSFI Operational Risk Management Guideline E-21~~Own Risk and Solvency Assessment Draft Guideline, January 2014.~~



Interest rate risk exists when there is a mismatch between expected payments from assets and expected payments from liabilities. For example, when interest rates increase, both fixed income assets and claim liabilities would decrease. If they were perfectly matched, the impact on surplus would be nil. If not, one would decrease more than the other, creating a non-zero impact on surplus. The converse would also be true when interest rates decrease.

7. Liquidity risk: Liquidity risk is the potential for losses due to holding insufficient funds in liquid assets such as cash. An example of a situation leading to liquidity risk is needing to realize a loss on the sale of invested assets when insufficient liquid assets are available to pay for losses.

8. Asset default risk (credit risk): Fixed income default risk: CLLAS is exposed to asset default risk as it has investments in fixed income instruments. CLLAS' investment policy allows for long-term investments in federal and provincial government bonds as well as corporate bonds rated A or better.

The riskiest class of fixed income in CLLAS' portfolio is corporate bonds. Although provincial and federal government bonds present some default risk, it is not considered material at this moment.

Other asset default risk: CLLAS has minimal exposure to default risk on other assets, for example receivables or cash held in bank accounts.

9. Reputation risk: Reputation risk arises when the confidence of insured members, creditors, reinsurers and other business partners leads to a negative impact on earnings, liquidity or capital position.

For example:

- Reputation with subscribers could be negatively impacted by unstable or noncompetitive premium rates or failure to pay claims in a timely manner;
- Reputation with reinsurers could be negatively impacted by a lack of risk management efforts or failure to report claims information in a timely manner;
- Reputation with various business partners could be negatively impacted by failure to provide timely payments;
- Reputation with regulators could be negatively impacted by failure to communicate in a timely manner.



- 10. Regulatory compliance risk:** Regulatory compliance risk arises from losses due to failure to comply with regulatory requirements. Examples include costs associated with the need to restate financial statements if they are not in compliance with professional standards, or fines and penalties if legislative requirements are not fulfilled.
- 11. Equity risk (market risk):** Investments in equities are subject to significant volatility in fair value. In addition, there is typically uncertainty around dividend payments and investments in equities can present significant exposure to default risk. This risk category is not material for CLLAS at this time as the investment policy does not allow for investments in equities.
- 12. Foreign exchange risk (market risk):** Investments in denominations other than Canadian dollars can present foreign exchange risk, as ultimately these investments would have to be converted to Canadian dollars in order to pay for losses. This risk category is not material for CLLAS at this time as the investment policy does not allow for foreign investments.

Concentration risk arises from failure to diversify risk. It is a risk category that is closely tied with other risk categories, most notably with risks involving insurance, reinsurance and invested assets.

It is also important to keep in mind that risk mitigation measures – such as the use of reinsurance to reduce the net insurance exposure or the use of collateral or letters of credit to secure reinsurance recoverables – may not be functioning as usual under stressed market conditions. For example, if there were a property catastrophe and multiple insurers were seeking recoveries from reinsurers, CLLAS’ communications and recoveries on professional liability losses with these same reinsurers may be delayed or compromised.



Actuaries & Insurance Management Advisors

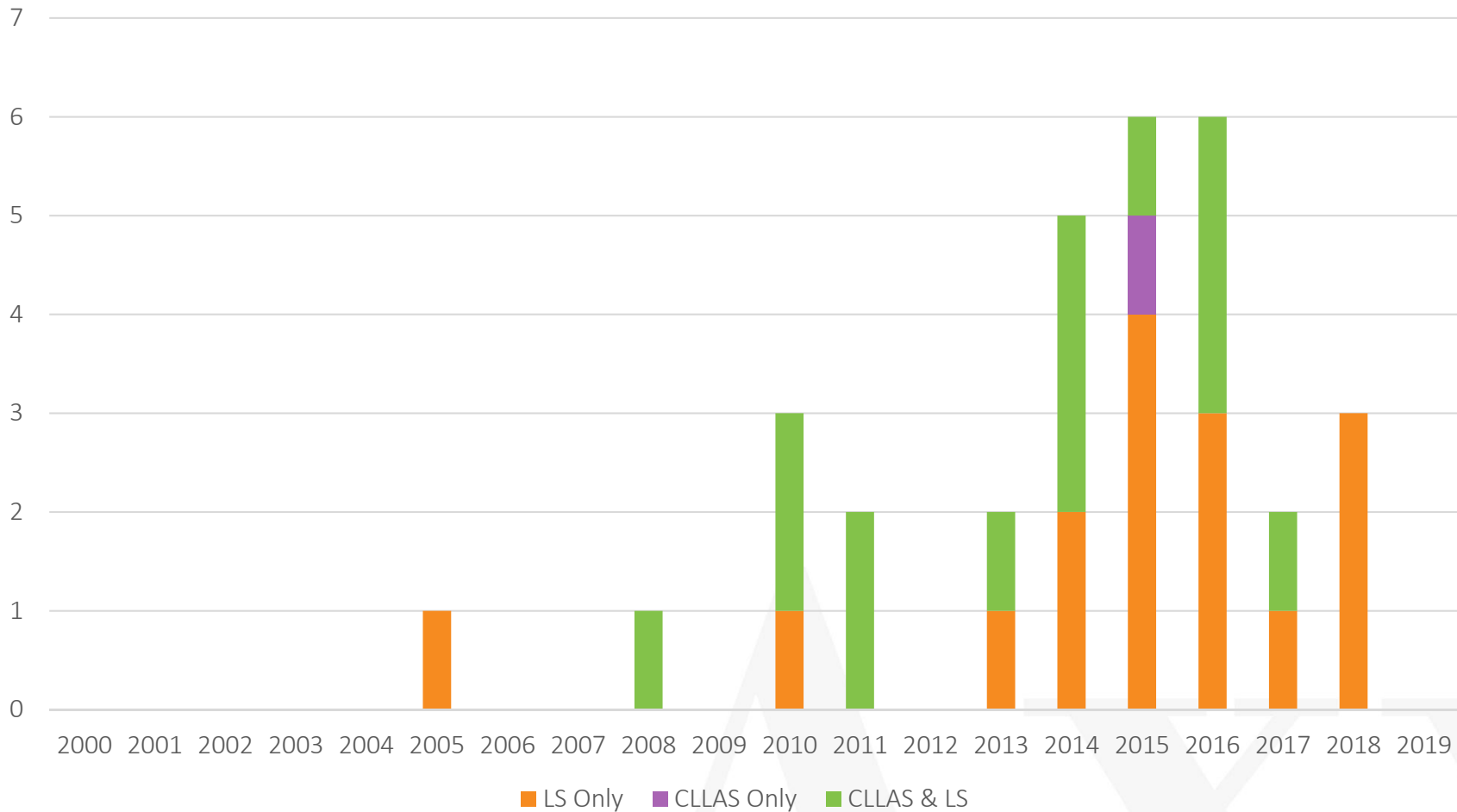
A large, light gray, stylized version of the word "Axxima" serves as a background for the lower half of the slide. The letters are bold and blocky, with the 'x's having a distinctive double-stroke design.

