



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	Laurence Detière	Melanie Koszegi
William Scott	David E. Woollcombe	Margaret McNee/ Carl De Vuono	Christopher Garrah

Tuesday, December 6, 2022 at 8:30 a.m.
Goodmans LLP
34th Floor, Bay Adelaide Centre, West Tower
333 Bay Street.
Toronto, Ontario

ZOOM login information: Advisory Board of CLLAS

To join meeting using a computer:

<https://us02web.zoom.us/j/87997719965?pwd=dGNzVG5UYk1hU3JFQit6YUJSRW1dZ09>

Meeting ID: 879 9771 9965

Meeting Password: 936710

To join meeting by phone:

+1 647 558 0588 Canada

Meeting ID: 879 9771 9965

Passcode: 936710

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 September 20, 2022 Meeting <i>Proposed Resolution: To approve the minutes.</i>	Ken Crofoot	5 mins	3.1



	<u>Responsibility</u>	<u>Est. Time</u>	<u>Tab</u>
4. Business Arising Out of the Minutes	Ken Crofoot		
5. Comments of Chair	Ken Crofoot	5 mins	
6. Market Update and Reinsurance Renewal Planning	Ryan Durrell	5 mins	
7. CLLAS Cyber Renewal - Update	Ryan Durrell	5 mins	
8. Report of the General Manager's Office	Patrick Mahoney	45 mins	
8.1 Management Financial Statements as at September 30, 2022			8.1
8.2 Subscribers Accounts at June 30, 2022			8.2
8.3 Blakes/Dentons Considerations			8.3
<i>Proposed Resolution: To approve refund of premiums to Blakes/Dentons</i>			
8.4 ORSA Update			8.4
8.5 ERM Policy Update			
<i>Proposed Resolution: To adopt the ORSA Report and approve the ERM Policy</i>			
8.6 Confirmation of Investment Policy			8.6
<i>Proposed Resolution: To confirm the Investment Policy</i>			
9. Committee Reports		20 mins	
9.1 Audit Committee	Gord Goodman		
9.1.1 Reinsurance Security Update			
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 Annual Dinner	Ken Crofoot		
11. Next Meeting - Tuesday, February 21, 2023 at 8:30 a.m.			

Anticipated Adjournment Time: 10:30 a.m.

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

Minutes of a Meeting of the Advisory Board

8:30 a.m.

Goodmans LLP (Via Videoconference)

Tuesday, September 20, 2022

Present:

Ken Crofoot (Chair)
Robert Love
Gordon Goodman
Laurence Detière
William Scott
Margaret McNee
David Morritt
Julia Holland

Goodmans LLP
Borden Ladner Gervais LLP
Cassels Brock & Blackwell LLP
Davies Ward Phillips & Vineberg LLP
McCarthy Tétrault LLP
McMillan LLP
Osler, Hoskin & Harcourt LLP
Torys LLP

Patrick Mahoney
Norma Ibbetson
Carrie Green
Ryan Durrell

Office of the General Manager, CLLAS
Office of the General Manager, CLLAS
Office of the General Manager, CLLAS
Axxima

Absent:

Donald Milner
Mike Swartz

Fasken Martineau DuMoulin LLP
WeirFoulds LLP

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 June 21, 2022 Meeting of the Advisory Board

It was moved by Margaret McNee and seconded by Laurence Detière that the minutes of the June 21, 2022 meeting of the Advisory Board be approved. The motion was carried unanimously.

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

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

5. **Comments of the Chair**

No additional comments of the Chair.

6. **Reinsurance Renewal and State of the Market Outlook including CLLAS Cyber Program Update**

Ryan Durrell reviewed the final terms of the July 1, 2022 reinsurance renewal and provided updates on the ODL program, the CLLAS Cyber program and the CLLAS Associate Member program.

Renewal negotiations were smoother than the last three renewals, but upward pressure on rates remains, especially as a result of inflation. We did not lose any of our current markets for this renewal, a marked change from the recent past, and we added two new markets (Starr and WRB syndicates).

The reinsurance rate increase on the \$49MM xs \$1MM primary layer was 5.0%, which we consider a very good outcome. The increases on the upper layers were 20% (\$60MM xs \$160MM) and 16% (umbrella layer) respectively. We introduced a new optional umbrella layer (\$30MM xs \$250MM) and seven of the nine firms who purchased maximum limit elected to buy this coverage.

The premium per non-Quebec lawyer for the \$49MM xs \$1MM layer (including the drop-down) at July 1, 2022 was \$3,150, a 5.9% increase from last year as approved by the Board at the June Board meeting. The structure of the program is unchanged from last year aside from the addition of the new optional umbrella layer.

While the market shows definite signs of softening, this is being portrayed as the market being less hard (sometimes expressed as “decelerating increases”) and insurers remain particularly concerned about inflation.

The ODL program for participating firms renewed at July 1, 2022 with rate increases in the 5% range. The market overall has stabilized relative to recent years, but pricing and coverage remains a challenge for certain industries, (i.e. healthcare, oil and gas). Capacity for ML/EPL continues to be a challenge with very few markets willing to write this business (particularly with US exposure), but new markets are starting to be attracted as a result of pricing increases.

The CLLAS cyber program launched on July 1, 2022. One firm joined the program on that date with the balance expected on expiry of their current policies. Firms can purchase \$5MM, but the general program will offer \$10MM. Limits excess of \$10MM, where required, will be placed outside of CLLAS in the commercial marketplace.

Within the \$10MM limit, CLLAS will retain the first \$1MM, inclusive of the firm deductible. Reinsurance of \$5MM excess of \$1MM is placed with Beazley. The final layer of reinsurance (\$4MM xs \$6MM) is being finalized with Axis, and we are not anticipating any issues. The basic deductible is \$100,000 for firms with <150 lawyers and \$250,000 for firms with ≥150 lawyers. Additionally, there are a number of sub-limits, e.g. funds transfer fraud has a limit of \$250,000 and a deductible of \$50,000. We understand that increases in the range of 20-30% on renewal are the norm in the

marketplace however the underwriting processes seem to be stabilizing after two years of increasing control requirements.

Mr. Durrell led the Board through the Cyber Claims Protocol schematic, which was included in the presentation.

CLLAS firm preferred vendors can be pre-approved and added to the vendor panel by providing information to the General Manager's office for review by CLLAS management and Beazley. The Associate Firm program has renewed with both firms experiencing a rate increase of 5%. One of the firms purchases cyber through the CLLAS program. If they choose to participate in the new program, it will necessitate joining CLLAS for cyber only. The firm is currently considering this and it may be necessary to process the firm's membership approval via written resolution.

7. Report of the General Manager's Office

Financial Statements for the Period Ending June 30, 2022

Mr. Mahoney presented CLLAS' financial management report as at June 30, 2022.

CLLAS experienced an underwriting loss of \$393,000 in the second quarter and a total comprehensive loss (after taking into account realized and unrealized gains/losses on the investment portfolio) of \$496,000. The main reason for the loss was the strengthening of incurred but not reported (IBNR) reserves due to the impact of inflation on CLLAS' claims, which take a long time to develop and resolve. The decline in value on the investment portfolio was also due to inflation, as higher interest rates reduced the market value of fixed income investments.

At June 30, 2022, CLLAS had surplus of slightly under \$12.4 million, essentially unchanged from the prior year.

CLLAS' expenses were about \$221,000, or 16% under budget for the six-month period. Axxima fees are under budget for the period and will likely remain that way for the balance of the year. Premium taxes were also under budget due to an accounting requirement which forced the recognition of part of the 2022 premium tax expense in 2021 and this should balance out by the end of the calendar year.

CLLAS also monitors its Minimum Capital Test ratio. At June 30, 2022, CLLAS' MCT ratio is estimated to be 518%, well above CLLAS' minimum internal requirements of 210%.

Mr. Mahoney also referred the Board to the risk metrics monitored by CLLAS on a quarterly basis. The results for June 30, 2022 are within CLLAS' risk tolerances with the exception of the "maximum concentration with a single reinsurer" as the Argo Syndicate reinsures 19.0% of CLLAS' total liabilities. As noted before, appropriate moves to continue diversifying CLLAS' reinsurance support should be made when market conditions permit.

The September 30, 2022 Management Report will have two separate components – one for the E&O program and one for the cyber program. These will be tracked separately behind the scenes but will be presented on a consolidated basis at year end. This approach is not unusual for reciprocals that write more than one line of business. Allocation of expenses between the two programs will be done on a formulaic basis.

ORSA Update

CLLAS' actuaries are currently working through an update on the Own Risk and Solvency Assessment which will include the cyber program. A discussion of the surplus requirements will be on the agenda for the December Board meeting.

Overview of CLLAS Governance Policies

Included in the Board meeting material, as an information item, was a summary of the status of CLLAS' adopted governance policies together with the anticipated dates for on-going review and approval.

8. Committee Reports

Report of the Audit Committee

Gordon Goodman reported to the Board. There will be a year-end planning meeting held later in the fall.

Report of the Claims Committee

Bill Scott reported to the Board. The Committee meets quarterly. Included in the material are some charts summarizing CLLAS' claims activity at June 30, 2022.

Report of the Risk Management Committee

Julia Holland reported to the Board. Discussions are underway to have a cyber related Risk Management Session with the participation of Beazley syndicate.

Report of the Policy Committee

The Chairman reported on behalf of Donald Milner. No new issues at the time under consideration by the Committee.

9. Other Business

Quarterly Report of the Investment Manager

This is an information item for the Board.

10. Proposed Meeting Dates in 2023

- Tuesday, February 21, 2023
- Tuesday, June 20, 2023
- Tuesday, September 19, 2023
- Tuesday, December 5, 2023

Date and location of the AGM is to be advised.

11. Next Meeting

The next regularly scheduled meeting of the Board will be on December 6, 2022. Meetings will continue to be held virtually for the time being.

There being no further business, the meeting was terminated.

Chairman

Secretary



MEMORANDUM

DATE: November 25, 2022
TO: CLLAS Advisory Board
FROM: Patrick Mahoney
COPY:
RE: September 30, 2022 Financial Management Report

CLLAS' financial management report for the nine months ended September 30, 2022 is attached. Included are the following exhibits:

- Exhibit 1: Management Financial Statements for the Combined CLLAS Programs, including the risk metrics and AMRGF exhibits
- Exhibit 2: Management Financial Statements for the E&O Program
- Exhibit 3: Management Financial Statements for the Cyber Program

This memo will discuss the exhibits in reverse order, starting with the Cyber Program.

CLLAS Cyber Program (Exhibits 3.1 – 3.4)

The Cyber Program was launched on July 1, 2022 but had only one firm join during the third quarter, as the bulk of the firms joined in October 2022. In order to lock in the reinsurance terms, the primary reinsurance contract (\$5 million excess of \$1 million) was issued for the term of July 1, 2022 to June 30, 2023, on a "risks attaching" basis. This means that CLLAS policies issued during the term of the reinsurance contract are covered by the contract. As a result, there is very little premium income in Q3, while the full reinsurance premium was due and payable. This caused the program to generate a loss of \$294,000 in the quarter. This situation will normalize as we move through the policy year, with additional premiums coming on stream.

You will note that there are very few operating expenses being allocated to the program in the quarter. We thought it appropriate to consider the balance of 2022 as the implementation phase, with the program essentially being funded out of CLLAS' strategic budget. The operating budget for 2023 will include a refined allocation of operating expenses for the Cyber Program, and the budget variance exhibit (Exhibit 3.4) will contain more meaningful information starting in 2023.

CLLAS E&O Program (Exhibits 2.1 – 2.4)

The management statements for the E&O program are comparable to the statements the Board has received in the past. As shown on Exhibit 2.2, the program experienced an underwriting gain of \$820,000 in the quarter and a total comprehensive gain (after taking into account realized and unrealized gains/losses on the investment portfolio) of \$884,000. Year-to-date, the program has experienced a total



comprehensive gain of \$420,000. The main reasons for this favourable outcome are a recovery on an old claim (this is why the “claims paid” line is a negative number) and the release of IBNR through the period.

Operating expenses for the nine months ending September 30, 2022 are \$270,000 (14.4%) under budget due to Axxima fees (especially reinsurance fees) and premium taxes being lower than budgeted. The program’s surplus at September 30, 2022 sits at just under \$13.3 million.

Combined Programs (Exhibits 1.1 – 1.6)

The combined statements show the overall financial position of CLLAS. These statements consolidate the two programs and account for any inter-program adjustments. (For example, premium taxes on the Cyber Program may have been paid by the E&O Program. This would appear as a payable on the Cyber Program’s accounts and a receivable for the E&O Program but would be netted out of the combined statements.) The financial performance metrics for CLLAS (shown on Exhibit 1.5) are presented on a combined basis.

Exhibit 1.5 shows the year-end results for 2020 and 2021, and the results at September 30, 2022 against risk targets and risk limits. Most of the metrics at September 30, 2022 are within CLLAS’ risk limits. The items of note are discussed below.

- Line 1: The excess of cash and securities over the Reserve and Guarantee fund (i.e. the AMRGF requirement) has reduced since December 31, 2021. This is part of a normal cycle given that at September 30th each year, reinsurance premiums due to the reinsurers are material and, while they are more than offset but premiums receivable from the firms, the latter figure is not accounted for in the AMRGF calculations.
- Line 2: CLLAS’ MCT ratio at September 30, 2022 is estimated at 505%, which is well above CLLAS’ target.
- Line 8: The insurance market continues to be very difficult and so this metric appears in yellow. Again, this metric will be reviewed again if circumstance change.
- Line 9: This metric has been updated based on the Reinsurance Security Report presented to the Audit Committee at its October 21, 2022 meeting. As discussed during that meeting, one of CLLAS’ reinsurers (Argo) has an A- rating with AM Best and/or S&P.
- Line 10: This metric has also been updated based on the Reinsurance Security Report presented to the Audit Committee at its November 8, 2021 meeting. As discussed during that meeting, the Argo Syndicate (Lloyds) reinsures 18.1% of CLLAS’ total liabilities. The percentage has reduced from 19.3% in 2020 but still exceeds CLLAS’ risk limit. Appropriate moves to continue diversifying CLLAS’ reinsurance support should be made when market conditions permit.



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

September 30, 2022

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Exhibit 1	Combined	
	1.1	Statement of Financial Position
	1.2	Statement of Comprehensive Income
	1.3	Statement of Changes in Equity
	1.4	Variance Analysis
	1.5	Summary of Risk Metrics
	1.6	Alberta Maintenance of Reserve and Guarantee Funds
Exhibit 2	Liability	
	2.1	Statement of Financial Position
	2.2	Statement of Comprehensive Income
	2.3	Statement of Changes in Equity
	2.4	Variance Analysis
Exhibit 3	Cyber	
	3.1	Statement of Financial Position
	3.2	Statement of Comprehensive Income
	3.3	Statement of Changes in Equity
	3.4	Variance Analysis

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY (COMBINED)
STATEMENT OF FINANCIAL POSITION
September 30, 2022

	As at September 30, 2022	As at September 30, 2021
ASSETS		
Cash	4,721,168	3,212,344
Short term investments	11,395,689	11,291,902
Bonds	5,688,278	6,131,665
Interest income due and accrued	38,393	39,013
Premium receivable	7,850,958	8,447,317
Other receivable	-	-
Prepaid expenses	311,789	225,577
Deferred policy acquisition costs	310,079	36,172
Unearned reinsurance premium ceded	9,719,916	7,897,634
Reinsurance recoverable	1,151,659	355,974
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	66,868,683	68,896,258
	<u>108,056,613</u>	<u>106,533,856</u>
LIABILITIES		
Accounts payable & accrued charges	660,235	380,825
Premium taxes payable	201,217	184,845
Unearned premium	10,764,398	9,419,118
Due to reinsurers	8,745,978	6,814,361
Provision for unpaid claims and adjustment expenses	74,725,182	77,543,086
Premium deficiency liability	-	-
	<u>95,097,011</u>	<u>94,342,235</u>
SUBSCRIBERS' EQUITY		
Surplus	13,321,640	12,024,728
Accumulated Other Comprehensive Income (Loss)	(362,038)	166,893
	<u>12,959,603</u>	<u>12,191,621</u>
	<u>108,056,613</u>	<u>106,533,856</u>

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY (COMBINED)
STATEMENT OF COMPREHENSIVE INCOME
For the Period Ending September 30, 2022

	Current Year		Prior Year	
	Quarter September 30, 2022	Year to Date September 30, 2022	Quarter September 30, 2021	Year to Date September 30, 2021
Written Premium	14,391,961	14,391,961	12,593,327	12,594,326
Gross Written Premiums	14,391,961	14,391,961	12,593,327	12,594,326
Less: Reinsurance Ceded	13,025,718	13,025,718	10,583,511	10,584,328
Net Written Premiums	1,366,243	1,366,243	2,009,816	2,009,998
Change in Unearned Premiums	(1,044,482)	(35,733)	(1,521,484)	(519,130)
Earned Premiums	321,761	1,330,510	488,331	1,490,868
Claims Paid	-	(391,021)	17,710	114,682
Change in IBNR	(736,367)	(203,921)	28,801	181,948
Change in Case Reserve	-	(98,866)	(17,709)	(119,682)
Premium Deficiency Expense	-	-	-	(30,774)
Change in provision for unpaid premium liability	-	-	-	-
Incurred Claims	(736,367)	(693,808)	28,802	146,174
Management and operating expenses	304,281	1,237,807	256,955	1,018,779
Reinsurance fees	123,488	272,988	74,750	218,500
Premium taxes	103,360	144,539	328,617	328,617
Total Operating Expenses	531,129	1,655,334	660,322	1,565,895
Underwriting Gain (Loss)	526,999	368,985	(200,792)	(221,202)
Investment Income	117,714	224,690	38,445	112,394
Income on Claim Related Matters	-	-	-	-
Interest Income on Premium Tax	-	-	-	-
NET GAIN/(LOSS)	<u>644,713</u>	<u>593,674</u>	<u>(162,347)</u>	<u>(108,808)</u>
Other comprehensive income (loss)				
Unrealized gains (losses) on available for sale financial assets arising during the year	(54,074)	(466,878)	(24,887)	(150,944)
Recognition of realized (gain) loss included in income	-	-	-	-
Other comprehensive income (loss) for the year	(54,074)	(466,878)	(24,887)	(150,944)
Total comprehensive income (loss)	<u>590,639</u>	<u>126,796</u>	<u>(187,235)</u>	<u>(259,752)</u>

Exhibit 1.3

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY (COMBINED)
STATEMENT OF CHANGES IN EQUITY
September 30, 2022

	Minimum Surplus	Additional Surplus	Unrealized gains and losses on AFS financial assets	Total Equity
Balance, beginning of year	50,000	12,677,966	104,841	12,832,807
Prior year adjustment	-	-	-	-
Comprehensive income (loss) for the year				
Net gain (loss) for the year	-	593,674		593,674
Other comprehensive income (loss)				
Change in unrealized gain on available-for-sale assets	-	-	(466,878)	(466,878)
Recognition of realized (gain) loss on available-for-sale assets	-	-	-	-
Total comprehensive income (loss) for the year	-	593,674	(466,878)	126,796
Distribution of premium surplus	-	-	-	-
Balance at September 30, 2022	50,000	13,271,640	(362,038)	12,959,603

Exhibit 1.4

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY (COMBINED)
STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS
FOR THE PERIOD ENDED September 30, 2022

	Annual Budget	Year to Date Budget %	Year to Date Budget \$	Year to Date Actual \$	Fav/(Unfav) Variance \$
MANAGEMENT SERVICES (See Note 1)	563,500	75%	422,625	423,729	(1,104)
PROFESSIONAL SERVICES (See Note 2)					
Actuarial Services	75,000	83%	62,250	56,299	5,950
Reinsurance Matters	280,000	83%	232,399	156,313	76,086
Strategic Matters	150,000	83%	124,500	106,441	18,059
Sub-Total Professional Services	505,000		419,149	319,054	100,095
GST/HST on Consulting Fees	138,905		109,431	96,562	12,869
Total Management & Professional Services	1,207,405		951,204	839,345	111,859
OTHER EXPENSES					
Audit Expenses (See Note 3)	178,000	75%	133,500	133,386	114
Annual Dinner	-		-	-	-
Premium Taxes	401,000	75%	300,750	144,539	156,211
Chairman's Expenses	-		-	-	-
Chairman's Honourium	150,000	100%	150,000	150,000	-
Reinsurance Expense	4,000	75%	3,000	5,244	(2,244)
D&O Insurance	20,000	100%	20,000	16,955	3,045
Office Expenses	10,000	75%	7,500	13,421	(5,921)
Claims: Borderaux (LawPro/LIF)	17,500	96%	16,800	16,350	450
Special Services	15,000	75%	11,250	6,712	4,538
Reinsurance Fee (BWI) (See Note 4)	299,000	75%	224,250	272,988	(48,737)
I.B.C Statistical Plan Fees	3,000	75%	2,250	1,509	741
Assessment Fees	3,000	75%	2,250	5,500	(3,250)
Investment counsel fees	32,000	75%	24,000	21,816	2,184
Investment - Custodial	19,000	75%	14,250	14,070	180
Risk Management/Loss Prevention	20,000	75%	15,000	10,000	5,000
License Fee	5,000	85%	4,250	3,500	750
Insurance: Sundry	-		-	-	-
Sub-total	1,176,500		929,050	815,989	113,061
TOTAL	2,383,905		1,880,254	1,655,334	224,921

*** NOTE 1: MANAGEMENT SERVICES**

The budget of \$563,500 has been increased from \$420,500 prior year budget due to:

- IFRS 17 implementation, and
- decrease in commission credit applied against fixed fees as a combined result of the decision to place CLLAS Associate and CLLAS firms cyber policies with zero commission, and no profit share commission received in 2021 on CLLAS Associate firms.

*** 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	23%
Second Quarter, ending June 30th	41%
Third Quarter, ending September 30th	19%
Fourth Quarter, ending December 31st	17%
	<u>100%</u>

*** NOTE 3: AUDIT EXPENSES**

The increase of \$46,000 over the 2021 actual reflects 3% increase on the base audit fee and an estimate of \$35,000 for the IFRS17 implementation.

*** NOTE 4: BWI INSURANCE FEES (Reins. Comm.)**

BWI fees for the 2021/22 policy year were agreed at \$299,000, up 4% from the prior year. The 2022 budget assumes no change to the BWI fees for the 2022/23 policy year.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
SUMMARY OF RISK METRICS
September 30, 2022

Risk Category	Risk Metric	December 31, 2020	December 31, 2021	September 30, 2022	Green Zone (Meets Target)	Yellow Zone	Red Zone (Limit Exceeded)
General	(1) AMRGF - Excess of Cash/Appr. Securities Over Reg. Req'ment	\$6,421,000	\$8,237,000	\$3,350,000	5,000,000 and above	\$2,500,000 to \$5,000,000	Less than \$2,500,000
	(2) MCT Ratio	538%	555%	505%	210% and above	n/a	Less than 210%
	(3) Status of Governance Policies	Up to date	Up to date	Up to date	Up to date	Items outstanding	Materially behind schedule
Insurance	(4) Gross Loss Ratio	96%	-3%	38%	Less than 150%	150% to 300%	Over 300%
	(5) Net Loss Ratio	63%	-12%	-38%	Less than 50%	50% to 100%	Over 100%
	(6) Risk of Systemic Loss	Some concerns raised	Some concerns raised	Nothing on horizon	Nothing on horizon	Some concerns raised	Adverse experience
Premium & Strategy	(7) Actual Expenses vs. Budget	92%	98%	88%	Less than 105%	105% to 120%	Over 120%
	(8) State of the Market Outlook	Some concerns raised	Some concerns raised	Some concerns raised	Nothing on horizon	Some concerns raised	Adverse experience
Reinsurance	(9) Reinsurer Credit Rating	A- to A+	A- to A+	A- to A+	A or above	A-	B+ and below
	(10) Maximum Concentration with a Single Reinsurer excl. Colchester	19.3%	19.0%	18.1%	Less than 10%	10% to 15%	Over 15%
Operational	(11) Board Discussion of Prior Quarter Risk Metrics	Discussed corrective measures	Discussed corrective measures	Discussed corrective measures	Discussed corrective measures	Received but no discussion	Not received
	(12) Resiliency Capacity - People (e.g. redundancy, succession)	n/a	n/a	n/a	Score of 4 or 5 out of 5	Score of 3 out of 5	Score of 1 or 2 out of 5
	(13) Resiliency Capacity - Data/Systems	n/a	n/a	n/a	Score of 4 or 5 out of 5	Score of 3 out of 5	Score of 1 or 2 out of 5
	(14) Advisory Board Turnover in Last 12 Months	1	0	0	0 to 2 members	3 to 4 members	5 or more members
	(15) Key Management/Advisor Turnover in Last 36 Months	1	1	1	0 to 1 person	2 to 3 people	4 or more members
Investments	(16) Investment Manager Compliance Statement	In compliance	In compliance	In compliance	In compliance	Temporarily or slightly not	Consistently or materially
Regulatory Compliance	(17) Regulatory Outlook Report	No significant concerns noted	No significant concerns noted	No significant concerns noted	No significant issues noted	Issues being addressed	Significant issues outstanding

Notes

- (1) = From Exhibit 6.
 (2) Based on financial statements and quarterly actuarial valuation as of September 30, 2022. Target based on ORSA analysis.
 (3) Reviewed annually in December.
 (4) = Gross incurred losses / gross earned premiums. Gross losses from the actuarial valuations. Premiums exclude the effect of any return of surplus.
 (5) = Net incurred losses / net earned premiums. Net losses derived from the financial statements. Premiums exclude the effect of any return of surplus.
 (6) Reviewed in December 2021.
 (7) = Actual expenses / budget expenses. From the financial statements.
 (8) Reviewed in December 2021.
 (9) Based on A.M. Best. information from report on reinsurance security (October 2022).
 (10) Based on claim liabilities exposure. Lloyds syndicates are assessed separately. September 2022 information from report on reinsurance security (October 2022).
 (11) Reviewed quarterly.
 (12) Reviewed annually in December.
 (13) Reviewed annually in December.
 (14) Reviewed quarterly based on turnover in the preceding 12-month period
 (15) Senior Management/Key Advisor Turnover in Last 36 Months – Includes principal attorney, general manager, accountant, auditor, actuary, reinsurance broker and excess insurance broker.
 (16) Reviewed quarterly.
 (17) Reviewed annually in December.

Color Code
Meets Target
Between Target and Limit
Exceeds Limit

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
For the Period Ending September 30, 2022

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

	Current Year to Date 09/30/2022 (in \$000's)	Prior Year End 09/30/2021 (in \$000's)
<u>Reserve Fund</u>		
Premiums collected or credited having one year or less to run	(1) 14,392	12,594
Less: Amount paid to licensed reinsurers	(2) 13,026	10,493
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) 1,366	2,101
Reserve Fund Required (50% of Line 5)	(6) 683	1,051
<u>Guarantee Fund</u>		
Total Liabilities	(7) 95,097	94,342
Less: Unearned Premiums	(8) 10,764	9,419
Less: Recoverable from licensed reinsurers	(9) 66,611	68,852
Plus: Statutory Margin	(10) 50	50
Guarantee Fund Required (Line 7 minus Lines 8 and 9 plus line 10)	(11) 17,772	16,121
TOTAL RESERVE & GUARANTEE FUND REQUIRED (Line 6+11)	(12) 18,455	17,172
Cash & Approved Securities	(13) 21,805	20,636
Excess of Cash & Securities over Reserve & Guarantee Fund (line 13 minus line 12)	(14) 3,350	3,465

Exhibit 2.1

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF FINANCIAL POSITION
September 30, 2022

	As at September 30, 2022	As at September 30, 2021
ASSETS		
Cash	4,721,168	3,212,344
Short term investments	11,395,689	11,291,902
Bonds	5,688,278	6,131,665
Interest income due and accrued	38,393	39,013
Premium receivable	7,850,958	8,447,317
Other receivable	-	-
Prepaid expenses	236,789	225,577
Deferred policy acquisition costs	308,464	36,172
Unearned reinsurance premium ceded	8,971,971	7,897,634
Reinsurance recoverable	1,151,659	355,974
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	66,868,683	68,896,258
	<u>107,232,053</u>	<u>106,533,856</u>
LIABILITIES		
Accounts payable & accrued charges	612,035	380,825
Premium taxes payable	199,063	184,845
Unearned premium	10,710,696	9,419,118
Due to reinsurers	7,745,978	6,814,361
Provision for unpaid claims and adjustment expenses	74,710,951	77,543,086
Provision for unpaid premium liabilities	-	-
Premium deficiency liability	-	-
	<u>93,978,723</u>	<u>94,342,235</u>
SUBSCRIBERS' EQUITY		
Surplus	13,615,367	12,024,728
Accumulated Other Comprehensive Income (Loss)	(362,038)	166,893
	<u>13,253,329</u>	<u>12,191,621</u>
	<u>107,232,053</u>	<u>106,533,856</u>

Exhibit 2.2

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF COMPREHENSIVE INCOME
For the Period Ending September 30, 2022

	Current Year		Prior Year	
	Quarter September 30, 2022	Year to Date September 30, 2022	Quarter September 30, 2021	Year to Date September 30, 2021
Written Premium	14,320,161	14,320,161	12,593,327	12,594,326
Gross Written Premiums	14,320,161	14,320,161	12,593,327	12,594,326
Less: Reinsurance Ceded	12,025,718	12,025,718	10,583,511	10,584,328
Net Written Premiums	2,294,443	2,294,443	2,009,816	2,009,998
Change in Unearned Premiums	(1,738,725)	(729,975)	(1,521,484)	(519,130)
Earned Premiums	555,718	1,564,468	488,331	1,490,868
Claims Paid	-	(391,021)	17,710	114,682
Change in IBNR	(750,598)	(218,152)	28,801	181,948
Change in Case Reserve	-	(98,866)	(17,709)	(119,682)
Premium Deficiency Expense	-	-	-	(30,774)
Incurred Claims	(750,598)	(708,039)	28,802	146,174
Management and operating expenses	304,281	1,237,807	256,955	1,018,779
Reinsurance fees	78,488	227,988	74,750	218,500
Premium taxes	102,821	144,000	328,617	328,617
Total Operating Expenses	485,590	1,609,795	660,322	1,565,895
Underwriting Gain (Loss)	820,726	662,711	(200,792)	(221,202)
Investment Income	117,714	224,690	38,445	112,394
Income on Claim Related Matters	-	-	-	-
Interest Income on Premium Tax	-	-	-	-
NET GAIN/(LOSS)	<u>938,440</u>	<u>887,401</u>	<u>(162,347)</u>	<u>(108,808)</u>
Other comprehensive income (loss)				
Unrealized gains (losses) on available for sale financial assets arising during the year	(54,074)	(466,878)	(24,887)	(150,944)
Recognition of realized (gain) loss included in income	-	-	-	-
Other comprehensive income (loss) for the year	(54,074)	(466,878)	(24,887)	(150,944)
Total comprehensive income (loss)	<u>884,366</u>	<u>420,523</u>	<u>(187,235)</u>	<u>(259,752)</u>

Exhibit 2.3

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF CHANGES IN EQUITY
September 30, 2022

	Minimum Surplus	Additional Surplus	Unrealized gains and losses on AFS financial assets	Total Equity
Balance, beginning of year	50,000	12,677,966	104,841	12,832,807
Prior year adjustment		-		-
Comprehensive income (loss) for the year				
Net gain (loss) for the year		887,401		887,401
Other comprehensive income (loss)				
Change in unrealized gain on available-for-sale assets			(466,878)	(466,878)
Recognition of realized (gain) loss on available-for-sale assets			-	-
Total comprehensive income (loss) for the year		887,401	(466,878)	420,523
Distribution of premium surplus		-		-
Balance at September 30, 2022	50,000	13,565,367	(362,038)	13,253,329

Exhibit 2.4

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS
FOR THE PERIOD ENDED September 30, 2022

	Annual Budget	Year to Date Budget %	Year to Date Budget \$	Year to Date Actual \$	Fav/(Unfav) Variance \$
MANAGEMENT SERVICES (See Note 1)	563,500	75%	422,625	423,729	(1,104)
PROFESSIONAL SERVICES (See Note 2)					
Actuarial Services	75,000	83%	62,250	56,299	5,950
Reinsurance Matters	280,000	83%	232,399	156,313	76,086
Strategic Matters	150,000	83%	124,500	106,441	18,059
Sub-Total Professional Services	505,000		419,149	319,054	100,095
GST/HST on Consulting Fees	138,905		109,431	96,562	12,869
Total Management & Professional Services	1,207,405		951,204	839,345	111,859
OTHER EXPENSES					
Audit Expenses (See Note 3)	178,000	75%	133,500	133,386	114
Annual Dinner	-		-	-	-
Premium Taxes	401,000	75%	300,750	144,000	156,750
Chairman's Honourium	150,000	100%	150,000	150,000	-
Reinsurance Expense	4,000	75%	3,000	5,244	(2,244)
D&O Insurance	20,000	100%	20,000	16,955	3,045
Office Expenses	10,000	75%	7,500	13,421	(5,921)
Claims: Borderaux (LawPro/LIF)	17,500	96%	16,800	16,350	450
Special Services	15,000	75%	11,250	6,712	4,538
Reinsurance Fee (BWI) (See Note 4)	299,000	75%	224,250	227,988	(3,737)
I.B.C Statistical Plan Fees	3,000	75%	2,250	1,509	741
Assessment Fees	3,000	75%	2,250	5,500	(3,250)
Investment counsel fees	32,000	75%	24,000	21,816	2,184
Investment - Custodial	19,000	75%	14,250	14,070	180
Risk Management/Loss Prevention	20,000	75%	15,000	10,000	5,000
License Fee	5,000	85%	4,250	3,500	750
Insurance: Sundry	-		-	-	-
Sub-total	1,176,500		929,050	770,450	158,600
TOTAL	2,383,905		1,880,254	1,609,795	270,459

*** NOTE 1: MANAGEMENT SERVICES**

The budget of \$563,500 has been increased from \$420,500 prior year budget due to:

- IFRS 17 implementation, and
- decrease in commission credit applied against fixed fees as a combined result of the decision to place CLLAS Associate and CLLAS firms cyber policies with zero commission, and no profit share commission received in 2021 on CLLAS Associate firms.

*** 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	23%
Second Quarter, ending June 30th	41%
Third Quarter, ending September 30th	19%
Fourth Quarter, ending December 31st	17%
	<u>100%</u>

*** NOTE 3: AUDIT EXPENSES**

The increase of \$46,000 over the 2021 actual reflects 3% increase on the base audit fee and an estimate of \$35,000 for the IFRS17 implementation.

*** NOTE 4: BWI INSURANCE FEES (Reins. Comm.)**

BWI fees for the 2021/22 policy year were agreed at \$299,000, up 4% from the prior year.
The 2022 budget assumes no change to the BWI fees for the 2022/23 policy year.

Exhibit 3.1

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - CYBER
STATEMENT OF FINANCIAL POSITION
September 30, 2022

	As at September 30, 2022	As at September 30, 2021
ASSETS		
Cash	-	-
Short term investments	-	-
Bonds	-	-
Interest income due and accrued	-	-
Premium receivable	-	-
Other receivable	22,344	-
Prepaid expenses	75,000	-
Deferred policy acquisition costs	1,616	-
Unearned reinsurance premium ceded	747,945	-
Reinsurance recoverable	-	-
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	-	-
	<u>846,905</u>	<u>-</u>
LIABILITIES		
Accounts payable & accrued charges	70,544	-
Premium taxes payable	2,154	-
Unearned premium	53,702	-
Due to reinsurers	1,000,000	-
Provision for unpaid claims and adjustment expenses	14,231	-
Provision for unpaid premium liabilities	-	-
Premium deficiency liability	-	-
	<u>1,140,631</u>	<u>-</u>
SUBSCRIBERS' EQUITY		
Surplus	(293,727)	-
Accumulated Other Comprehensive Income (Loss)	-	-
	<u>(293,727)</u>	<u>-</u>
	<u>846,905</u>	<u>-</u>

Exhibit 3.2

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - CYBER
STATEMENT OF COMPREHENSIVE INCOME
For the Period Ending September 30, 2022

	Current Year		Prior Year	
	Quarter September 30, 2022	Year to Date September 30, 2022	Quarter September 30, 2021	Year to Date September 30, 2021
Written Premium	71,800	71,800	-	-
Gross Written Premiums	71,800	71,800	-	-
Less: Reinsurance Ceded	1,000,000	1,000,000	-	-
Net Written Premiums	(928,200)	(928,200)	-	-
Change in Unearned Premiums	694,243	694,243	-	-
Earned Premiums	(233,957)	(233,957)	-	-
Claims Paid	-	-	-	-
Change in IBNR	14,231	14,231	-	-
Change in Case Reserve	-	-	-	-
Premium Deficiency Expense	-	-	-	-
Incurred Claims	14,231	14,231	-	-
Management and operating expenses	-	-	-	-
Reinsurance fees	45,000	45,000	-	-
Premium taxes	539	539	-	-
Total Operating Expenses	45,539	45,539	-	-
Underwriting Gain (Loss)	(293,727)	(293,727)	-	-
Investment Income	-	-	-	-
Income on Claim Related Matters	-	-	-	-
Interest Income on Premium Tax	-	-	-	-
NET GAIN/(LOSS)	(293,727)	(293,727)	-	-
Other comprehensive income (loss)				
Unrealized gains (losses) on available for sale financial assets arising during the year	-	-	-	-
Recognition of realized (gain) loss included in income	-	-	-	-
Other comprehensive income (loss) for the year	-	-	-	-
Total comprehensive income (loss)	(293,727)	(293,727)	-	-

Exhibit 3.3

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - CYBER
STATEMENT OF CHANGES IN EQUITY
September 30, 2022

	Minimum Surplus	Additional Surplus	Unrealized gains and losses on AFS financial assets	Total Equity
Balance, beginning of year	-	-	-	-
Prior year adjustment		-		-
Comprehensive income (loss) for the year				
Net gain (loss) for the year		(293,727)		(293,727)
Other comprehensive income (loss)				
Change in unrealized gain on available-for-sale assets			-	-
Recognition of realized (gain) loss on available-for-sale assets			-	-
Total comprehensive income (loss) for the year		(293,727)	-	(293,727)
Distribution of premium surplus		-		-
Balance at September 30, 2022	<u>-</u>	<u>(293,727)</u>	<u>-</u>	<u>(293,727)</u>

Exhibit 3.4

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - CYBER
STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS
FOR THE PERIOD ENDED September 30, 2022

	Annual Budget	Year to Date Budget %	Year to Date Budget \$	Year to Date Actual \$	Fav/(Unfav) Variance \$
MANAGEMENT SERVICES	-		-	-	-
(See Note 1)					
PROFESSIONAL SERVICES (See Note 2)					
Actuarial Services	-		-	-	-
Reinsurance Matters	-		-	-	-
Strategic Matters	-		-	-	-
Restructuring	-		-	-	-
Sub-Total Professional Services	-		-	-	-
GST/HST on Consulting Fees	-		-	-	-
Total Management & Professional Services	-		-	-	-
OTHER EXPENSES					
Audit Expenses (See Note 3)	-		-	-	-
Annual Dinner	-		-	-	-
Premium Taxes	-		-	539	(539)
Chairman's Expenses	-		-	-	-
Chairman's Honourium	-		-	-	-
Reinsurance Expense	-		-	-	-
D&O Insurance	-		-	-	-
Office Expenses	-		-	-	-
Claims: Borderaux (LawPro/LIF)	-		-	-	-
Special Services	-		-	-	-
Reinsurance Fee (BWI) (See Note 4)	-		-	45,000	(45,000)
I.B.C Statistical Plan Fees	-		-	-	-
Assessment Fees	-		-	-	-
Investment counsel fees	-		-	-	-
Investment - Custodial	-		-	-	-
Risk Management/Loss Prevention	-		-	-	-
License Fee	-		-	-	-
Insurance: Sundry	-		-	-	-
Sub-total	-		-	45,539	(45,539)
TOTAL	-		-	45,539	(45,539)



MEMORANDUM

DATE: November 28, 2022
TO: CLLAS Advisory Board
FROM: Patrick Mahoney
RE: CLLAS Subscribers' Accounts as at June 30, 2022

You will find attached to this memo the Subscribers' Accounts for the year ended June 30, 2022.

I look forward to discussing the attached with you at the up-coming Board meeting.