CLLAS

Open Large Loss Claims Summary
As at March 31, 2019

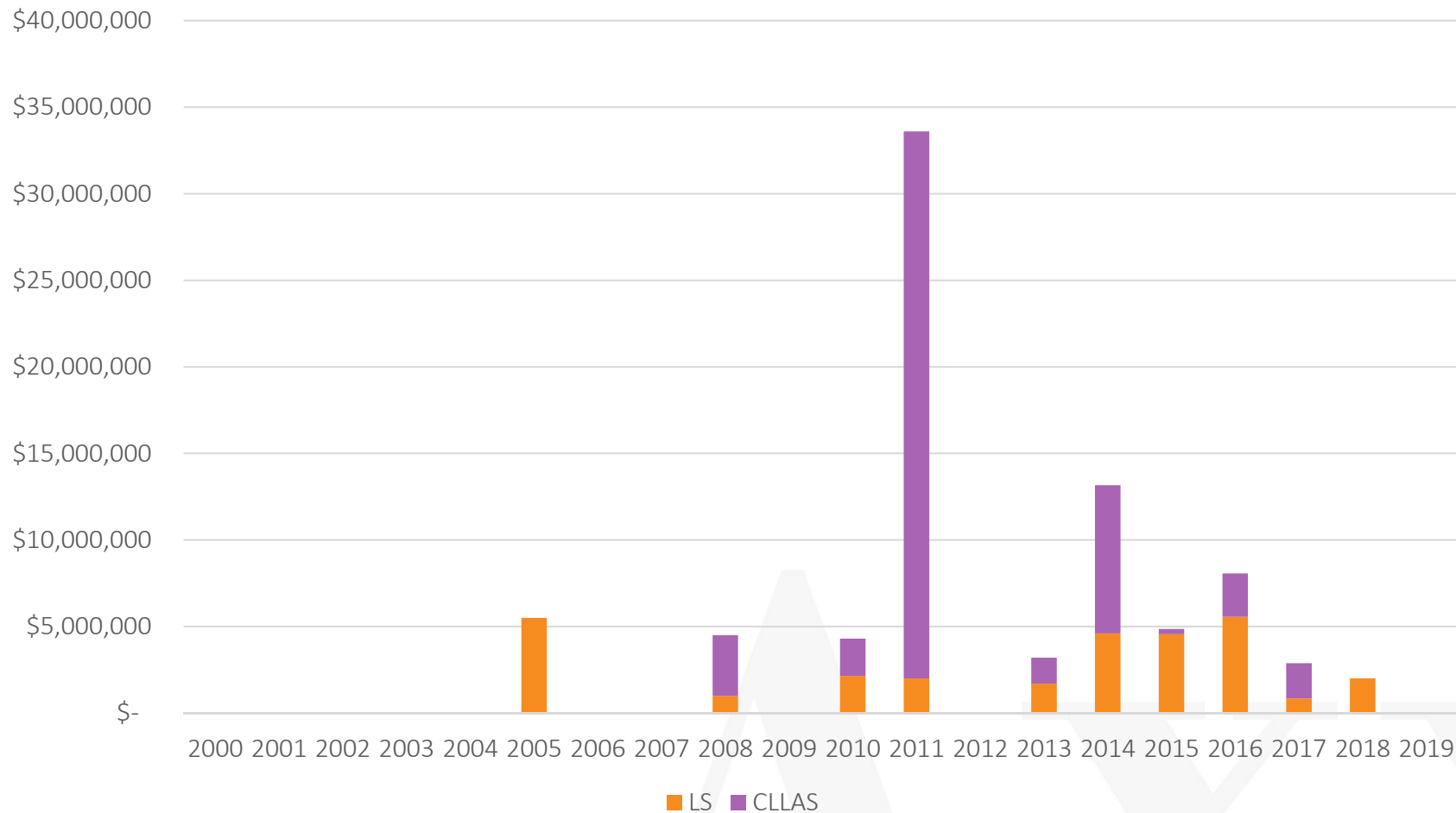
Open Large Loss Claims

Number of Claims by Insurer



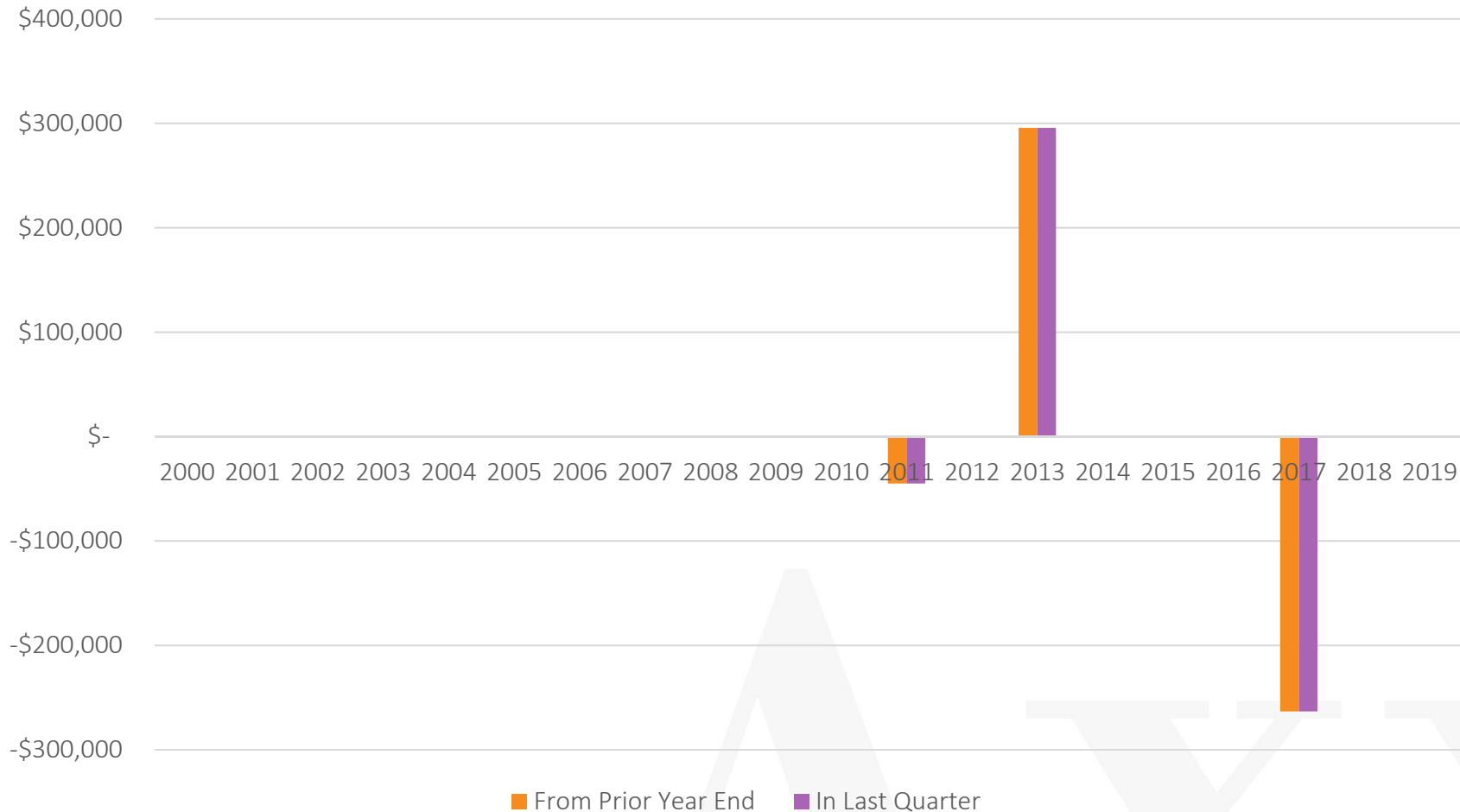