CLLAS SUBSCRIBERS' ACCOUNTS

STATEMENT OF FINANCIAL POSITION AND STATEMENT OF OPERATIONS BY UNDERWRITING PERIOD
FOR THE YEAR ENDED JUNE 30, 2022

LAW FIRMS:

- 1 Blake, Cassels & Graydon LLP
- 2 Borden Ladner Gervais LLP
- 3 Fasken Martineau DuMoulin LLP
- 4 Davies Ward Phillips & Vineberg LLP
- 5 Dentons Canada LLP
- 7 Goodmans LLP
- 8 McCarthy Tetrault LLP
- 9 McMillan LLP
- 10 Osler, Hoskin & Harcourt LLP
- 11 Torys LLP
- 12 WeirFoulds LLP
- 13 Cassels, Brock & Blackwell LLP

UNDERWRITING PERIODS:

- 1 1987/1988 to 1991/1992
- 2 1992/1993 to 1996/1997
- 3 1997/1998 to 2001/2002
- 4 2002/2003 to 2006/2007
- 5 2007/2008 to 2011/2012
- 6 2012/2013 to 2016/2017
- 7 2017/2018 to 2021/2022

CLLAS SUBSCRIBERS' ACCOUNTS
UNDERWRITING PERIODS CONSOLIDATED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2022

Board Book Page 28

Exhibit 1
Page 1

SUBSCRIBER	1	2	3	4	5	7	8	9	10	11	12	13	Total
ASSETS													
Net Asset Account	1,037,626	2,934,916	1,805,265	826,345	2,582,614	1,221,946	2,612,745	1,827,133	2,302,146	1,546,945	498,096	1,107,270	20,303,047
Accrued Interest	972	3,766	2,650	1,068	2,338	1,398	3,276	2,053	2,801	1,890	619	1,409	24,241
Reinsurance Receivable	52,159	117,583	86,397	30,225	85,442	38,868	88,439	60,989	69,763	44,089	16,147	36,927	727,027
Prepaid Expenses	0	27,508	21,362	5,936	0	7,035	20,403	9,890	17,195	12,053	4,043	10,606	136,032
Total Assets	1,090,757	3,083,773	1,915,674	863,573	2,670,394	1,269,247	2,724,863	1,900,066	2,391,906	1,604,978	518,904	1,156,212	21,190,347
LIABILITIES													
Undiscounted Case Reserves	0	179,811	133,902	44,975	133,912	60,188	125,995	81,842	104,489	77,872	25,930	57,094	1,026,010
Undiscounted IBNR	41,523	724,944	571,266	182,647	108,653	223,163	553,268	296,651	453,196	330,456	119,477	266,654	3,871,899
Impact of Discounting and Provision for Adverse Deviation	71,099	677,075	528,224	170,995	161,226	210,839	514,727	287,273	419,783	301,283	108,872	243,563	3,694,959
Prepaid Premium	0	0	0	0	0	0	0	0	0	0	0	0	0
Premium Refund Payable	0	0	0	0	0	0	0	0	0	0	0	0	0
Reinsurance Payable	0	0	0	0	0	0	0	0	0	0	0	0	0
Accrued Expenses	0	43,714	39,582	12,546	0	11,517	35,476	15,486	27,926	19,098	7,157	16,013	228,516
Total Liabilities	112,622	1,625,544	1,272,974	411,164	403,791	505,706	1,229,466	681,252	1,005,394	728,709	261,436	583,325	8,821,384
SUBSCRIBERS' EQUITY													
Total Subscribers' Equity	978,135	1,458,228	642,699	452,409	2,266,602	763,541	1,495,398	1,218,814	1,386,511	876,269	257,469	572,887	12,368,963
Total Liabilities and Equity	1,090,757	3,083,773	1,915,674	863,573	2,670,394	1,269,247	2,724,863	1,900,066	2,391,906	1,604,978	518,904	1,156,212	21,190,347

CLLAS SUBSCRIBERS' ACCOUNTS
UNDERWRITING PERIODS CONSOLIDATED
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2022

Board Book Page 29

Exhibit 1
Page 2

SUBSCRIBER	1	2	3	4	5	7	8	9	10	11	12	13	Total
Direct Written Premium	-	2,405,808	2,218,414	693,880	-	628,822	1,958,162	846,722	1,540,177	1,062,739	362,145	876,459	12,593,327
Retroassessment	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross Written Premium	-	2,405,808	2,218,414	693,880	-	628,822	1,958,162	846,722	1,540,177	1,062,739	362,145	876,459	12,593,327
Reinsurance Ceded	-	2,020,296	1,877,810	587,044	-	525,348	1,648,896	709,540	1,292,035	890,934	299,373	732,235	10,583,511
Net Written Premium	-	385,512	340,604	106,836	-	103,474	309,266	137,182	248,142	171,805	62,772	144,224	2,009,816
Change in Unearned Premium	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Earned Premium	-	385,512	340,604	106,836	-	103,474	309,266	137,182	248,142	171,805	62,772	144,224	2,009,816
Claims Paid	(48,181)	(56,207)	(40,382)	(14,704)	(41,722)	(18,793)	(44,649)	(33,100)	(33,393)	(18,060)	(7,154)	(16,966)	(373,311)
Change in Undiscounted Case Reserves	-	(22,674)	(18,129)	(5,668)	667	(6,913)	(17,497)	(8,850)	(14,295)	(10,753)	(3,865)	(8,599)	(116,576)
Change in Undiscounted IBNR	8,954	6,784	8,987	2,593	(26,857)	(1,594)	9,779	(1,556)	9,592	2,542	2,917	7,141	29,280
Change in Impact of Discounting and Provision for Adverse Deviation	21,267	4,622	5,244	2,091	(8,318)	(1,107)	7,571	1,633	6,655	(919)	1,504	4,185	44,428
Incurred Claims	(17,961)	(67,474)	(44,280)	(15,687)	(76,230)	(28,407)	(44,797)	(41,873)	(31,442)	(27,189)	(6,598)	(14,240)	(416,179)
Operating Expenses	-	334,783	298,910	93,953	5,171	90,976	269,338	120,838	214,351	148,137	55,909	123,862	1,756,228
Premium Tax	-	73,767	57,286	15,918	-	18,865	54,714	26,521	46,110	32,322	10,843	28,443	364,789
Total Expenses	-	408,550	356,196	109,871	5,171	109,841	324,052	147,359	260,461	180,459	66,751	152,305	2,121,017
Underwriting Gain (Loss)	17,961	44,436	28,688	12,652	71,059	22,040	30,011	31,695	19,123	18,535	2,619	6,159	304,978
Investment Income	7,438	28,707	20,288	8,151	17,734	10,650	25,004	15,634	21,378	14,405	4,728	10,755	184,872
Other Income	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Gain (Loss)	25,399	73,143	48,976	20,803	88,793	32,690	55,015	47,329	40,501	32,940	7,347	16,915	489,850
Other Comprehensive Income	(20,046)	(77,636)	(54,622)	(22,018)	(48,201)	(28,824)	(67,543)	(42,331)	(57,754)	(38,973)	(12,753)	(29,043)	(499,744)
Total Comprehensive Income	5,353	(4,493)	(5,646)	(1,215)	40,593	3,865	(12,528)	4,998	(17,253)	(6,033)	(5,406)	(12,128)	(9,894)

MEMORANDUM

DATE: November 28, 2022
TO: Patrick Mahoney
FROM: Pascal Boucher, Julie-Linda Laforce
RE: CLLAS: Blakes and Dentons Withdrawal

Purpose and Scope

Blake, Cassels & Graydon LLP (“Blakes”) and Dentons Canada LLP (“Dentons”) withdrew from CLLAS effective June 30, 2012 and June 30, 2017 respectively. Pursuant to CLLAS’ Reciprocal Insurance Exchange Agreement, both subscribers may be entitled to a share of the surplus they have accumulated in CLLAS.

The purpose of this memo is to assist CLLAS in quantifying the risk associated with returning surplus to Blakes and Dentons. We have estimated their surplus as at June 30, 2022 under various scenarios:

- At the mean level (based on the subscribers’ accounts);
- At the 95th percentile; and
- Assuming additional losses of \$5,000,000 and \$25,000,000 materializing in the 2011/2012 policy year.

Please note that percentiles represent probability levels of meeting a certain threshold. For example, surplus at the 95th percentile implies that we estimate that a given surplus position will be sufficient in 95% of scenarios.

Data

Our projections rely on the following:

1. Subscribers’ accounts as at June 30, 2022;
2. Claims data and actuarial valuation as at June 30, 2022; and
3. Unaudited financial statements as at June 30, 2022.

The analysis and results are based on the data provided by CLLAS. We have relied on such data without any detailed audit or verification, but has performed checks necessary to verify that the information provided is sufficient and reliable for the purpose of this analysis.



Axxima does not assume responsibility for the result of any error or omission in the data or other materials provided for the preparation of this analysis. The accuracy of results is dependent upon the accuracy and completeness of the underlying data; therefore, any material discrepancies discovered in the data provided by CLLAS to Axxima should be reported and this analysis should be amended accordingly, if warranted.

It is virtually certain that actual future incurred losses, operating expenses and investment income will not emerge exactly as projected and may, in fact, deviate from our estimates by a significant margin. By its nature, the CLLAS insurance program is subject to statistical and other deviations in its experience. As a result, we cannot guarantee the future surplus position based on the stress tests provided as being the extent of CLLAS' maximum exposure to loss.

Methodologies and Assumptions

Starting with the June 30, 2022 Subscribers' Accounts, we determined Blakes' and Dentons' financial position. We then adjusted the financial position to reflect that since June 30, 2022 a claim with a potential \$5M deterioration was reported in policy year 2010/2011. We have tested the following stress test scenarios on the adjusted financial position in order to estimate the surplus to release for each subscriber:

- Reserve deterioration at the 95th percentile;
- Occurrence of a new claim of \$5M; and
- Occurrence of a new claim of \$25M.

An analysis for Blakes withdrawal was performed in June 2016. The recommendations from that analysis were based on losses at the 95th percentile. The 95th percentile was equivalent to a loss reserve deterioration of 26%. For this analysis, we have assumed that a loss reserve deterioration of 30% is equivalent to the losses at the 95th percentile.

For stress scenarios with additional losses, we projected one additional loss of \$5,000,000 and also one additional loss of \$25,000,000, in both cases in the 2011/2012 policy year.

Claims liabilities were then determined based on Canadian actuarial standards of practice, i.e. they include a provision for ULAE, they are discounted to reflect the time value of money and they include provisions for adverse deviation. All assumptions from the most recent actuarial valuation report were replicated.

Results and Recommendations

Based on the data, methodologies and assumptions described above, Blakes' and Dentons' surplus as at June 30, 2022 are estimated as follows:



Blakes' Surplus Position

	Net Assets	Net Liabilities	Surplus
Actual as at June 30, 2022	\$1,090,757	\$112,622	\$978,135
Adjusted including a \$5M deterioration	\$1,090,757	\$141,733	\$949,024
<u>Stress Tests</u>			
Reserve Deterioration at 95 th Percentile	\$1,090,757	\$175,520	\$915,237
Additional claim of \$5,000,000	\$1,090,757	\$165,022	\$925,735
Additional claim of \$25,000,000	\$1,090,757	\$281,465	\$809,292

Dentons' Surplus Position

	Net Assets	Net Liabilities	Surplus
Actual as at June 30, 2022	\$2,670,394	\$403,791	\$2,266,602
Adjusted including a \$5M deterioration	\$2,670,394	\$430,568	\$2,239,826
<u>Stress Tests</u>			
Reserve Deterioration at 95 th Percentile	\$2,670,394	\$551,705	\$2,118,689
Additional claim of \$5,000,000	\$2,670,394	\$451,988	\$2,218,405
Additional claim of \$25,000,000	\$2,670,394	\$559,093	\$2,111,301

The assets are expected to consist of invested assets only and the liabilities are expected to consist of unpaid claims only.

The remaining unpaid claims level is low for the underwriting periods for which Blakes and Dentons participated in CLLAS. Also, CLLAS cedes all its claims to reinsurers. As a result, the impact on the surplus for each stress test scenario is low. For Blakes, we observe that a surplus distribution of approximately \$810,000 will leave sufficient assets in CLLAS to cover the firm's share of future liabilities under all scenarios. For Dentons, this surplus distribution amounts to \$2,110,000.

Due to its reinsurance structure, CLLAS transfers insurance risk to its reinsurers and its exposure is limited to the default of (or dispute with) other parties. We note, however, that claims liabilities were calculated based on standards of practice and therefore the claims liabilities (and surplus) reflect an explicit provision of 5.0% for reinsurance default.

The above analysis assumes that the only significant source of volatility comes from claims experience. However, CLLAS has potential sources of adverse deviation other than claims, such as operational risk, regulatory risk, liquidity risk, strategic risk and other risks identified in the ORSA. For this reason, CLLAS



could consider paying out only a portion of the available surplus for distribution, such as 50% or 75% of \$810,000 for Blakes and of \$2,110,000 for Dentons.

In summary, our analysis would provide support for a surplus distribution in the range of \$405,000 to \$610,000 to Blakes and in the range of \$1,055,000 to \$1,585,000 to Dentons.

Impact to Remaining CLLAS Subscribers

The maintenance of accounting records based on subscriber participation implies that, to a large extent, the other subscribers' accumulated surplus is not directly impacted by Blakes' and Dentons' departure. However, returning Blakes' and Dentons' shares of surplus imply, at the reciprocal level, a reduction in funds available to meet regulatory solvency tests.

For example, based on the financial position as at June 30, 2022, a return of surplus of approximately \$2,195,000 (i.e. the upper end of our recommended range) would have the following effect on CLLAS' solvency indicators:

As at June 30, 2022	Actual Unaudited	Proforma Assuming Surplus Return of \$2,195,000	CLLAS Target
Excess of AMRGF	\$10,146,000	\$7,951,000	Above \$5,000,000
Minimum Capital Test			
(a) Capital Available	\$12,134,000	\$9,939,000	
(b) Capital Required at 100%	\$2,344,000	\$2,344,000	
(c) MCT Ratio = (a) / (b)	518%	424%	210%

Each dollar of surplus returned to Blakes and Dentons reduces the cash and approved securities which can be used to meet the AMRGF.

Similarly, each dollar of surplus returned to Blakes and Dentons reduces the capital available in the MCT. The capital required would not be significantly impacted given that the assets which would be liquidated to pay the surplus distribution are invested in conservative asset classes which require very little regulatory capital. Based on the June 30, 2022 estimated results, each million dollars of surplus distribution would translate into a decrease of 43 points in the MCT ratio.

Please do not hesitate to contact us should you wish to discuss these matters with us.



CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Own Risk and Solvency Assessment
Years 2022/2023 to 2026/2027

Draft Report
November 8, 2022



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PART 1 — EXECUTIVE SUMMARY

This report summarizes the Own Risk and Solvency Assessment (“ORSA”) for the Canadian Lawyers Liability Assurance Society (“CLLAS” or “the Reciprocal”) based on the Reciprocal’s financial position as at June 30, 2022. This report includes financial projections for fiscal years 2022/2023 to 2026/2027.

This report was prepared by the Office of the General Manager in collaboration with Axxima Inc., a non-affiliated company of CLLAS providing actuarial and strategic advisory services to CLLAS.

1.1. Purpose and Scope

The ORSA is a qualitative and quantitative assessment of material risks and capital adequacy to support those risks under normal and stressed conditions. One important element of ORSA is developing an internal capital/surplus target based on CLLAS’ own risk appetite and risk profile, instead of through standard formulas such as the Minimum Capital Test (“MCT”) or Alberta Maintenance of Reserve and Guarantee Fund (“AMRGF”) requirement.

The ORSA is primarily used as a strategic planning tool to assist the Advisory Board in determining an appropriate and prudent target surplus level based on the business strategy.

This report documents the Reciprocal’s Enterprise Risk Management (“ERM”) philosophy, material risks and capital requirements to support business strategy.

1.2. Conclusions

The following were concluded:

1. Based on its current risk profile, CLLAS’ main sources of inherent risk (i.e. risk before mitigation strategies) are insurance/reinsurance, premium & strategy and operational risks.
2. Based on its current risk profile, CLLAS’ main sources of residual risk (i.e. risk after mitigation strategies) are insurance/reinsurance, premium & strategy and operational risks.
3. CLLAS takes significant insurance risk since it writes insurance for professional liability insurance losses with significant limits per claim. CLLAS currently mitigates its insurance risk by limiting its net retention to drop down claims and \$5,000,000 in the annual aggregate. CLLAS also mitigates the risk of reserve deterioration with a Loss Portfolio Transfer with Colchester through which CLLAS cedes all development on claims reported prior to June 30, 2012.



4. CLLAS is exposed to significant reinsurance risk; unpaid claims recoverable from reinsurers are above \$73,000,000 as at June 30, 2022. Reinsurance risk can emerge in the form of reinsurance defaults or disputes as well as through reductions in market capacity and variability in reinsurance rates. CLLAS mitigates this risk through the selection of reinsurers with high credit ratings.
5. CLLAS is well capitalized as at June 30, 2022 based on the risk profile of its assets and liabilities. The surplus is \$12,369,000 as at June 30, 2022 and the MCT ratio is 518%. The AMGRF requirement is met with a margin of \$10,192,000.
6. Assuming that CLLAS maintains its insurance and reinsurance structure, the actuary estimated the following:
 - o There is an estimated probability of 95% that the surplus will remain above \$14,008,000 at June 30, 2023 and above \$11,131,000 at June 30, 2027.
 - o The surplus position as at June 30, 2022, together with the current funding mechanism, is estimated to be sufficient to support the business strategy with a probability of 98.3% over the next 3 years and 97.6% over the next five years. In other words, the probability of incurring at least one retroassessment to meet the AMGRF requirement is 1.7% over the next 3 years and 2.4% over the next 5 years.

1.3. Recommendations of Management

Based on the review and analysis provided by the actuary, the following is recommended:

1. The Advisory Board should adopt an internal capital/surplus target based on risk appetite. Based on the actuarial analysis presented in Part 7, assuming that the current insurance and reinsurance structure are maintained, and taking into account CLLAS' contractual ability to assess its subscribers, the Advisory Board could consider maintaining an internal capital/surplus target ratio of 210%.

An MCT ratio of 210% as at June 30, 2022 corresponds to a surplus position of \$5,318,000 which is made up of capital required of \$5,083,000 and an amount of \$235,000 which represents the reinsurance recoverable from unregistered reinsurers not covered by collateral.

2. The Advisory Board could consider maintaining the adopted targets and limits for key risk metrics for individual risks based on risk appetite and the following targets and limits:



Risk Category	Risk Metric	Frequency	Green Zone (Meets Target)	Yellow Zone	Red Zone (Limit Exceeded)
General	AMRGF – Excess of Cash and Approved Securities Over Regulatory Requirement	Quarterly	\$5,000,000 and above	\$2,500,000 to \$5,000,000	Less than \$2,500,000
	MCT Ratio	Quarterly	210% and above	n/a	Less than 210%
	Status of Governance Policies	Annually	Up to date	Items Outstanding	Materially behind schedule
Insurance	Gross Loss Ratio (Liability and Cyber separately)	Quarterly	Less than 150%	150% to 300%	Over 300%
	Net Loss Ratio (Liability and Cyber separately)	Quarterly	Less than 50%	50% to 100%	Over 100%
	Risk of Systemic Loss	Annually	Nothing on horizon	Some concerns raised	Adverse experience anticipated
Premium & Strategy	Actual Expenses vs. Budget	Quarterly	Less than 105%	105% to 120%	Over 120%
	State of the Market Outlook	Annually	Nothing on horizon	Some concerns raised	Adverse experience anticipated
Reinsurance	Reinsurer credit rating	Annually	A or above	A-	B+ and below
	Maximum concentration with a single reinsurer excluding Colchester	Quarterly	Less than 10%	10% to 15%	Over 15%
Operational	Board Discussion of Prior Quarter Risk Metrics	Quarterly	Discussed corrective measures	Received but no discussion	Not received
	Resiliency Capacity – People	Annually	Score of 4 or 5 out of 5	Score of 3 out of 5	Score of 1 or 2 out of 5
	Resiliency Capacity – Data/systems	Annually	Score of 4 or 5 out of 5	Score of 3 out of 5	Score of 1 or 2 out of 5
	Advisory Board Turnover in the Last 12 Months	Quarterly	0 to 2 members	3 to 4 members	5 or more members
	Key Management/Advisor Turnover in the Last 36 Months	Quarterly	0 to 1 person	2 to 3 people	4 or more people
Investments	Investment Manager Compliance Statement	Quarterly	In compliance	Temporarily or slightly not in compliance	Consistently or materially not in compliance
Regulatory Compliance	Regulatory Outlook Report	Annually	No significant issues noted	Issues being addressed	Significant issues outstanding

3. Management should continue tracking the adopted key risk metrics at least annually and consider taking action when such metrics exceed the risk limits adopted by the Advisory Board.



4. The risk targets, risk limits and internal capital target should be reviewed every three to five years at a minimum, or more frequently if there are material changes in the risk profile or strategy.

1.4. Recommendations Adopted by the Advisory Board

Based on the recommendations of management:

1. The surplus target will be based on an MCT of 210%;
2. The Advisory Board adopted the risk metric targets and limits as recommended by management;
3. The adopted risk metrics will be monitored by the Office of the General Manager and reported to the Advisory Board on a quarterly basis;
4. The risk targets, risk limits and internal target will be reviewed by December 31, 2027 or earlier.



PART 2 — PURPOSE AND SCOPE

The ORSA is a qualitative and quantitative assessment of material risks and capital adequacy to support those risks under normal and stressed conditions. One important element of ORSA is developing an internal capital target based on CLLAS' own risk appetite and risk profile, instead of through standard formulas such as the MCT or AMRGF requirement.

The ORSA is primarily used as a strategic planning tool to assist the Advisory Board in determining an appropriate and prudent target capital level based on the business strategy. In addition, this ORSA report meets the following supervisory guidelines:

- OSFI Corporate Governance Guideline;
- OSFI Guideline A-4: Regulatory Capital and Internal Targets;
- OSFI Guideline E-18: Stress Testing; and
- OSFI Guideline E-19: Own Risk and Solvency Assessment.

The main objectives of this report are the following:

- Identify the main sources of risk;
- Identify risk mitigation strategies;
- Identify and recommend risk metrics, risk targets and risk limits for periodic monitoring;
- Evaluate the capital required to support the Reciprocal's anticipated strategy and risk profile;
- Stress test the impact of alternate risk assumptions on the financial position; and
- Recommend an internal surplus target for adoption by the Advisory Board.

Notwithstanding that CLLAS, as a reciprocal, does not have capital *per se*, this report will generally refer to capital instead of surplus, as that is the terminology used in the relevant OSFI supervisory guidelines.



PART 3 — DEFINITIONS

Alberta Maintenance of Reserve and Guarantee Fund (“AMRGF”) Requirement:	Regulatory solvency requirement set out in Articles 99 and 100 of the Alberta Insurance Act.
Enterprise Risk Management (“ERM”):	The discipline by which an organization in any industry assesses, controls, exploits, finances and monitors risks from all sources for the purpose of increasing the organization’s short- and long-term value to its stakeholders.
Minimum Capital Test (“MCT”):	Regulatory solvency test generally applied to commercial insurers but also used as a monitoring tool for reciprocals.
Risk:	Potential that the financial position will be affected due to deviation of actual results from expected results.
Risk appetite:	The level of aggregate risk that an organization chooses to take in pursuit of its objectives.
Risk limit:	A threshold used to monitor the actual risk exposure of a specific unit or units of the organization to ensure that the level of aggregate risk remains within the risk tolerance.
Risk metric:	A measure of risk.
Risk mitigation:	Action that reduces the frequency or severity of a risk.
Risk profile:	The nature and magnitude of risks to which an organization is exposed over a specified period of time.
Stochastic model:	Model relying on statistical probability distributions to determine results.



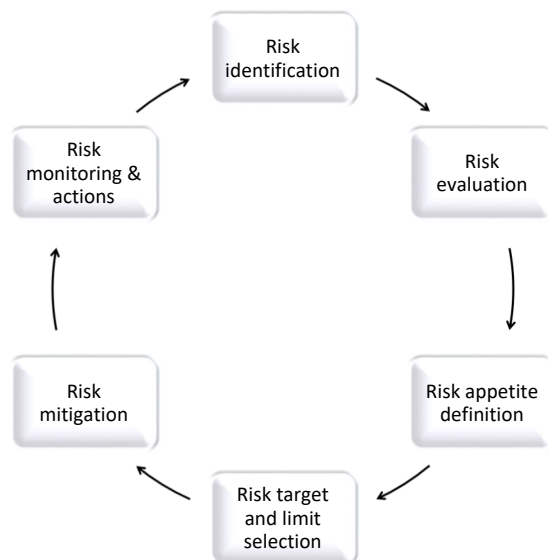
PART 4 — ENTERPRISE RISK MANAGEMENT FRAMEWORK

ERM has multiple objectives, including the following:

- Avoid or mitigate risks that could materially impair the financial position;
- Accept risks that contribute to the business strategy;
- Manage risks in accordance with best practices and enhance strategic decision-making; and
- Promote a better understanding of the interrelationships between the risk profile and capital needs.

It must be recognized that ERM is a cycle, and that risk appetite is regularly reassessed as a step of the ERM cycle. Risk appetite is fluid and reflects any improvement or deterioration in risk tolerance, changes in the business strategy and changes in economic conditions.

The ERM cycle is as follows:



The ERM cycle involves identifying all material risks, and then evaluating their potential impact to determine CLLAS' risk profile. Based on the risk profile and strategic vision, the risk appetite is defined as a high-level direction for the amounts and types of risks the entity wants to pursue. Based on the overall risk appetite, risk targets and limits are assigned to the various risks previously identified. Risk mitigation measures may be implemented by the Advisory Board and management in order to reduce the frequency or severity of risks. Risks are monitored and compared against targets and limits; the



Advisory Board and management would consider implementing appropriate actions when a risk exceeds the established limit.

Strategic Goals

One of the main goals of CLLAS is to achieve premium stability and to provide its members with adequate insurance and reinsurance coverage at a reasonable cost. The Advisory Board strives to operate with adequate surplus levels in order to mitigate the need for a retroassessment. Since CLLAS operates above its surplus target, premiums collected from members are set so that the expected net income or loss is \$0.

Risk Appetite

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.).

CLLAS' risk appetite statements can be found in Section 5 of the ERM policy which is presented in Schedule 1.

Internal Controls

Internal controls consist of systematic checks and reviews to ensure the efficiency, accuracy and completeness of operations, financial reporting and compliance with applicable laws and regulations. The internal control system contributes to managing risk.

CLLAS has implemented a number of internal control processes, as follows:



Operational Function	Internal Controls
Claims management	<ul style="list-style-type: none"> Claims committee involvement on significant claims Periodic internal claims reviews Quarterly reports and teleconferences with reinsurers Two authorizations on all EFTs, wires, cheques Reconciliation of claims database to financial statements
Premium management	<ul style="list-style-type: none"> Board approval of premium rates Reconciliation of premiums collected and invoiced
Investments	<ul style="list-style-type: none"> Quarterly reconciliation of cash balances and investments Quarterly review of investment report
Finance and administration	<ul style="list-style-type: none"> Segregation of duties All payments via WFT/wire/cheque Two authorizations required Periodic bank reconciliation Board-approved budget Quarterly tracking of expenses against Board-approved budget Quarterly financial statements Signed annual audited financial statements
Regulatory Compliance	<ul style="list-style-type: none"> Annual checklist of compliance requirements Periodic review of applicable legislation

In addition, the Reciprocal annually engages an independent external auditor to perform a review of claims, premiums, investment and other financial accounts. The external auditor issues an opinion to the effect that financial statements are free from material misstatement and reports to the Board and senior management on the effectiveness of processes, procedures and internal controls in place.

ERM Roles and Responsibilities

CLLAS and its subscribing law firms have a strong risk management culture. CLLAS' Advisory Board oversees all ERM aspects of the Reciprocal.

Section 10 of the ERM policy presented in the Schedule 1 details the roles and responsibilities of the Advisory Board, Principal Attorney and Office of the General Manager with regards to ERM.



PART 5 — OVERVIEW OF OPERATIONS

5.1. Overview of the Insurance Program

CLLAS was formed in 1986 and licensed in Ontario as an insurer in 1987 with the first policies issued with an effective date of July 1, 1987. Effective July 1, 2012, CLLAS' lead regulator was changed from Ontario to Alberta. CLLAS is licensed in Alberta, British Columbia, Nova Scotia and Ontario.

CLLAS provides professional liability insurance to subscribing law firms in excess of the compulsory coverage provided by the various law societies. Since inception, coverage provided by CLLAS has been on a claims-made basis. For the first policy term (i.e., July 1, 1987 to June 30, 1988), coverage was in excess of \$600,000. Coverage in subsequent policy terms is in excess of \$1,000,000.

A summary of the coverage provided by CLLAS is set out below:

CLLAS HISTORICAL COVERAGE SUMMARY	
Coverage Period	Coverage Provided (in million \$)
July 1, 1987 to June 30, 1988	\$24.4 excess of \$0.6
July 1, 1988 to June 30, 1989 to July 1, 1989 to June 30, 1990	\$24.0 excess of \$1.0
July 1, 1990 to June 30, 1991	\$24.0 excess of \$1.0* plus \$25.0 excess of \$50.0
July 1, 1991 to June 30, 1992 to July 1, 1996 to June 30, 1997	\$34.0 excess of \$1.0* plus \$25.0 excess of a minimum of \$50.0
July 1, 1997 to June 30, 1998	\$34.0 excess of \$1.0* plus \$25.0 excess of a minimum of \$50.0 \$15.0 excess of \$120.0 (optional layer)
July 1, 1998 to June 30, 1999	\$34.0 excess of \$1.0* plus \$30.0 excess of a minimum of \$50.0 \$20.0 excess of \$130.0 (optional layer)
July 1, 1999 to June 30, 2000 **	\$34.0 excess of \$1.0* plus \$30.0 excess of a minimum of \$50.0 \$20.0 excess of \$130.0 (optional layer)
July 1, 2000 to June 30, 2001 to July 1, 2002 to June 30, 2003 **	\$34.0 excess of \$1.0* plus \$30.0 excess of a minimum of \$50.0 \$20.0 excess of \$140.0 (optional layer)
July 1, 2003 to June 30, 2004 to July 1, 2005 to June 30, 2006 ***	\$34.0 excess of \$1.0* plus \$30.0 excess of a minimum of \$50.0 \$20.0 excess of \$140.0 (optional layer)



CLLAS HISTORICAL COVERAGE SUMMARY	
Coverage Period	Coverage Provided (in million \$)
July 1, 2006 to June 30, 2007 to July 1, 2007 to June 30, 2008 ***	\$34.0 excess of \$1.0* plus \$30.0 excess of a minimum of \$50.0 \$20.0 excess of \$140.0 (optional layer 1) \$20.0 excess of \$160.0 (optional layer 2)
July 1, 2008 to June 30, 2009 to July 1, 2009 to June 30, 2010 ***	\$34.0 excess of \$1.0* plus \$30.0 excess of a minimum of \$50.0 \$20.0 excess of \$140.0 (optional layer 1) \$10.0/20.0/30.0 excess of \$160.0 (optional layer 2)
July 1, 2010 to June 30, 2011 ***	\$34.0 excess of \$1.0* plus \$30.0 excess of a minimum of \$50.0 \$20.0 excess of \$140.0 (optional layer 1) \$20.0/30.0/40.0 excess of \$160.0 (optional layer 2)
July 1, 2011 to June 30, 2012 to July 1, 2015 to June 30, 2016 ****	\$49.0 excess of \$1.0* plus \$30.0 excess of a minimum of \$65.0 \$10.0/20.0/30.0/40.0/50.0/60.0 excess of \$160.0 (optional layer)
July 1, 2017 to June 30, 2018 to July 1, 2019 to June 30, 2022 ****	\$49.0 excess of \$1.0* plus \$30.0 excess of a minimum of \$65.0 \$10.0/20.0/30.0/40.0/50.0/60.0 excess of \$160.0 (optional layer) 5% of \$30.0 excess of \$50.0 or \$110.0 excess of \$50.0

* The excess policies are endorsed to drop down to excess of \$250,000 (\$25,000 starting in 2008/2009) in certain instances

** For Québec, all CLLAS coverage is provided in excess of a \$5 million retention up to and including policy year 2002/2003

*** For Québec, for policy years 2003/2004 and after, CLLAS coverage is provided \$30 million in excess of a \$10 million retention

**** For Québec, for policy year 2011/2012 and after, CLLAS coverage is provided \$40 million in excess of a \$10 million retention

The policy limits presented above are also firm aggregate limits. As of July 1, 2002, the firm aggregate limit on the first \$5 million of coverage, inclusive of underlying, was set at \$25 million. This was reduced as of July 1, 2007 to \$12 million and further reduced to \$5 million as of July 1, 2008. Starting on July 1, 2011, there is no longer a firm aggregate specific aggregate limit.

The umbrella layer of coverage (\$30 million excess of a minimum of \$65 million) is subject to an annual aggregate of \$60 million for all law firms combined. Coverage between the basic coverage described above (\$49 million excess of \$1 million) and the minimum attachment point of \$65 million of the umbrella layer is not provided by CLLAS, but left to individual subscribers to arrange, except for a small retention starting on July 1, 2017.

As of July 1, 2008, CLLAS began offering an option of \$10 million excess of \$160 million, \$20 million excess of \$160 million or \$30 million excess of \$160 million in optional layer 2. As of July 1, 2010, CLLAS



began offering an option of \$20 million excess of \$160 million, \$30 million excess of \$160 million or \$40 million excess of \$160 million in optional layer 2. As of July 1, 2011, CLLAS replaced its two optional layers with a single layer excess of \$160 million (increased from previous years' \$140 million attachment point) with options ranging from \$10 million to \$60 million in \$10 million increments.

In July 1, 2022, CLLAS began offering an additional umbrella layer of coverage option of \$30 million excess of \$250 million, subject to an annual aggregate limit of \$60 million for all law firms combined.

On July 1, 2022, CLLAS launched its cyber program, with policies being issued to the firms between July and December 2022. The program generally offers a coverage of \$10 million per claim, with an aggregate limit of \$10 million per firm. The basic deductible for firms with less than 150 lawyers is \$100,000 and \$250,000 for firms with over 150 lawyers.

CLLAS' operations, including underwriting, claims, brokerage, actuarial and finance, are outsourced to third parties. CLLAS' Advisory Board, supported by its standing committees, provides oversight for these operations.

For policy year 2021/2022, CLLAS issued insurance contracts for total number of lawyers of 4,144 and collected total net premiums of \$2,010,000. The net income was \$1,012,000 and the surplus was \$12,369,000 for the policy year ended June 30, 2022. All invested assets were held in cash, cash equivalents and investments with credit rating of A-1 or higher for short-term investments and BBB or higher for long-term investments.

Statements of financial position and of comprehensive income for the policy years ended June 30, 2021 and 2022 are presented in Section 1, Exhibits 1A and 1B respectively.

5.2. Operating Environment

Professional liability insurance losses are subject to significant volatility surrounding the timing, frequency and severity of claims. Claim frequency is expected to remain stable but individual claims are expected to trend up by approximately 4.25% per year.

The Reciprocal currently operates with the philosophy of collecting premiums which are expected to generate no profit or loss over a given policy year. Premiums are expected to cover losses, operating expenses and reinsurance costs and include a credit to recognize the expected investment income during the year. The Board may, at its discretion, apply additional premium discounts when the surplus held is in excess of the surplus target.

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



5.3. Reinsurance

CLLAS cedes paid losses, case reserves and provisions for IBNR in three ways for its professional liability line of business:

1. **Proportional reinsurance:** The amounts ceded to proportional reinsurance in each layer vary according to the reinsurance arrangements effective in each policy period. The size and number of layers have varied over time.
2. **Aggregate reinsurance:** CLLAS' aggregate reinsurance with Colchester Reinsurance Limited ("Colchester") is applicable to its retention after reflection of proportional reinsurance. The amounts ceded to aggregate reinsurance vary according to the reinsurance arrangements effective in each policy period.
3. **Loss portfolio transfer:** At June 30, 2012, CLLAS entered into a loss portfolio transfer agreement with Colchester which covers all outstanding claim 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.

For its cyber program, CLLAS cedes losses in excess of \$1 million per claim.

Commercial market reinsurance and excess insurance 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, but CLLAS is not immune to the insurance market cycles. Availability for layers in excess of CLLAS' net retention is expected to remain stable for the foreseeable future, but upward pressure on reinsurance rates can be expected given current market conditions and CLLAS' loss experience.

5.4. Regulatory Environment

The Superintendent has previously adopted OSFI's solvency, governance and other supervisory guidelines which were historically only applicable to federally regulated insurance companies. In more recent years, these requirements were relaxed and the production of an ORSA report is now at the discretion of the entity.

MCT

The Alberta regulator no longer requires reciprocals to monitor or report MCT ratios but other provincial regulators require reciprocals report on the MCT.



The MCT ratio is calculated as follows:

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

The Capital Available is equal to the entity's surplus, reduced by the amount of reinsurance recoverables from unlicensed reinsurers not covered by deposits. 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 operational risk.

OSFI regulator targets 100% as a supervisory minimum MCT ratio and 150% as a supervisory target MCT ratio. OSFI-regulated insurance companies are expected to determine an internal target MCT ratio through the ORSA and operate with surplus in excess of this internal target.

The actual CLLAS MCT ratio target is 210%. The Reciprocal's MCT ratio as at June 30, 2012 meets this requirement with a ratio of 518%.

A summary of the MCT ratio calculation for the policy years ended June 30, 2021 and 2022 is presented in Section 1, Exhibit 1C.

AMRGF

The primary regulatory solvency test for Alberta-based reciprocals is the AMRGF requirement. The AMRGF requirement is a liquidity requirement which essentially prescribes that a reciprocal must hold cash and approved securities in excess of the following:

$$\begin{aligned} \text{AMRGF Requirement} = & 50\% \text{ of premiums written} \\ & - 50\% \text{ of premiums written ceded to licensed reinsurers} \\ & + \text{Total Liabilities} \\ & - \text{Unearned premiums} \\ & - \text{Unpaid claims recoverable from licensed reinsurers} \\ & + \$50,000 \end{aligned}$$

CLLAS must maintain cash and approved securities in excess of this requirement in order to avoid a retroassessment. At June 30, 2022, CLLAS met this requirement with an excess margin of \$10,192,000, as shown in Section 1, Exhibit 1D.

In the event that a reciprocal fails to meet regulatory requirements, the Superintendent would require a retroassessment in order to replenish the surplus or liquidity position. The subscribers are contractually obligated to pay a retroassessment declared by CLLAS and, being large law firms, have the capacity to finance a retroassessment.



Accounting Standards

IFRS 17 will introduce major changes in the presentation of financial statements of insurance companies effective January 1, 2023. The results in this ORSA report were presented based on accounting standards in effect as at June 30, 2022. However, some assumptions in the ORSA were adjusted to reflect the most significant impacts that the implementation of IFRS 17 will have on the results of CLLAS:

1. The discount rate selection for the calculation of the discounted liabilities reflects the discount rates curve that will be used to estimate the discounted cash flows under IFRS 17.
2. The 5% margin for adverse deviation for reinsurance under IFRS 4 is reduced to 1%, which is the selected margin for the provision for reinsurance non-performance under IFRS 17.
3. The capital required for unpaid claims (liabilities for incurred claims) for the calculation of the MCT ratio is increased by 10%, reflecting the revised capital required under IFRS 17.



PART 6 — IDENTIFICATION OF MATERIAL RISKS

6.1. Material Inherent Risks

The Board identified ten broad risk categories applicable to the Reciprocal. The inherent risk (i.e. risk before the application of risk mitigation strategies) for each category was qualitatively evaluated by the Board and ranked in order of most to least significant, as follows:

1. **Insurance (claims) risk:** This risk arises out of the uncertainty surrounding the timing, frequency and severity of losses. Examples include large losses, change in payment patterns and increase in losses frequency.

CLLAS provides Canadian law firms with over \$140,000,000 of professional liability insurance coverage per occurrence. Coverage is provided on a claims-made basis. Coverage is provided excess of \$1,000,000 (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.

Insurance risk includes 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.

CLLAS concentration risk is high as it only offers insurance coverage for two lines of business; liability and cyber. However, CLLAS has a geographical diversification benefit as it insures lawyers in multiple Canadian provinces.

2. **Premium and strategy risk:** This risk pertains to underwriting, competitive pressures as well as the inability to implement the business strategy. Examples include inadequate or uncompetitive premium rates and gain or loss of subscribers.

CLLAS operates on the basis of five year underwriting periods, and can expect 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, the viability of the reciprocal may be compromised.

3. **Reinsurance risk:** This risk arises from reinsurer default, reduction in market capacity following major events, increases in reinsurance rates and disputes over policy conditions.



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.

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 behavior 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.
5. **Investment risk:** Investment risk comprises interest rate, inflation, asset default and liquidity risks.

Interest rate risk:

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.

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.

Asset 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 BBB 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.

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

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.

Other investment risks:

Based on its Investment Policy, CLLAS holds all its assets in cash and Canadian fixed income and is therefore not directly exposed to equity or foreign exchange risks.

6. **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.
7. **Reputation risk:** Reputation risk arises when the confidence of insured lawyers, creditors, reinsurers and other business partners leads to a negative impact on earnings, liquidity or capital position.

For example:

- Reputation with insured lawyers could be negatively impacted by unstable or uncompetitive 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.



In addition, concentration risk arises from failure to diversify risk. It is a risk category closely tied with other risk categories, such as insurance (claims), reinsurance, premium and investments.

Schedule 2 of this report presents the ranking methodology as well as additional background on the main categories of inherent risk as determined by the Board.