Open Large Loss Claims

Incurred Amounts by Insurer



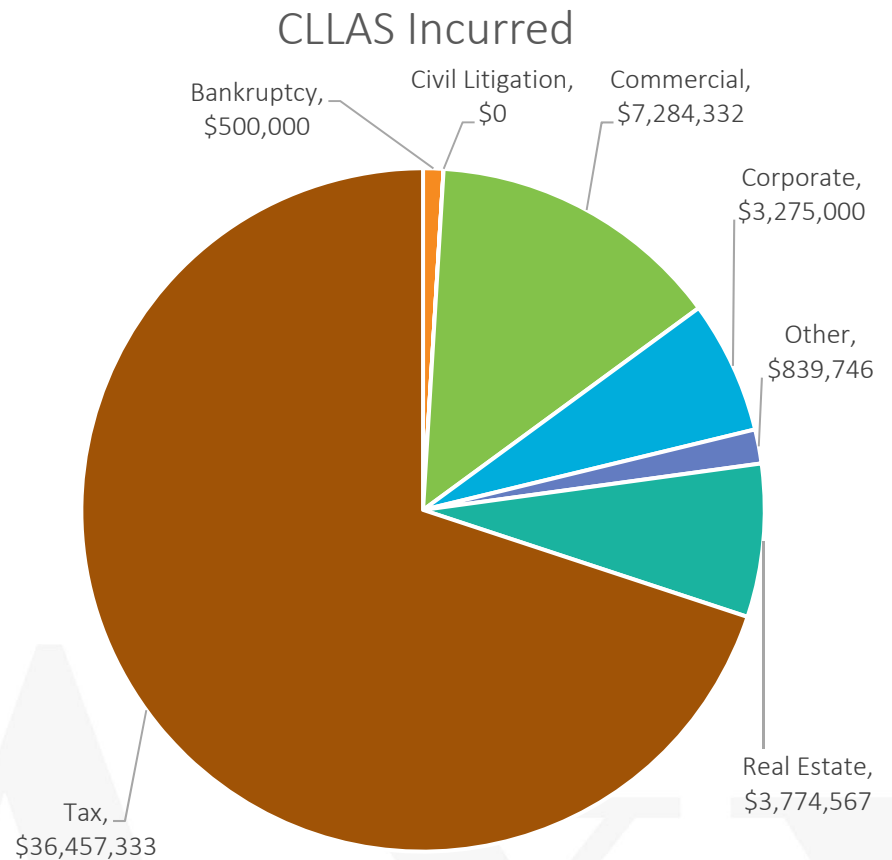
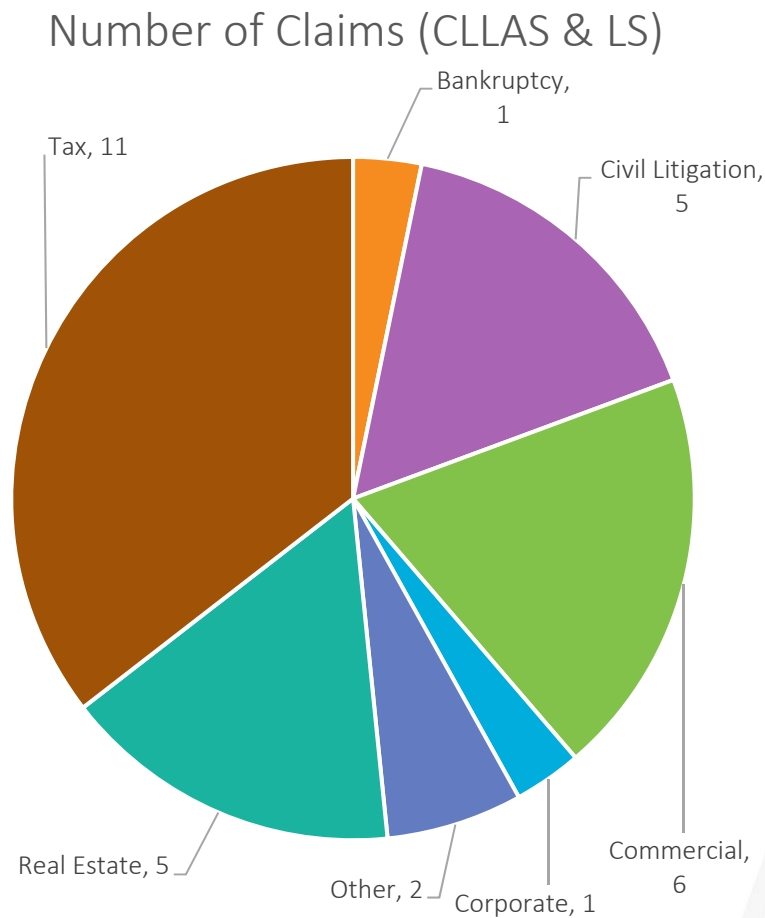
Open Large Loss Claims