6.2. Risk Mitigation

Risk mitigation measures are adopted by the Advisory Board and management in order to mitigate the frequency or severity of risks. CLLAS would consider risk mitigation strategies for all material risk categories, such as the following:

Risk Category	Current Risk Mitigation Measures	Additional Risk Mitigation Measures
Insurance	Periodic review of policy limits and other terms of coverage Purchase of reinsurance Annual review of premiums per rate setting policy Quarterly review of claims by Claims Committee Quarterly review of actuarial liabilities Support of subscriber risk management programs and audits	Diversification of risk (additional subscribers)
Reinsurance	Annual review of reinsurance limits and other terms of coverage Active relationship management including annual marketing visit and quarterly claims calls Annual reinsurance security review Maintenance of Reinsurance Security Agreement with Colchester Diversification of reinsurers Formal reinsurance risk management policy	
Premium and strategy	Rate setting policy Managed Board turnover Board orientation for new members Purchase of D&O insurance Succession planning	Additional diversification of subscribers
Operational	Outsourcing of critical functions	



Risk Category	Current Risk Mitigation Measures	Additional Risk Mitigation Measures
	Business continuity plan in place for management Periodic assessment of outsourced functions Outsourcing policy	
Investments	Periodic review of Investment Policy Investment policy which restricts credit ratings Prescribed minimum amount of short-term assets Periodic monitoring of CPI and other general inflation indices Periodic monitoring of legal changes and judgments	Additional diversification of Investments Asset-liability matching
Regulatory Compliance	Regular communication with regulator Multi-disciplinary team responsible for regulatory compliance	

The evaluation of material risks in Part 7 is performed after reflecting the application of risk mitigation strategies. For example, the capital required for insurance risk would reflect the annual aggregate limits and reinsurance structure.



PART 7 — EVALUATION OF MATERIAL RISKS

The quantitative risk evaluation was performed by Axxima Inc., a non-affiliated company of CLLAS providing actuarial and strategic advisory services to CLLAS.

7.1. Limitations and Distribution

The analysis and results are based on the data provided by CLLAS. Axxima has relied on such data without any detailed audit or verification, but has performed checks necessary to verify that the information provided is sufficient and reliable for the purpose of this analysis.

Axxima does not assume responsibility for the result of any error or omission in the data or other materials provided for the preparation of this report. The accuracy of results is dependent upon the accuracy and completeness of the underlying data; therefore, any material discrepancies discovered in the data provided by CLLAS to Axxima should be reported and this report should be amended accordingly, if warranted.

It is virtually certain that actual future premiums, incurred losses, operating expenses and investment income will not emerge exactly as projected and may, in fact, deviate from Axxima's estimates by a significant margin. By its nature, the insurance program is subject to statistical and other deviations in its loss experience. As a result, Axxima cannot guarantee the projections of future net income (loss) and surplus position as being the extent of CLLAS' maximum exposure to losses. In estimating these projections, Axxima has used models, procedures and assumptions that are reasonable and appropriate and believes that the resulting estimates are reasonable given the information available.

Part 7 of the report as well as Sections 1 and 2 of the exhibits attached are strictly for the use of CLLAS, its internal and external auditors, advisors and regulators in the context of their work for CLLAS. If they are distributed, they must be distributed in their entirety and with prior consent from Axxima.

7.2. Data

Axxima's review and analysis is based on the following information received from CLLAS:

- Claims database containing unlimited paid losses and case reserves for policy periods 1987/1988 to 2021/2022 as at June 30, 2022;
- Lawyer counts for policy periods 1987/1988 to 2021/2022;
- Investments as at December 31, 2021;
- Audited financial statements as at December 31, 2021 and internal financial statements as at June 30, 2021 and 2022;
- P&C-1 annual return as at December 31, 2021;



- Budget and business plan for fiscal years 2022 to 2024;
- Details of historical reinsurance arrangements;
- Reciprocal Insurance Exchange Agreement;
- Investment policy;
- Guidelines for selection of reinsurers; and
- Various discussions with CLLAS management.

Axxima also relied on the actuarial valuation analysis as at December 31, 2021 and June 30, 2022 and the rating analysis for policy period 2022/2023 previously issued to CLLAS.

In addition, Axxima relied on the following:

- Bank of Canada historical yield curves;
- Statistics Canada tables 18-10-0004-01 (consumer price index);
- Standard & Poor's report on U.S. Corporate Default Study and Rating Transitions (2022);
- Standard & Poor's credit ratings;
- Merrill Lynch U.S. corporate spreads, based on Federal Reserve Bank of St. Louis Economic Research;
- Moody's Corporate Global Annual Default Study (2022);
- A.M. Best credit ratings;
- A.M. Best Impairment Rate and Rating Transition Study - 1977 to 2020;
- A.M. Best's report on the Securitization of Reinsurance Recoverables (2011); and
- ORX Report on Operational Risk Loss Data (2018).

7.3. Model Methodology and Assumptions

A stochastic model with 10,000 iterations was used to project the distribution of premiums, incurred losses, operating expenses, investment income and financial position of the Reciprocal over the next 5 years. The projections are based on the starting financial position as at June 30, 2022 and the period of projection extends to June 30, 2027.

The model is based on the claims data as at June 30, 2022 as well as the expected number of lawyers for policy period 2022/2023.

Details on the model methodology and assumptions are provided in Section 2 of the exhibits. Key assumptions used in the model include the following:

- 2022/2023 per-claim limits effective in future policy years;
- 2022/2023 reinsurance structure effective in future policy years;
- We assume that all law firms joined the cyber program as of July 1, 2022 and that premiums are for 2022/2023;



- Number of lawyers of 4,308 in 2022/2023 and subsequent trend of 0%;
- Expected ground up claim frequency of 1% of lawyers for the liability line of business;
- Average 2022/2023 loss severity of \$600,000 in ground up losses and trend of 4.25% in subsequent years for the liability line of business;
- Expected number of claims of 1.5 plus a 12.5% chance of having a catastrophic loss from \$2,000,000 to \$10,000,000 for the cyber line of business;
- Average 2022/2023 loss severity of \$585,000 in ground up losses and trend of 4.25% in subsequent years for the cyber line of business
- Payout pattern and claims development margin for adverse deviation per the December 31, 2021 actuarial valuation (same payout pattern is used for cyber and liability for simplicity purposes);
- Reinsurance non-performance of 1%;
- Proportion of 0.50% of ceded reserves recoverable from unlicensed reinsurers (excluding Colchester);
- Reinsurance Security Agreement with Colchester in place throughout the period of projection;
- Expected operating expenses of \$1,557,000 in 2022/2023;
- Expected investment yield equal to 2.36% in 2022/2023 and addition of 0.75% to the investment yield for the discount rate selection of the outstanding liabilities, minus the expected investment management fees of 0.25%;
- Expected inflation rate of 2.0%;
- Probability of reinsurance default ranging from 0.01% to 0.5% depending on the reinsurer and recovery rate of 40%;
- Probability of investment default of 0.50% and recovery rate of 40%;
- Expected operational risk losses of 0.30% of gross premiums (i.e. \$50,000 in 2022/2023).

CLLAS' net written premiums are established according to the current funding philosophy and are expected to generate no net income or loss during the year. CLLAS may apply additional premium discounts when the accumulated surplus exceeds the surplus target. The model assumes that no premium discount will apply for policy years 2022/2023 and after. Reinsurance premiums are added to net required premiums to arrive at the gross premiums collected from subscribers. The reinsurance premium is \$13,322,000 for policy year 2022/2023, including reinsurance premiums for the cyber program. CLLAS charges the reinsurance premium in its direct premium and then cedes it at 100%.

The Alberta regulator requires an immediate retroassessment when the AMRGF requirement is not met. For modelling purposes, the scenarios were modelled without future retroassessments (either per regulatory requirements or per the surplus policy) in order to calculate the probabilities of retroassessment at each year-end as well as the magnitude of the retroassessment required. It is assumed that no retroassessment is collected when the surplus position at the prior year-end is insufficient to meet the AMRGF regulatory requirement. This assumes that no additional capital arises from outside sources, beyond that included in the Reciprocal's business plan and model's base scenario.



CLLAS' investments as at December 31, 2021 consist of short-term and long-term bonds. The default risk associated with these assets was modeled using a probability of investment default of 0.50% based on the credit rating of the issuers. In the event of default, the model assumes that 40% of the value will be recovered.

Operational risk arises from inadequate or failed internal processes, people, systems and external events. The benchmarking of operational risk losses in the insurance industry is recent and therefore the operational risk for CLLAS was modeled based on data available from both the insurance and the banking sectors. The data available reflects historical losses with significant volatility for large companies with highly sophisticated operations. Operational risk was modeled taking into consideration the nature, size and complexity of CLLAS' operations. The annual losses modeled average 0.30% of gross premiums (approximately \$50,000 in 2022/2023).

Reinsurance rates are expected to increase by 8.5% on average annually given current market uncertainty. Reinsurance rate changes were modeled assuming this distribution:

Range of Reinsurance Rate Change	Probability
-10% to -5%	2.50%
-5% to 0%	7.50%
0%	12.50%
0% to 5%	18.00%
5% to 10%	18.00%
10% to 15%	18.00%
15% to 20%	15.00%
20% to 25%	5.00%
25% to 30%	2.00%
30% to 35%	1.00%
35% to 40%	0.30%
40% to 45%	0.10%
45% to 50%	0.10%
Total	100.00%
Average	8.50%

The reinsurance rate change per lawyer for the next five years was judgmentally capped between -25% and 75%.

Reinsurance defaults were modeled based on the current reinsurance structure with a simplification: five of the most important reinsurers in terms of current liability assumed were selected (including Colchester) and all other reinsurers were grouped together, for a total of 6 reinsurers. Each reinsurer was assigned a probability of default ranging from 0.01% to 0.5% depending on their credit rating except for Colchester, which is assumed to have a probability of default of 0%. The correlation between



reinsurance defaults was set at 20% based on industry data and the fact that many reinsurers were grouped together. A positive correlation implies that the default of individual reinsurers are not independent and that instead reinsurers tend to default in the same year due to common market forces. This notion is consistent with the fact that reinsurance markets are global and tend to be affected by the same catastrophic or market events. In the event of a default, the model assumes that any reinsurance losses payable during the year or in subsequent years by a reinsurer in default will only be recovered at 40% and that CLLAS will replace the defaulted reinsurer with a new one of equivalent credit rating starting the following policy period.

Six scenarios were modeled under the current insurance and reinsurance structure, as follows:

1. Base Scenario;
2. Insurance & reinsurance risk only;
3. Operational risk only;
4. Investment risk only;
5. Premium risk only;
6. All above risks combined.

The capital required to support material risks was determined using a mixture of deterministic (i.e. static) and stochastic (i.e. random) assumptions and scenarios. The recommended capital requirements are based on the value at risk at various confidence levels ranging from 95% to 97.5% over horizons ranging from 1 to 3 years. For example, a given capital position at a confidence level of 95% is expected to be sufficient in 95% of scenarios or 95 times out of 100.

7.4. Base Scenario

The Base Scenario projections are presented in Section 1, Exhibit 1, as follows:

- Exhibit 1A: Projection of statement of financial position;
- Exhibit 1B: Projection of statement of comprehensive income;
- Exhibit 1C: Projection of MCT;
- Exhibit 1D: Projection of AMRGF.

The Base Scenario (Scenario 1) represents the best estimate scenario for the Reciprocal's financial position over the next 5 years. It was generated using a deterministic model for the Reciprocal's premiums, claims, operating expenses and investment income. This implies that static, best-estimate assumptions were employed throughout the projection period.

Net written premiums are consistent with premium rates recommended by the actuary for policy period 2022/2023 and are projected in the range of \$3,361,000 to \$3,651,000 over the next five years. Premiums are expected to trend up due to a 4.25% claim severity trend and an increase in operating



expenses of 3% per year. The significant increase between policy years 2021/2022 and 2022/2023 is due to the addition of the cyber program.

Net claims incurred are expected to be in the range of (\$2,037,000) to \$1,202,000 annually. The projected decrease in net incurred losses for 2022/2023 is mainly due to the increase of the selected discount rate for the calculation of the discounted liabilities as well as the decrease in the selected reinsurance MFAD in order to reflect the most significant impacts under IFRS 17. Operating expenses were projected at \$1,557,000 based on CLLAS' budget for fiscal year 2022. Operating expenses in subsequent years are expected to trend at 3% per year. We assume that premium taxes are expected to represent 2.90% of premiums.

The investment yield, gross of investment management fees, was projected at 2.36%. Total investment income is projected in the range of \$431,000 to \$471,000 annually throughout the period of projection.

The total comprehensive income is projected between \$135,000 and \$222,000 for the period of projection except for 2022/2023 where the total comprehensive income is projected at \$3,634,000, reflecting the revised assumptions to consider the significant impact of the results under IFRS 17. The low level of total comprehensive income from 2023/2024 to 2026/2027 is in accordance with CLLAS' current funding philosophy to operate with a total comprehensive income close to \$0.

The surplus is projected in the range of \$16,004,000 to \$16,717,000 throughout the period of projection. The MCT ratio is expected to remain above 487%, which is in excess of the actual CLLAS target of 210%. The AMRGF requirement is also expected to be met with a margin in excess of \$13,100,000.

7.5. Alternate Scenarios

Methodology and Assumptions – Stochastic Scenarios

A stochastic model with 10,000 iterations was used to apply volatility to the base assumptions. The following alternate scenarios were modeled:

Scenario	Variable Assumptions ¹
1. Base Scenario	All assumptions are static
2. Insurance/Reinsurance Risk Only	<ul style="list-style-type: none"> • Frequency of claims • Severity of claims • Payment pattern • Reinsurance default/dispute • Reinsurance costs

¹ Details on the assumptions selected are presented in Section 2 of the exhibits.



Scenario	Variable Assumptions ¹
3. Operational Risk Only	<ul style="list-style-type: none"> • Number of operational risk events • Severity of operational risk events
4. Investment Risk Only	<ul style="list-style-type: none"> • Rate of inflation applied to payments and expenses • Impact on investment yields • Investment yield (risk-free) • Credit spreads • Discount rate for actuarial liabilities • Interest rate margin for adverse deviation for actuarial liabilities • Default rate on investments • Default rate on accounts receivable
5. Premium and Strategy Risk Only	<ul style="list-style-type: none"> • Total number of lawyers
6. All Risks Above Combined	<ul style="list-style-type: none"> • All of the above

The insurance and reinsurance risk categories were combined to reflect that under its current insurance and reinsurance structures, CLLAS' most significant risk is the risk of incurring large claims and subsequently experiencing a reinsurance default or dispute.

Notwithstanding regulatory requirements, for the purposes of modelling, it is assumed that no retroassessment is collected when the surplus position at the prior year-end is insufficient to meet the AMRGF regulatory requirement and no surplus distributions are assumed.

Correlations and dependencies in Scenario 6 are taken into account between insurance/reinsurance, premium and strategy, market, inflation and operational risks, given the following interrelationships:

- Investment yields impact premiums and the rate and margin used to discount actuarial liabilities;
- Inflation rates impact investment yields, premiums and claim payments;
- Losses incurred in a given year impact future premiums;
- Number of lawyers impact incurred losses and premiums; and
- Operational risk losses are dependent on the premium volume.

Other risk categories are assumed to be independent.

Results – Stochastic Scenarios

Section 1, Exhibit 2 presents the 5-year projections at 5th, 20th, mean, 80th and 95th percentiles for the following key financial elements under Scenario 6 (i.e. all risks, diversified):

- Exhibit 2A: Net written premiums;



- Exhibit 2B: Net incurred losses;
- Exhibit 2C: Total investment income, gross of fees;
- Exhibit 2D: Total comprehensive income;
- Exhibit 2E: Surplus;
- Exhibit 2F: MCT ratio; and
- Exhibit 2G: Excess of AMRGF requirement.

The confidence interval between the 5th and 95th percentiles represents the range of probable outcomes over the next 5 years. Actual results are expected to remain within this range 9 times out of 10.

The surplus is projected to remain above \$14,008,000 over one year and above \$11,131,000 over 5 years with 95% probability.

The MCT internal target and AMRGF regulatory requirements are expected to be met over the next five years. The probability of retroassessment based on not meeting the MCT internal target ratio of 210% is estimated at 1.1% over the next year and 6.9% over the next 5 years. The probability of retroassessment based on not meeting the AMRGF requirement is estimated at 0.9% over the next year and 2.5% over the next 5 years.

7.6. Capital Required

Risk Categories Modeled Stochastically

Section 1, Exhibit 3 presents the surplus position under the Base Scenario as well as under the five alternate stochastic Scenarios at the end of fiscal years 1 and 3. Confidence levels of 90%, 95%, 97.5% and 99% for the impact on surplus are presented.

The impact of these Scenarios can be thought of as the capital required to sustain the volatility in net income due to the various risks faced by the Reciprocal at the given probability level.

The impact of these scenarios is implicitly shown after the application of risk mitigation strategies. For example, the capital required for insurance/reinsurance risk reflects the reinsurance structure and the market risk capital required implicitly reflects the current investment policy and investment profile.

After considering the current risk mitigation strategies, the risk categories presenting the greatest residual risk at the end of projection year 3 under a 95% confidence level, in order of most to least significant, are insurance/reinsurance, operational and investment risks. It is worth noting that for the 97.5% and 99% confidence levels for the insurance/reinsurance risk, the significant impact on surplus would occur if Reinsurer 3 (Axis Re) or Reinsurer 1 (Lloyds) defaulted over the next 3 years.



The difference between the impact of Scenario 6 (i.e. all risk combined) and the additive impact of Scenarios 2 to 5 is the diversification credit. Less capital is required in Scenario 6 because the risks are not perfectly correlated. For example, a scenario presenting the 95th percentile operating loss will not necessarily be the scenario presenting the 95th percentile loss in market value.

Over a longer-time horizon, the capital requirement at a given confidence level is greater. This reflects the “compounding” of risk over time.

Diversification

The methodology used to determine the diversification benefit consists of running stochastic scenarios for the individual categories first (i.e. Scenarios 2 to 5 for insurance/reinsurance risk, operational risk, investment risk, premium & strategy risk individually) and then running a scenario for all risks combined (i.e. Scenario 6). The difference between the sum of the impact on surplus of individual risks and the impact on surplus of all risks combined is the diversification credit.

Section 1, Exhibit 3 shows the impact on surplus and calculation of the diversification credit.

For example, in Exhibit 3, at the 97.5th percentile over a one-year horizon, the sum of the impacts on surplus of the individual risks is \$3,031,000. This implies a \$3,031,000 loss would result if CLLAS experienced the 97.5th percentile insurance/reinsurance loss, the 97.5th percentile bond loss, the 97.5th percentile operational risk loss, etc. all in the same year. However, the 97.5th percentile loss for all risk categories considered simultaneously is \$2,423,000. The diversified losses are smaller because when all risk sources are considered, losses from certain risk categories may be offset by gains in other risk categories. For example, a large claim may be offset by market gains, resulting in a lower impact on surplus. The diversification credit is calculated as $\$3,031,000 - \$2,423,000 = \$608,000$.

Other Risk Categories

Other risk categories modeled separately from stochastic Scenario 6 include the following:

- **Premium and strategy risk:** The capital requirement associated with this risk was judgmentally selected based on 25% of the expected impact on surplus of a decrease of 20% in number of insured lawyers in policy period 2022/2023. The capital recommended is in the range of \$641,000 to \$711,000 based on the projected surplus position after 1 year and the projected surplus position after 3 years.
- **Regulatory risk:** The capital requirement associated with the risk of changes in regulatory requirements was judgmentally set at 5% of the CLLAS internal MCT target of 210% as at June 30, 2022. The capital recommended is \$254,000.



- Reputation risk: This risk arises when the confidence of subscribers, reinsurers and other business partners leads to a negative impact on net income, surplus or liquidity. The capital requirement associated with the reputation risk was judgmentally set at 5% of the CLLAS internal MCT target capital required as at June 30, 2022. The capital recommended is \$254,000. Reputation risk was also implicitly assumed in Scenarios 2 (insurance/reinsurance), 3 (operational) and 5 (premium and strategy) through possible outsourcing and operational risk as well as changes in reinsurance rates and subscriber participation.

7.7. Summary of Capital Required

Section 1, Exhibit 4A presents the capital requirements for all material risks identified above based on CLLAS maintaining its current insurance and reinsurance limits under two options:

- Option A: Low surplus target (high risk appetite); and
- Option B: High surplus target (low risk appetite).

An internal capital target should be selected based on the Advisory Board's risk appetite. A low risk appetite translates to a higher level of risk aversion, which will generally result in holding higher capital levels to sustain a given risk profile. In contrast, a high risk appetite will generally translate in holding lower capital levels for a given risk profile.

The capital requirements under the two options are summarized in the table on the following page:



Capital Requirements	Option A Low Target	Option B High Target
Risks Modeled Stochastically		
Insurance/Reinsurance Risk	\$2,337,000	\$3,118,000
Operational Risk	485,000	654,000
Investment Risk	209,000	386,000
Premium and Strategy Risk	0	116,000
Subtotal	3,031,000	4,274,000
Diversification Credit	(608,000)	(947,000)
Additional Risks Modeled		
Premium & Strategy	641,000	711,000
Regulatory Risk	254,000	254,000
Reputation Risk	254,000	254,000
Subtotal	1,149,000	779,000
Minimum Capital Required	\$3,572,000	\$4,546,000
Equivalent MCT Ratio	148%	188%
Recoverables from unregistered reinsurers not covered by acceptable collateral*	\$235,000	\$235,000
Total Surplus Required	\$3,807,000	\$4,781,000

*This represents the additional surplus required to meet the equivalent MCT ratio due to regulatory capital deductions in the MCT calculation. The amount is at June 30, 2022

Option A is expected to be sufficient in 97.5% of scenarios over a 1-year horizon and Option B is expected to be sufficient in 95% of scenarios over a 3-year horizon.