Change in Incurred Amounts (CLLAS)



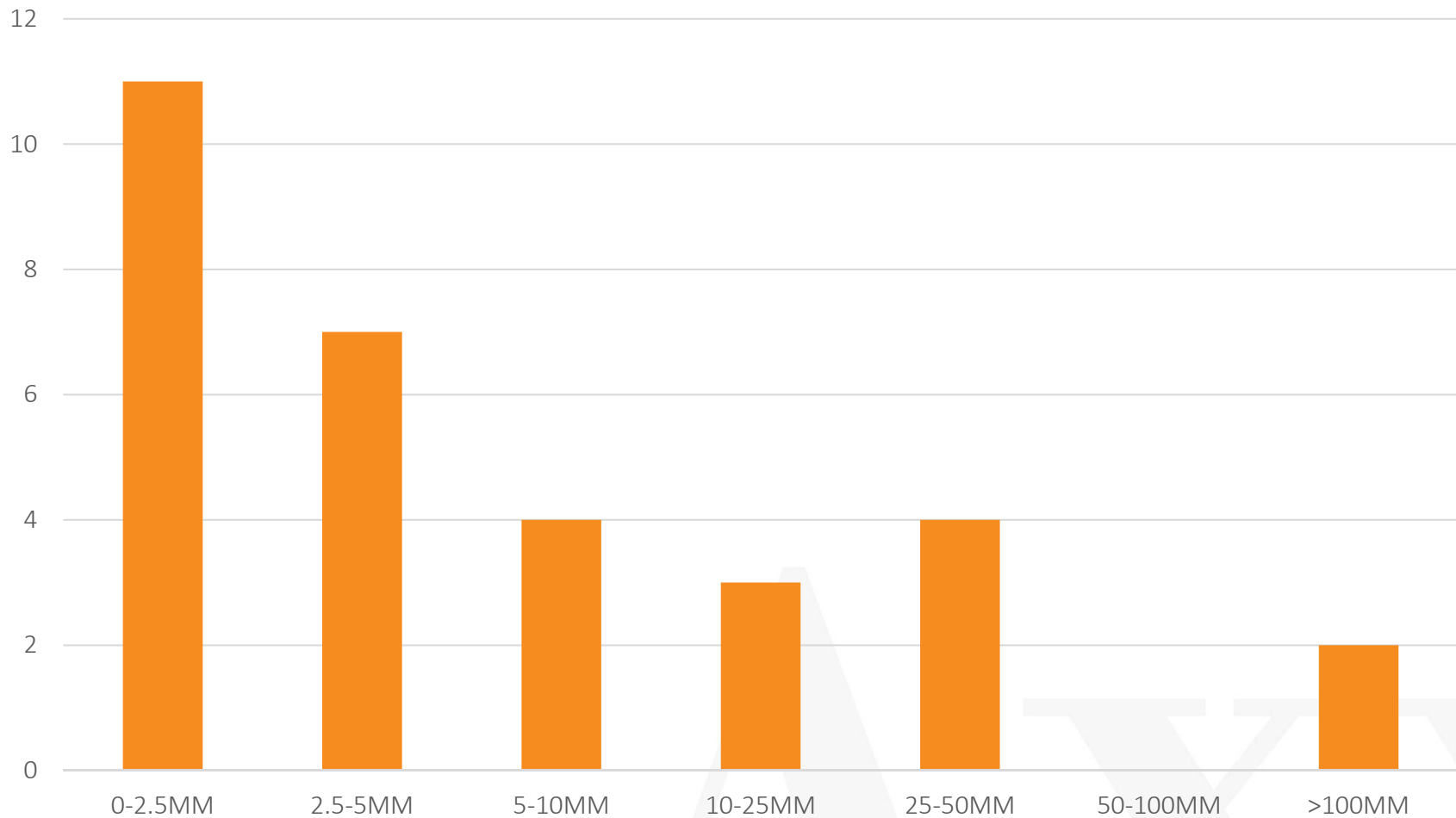
Open Large Loss Claims

By Area of Law



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	0	0	0
2014	-1	0	0
2015	0	0	0
2016	0	0	0
2017	0	0	0
2018	1	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
MARCH 31, 2019

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CANADIAN LAWYERS LIABILITY
ASSURANCE SOCIETY

COMMENTARY FOR THE QUARTER ENDING MARCH 31, 2019

Review of Market Yields

After drifting sideways in a fairly narrow trading range during the first two months of the quarter, bond yields turned down in March and continued to move lower over the balance of the quarter. At the end of March, the most significant reduction was in the 5- to 10-year term, where yields fell 35 basis points on average. Meanwhile, the yield on 3-month Treasury Bills edged up 3 basis points.

As a result of these shifts, the slope of the yield curve flattened further and inverted, as the yield on the 10-year issue was 5 basis points below the Treasury bill yield at the close of the quarter. Three months earlier the 10-year issue had a yield advantage of 32 basis points over the Treasury bill.

	Jan. 01/95	Sep. 30/18	Dec. 31/18	Mar. 31/19
3-month Treasury Bills	6.80%	1.59%	1.64%	1.67%
5-year Canadas	8.99%	2.33%	1.88%	1.52%
10-year Canadas	9.09%	2.42%	1.96%	1.62%

During the first quarter, as instructed, \$5 million was raised in the Short Term Investment Fund to cover a pending cash transfer to the operating account. However, these funds were not required and the cash was subsequently reinvested in money market securities. The balance of activity involved the roll-over of money market securities.

Over the first quarter, the market value of the Long Term Investment Fund increased \$111,040 which represents a capital increase of 1.9%. There were no transactions made in this portfolio.

At March 31, 2019, the average term to maturity of the Long Term Investment Fund stood at 4.2 years and the duration was 3.9 years.