The above capital requirements compare to an AMRGF capital requirement of \$2,177,000 as at June 30, 2022. The surplus required to meet an MCT internal target ratio of 210% is \$5,318,000, which consists of the capital required of \$5,083,000, and an amount of \$235,000 to cover the recoverables from unregistered reinsurers not covered by acceptable collateral. The actual surplus was \$12,369,000 as at June 30, 2022 and is projected at \$16,004,000 at June 30, 2022.

Section 1, Exhibit 4b presents the same capital requirements results excluding the Cyber program. The difference in capital required is not significant: we observe a decrease of \$362,000 under Option A and a decrease of \$636,000 under Option B for the capital required if there was no Cyber program. We conclude that the Cyber program offers diversification benefits to CLLAS.

Section 1, Exhibit 5 presents the Key Risk Metrics report; this exhibit compares the internal target capital at 210% MCT ratio and the ORSA capital requirements by risk category.



7.8. Stress Testing

Stress testing involves evaluating the potential effect on the financial position of a set of specified assumptions. Stress testing was performed by rerunning Scenario 6 (all risks) and incorporating the following alternate assumptions:

1. **Stress Scenario 1 – Increasing the claim frequency by 50%:** CLLAS' loss frequency has been stable over the last 18 years as shown in Section 2, Exhibit 3. However, given the 82 claims to date, little information is known about the actual claims distribution and therefore Scenario 6 was rerun assuming a 50% increase in the estimated claims frequency.
2. **Stress Scenario 2 – Increase of 20% in number of insured lawyers and surplus in policy year 2022/2023:** An increase in exposure can put stress on the surplus of an insurance entity because there is an increased exposure to loss. This Scenario was tested with a 20% increase in surplus contributions (i.e. it is assumed that the increase in number of lawyers originates from the addition of a new subscriber that would likely contribute surplus when joining CLLAS). Scenario 6 was rerun assuming a 20% increase in number of insured lawyers and in surplus for policy year 2022/2023; all other assumptions were unchanged.
3. **Stress Scenario 3 – Decrease of 20% in number of insured lawyers and surplus in policy year 2022/2023:** Such a scenario is intended to reflect the departure of CLLAS subscribers. The departure of subscribers would translate into a smaller surplus and premium volume and would also add Reciprocal volatility and concentration of risk. Scenario 6 was rerun assuming a 20% decrease in number of insured lawyers and surplus for policy year 2022/2023; all other assumptions were unchanged.
4. **Stress Scenario 4 – Default by Lloyds' underwriters:** The Lloyds' syndicates are the reinsurers with the most significant participation in CLLAS' reinsurance structure; We assumed that these syndicates held 70% of CLLAS' claim liabilities not ceded to Colchester. Scenario 6 was rerun assuming that all these syndicates will default during policy year 2022/2023.
5. **Stress Scenario 5 – Doubling the reinsurance default/dispute rate:** CLLAS has had a high reliance on reinsurers since its inception with an amount of unpaid claims recoverable from reinsurers above \$73,000,000 as at June 30, 2022. Scenario 6 was rerun assuming double the estimated reinsurance default/dispute rates.
6. **Stress Scenario 6 – Default by Axis Re:** The probability of default by all the Lloyds syndicates is remote but there is a greater likelihood that a single CLLAS reinsurer defaults. This scenario is designed to quantify the impact of a CLLAS reinsurer default other than Lloyds. Scenario 6 was rerun assuming Axis Re (a significant reinsurer for CLLAS) will default during policy year 2022/2023.



7. **Stress Scenario 7 – Inflation rate increases by 6%:** Inflation affects claims payments, operating expenses and interest rate, and there is a high probability that the inflation rate will be above the 2% expectations during the next five years. Scenario 6 was rerun assuming the inflation rate is 6% higher than expected.
8. **Stress Scenario 8 – Increasing the frequency of operational risk losses by 50%:** CLLAS identified operational risk as a major source of inherent risk. Very little information is known to date about operational risk losses in the insurance industry. Scenario 8 was rerun assuming an increase of 50% in the frequency of operational risk losses.

The results of the above Scenarios are shown in the table below:

Scenario	Mean Surplus June 30, 2025 (Year 3)	90 th Percentile Surplus June 30, 2025 (Year 3)	Cumulative Probability of Retroassessment ¹ by June 30, 2022
Scenario 6 (i.e. All Risks)	\$15,714,000	\$13,764,000	1.69%
Stress Scenario 1	14,043,000	11,715,000	1.89%
Stress Scenario 2	17,923,000	15,821,000	1.63%
Stress Scenario 3	13,582,000	11,799,000	1.63%
Stress Scenario 4	(20,671,000)	(33,272,000)	100.00%
Stress Scenario 5	15,181,000	13,193,000	3.28%
Stress Scenario 6	6,574,000	4,006,000	7.70%
Stress Scenario 7	16,424,000	14,852,000	1.63%
Stress Scenario 8	15,607,000	13,671,000	1.69%

Based on the above results, CLLAS remains sufficiently capitalized at June 30, 2022 to mitigate the probability of retroassessment within the next 3 years to less than 10% under the most severe stress scenario except for Stress Scenario 4 where all the Lloyds syndicates default. CLLAS is in technical bankruptcy under this stress scenario. Excluding Stress Scenario 4, the Stress Scenario showing the highest probability of retroassessment and impact on surplus is Stress Scenario 6 where it is assumed that the reinsurer Axis Re will default during 2022/2023.

¹ Probability of at least one retroassessment over the next three years; retroassessment based on AMRGF requirement.



PART 8— RISK MONITORING

Risk targets and limits are determined in the context of applying risk appetite statements to specific risk categories.

The following table presents risk categories that can be monitored. As these risks may challenge the Reciprocal's ability to meet strategic objectives, the following risk targets and limits are recommended, above which management action could be considered:

Risk Category	Risk Metric	Frequency	Green Zone (Meets Target)	Yellow Zone	Red Zone (Limit Exceeded)
General	AMRGF – Excess of Cash and Approved Securities Over Regulatory Requirement	Quarterly	\$5,000,000 and above	\$2,500,000 to \$5,000,000	Less than \$2,500,000
	MCT Ratio	Quarterly	210% and above	n/a	Less than 210%
	Status of Governance Policies	Annually	Up to date	Items Outstanding	Materially behind schedule
Insurance	Gross Loss Ratio (Liability and Cyber separately)	Quarterly	Less than 150%	150% to 300%	Over 300%
	Net Loss Ratio (Liability and Cyber separately)	Quarterly	Less than 50%	50% to 100%	Over 100%
	Risk of Systemic Loss	Annually	Nothing on horizon	Some concerns raised	Adverse experience anticipated
Premium & Strategy	Actual Expenses vs. Budget	Quarterly	Less than 105%	105% to 120%	Over 120%
	State of the Market Outlook	Annually	Nothing on horizon	Some concerns raised	Adverse experience anticipated
Reinsurance	Reinsurer credit rating	Annually	A or above	A-	B+ and below
	Maximum concentration with a single reinsurer excluding Colchester	Quarterly	Less than 10%	10% to 15%	Over 15%
Operational	Board Discussion of Prior Quarter Risk Metrics	Quarterly	Discussed corrective measures	Received but no discussion	Not received
	Resiliency Capacity – People	Annually	Score of 4 or 5 out of 5	Score of 3 out of 5	Score of 1 or 2 out of 5
	Resiliency Capacity – Data/systems	Annually	Score of 4 or 5 out of 5	Score of 3 out of 5	Score of 1 or 2 out of 5
	Advisory Board Turnover in the Last 12 Months	Quarterly	0 to 2 members	3 to 4 members	5 or more members
	Key Management/Advisor Turnover in the Last 36 Months	Quarterly	0 to 1 person	2 to 3 people	4 or more people



Risk Category	Risk Metric	Frequency	Green Zone (Meets Target)	Yellow Zone	Red Zone (Limit Exceeded)
Investments	Investment Manager Compliance Statement	Quarterly	In compliance	Temporarily or slightly not in compliance	Consistently or materially not in compliance
Regulatory Compliance	Regulatory Outlook Report	Annually	No significant issues noted	Issues being addressed	Significant issues outstanding

Each risk metric is described in the ERM policy presented in Schedule 1.



PART 9— CONCLUSIONS AND RECOMMENDATIONS

9.1. Conclusions

The following were concluded:

1. Based on its current risk profile, CLLAS' main sources of inherent risk (i.e. risk before mitigation strategies) are insurance/reinsurance, premium & strategy and operational risks.
2. Based on its current risk profile, CLLAS' main sources of residual risk (i.e. risk after mitigation strategies) are insurance/reinsurance, premium & strategy and operational risks.
3. CLLAS takes significant insurance risk since it writes insurance for professional liability insurance losses with significant limits per claim. CLLAS currently mitigates its insurance risk by limiting its net retention to drop down claims and \$5,000,000 in the annual aggregate. CLLAS also mitigates the risk of reserve deterioration with a Loss Portfolio Transfer with Colchester through which CLLAS cedes all development on claims reported prior to June 30, 2012.
4. CLLAS is exposed to significant reinsurance risk; unpaid claims recoverable from reinsurers are above \$73,000,000 as at June 30, 2022. Reinsurance risk can emerge in the form of reinsurance defaults or disputes as well as through reductions in market capacity and variability in reinsurance rates. CLLAS mitigates this risk through the selection of reinsurers with high credit ratings.
5. CLLAS is well capitalized as at June 30, 2022 based on the risk profile of its assets and liabilities. The surplus is \$12,369,000 as at June 30, 2022 and the MCT ratio is 518%. The AMRGF requirement is met with a margin of \$10,192,000.
6. Assuming that CLLAS maintains its insurance and reinsurance structure, the actuary estimated the following:
 - There is an estimated probability of 95% that the surplus will remain above \$14,008,000 at June 30, 2023 and above \$11,131,000 at June 30, 2027.
 - The surplus position as at June 30, 2022, together with the current funding mechanism, is estimated to be sufficient to support the business strategy with a probability of 98.3% over the next 3 years and 97.6% over the next five years. In other words, the probability of incurring at least one retroassessment to meet the AMGRF requirement is 1.7% over the next 3 years and 2.4% over the next 5 years.



9.2. Recommendations of Management

Based on the review and analysis provided by the actuary, the following is recommended:

1. The Advisory Board should adopt an internal capital/surplus target based on risk appetite. Based on the actuarial analysis presented in Part 7, assuming that the current insurance and reinsurance structure are maintained, and taking into account CLLAS' contractual ability to assess its subscribers, the Advisory Board could consider maintaining an internal capital/surplus target ratio of 210%.

An MCT ratio of 210% as at June 30, 2022 corresponds to a surplus position of \$5,318,000 which is made up of capital required of \$5,083,000 and an amount of \$235,000 which represents the reinsurance recoverable from unregistered reinsurers not covered by collateral.

2. The Advisory Board could consider maintaining the adopted targets and limits for key risk metrics for individual risks based on risk appetite and the targets and limits presented in Part 8 of this report.
3. Management should continue tracking the adopted key risk metrics at least annually and consider taking action when such metrics exceed the risk limits adopted by the Advisory Board.
4. The risk targets, risk limits and internal capital target should be reviewed every three to five years at a minimum, or more frequently if there are material changes in the risk profile or strategy.

9.3. Recommendations Adopted by the Advisory Board

Based on the recommendations of management:

1. The surplus target will be based on an MCT of 210%;
2. The Advisory Board adopted the risk metric targets and limits as recommended by management;
3. The adopted risk metrics will be monitored by the Office of the General Manager and reported to the Advisory Board on a quarterly basis;
4. The risk targets, risk limits and internal target will be reviewed by December 31, 2027 or earlier.



PART 10 — LIST OF SCHEDULES AND EXHIBITS

Schedule 1:

Enterprise Risk Management Policy

Schedule 2:

Memo on ORSA Risk Identification and Evaluation

Section 1: Financial Projections (provided by Axxima)

Exhibit 1: Base Scenario

- A. Statement of Financial Position
- B. Statement of Comprehensive Income
- C. Minimum Capital Test (Excluding Transition Adjustments)
- D. Concentration of Insured Values

Exhibit 2: 5-Year Projections at Various Confidence Levels

- A. Premiums Written
- B. Incurred Losses
- C. Investment Income
- D. Net Income
- E. Surplus
- F. Minimum Capital Test Ratio
- G. Excess of Alberta Reserve and Guarantee Fund Requirement

Exhibit 3: Summary of Surplus Position under Various Stochastic Scenarios

Exhibit 4: Selected Capital Requirement

- A. Including Cyber Program
- B. Excluding Cyber Program

Exhibit 5: Key Risk Metrics Report



Section 2: Model Methodology and Assumptions (provided by Axxima)

Exhibit 1: Summary of Historical Data

Exhibit 2: Selection of Exposure Trend

Exhibit 3: Selection of Loss Frequency Assumptions

Exhibit 4: Selection of Loss Severity Trend

Exhibit 5: Selection of Loss Severity Distribution

A. Ground up Losses

B. Summary of Undiscounted Loss Costs by Layer of Coverage

Exhibit 6: Selection of Payment Pattern Assumptions

Exhibit 7: Investments

A. Summary of Investment Portfolio as at December 31, 2018

B. Selection of Real Rate of Return Assumptions

C. Selection of General Inflation Assumptions

D. Selection of Yield Spreads and Investment Management Expenses

E. Selection of Default Assumptions

F. Selection of Recovery Rate

Exhibit 8: Reinsurance

A. Selection of Reinsurance Rate Change Assumptions

B. Selection of Reinsurance Default Assumptions

Exhibit 9: Selection of Operational Risk Assumptions

Exhibit 10: Cyber Losses Assumptions



CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Enterprise Risk Management Policy

Last Updated
November 8, 2022



ENTERPRISE RISK MANAGEMENT POLICY

Effective date: September 7, 2016

1. Purpose and Scope

Enterprise Risk Management (“ERM”) is the process through which CLLAS proactively manages risk by identifying, assessing, monitoring and mitigating risks from all sources that may impact short- and long-term financial sustainability. ERM is intended to enhance decision-making by integrating strategic planning with a focused evaluation of the risk exposures stemming from CLLAS’ operations and the environment in which it operates. The purpose of this policy is to document the practices and responsibilities with respect to ERM.

The ERM policy, together with CLLAS’ risk appetite assessment, constitutes the foundation for CLLAS’ Own Risk and Solvency Assessment (“ORSA”) and most governance policies, including the surplus target and surplus policy, the investment policy, the reinsurance security policy and the outsourcing policy.

2. Objectives

ERM has multiple objectives, including the following:

- Avoid or mitigate risks that could materially impair the financial position or condition of CLLAS;
- Accept risks that contribute to CLLAS’ strategy;
- Manage risks in accordance with best practices and enhance strategic decision-making; and
- Promote a better understanding of the interrelationships between CLLAS’ risk profile and capital needs.

3. ERM Cycle

ERM is a cycle where risks are periodically identified and measured, where risk targets and limits are set, and where CLLAS’ financial condition and material risks are regularly monitored and compared to its risk targets and limits. Risk appetite is fluid and would reflect any improvement or deterioration in risk tolerance, changes in the business strategy and changes in economic conditions.

The diagram on the right illustrates the steps of the ERM cycle. CLLAS’ approach to the various steps is outlined in the next sections.





4. Identification and Evaluation of Material Risks

The Office of the General Manager identifies, defines and assesses the materiality of known, reasonably foreseeable or emerging risks that may have an impact on CLLAS' ability to continue operations, both under normal and stressed conditions. The materiality of the risks CLLAS is exposed to will change over time as the risks are, in part, dependent on CLLAS' business strategy (e.g. amount of net retention, subscriber base, reinsurers selected for reinsurance placement) and on its business environment (e.g. stage of the insurance/reinsurance cycle, outlook for investment market).

The risks which are considered to be material are reviewed in more detail and their potential impact on CLLAS' financial position and continued ability to meet minimum regulatory requirements is quantified.

5. Risk Appetite

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.).

6. Risk Targets and Limits

CLLAS' surplus target is based on an MCT of 210%.

Risk targets and limits are determined in the context of applying risk appetite statements to specific risk categories or business units. Risk targets and limits should be mindful of regulatory requirements or constraints, such as AMRGF requirements, MCT requirements and statutory limits on investment.

The following table presents risk categories that can be monitored. As these risks may challenge the Reciprocal's ability to meet strategic objectives, the following risk targets and limits are recommended, above which management action could be considered:



Risk Category	Risk Metric	Frequency	Green Zone (Meets Target)	Yellow Zone	Red Zone (Limit Exceeded)
General	AMRGF – Excess of Cash and Approved Securities Over Regulatory Requirement	Quarterly	\$5,000,000 and above	\$2,500,000 to \$5,000,000	Less than \$2,500,000
	MCT Ratio	Quarterly	210% and above	n/a	Less than 210%
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Premium & Strategy	Actual Expenses vs. Budget	Quarterly	Less than 105%	105% to 120%	Over 120%
	State of the Market Outlook	Annually	Nothing on horizon	Some concerns raised	Adverse experience anticipated
Reinsurance	Reinsurer credit rating	Annually	A or above	A-	B+ and below
	Maximum concentration with a single reinsurer excluding Colchester	Quarterly	Less than 10%	10% to 15%	Over 15%
Operational	Board Discussion of Prior Quarter Risk Metrics	Quarterly	Discussed corrective measures	Received but no discussion	Not received
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	Resiliency Capacity – Data/systems	Annually	Score of 4 or 5 out of 5	Score of 3 out of 5	Score of 1 or 2 out of 5
	Advisory Board Turnover in the Last 12 Months	Quarterly	0 to 2 members	3 to 4 members	5 or more members
	Key Management/Advisor Turnover in the Last 36 Months	Quarterly	0 to 1 person	2 to 3 people	4 or more people
Investments	Investment Manager Compliance Statement	Quarterly	In compliance	Temporarily or slightly not in compliance	Consistently or materially not in compliance
Regulatory Compliance	Regulatory Outlook Report	Annually	No significant issues noted	Issues being addressed	Significant issues outstanding



A description of each risk metric is presented below.

General

(1) AMRGF – Excess Cash and Approved Securities over Reserve and Guarantee Fund – key requirement under the Alberta Insurance Act.

(2) MCT Ratio – primary solvency test applicable to insurers in Canada.

(3) Status of Governance Policies – the General Manager will provide a report to the Board once a year in September documenting the status of CLLAS’s governance policies and the proposed cycle for preparing/reviewing/confirming the policies (a matrix or set schedule of review would be set for each policy and communicated). The list of policies should generally follow OSFI’s requirements as adopted by the Alberta Superintendent, and would likely include:

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

Insurance Risk

(4a) Gross Loss Ratio – Liability - ratio of claims to premiums without the application of any reinsurance.

(4b) Gross Loss Ratio – Cyber - ratio of claims to premiums without the application of any reinsurance.

(5a) Net Loss Ratio – Liability - loss ratio after the application of reinsurance.

(5b) Net Loss Ratio – Cyber - loss ratio after the application of reinsurance.

(6) Risk of Systemic Loss – Systemic risk arises from dynamics which produce shocks or uncertainty faced by all (or in any event multiple) insureds. Examples could include an economic recession or an adverse court ruling on a limitations issue. The risk of systemic loss is a difficult matter to assess. A focused discussion would take place once per year in December and summarized in a memo from the General Manager to the Board, which could be as simple as “no issues noted”.

Premium & Strategy Risk

(7) Actual Expenses vs. Budget – the variation of expenses from the budget as compiled in the quarterly management financial statements.



(8) State of the Market Outlook – annual report from General Manager in December with objective to identify any industry trends that could put pressure on CLLAS premium rates, such as predatory pricing.

Reinsurance Risk

(9) Reinsurer Credit Rating – The credit rating is based on A.M. Best and S&P.

(10) Maximum Concentration with a Single Reinsurer Excl. Colchester – This is monitored to assess concentration risk. It is measured based on a reinsurer’s proportion of current claims liability exposure (i.e. case reserves and IBNR) for all policy years. Lloyd’s syndicates are assessed separately.

Operational Risk

(11) Board Discussion of Prior Quarter Risk Metrics – This metric ensures that the Board holds regular discussions on its key material risks. The General Manager would prepare a short accompanying memo to highlight any metrics in “yellow” and “red” zones. Such metrics as well relevant corrective measures, if necessary, should be discussed with the Board.

(12) Resiliency Capacity - People (redundancy, succession) –The General Manager would report once per year in December on business continuity/crisis management. CLLAS’ status would be assessed by the Board on a five-point satisfaction scale.