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

<i>Distribution at March 31, 2019</i>	<i>Valuation</i>	<i>%</i>
Short Term Investment Fund	\$7,174,395	54.4%
Long Term Investment Fund	\$6,020,965	45.6%
TOTAL COMBINED VALUATION	\$13,195,360	100.0%

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 March 31, 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 MARCH 31, 2019**

	3 Years*	2 Years*	1 Year	Last 3 months
<i>Long Term Investment Fund – Gross of Fees</i>	<i>1.73%</i>	<i>2.08%</i>	<i>4.34%</i>	<i>2.53%</i>
<i>Long Term Investment Fund – Net of Fees</i>	<i>1.42%</i>	<i>1.76%</i>	<i>3.99%</i>	<i>2.46%</i>
Benchmark Portfolio **	1.77%	1.95%	4.37%	2.55%

*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 MARCH 31, 2019**

	Since Inception Oct. 01/08 *	3 Years*	2 Years *	1 Year	Last 3 Months
<i>Short Term Investment Fund – Gross of Fees</i>	<i>0.86%</i>	<i>1.02%</i>	<i>1.24%</i>	<i>1.57%</i>	<i>0.43%</i>
<i>Short Term Investment Fund – Net of Fees</i>	<i>0.73%</i>	<i>0.88%</i>	<i>1.08%</i>	<i>1.37%</i>	<i>0.40%</i>
Benchmark Portfolio **	0.80%	0.89%	1.10%	1.43%	0.39%

* 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	Jun. 30/18	Sep. 30/18	Dec. 31/18	Mar. 31/19
Bonds, Treasury Bills & Cash Less than 1 year term	100.0%	11.8%	8.9%	7.6%	7.5%
Canadas Greater than 1 year term		18.6%	18.6%	20.3%	20.3%
Provincials Greater than 1 year term		31.5%	38.2%	38.3%	38.4%
Corporates Greater than 1 year term		38.1%	34.3%	33.8%	33.8%
TOTAL PORTFOLIO	100.0%	100.0%	100.0%	100.0%	100.0%

LONG TERM INVESTMENT FUND

DISTRIBUTION OF SECURITIES BY MATURITY
(Based on Market Values)

	Jun. 30/18	Sep. 30/18	Dec. 31/18	Mar. 31/19
Under 1 year	11.8%	8.9%	7.6%	7.5%
1 - 3 years	18.7%	14.9%	21.3%	27.6%
3 - 5 years	31.6%	35.6%	31.5%	24.9%
5 - 7 years	21.7%	17.7%	24.7%	24.9%
7 - 10 years	16.2%	22.9%	14.9%	15.1%
TOTAL	100.0%	100.0%	100.0%	100.0%
Average Maturity (yrs)	4.36	4.69	4.42	4.20
Average Duration (yrs)	4.01	4.28	4.07	3.88

SHORT TERM INVESTMENT FUND

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

COMPLIANCE WITH INVESTMENT POLICY STATEMENT

AT MARCH 31, 2019

	Investment Limits	Investment Funds	Compliance
<i>Short Term Investment Fund</i>			
Maximum Term of Any Issue	1 year	0.4 years	Yes
Minimum Percentage of Total Fund (Short & Long)	40% of Total	54.4%	Yes
Minimum Canada & Provincial Percentage	50%	51.2%	Yes
Minimum Provincial Quality	A	N/A	Yes
Minimum Bank CD & BA Quality	R1 (high)	R1 (high)	Yes
<i>Long Term Investment Fund</i>			
Maximum Term of Any Issue	10 years	8.2 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 first 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 12-31-18 to 03-31-19

Portfolio Value on 12-31-18	5,909,925
Accrued Interest	20,903
Contributions	0
Withdrawals	-16,029
Realized Gains	0
Unrealized Gains	111,040
Interest	16,029
Dividends	0
Change in Accrued Interest	22,559
Portfolio Value on 03-31-19	6,020,965
Accrued Interest	43,462
Average Capital	5,922,390
Total Gains before Fees	149,628
IRR for 0.25 Years	2.53%

BOND MARKET COMMENTARY AND FUTURE POLICY

After being range bound during the first two months of the New Year, domestic bond yields turned down in March and continued to slide lower over the balance of the month. By the close of the first quarter, 10-year yields had dropped 34 basis points. As a result, for the first time since 2007, the yield curve was inverted with T-bill rates 5 basis points above the 10-year yield. During the last week of March, the U.S. yield curve also inverted, although the inversion south of the border was short lived. Since the start of the year, much of the economic data has fallen short of expectations, which fuelled bond investors' growing skepticism over the prospects for the economy and inflation. Meanwhile, the equity markets were sending conflicting signals as prices have made strong upward progress since late last year. Equity investor sentiment has been buoyed by shifts in the outlook for monetary policy, profit gains that have exceeded muted expectations, the drop in interest rates and receding concerns on the trade front. Technical factors, including short covering, have also contributed to the recovery from the deeply oversold levels reached late last year.

Turning to the domestic economic backdrop, Canada's economy decelerated to an annualized pace of just 0.4% in the fourth quarter of last year, well below consensus. Together with a downward revision to the second quarter, overall economic growth in 2018 fell to its weakest level since 2016, a mere 1.8%. Factors weighing on growth included lower domestic consumption, which slowed in synch with the fading wealth effect from a softer housing market, together with record debt levels and a low household savings rate. Uncertainty over U.S. trade policies also weighed on business investment and the Bank of Canada recently estimated that GDP growth slowed further in the first quarter.

While highlighting concerns over the softening housing market and consumer spending, the Bank of Canada held rates steady last month and noted an "increased uncertainty about the timing of future rate increases". While the Bank has indicated that it expects the current period of below-potential growth to be temporary, the risk of further monetary tightening over the near term has greatly diminished with the central bank toning down its narrative for future rate hikes. The market now expects rates to be on hold for the balance of this year.

In the U.S., fourth quarter GDP growth was revised down to an annualized pace of 2.2%. Contrary to the experience here in Canada, the U.S. economy drew strength from domestic demand by way of consumption, government spending and business investment. As was the case in the third quarter, weakness in residential investment and trade provided some offset. Overall, economic growth in 2018 was a robust 2.9% and largely supported the prior view from U.S. Federal Reserve officials that further monetary policy tightening was needed. However, the Fed has since pivoted sharply from this stance. Not only did the Fed keep interest rates on hold at its March meeting, but officials indicated that no more hikes will be coming this year and signaled its balance-sheet reduction process would end sooner than expected. After the announcement, 10-year Treasury yields fell to their lowest level in a year. They also noted that "growth of economic activity has slowed from its solid rate in the fourth quarter", pointing to a loss of momentum in consumer spending and business fixed investment. Headwinds from slower global growth, trade tensions and a moderation of fiscal stimulus have also weighed on expectations and the Fed reduced its outlook for this year's GDP growth to 2.1%. However, household balance sheets in

the U.S. remain healthy due to the deleveraging that occurred during the last recession, while a tight labour market that has contributed to solid wage gains continues to fuel consumer confidence. The recent pullback in interest rates provides additional support for household spending going forward.