(13) Resiliency Capacity – Data/Systems –The General Manager would report once per year in December on IT systems and data management. CLLAS’ status would be assessed by the Board on a five-point satisfaction scale.

(14) Board Turnover in Last 12 Months – Board member turnover head count.

(15) Senior Management/Key Advisor Turnover in Last 36 Months – Senior Management Turnover head count over 36 months.

Investment Risk

(16) Investment Manager Compliance Statement –Identifies whether the portfolio is in or out of compliance, with the latter case leading to Board disclosure and discussion.

Regulatory Risk

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



7. Risk Mitigation

Risk mitigation measures are implemented by the Advisory Board and the Office of the General Manager, with the support of its standing committees, in order to mitigate the frequency or severity of risks. Risk mitigation strategies should be considered for all material risk categories (as outlined in Appendix A) and should be periodically reviewed.

8. Risk Monitoring and Actions

Risks are monitored and compared against targets and limits on a quarterly basis by the Office of the General Manager. Results are presented to the Advisory Board along with management financial statements, which also include aggregate solvency measures such as the AMRGF, MCT and other financial performance ratios.

The Advisory Board and Office of the General Manager would consider implementing appropriate actions when a risk exceeds the established limit. Corrective actions would be discussed with the Advisory Board before being implemented by the Office of the General Manager.

9. ORSA and Stress Testing

CLLAS performs a full ORSA at its discretion but at a minimum every five years. The ORSA is a comprehensive assessment of CLLAS' risks and is intended to assist the Advisory Board in determining the internal MCT ratio target to support the reciprocal's strategy. The ORSA process should:

- Strive to identify and quantify all risks material to CLLAS' operations;
- Be the basis for the selection of the overall internal target;
- Be the basis for the selection of targets and limits by risk category;
- Be used to identify current and potential mitigation strategies;
- Be used to review Advisory Board, Principal Attorney and management responsibilities;
- Be documented in a summary report; and
- Be approved by the Advisory Board.

CLLAS performs stress testing in the context of its ORSA and in accordance with OSFI Guideline E-18. Stress testing involves evaluating the impact of a set of specified assumptions on CLLAS' financial condition. CLLAS' stress testing should:

- Include plausible but severe scenarios that could materially impact its operations or financial condition;
- Cover a range of scenarios, including non-historical scenarios;
- Take into account the effectiveness of risk mitigation techniques such as reinsurance in stressed conditions; and
- Be documented in the ORSA summary report.



10. Responsibility for ERM

The Advisory Board is ultimately responsible for overseeing ERM and risk-taking activities. The Advisory Board is responsible for the following:

- Review/approval of risk appetite statements;
- Review/approval of risk targets and limits;
- Review/approval of the ERM policy; and
- Review/approval of the internal capital target and the ORSA.

The Principal Attorney is responsible for the following:

- Reporting to the Advisory Board on the effectiveness of and compliance with the ERM policy.

The Office of the General Manager is responsible for the implementation of the Board-approved strategy and overall business performance, specifically:

- Ensuring compliance with the ERM policy;
- Identifying, assessing and monitoring risks;
- Assessing the effectiveness of operations against risk appetite statements and risk limits;
- Recommending appropriate risk mitigation strategies;
- Developing appropriate action plans and ensuring timely communication with the Advisory Board or a committee thereof when risk limits are exceeded;
- Reporting to the Principal Attorney and Board on the risk profile and capital needs, including ORSA;
- Recommending improvements in policies, processes and procedures;
- Developing and reporting on internal controls with respect to risk-taking activities;
- Filing appropriate documentation and communication with the regulator with respect to the ERM policy and ORSA.

11. Authority

The Advisory Board has the authority to make revisions to this policy.

12. History of Modifications

This policy was first approved by the Advisory Board on September 7, 2016.

This policy was updated to amend the key metrics with respect to maximum allocation to a single non-governmental security and confirmed by the Advisory Board on December 6, 2017.



This policy was updated to reflect risk descriptions, risk metrics, targets and limits to reflect changes adopted in the 2019 ORSA report. The changes were confirmed by the Advisory Board on December 10, 2019.

This policy was updated to reflect the results of the 2022 ORSA report and the addition of the Cyber Program. The changes were confirmed by the Advisory Board on December X, 2022.



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).

CLLAS also started offering cyber coverage up to \$10,000,000 per claim and per firm aggregate.

CLLAS is exposed to low frequency, high severity losses. There is significant uncertainty around the timing, frequency and severity of these insurance losses.

Insurance risk includes 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.

Further, CLLAS only has two lines of business Liability and Cyber. However, CLLAS has a geographical diversification benefit as it insures lawyers in multiple Canadian provinces.

2. **Premium & Strategy 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 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.

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



- 3. Reinsurance 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 (Colchester) 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 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.

- 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 scope¹.
- 5. Investment Risk:** Investment risk comprises interest rate, inflation, asset default and liquidity risks.

Interest rate 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



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.

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.

Asset 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 BBB 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.

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

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.

Other investment risks:

Based on its Investment Policy, CLLAS holds all its assets in cash and Canadian fixed income and is therefore not directly exposed to equity or foreign exchange risks.



6. 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.

7. 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.

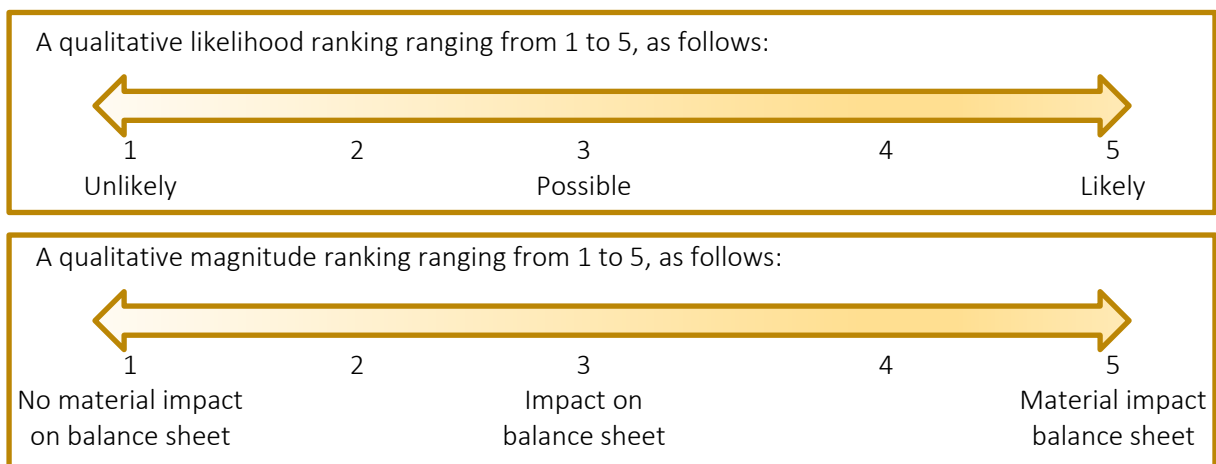
Concentration risk arises from failure to diversify risk. It is a risk category that is closely tied with other risk categories, most notably with risks involving insurance, reinsurance and invested assets.

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.

Schedule 2

Qualitative Assessment of Material Risks

In June 2019, the Advisory Board performed a qualitative assessment of each of CLLAS's material risks set out in the ERM policy. Inherent risk (i.e. the risk before the application of any risk mitigation strategies) was ranked based on the following scale:

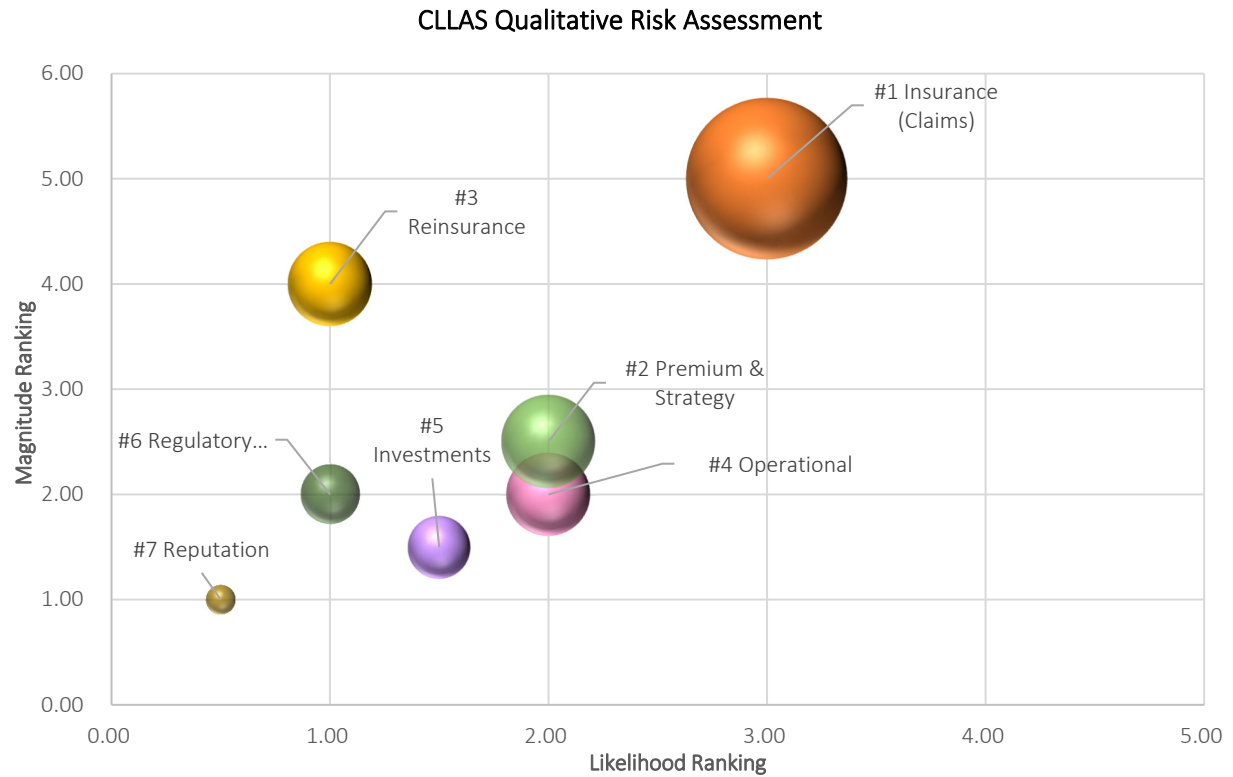


The results of CLLAS's qualitative assessment of its risks are summarized in the table below and presented graphically on the following page.

CLLAS Risk Assessment

Category	Overall Likelihood Ranking	Overall Magnitude Ranking	Overall Ranking
#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 Investments	1.50	1.50	2.25
#6 Regulatory Compliance	1.00	2.00	2.00
#7 Reputation	0.50	1.00	0.50

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



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

Section 1
Exhibit 1A

Canadian Lawyers Liability Assurance Society
Projection of Statement of Financial Position

Scenario 1: Base Scenario

	←	Actual	Budget *	Projected	→			
	06/30/2021	06/30/2022	12/31/2022	06/30/2023	06/30/2024	06/30/2025	06/30/2026	06/30/2027
Assets								
Investments, Cash and cash equivalents	20,311,694	20,303,046	21,733,371	21,038,000	21,680,000	22,301,000	22,944,000	23,595,000
Interest income due and accrued	23,119	24,241	0	21,000	22,000	22,000	23,000	24,000
Prepaid expenses	114,076	136,032	151,000	179,000	190,000	205,000	221,000	238,000
Accounts receivable	800,836	727,027	4,360,000	834,000	886,000	954,000	1,027,000	1,107,000
Deferred acquisition costs	0	0	45,000	0	0	0	0	0
Unearned premiums recoverable from reinsurers	0	0	5,821,000	0	0	0	0	0
Unpaid claims recoverable from reinsurers	68,055,944	73,239,919	70,567,000	73,979,000	78,215,000	82,282,000	88,536,000	94,543,000
Total	89,305,669	94,430,265	102,677,371	96,051,000	100,993,000	105,764,000	112,751,000	119,507,000
Liabilities								
Accounts payable and accrued expenses	234,756	228,516	435,000	173,000	178,000	185,000	193,000	201,000
Unpaid claims and adjustment expenses	76,691,680	81,832,786	79,190,000	79,874,000	84,610,000	89,151,000	95,995,000	102,589,000
Unearned premiums	0	0	6,846,000	0	0	0	0	0
Premium deficiency reserve	0	0	0	0	0	0	0	0
Other liabilities	0	0	4,110,000	0	0	0	0	0
Total	76,926,436	82,061,302	90,581,000	80,047,000	84,788,000	89,336,000	96,188,000	102,790,000
Surplus								
Retained earnings	12,379,233	12,368,963	12,096,371	16,004,000	16,205,000	16,428,000	16,563,000	16,717,000

* Per business plan dated February 2022

Section 1
Exhibit 1B

Canadian Lawyers Liability Assurance Society
Projection of Statement of Comprehensive Income

Scenario 1: Base Scenario

	←	Actual	Budget *	Projected	→			
	06/30/2021	06/30/2022	12/31/2022	06/30/2023	06/30/2024	06/30/2025	06/30/2026	06/30/2027
Underwriting Income								
Premiums Written								
Direct	10,696,339	12,593,327		16,683,000	17,710,000	19,070,000	20,541,000	22,131,000
Ceded to reinsurers	8,674,835	10,583,511		13,322,000	14,458,000	15,687,000	17,021,000	18,468,000
Net	2,021,504	2,009,816	2,049,000	3,361,000	3,252,000	3,383,000	3,520,000	3,663,000
Net premiums earned	2,021,504	2,009,816	2,033,000	3,361,000	3,253,000	3,383,000	3,520,000	3,664,000
Net losses paid	127,405	(373,311)	373,000	392,000	436,000	482,000	497,000	530,000
Net change in unpaid claims	1,568,736	(1,064,609)	463,714	(2,697,000)	499,000	474,000	591,000	587,000
Premium deficiency adjustments	0	0	0	0	0	0	0	0
Losses incurred	1,696,141	(1,437,920)	836,714	(2,305,000)	935,000	956,000	1,088,000	1,117,000
Management and Operating Expenses**	1,323,228	1,457,228	1,526,915	1,557,000	1,604,000	1,652,000	1,701,000	1,752,000
Reinsurance Fees	287,500	299,000	299,000	435,000	431,000	444,000	457,000	471,000
Premium taxes	308,901	364,789	380,000	478,000	514,000	553,000	596,000	642,000
Total claims and expenses	3,615,770	683,097	3,042,629	165,000	3,484,000	3,605,000	3,842,000	3,982,000
Total underwriting income	(1,594,266)	1,326,719	(1,009,629)	3,196,000	(231,000)	(222,000)	(322,000)	(318,000)
Investment income	33,939	(314,872)	273,000	438,000	431,000	444,000	457,000	471,000
Other income and expenses			0	0	0	0	0	0
Total comprehensive income (loss)	(1,560,327)	1,011,847	(736,629)	3,634,000	200,000	222,000	135,000	153,000

* Per business plan dated February 2022

** Includes investment fees

Section 1
Exhibit 1C

Canadian Lawyers Liability Assurance Society
Projection of Minimum Capital Test

Scenario 1: Base Scenario

	← 06/30/2021	Actual 06/30/2022	Budget * 12/31/2022	Projected 06/30/2023	06/30/2024	06/30/2025	06/30/2026	→ 06/30/2027
Capital Available								
Surplus	12,379,000	12,369,000	12,096,371	16,004,000	16,205,000	16,428,000	16,563,000	16,717,000
Deductions from Capital Available	(47,000)	(235,000)	(91,371)	(370,000)	(391,000)	(412,000)	(443,000)	(473,000)
Capital Available	12,332,000	12,134,000	12,005,000	15,634,000	15,814,000	16,016,000	16,120,000	16,244,000
Capital Required								
Insurance Risk	1,413,000	1,384,659	1,394,000	1,651,000	1,759,000	1,882,000	2,032,000	2,181,000
Market Risk	216,000	226,000	284,000	39,000	60,000	85,000	106,000	125,000
Credit Risk	1,364,743	1,471,391	1,520,000	1,483,000	1,602,000	1,717,000	1,853,000	1,985,000
Operational Risk	738,747	841,453	905,000	952,000	1,026,000	1,105,000	1,197,000	1,287,000
Diversification Credit	(399,729)	(408,340)	(421,000)	(424,000)	(458,000)	(493,000)	(535,000)	(575,000)
Total Capital Required at 150%	3,332,761	3,515,163	3,682,000	3,701,000	3,989,000	4,296,000	4,653,000	5,003,000
Capital Required at 100%	2,222,000	2,343,000	2,454,667	2,467,000	2,659,000	2,864,000	3,102,000	3,335,000
MCT Ratio	555%	518%	489%	634%	595%	559%	520%	487%

* Per business plan dated February 2022

Section 1
Exhibit 1D

Canadian Lawyers Liability Assurance Society
Projection of Alberta Maintenance of Reserve and Guarantee Fund Requirement

Scenario 1: Base Scenario

	←	Actual	Budget *	Projected	→			
	06/30/2021	06/30/2022	12/31/2022	06/30/2023	06/30/2024	06/30/2025	06/30/2026	06/30/2027
Reserve Fund								
Net premiums written***	2,021,504	2,009,816	2,049,000	3,361,000	3,252,000	3,383,000	3,520,000	3,663,000
Reserve fund required	1,010,752	1,004,908	1,024,500	1,681,000	1,626,000	1,692,000	1,760,000	1,832,000
Guarantee Fund								
Total liabilities	76,926,436	82,061,302	90,581,000	80,047,000	84,788,000	89,336,000	96,188,000	102,790,000
Less: Unearned premiums	0	0	(6,846,000)	0	0	0	0	0
Less: Recoverable from registered reinsurers**	(68,009,436)	(73,004,920)	(70,527,000)	(73,934,000)	(78,168,000)	(82,233,000)	(88,483,000)	(94,487,000)
Plus: Statutory margin	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Guarantee fund required	8,967,000	9,106,382	13,258,000	6,163,000	6,670,000	7,153,000	7,755,000	8,353,000
Total reserve and guarantee fund required	9,977,752	10,111,290	14,282,500	7,844,000	8,296,000	8,845,000	9,515,000	10,185,000
Cash and approved securities	20,311,694	20,303,046	21,733,371	21,038,000	21,680,000	22,301,000	22,944,000	23,595,000
Excess of Cash & Securities over reserve and guarantee fund required	10,333,942	10,191,756	7,450,871	13,194,000	13,384,000	13,456,000	13,429,000	13,410,000

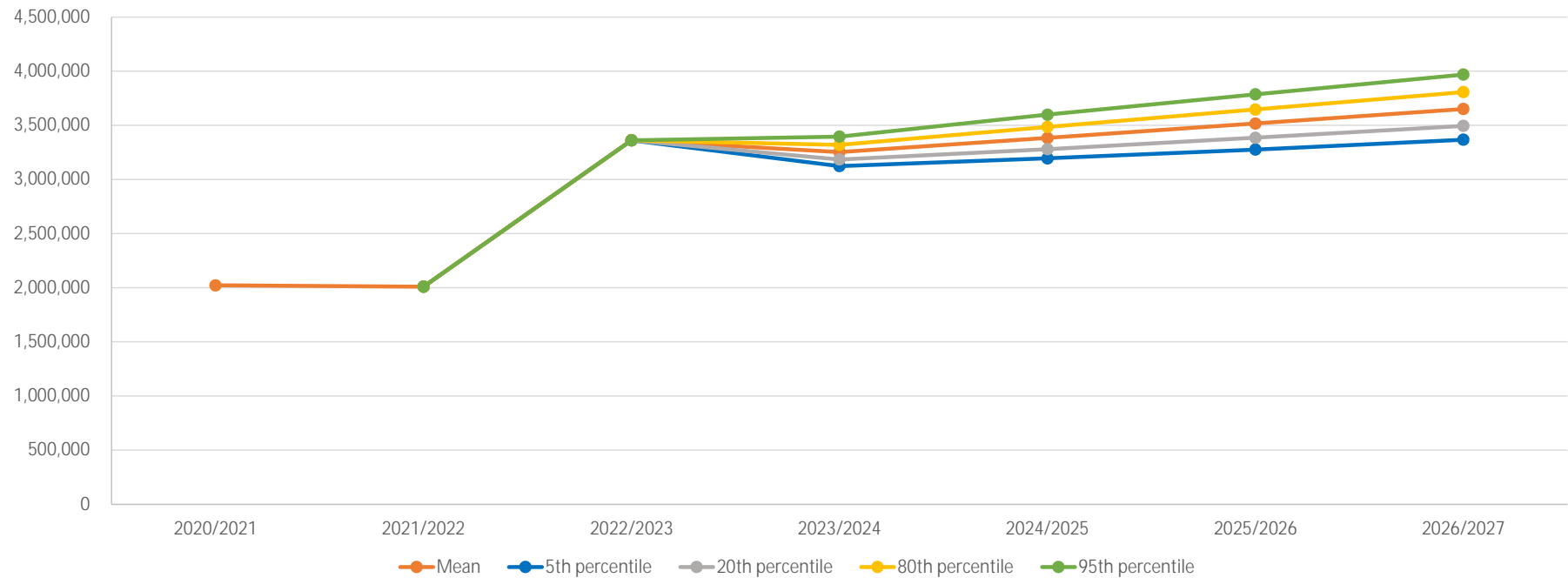
* Per business plan dated February 2022

** Amounts recoverable from Colchester are secured by a Reinsurance Security Agreement and can be deducted.

Section 1
Exhibit 2A

Canadian Lawyers Liability Assurance Society
5-Year Projections at Various Confidence Levels