Meanwhile, trade negotiations between the U.S. and China have been progressing with Washington stating that recent talks in Beijing were “candid and constructive”. The Chinese government responded positively with an extension to the suspension of retaliatory tariffs on U.S. autos. However, China’s support of state-owned enterprises, forced technology transfers and possible enforcement mechanisms remain among the difficult hurdles to both sides reaching a deal. After factoring in a variety of headwinds, including trade and high debt levels, the Chinese government recently lowered its growth target for this year to a range of 6 to 6.5 percent from last year’s goal of “about 6.5%”. Meanwhile, China’s central bank has made moves to offset impediments to growth by lowering the reserve requirement ratio in an effort to encourage bank lending. The government has also introduced new tax cuts and pledged to step up fiscal spending this year in order to support growth.

In the Eurozone, fourth quarter GDP growth matched the previous quarter’s increase of just 0.2%, with slowing trade volumes contributing to the downbeat results. This has led to a decline in industrial production, which will likely restrain growth going forward. Social unrest in places such as France and Italy also threaten the already tenuous Eurozone expansion. Furthermore, failure to reach an agreement on Brexit by the UK’s exit date would be economically and politically disruptive for both the UK and Europe, although the near term risks have subsided after the latest delay in the Brexit deadline to October 31. Despite following through on its decision to end net asset purchases in December, the European Central Bank (ECB) has recently unveiled plans to launch a new stimulus strategy in September, which provides cheap long-term loans to banks. Also, stubbornly low inflation has led the ECB to state that key rates will “remain at their present levels at least through the end of 2019”. Moreover, the ECB has sharply lowered its projected GDP growth for this year to just 1.1%, while pointing to a slowdown in international demand and the persistence of geopolitical threats, including protectionism and vulnerabilities in emerging markets.

Looking ahead, this remains a challenging environment for investors given that the major global economies have experienced a synchronized slowdown amid conflicting signals from the security markets. On the one hand, the buoyant equity markets suggest that stock investors believe the monetary authorities’ recent pivot away from more restrictive policies has avoided a policy mistake, which could have triggered a recession. For the time being, the prevailing consensus believes that the current slowdown will be temporary and that the leading central banks stand ready to ease policy, if necessary, to prolong the current expansion. On the other hand, the significant downward shift in longer-term government bond yields during the first quarter presents a contradictory view. This historically portends slower growth ahead and suggests that confidence in the economic outlook has deteriorated, causing increased demand for the relative safety offered by government bonds. Concerns surrounding macro-economic risks increased following the recent inversion of the U.S. yield curve. This has been a historically reliable market signal that the economy was heading into recession. However, the lead time before the economy begins to contract has been relatively long and varied widely in the past. Furthermore, central bank actions may be distorting the historical relationship between longer rates, growth expectations and the outlook for inflation.

In recent weeks, bond yields have moved higher from the year-to-date lows reached late in March. In both Canada and the U.S., 10-year yields are up some 23 basis points since then. Over the near term, we expect bond yields will most likely remain in a volatile trading range given the economic crosscurrents, contradictory signals from the security markets and the likelihood that the monetary authorities will remain on the sidelines for some time. Looking further ahead, we expect yields will trade with an upward bias later this year, reflecting our base case scenario that the global expansion will remain intact. However, a variety of clouds remain on the horizon which could rekindle worries about the global economy and push bond yields back to the low end of this year's range. These include growing trade tensions between Europe and the U.S., declining corporate profitability, rising energy prices, elevated global debt levels and excess leverage in the corporate sector along with the ever-present political risks. As a result, we think it is prudent to maintain a laddered maturity structure to hedge against these risks and believe the Long Term Fund's current duration is appropriate in light of the possibilities and current valuations.

RWB/de

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.

CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)

Portfolio Holdings at March 31, 2019

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
CASH					
	Cash Account			9,765	0
MONEY MARKET ISSUES					
1,250,000	Canada Treasury Bill 1.60% due April 4, 2019	99.82	99.97	1,249,655	19,964
1,000,000	CIBC BA 1.927% due April 9, 2019	99.70	99.94	999,443	19,212
1,250,000	Toronto Dominion Bank BA 1.770314% due April 23, 2019	99.84	99.87	1,248,419	22,094
1,250,000	Canada Treasury Bill 1.65% due May 2, 2019	99.69	99.85	1,248,064	20,561
1,175,000	Canada Treasury Bill 1.630273% due May 16, 2019	99.75	99.78	1,172,424	19,108
1,250,000	Royal Bank BA 1.90% due May 21, 2019	99.54	99.73	1,246,625	23,642
				<hr/> 7,164,630	<hr/> 124,580
TOTAL PORTFOLIO				7,174,395	124,580

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 03-31-19

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
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
					15,319,015.45
SALES					
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

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)
From 01-01-19 To 03-31-19

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
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
					15,309,657.10

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)
From 01-01-19 to 03-31-19

Cash Balance at December 31, 2018		<u>13,289.62</u>
ADD:		
Proceeds from Sales	15,309,657.10	
Bond Interest Credited (from Long Term Investment Fund)	16,028.75	
Trust Company Interest	199.13	
Transfer to/from Long Term Investment Fund	<u>0.00</u>	<u>15,325,884.98</u>
LESS:		
Cost of Purchases	-15,319,015.45	
Q3 2018 Investment Counsel Fees - Short Term Investment Fund	-2,016.53	
Q3 2018 Investment Counsel Fees - Long Term Investment Fund	-4,173.88	
Trust Company Charges	-4,203.56	
Capital Withdrawal	<u>0.00</u>	<u>-15,329,409.42</u>
Cash Balance at March 31, 2019		<u>9,765.18</u>

Martin, Lucas & Seagram Ltd.
ESTIMATED REALIZED GAINS AND LOSSES - SETTLED TRADES
CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)
From 01-01-19 Through 03-31-19

Date	Quantity	Security	Cost Basis	Proceeds	Gain or Loss
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Martin, Lucas & Seagram Ltd.							
EXTERNAL INDIVIDUAL CREDIT RATING REPORT - MARCH 31, 2019							
CLLAS - SHORT TERM INVESTMENT FUND							
			Unit	Total		Market	%
Quantity	Security	Rating	Cost	Cost	Price	Value	Assets
1,250,000	Canada Treasury Bill 1.60%	R-1 (high)	99.82	1,247,758	99.97	1,249,655	17.4%
	due April 4, 2019						
1,000,000	CIBC BA 1.927%	R-1 (high)	99.70	997,000	99.94	999,443	13.9%
	due April 9, 2019						
1,250,000	Toronto Dominion Bank BA 1.770314%	R-1 (high)	99.84	1,248,003	99.87	1,248,419	17.4%
	due April 23, 2019						
1,250,000	Canada Treasury Bill 1.65%	R-1 (high)	99.69	1,246,114	99.85	1,248,064	17.4%
	due May 2, 2019						
1,175,000	Canada Treasury Bill 1.630273%	R-1 (high)	99.75	1,172,068	99.78	1,172,424	16.4%
	due May 16, 2019						
1,250,000	Royal Bank BA 1.90%	R-1 (high)	99.54	1,244,300	99.73	1,246,625	17.4%
	due May 21, 2019						
				7,155,241		7,164,629	100%

CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)

Portfolio Holdings at March 31, 2019

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
GOVERNMENT BONDS					
250,000	Canada Housing Trust 1.95% due June 15, 2019	100.10	100.03	250,073	4,875
250,000	Canada Housing Trust Ser 71 1.25% due June 15, 2021	96.83	98.98	247,440	3,125
200,000	Canada Housing Trust 2.4% Series 48 due December 15, 2022	100.37	102.09	204,176	4,800
200,000	Canada Housing Trust 2.35% due September 15, 2023	105.62	102.05	204,106	4,700
250,000	Canada Housing Trust 2.9% due June 15, 2024	102.64	104.86	262,148	7,250
300,000	Canada Housing Trust Ser. 70 2.25% due December 15, 2025	100.98	101.58	304,752	6,750
				<hr/> 1,472,694	<hr/> 31,500
PROVINCIAL BONDS					
250,000	British Columbia 3.25% due December 18, 2021	102.30	103.89	259,730	8,125
400,000	Ontario 3.15% due June 2, 2022	100.00	103.89	415,548	12,600
500,000	Ontario 2.85% due June 2, 2023	102.29	103.43	517,125	14,250
400,000	Ontario 2.60% due June 2, 2025	101.08	102.49	409,964	10,400
350,000	British Columbia 2.3% due June 18, 2026	104.40	100.82	352,877	8,050
350,000	Ontario 2.60% due June 2, 2027	97.56	101.97	356,881	9,100
				<hr/> 2,312,125	<hr/> 62,525
CORPORATE BONDS					
200,000	Wells Fargo Canada 2.944% due July 25, 2019	100.02	100.29	200,584	5,888
300,000	Bank of Montreal 2.84% due June 4, 2020	101.77	100.89	302,682	8,520
250,000	Toronto Dominion Bank Dep. Note 2.563% due June 24, 2020	104.57	100.61	251,533	6,408
200,000	Bank of Montreal 3.4% due April 23, 2021	100.65	102.60	205,198	6,800
150,000	Royal Bank 1.968% due March 2, 2022	100.05	99.27	148,910	2,952

Martin, Lucas & Seagram Ltd.

CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)

Portfolio Holdings at March 31, 2019

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
250,000	National Bank of Canada 2.105% due March 18, 2022	102.04	99.57	248,920	5,263
150,000	Wells Fargo 3.46% due January 24, 2023	102.36	103.69	155,540	5,190
250,000	Toronto Dominion Bank Dep. Note 3.226% due July 24, 2024	102.02	104.32	260,794	8,065
250,000	CIBC Deposit Note 3.3% due May 26, 2025	100.24	104.53	261,313	8,250
200,000	Bank of Nova Scotia Dep. Notes 2.62% due December 2, 2026	99.23	100.34	200,674	5,240
				2,236,146	62,575
TOTAL PORTFOLIO				6,020,965	156,600

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 03-31-19

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
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No transactions were found!

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - LONG TERM INVESTMENT FUND
From 01-01-19 to 03-31-19

Cash Balance at December 31, 2018		0.00
ADD: Transfer from Short Term Investment Fund		0.00
ADD: Proceeds from Sales	0.00	
Bond Interest Credited (to Long Term Investment Fund)	16,028.75	
Transfer to Short Term Investment Fund	-16,028.75	0.00
LESS: Cost of Purchases		
Accrued Interest Debited (from Long Term Investment Fund)		0.00
Cash Balance at March 31, 2019		0.00

EXTERNAL INDIVIDUAL CREDIT RATING REPORT - MARCH 31, 2019

CLLAS - LONG TERM INVESTMENT FUND

					Unit	Total		Market	Pct.
Quantity	CUSIP	Security		Rating	Cost	Cost	Price	Value	Assets
GOVERNMENT BONDS									
250,000	13509PEL3	Canada Housing Trust 1.95%	due June 15, 2019	AAA	100.09	250,238	100.03	250,073	4.2%
250,000	13509PFJ7	Canada Housing Trust Ser 71 1.25%	due June 15, 2021	AAA	96.83	242,075	98.98	247,440	4.1%
200,000	13509PDL4	Canada Housing Trust 2.4% Series 48	due December 15, 2022	AAA	100.37	200,740	102.09	204,176	3.4%
200,000	13509PDV2	Canada Housing Trust 2.35%	due September 15, 2023	AAA	105.62	211,240	102.05	204,106	3.4%
250,000	13509PEF6	Canada Housing Trust 2.9%	due June 15, 2024	AAA	102.64	256,600	104.86	262,148	4.4%
300,000	13509PFD0	Canada Housing Trust Ser. 70 2.25%	due December 15, 2025	AAA	100.98	302,940	101.58	304,752	5.1%
						1,463,833		1,472,694	24.5%
PROVINCIAL BONDS									
250,000	110709BJ0	British Columbia 3.25%	due December 18, 2021	AA (high)	102.30	255,750	103.89	259,730	4.3%
400,000	68323AAW4	Ontario 3.15%	due June 2, 2022	AA (low)	100.00	400,000	103.89	415,548	6.9%
500,000	68323ABN3	Ontario 2.85%	due June 2, 2023	AA (low)	102.29	511,430	103.43	517,125	8.6%
400,000	68323ACX0	Ontario 2.60%	due June 2, 2025	AA (low)	101.08	404,305	102.49	409,964	6.8%
350,000	68323AEE0	Ontario 2.60%	due June 2, 2027	AA (low)	97.56	341,460	100.82	352,877	5.9%
350,000	11070TAJ7	British Columbia 2.3%	due June 18, 2026	AA (high)	104.40	365,400	101.97	356,881	5.9%
						2,278,345		2,312,125	38.4%
CORPORATE BONDS									
300,000	06367VCT0	Bank of Montreal 2.84%	due June 4, 2020	AA	101.77	305,307	66.86	200,584	3.3%
200,000	06367VJN6	Bank of Montreal 3.4%	due April 23, 2021	AA	100.65	201,300	151.34	302,682	5.0%
200,000	064151QE6	Bank of Nova Scotia Dep. Note 2.62%	due December 2, 2026	AA	99.23	198,460	125.77	251,533	4.2%
250,000	13596Z3Y9	CIBC Deposit Note 3.3%	due May 26, 2025	AA	100.24	250,600	82.08	205,198	3.4%
250,000	633067C27	National Bank of Canada 2.105%	due March 18, 2022	AA (low)	102.04	255,100	59.56	148,910	2.5%
150,000	780086KD5	Royal Bank 1.968%	due Mar 2, 2022	AA	100.05	150,075	165.95	248,920	4.1%
250,000	891145S47	Toronto Dominion Bank Dep. Note 2.563%	due June 24, 2020	AA	104.57	261,425	62.22	155,540	2.6%
250,000	891145T79	Toronto Dominion Bank Dep. Note 3.226%	due July 24, 2024	AA	102.02	255,050	104.32	260,794	4.3%
150,000	94975ZBN5	Wells Fargo 3.46%	due January 24, 2023	AA (low)	102.36	153,542	174.21	261,313	4.3%
200,000	94975ZBM7	Wells Fargo Canada 2.944%	due July 25, 2019	AA (low)	100.02	200,040	100.34	200,674	3.3%
						2,230,899		2,236,146	37.1%
TOTAL PORTFOLIO						5,973,076		6,020,965	100.0%

Martin, Lucas & Seagram Ltd.
DATE TO DATE GAINS AND LOSSES
CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)
From 12-31-18 to 03-31-19

Security	12-31-18	Additions	03-31-19	03-31-19	Realized Gain or Loss		Unrealized Gain or Loss	
	Market Value	Withdrawals	Market Value	Cost Basis	Cost	Market	Cost	Market
GOVERNMENT BONDS								
Canada Housing Trust 1.95% due June 15, 2019	250,190	0	250,073	250,238	0	0	-165	-118
Canada Housing Trust Ser 71 1.25% due June 15, 2021	245,248	0	247,440	242,075	0	0	5,365	2,193
Canada Housing Trust 2.4% Series 48 due December 15, 2022	201,298	0	204,176	200,740	0	0	3,436	2,878
Canada Housing Trust 2.35% due September 15, 2023	200,510	-2,350	204,106	211,240	0	0	-7,134	3,596
Canada Housing Trust 2.9% due June 15, 2024	256,938	0	262,148	256,600	0	0	5,548	5,210
Canada Housing Trust Ser. 70 2.25% due December 15, 2025	296,637	0	304,752	302,940	0	0	1,812	8,115
GOVERNMENT BONDS Total	1,450,820		1,472,694	1,463,833	0	0	8,862	21,874
PROVINCIAL BONDS								
British Columbia 3.25% due December 18, 2021	257,385	0	259,730	255,750	0	0	3,980	2,345
Ontario 3.15% due June 2, 2022	410,508	0	415,548	400,000	0	0	15,548	5,040
Ontario 2.85% due June 2, 2023	508,035	0	517,125	511,430	0	0	5,695	9,090
Ontario 2.60% due June 2, 2025	398,984	0	409,964	404,305	0	0	5,659	10,980
British Columbia 2.3% due June 18, 2026	341,919	0	352,877	365,400	0	0	-12,523	10,959
Ontario 2.60% due June 2, 2027	344,908	0	356,881	341,460	0	0	15,421	11,974
PROVINCIAL BONDS Total	2,261,738		2,312,125	2,278,345	0	0	33,780	50,387
CORPORATE BONDS								
Wells Fargo Canada 2.944% due July 25, 2019	200,648	-2,944	200,584	200,040	0	0	544	-64
Bank of Montreal 2.84% due June 4, 2020	301,278	0	302,682	305,307	0	0	-2,625	1,404
Toronto Dominion Bank Dep. Note 2.563% due June 24, 2020	250,005	0	251,533	261,425	0	0	-9,893	1,528
Bank of Montreal 3.4% due April 23, 2021	203,094	0	205,198	201,300	0	0	3,898	2,104
Royal Bank 1.968% due March 2, 2022	146,163	-1,476	148,910	150,075	0	0	-1,166	2,747
National Bank of Canada 2.105% due March 18, 2022	243,963	-2,631	248,920	255,100	0	0	-6,180	4,958
Wells Fargo 3.46% due January 24, 2023	152,265	-2,595	155,540	153,542	0	0	1,998	3,275
Toronto Dominion Bank Dep. Note 3.226% due July 24, 2024	253,388	-4,033	260,794	255,050	0	0	5,744	7,406
CIBC Deposit Note 3.3% due May 26, 2025	253,368	0	261,313	250,600	0	0	10,713	7,945
Bank of Nova Scotia Dep. Notes 2.62% due December 2, 2026	193,196	0	200,674	198,460	0	0	2,214	7,478
CORPORATE BONDS Total	2,197,367		2,236,146	2,230,899	0	0	5,248	38,779

Martin, Lucas & Seagram Ltd.
DATE TO DATE GAINS AND LOSSES
CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)
From 12-31-18 to 03-31-19

Security	12-31-18 Market Value	Additions Withdrawals	03-31-19 Market Value	03-31-19 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
TOTAL PORTFOLIO	5,909,925		6,020,965	5,973,076	0	0	47,889	111,040
TOTAL DATE TO DATE GAIN OR LOSS								111,040
% CHANGE DURING PERIOD								1.88

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

COMMITTEES FOR 2019/20

- | | | |
|----|------------------------|--|
| 1. | Audit* | Gordon Goodman (Chair)
Vacant
Michael Swartz |
| 2. | Claims | William Scott (Chair)
David Morritt
James Tory
John Birch
Robert (Bob) Love |
| 3. | Policy | Donald Milner (Chair)
Natasha MacParland
Bruce Blain |
| 4. | Risk Management | Julia Holland (Chair)
Dan MacDonald
Eugene Cipparone
Melanie Koszegi |

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

*** Members of ad-hoc cyber committee are Don Milner, Bill Scott

June 1, 2019