Net Written Premiums Excluding Retroassessments



Year	Actual 2020/2021	Actual 2021/2022	Projected (Known) 2022/2023	Projected 2023/2024	Projected 2024/2025	Projected 2025/2026	Projected 2026/2027
5th percentile			3,361,000	3,123,000	3,195,000	3,276,000	3,368,000
20th percentile			3,361,000	3,184,000	3,280,000	3,385,000	3,496,000
Mean	2,022,000	2,010,000	3,361,000	3,253,000	3,383,000	3,517,000	3,651,000
80th percentile			3,361,000	3,320,000	3,485,000	3,646,000	3,807,000
95th percentile			3,361,000	3,396,000	3,598,000	3,786,000	3,969,000

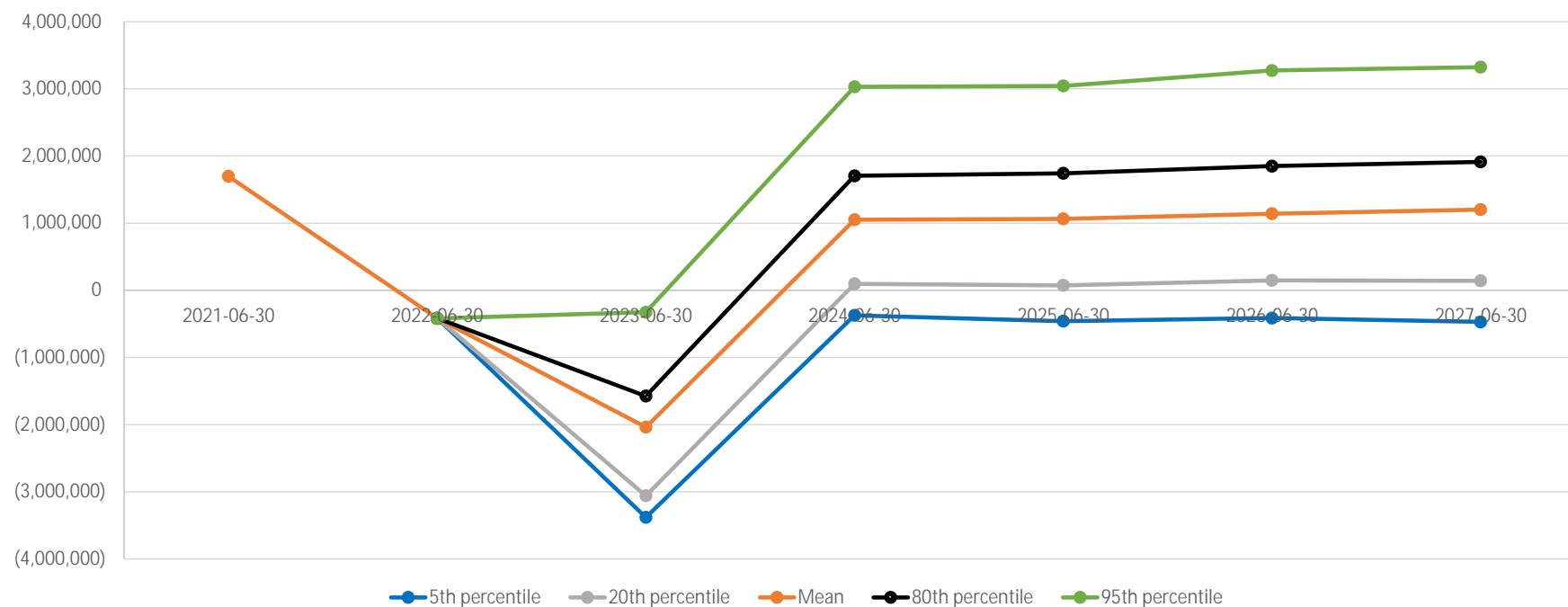
Notes

From stochastic simulation for all risks combined (Scenario 9).
Does not include Future Retroassessments

Section 1
Exhibit 2B

Canadian Lawyers Liability Assurance Society
5-Year Projections at Various Confidence Levels

Net Incurred Losses



Year	Actual 2021-06-30	Actual 2022-06-30	Projected 2023-06-30	Projected 2024-06-30	Projected 2025-06-30	Projected 2026-06-30	Projected 2027-06-30
5th percentile			(3,380,000)	(372,000)	(459,000)	(412,000)	(471,000)
20th percentile			(3,057,000)	96,000	74,000	149,000	142,000
Mean	1,696,000	(416,000)	(2,037,000)	1,051,000	1,063,000	1,141,000	1,202,000
80th percentile			(1,573,000)	1,705,000	1,742,000	1,849,000	1,914,000
95th percentile			(326,000)	3,030,000	3,042,000	3,273,000	3,322,000

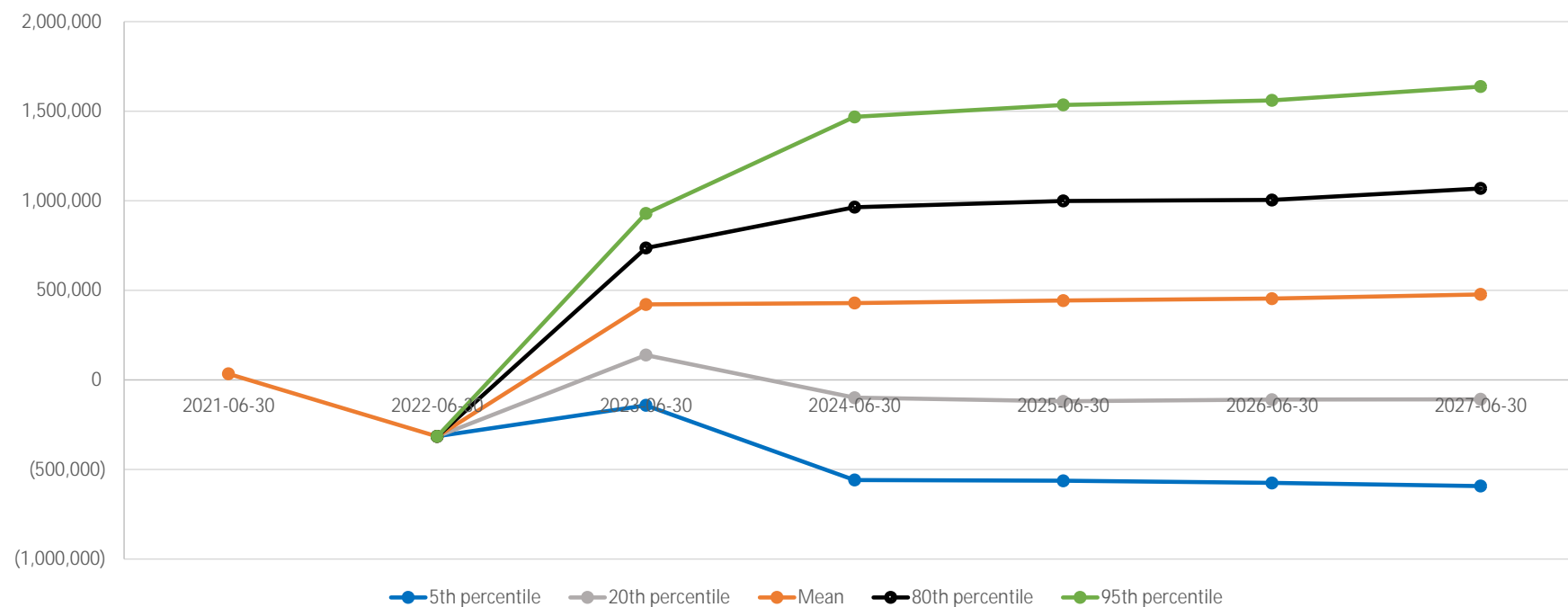
Notes

From stochastic simulation for all risks combined (Scenario 9).

Section 1
Exhibit 2C

Canadian Lawyers Liability Assurance Society
5-Year Projections at Various Confidence Levels

Total Investment Income



Year	Actual 2021-06-30	Actual 2022-06-30	Projected 2023-06-30	Projected 2024-06-30	Projected 2025-06-30	Projected 2026-06-30	Projected 2027-06-30
5th percentile			(142,000)	(559,000)	(563,000)	(575,000)	(592,000)
20th percentile			139,000	(99,000)	(120,000)	(110,000)	(108,000)
Mean	34,000	(315,000)	421,000	429,000	443,000	454,000	477,000
80th percentile			736,000	964,000	999,000	1,004,000	1,069,000
95th percentile			929,000	1,468,000	1,535,000	1,560,000	1,638,000

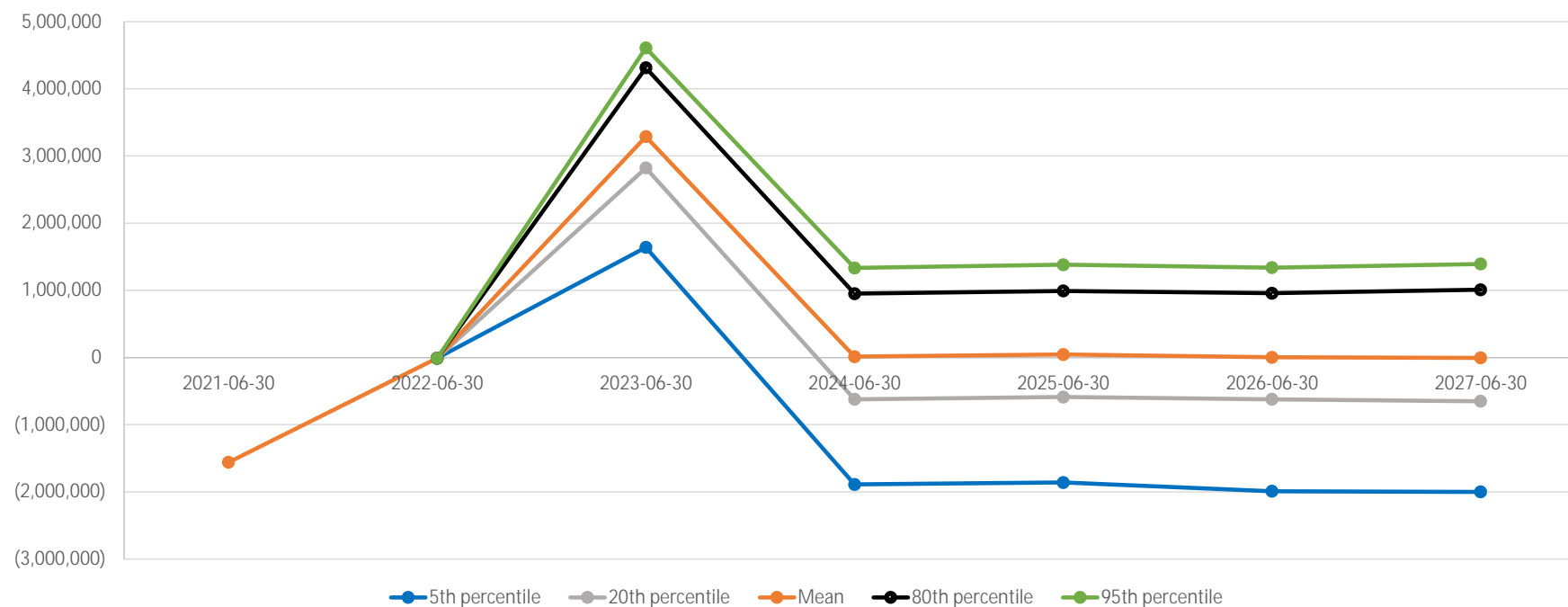
Notes

From stochastic simulation for all risks combined (Scenario 9).
Does not include Future Retroassessments

Section 1
Exhibit 2D

Canadian Lawyers Liability Assurance Society
5-Year Projections at Various Confidence Levels

Total Comprehensive Income



Year	Actual 2021-06-30	Actual 2022-06-30	Projected 2023-06-30	Projected 2024-06-30	Projected 2025-06-30	Projected 2026-06-30	Projected 2027-06-30
5th percentile			1,639,000	(1,889,000)	(1,861,000)	(1,991,000)	(2,001,000)
20th percentile			2,823,000	(622,000)	(589,000)	(622,000)	(649,000)
Mean	(1,560,000)	(10,000)	3,287,000	13,000	45,000	3,000	(5,000)
80th percentile			4,312,000	950,000	990,000	957,000	1,008,000
95th percentile			4,608,000	1,333,000	1,381,000	1,338,000	1,392,000

Notes

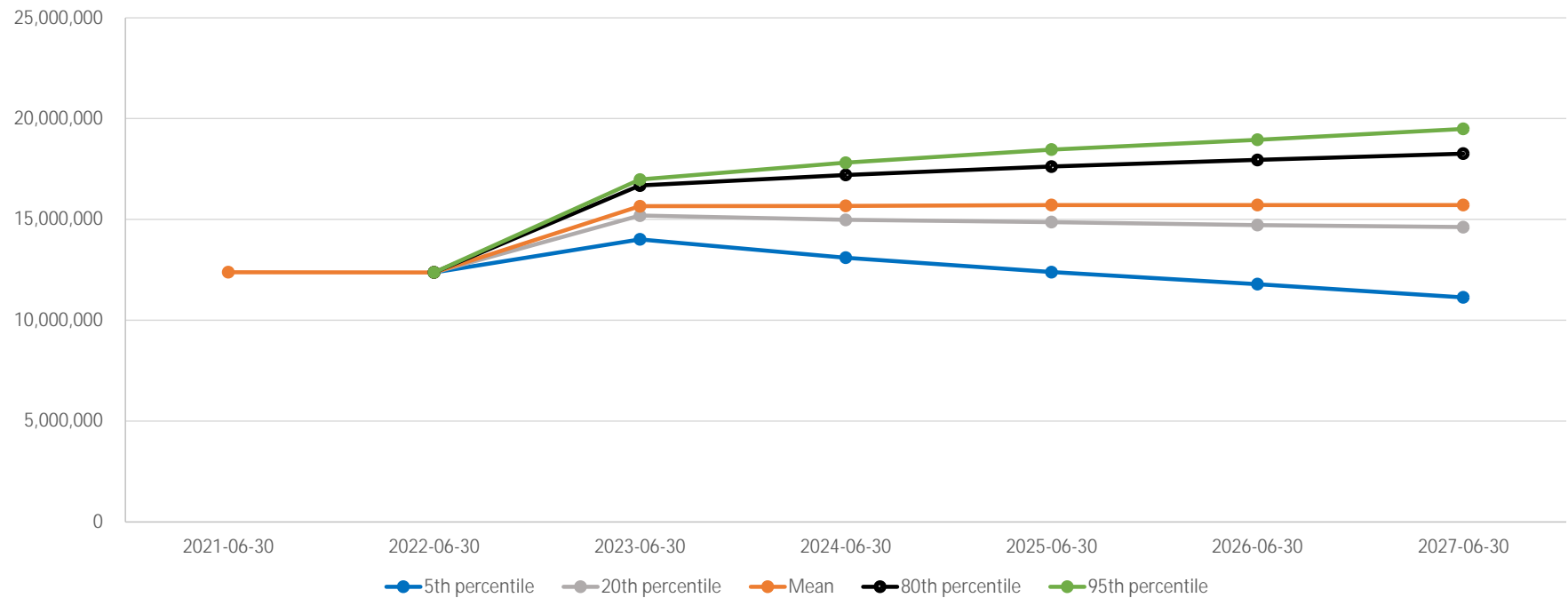
From stochastic simulation for all risks combined (Scenario 9).

Does not include Future Retroassessments

Section 1
Exhibit 2E

Canadian Lawyers Liability Assurance Society
5-Year Projections at Various Confidence Levels

Surplus



Year	Actual 2021-06-30	Actual 2022-06-30	Projected 2023-06-30	Projected 2024-06-30	Projected 2025-06-30	Projected 2026-06-30	Projected 2027-06-30
5th percentile			14,008,000	13,098,000	12,388,000	11,788,000	11,131,000
20th percentile			15,192,000	14,978,000	14,865,000	14,719,000	14,619,000
Mean	12,379,000	12,369,000	15,656,000	15,669,000	15,714,000	15,717,000	15,713,000
80th percentile			16,681,000	17,203,000	17,624,000	17,948,000	18,262,000
95th percentile			16,977,000	17,811,000	18,462,000	18,949,000	19,494,000

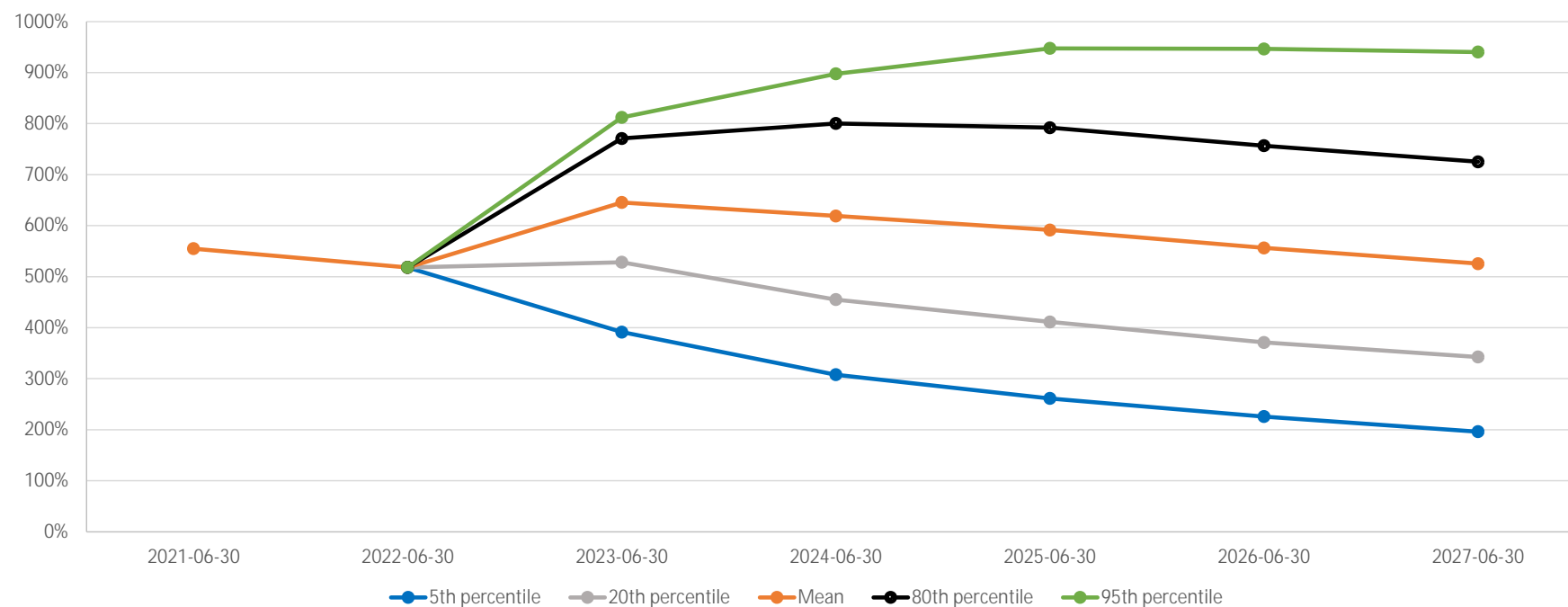
Notes

From stochastic simulation for all risks combined (Scenario 9).
Does not include Future Retroassessments

Section 1
Exhibit 2F

Canadian Lawyers Liability Assurance Society
5-Year Projections at Various Confidence Levels

MCT Ratio



Year	Actual 2021-06-30	Actual 2022-06-30	Projected 2023-06-30	Projected 2024-06-30	Projected 2025-06-30	Projected 2026-06-30	Projected 2027-06-30
5th percentile			391%	308%	261%	226%	196%
20th percentile			528%	455%	411%	371%	343%
Mean	555%	518%	646%	619%	591%	556%	526%
80th percentile			771%	800%	792%	757%	725%
95th percentile			812%	898%	948%	946%	940%

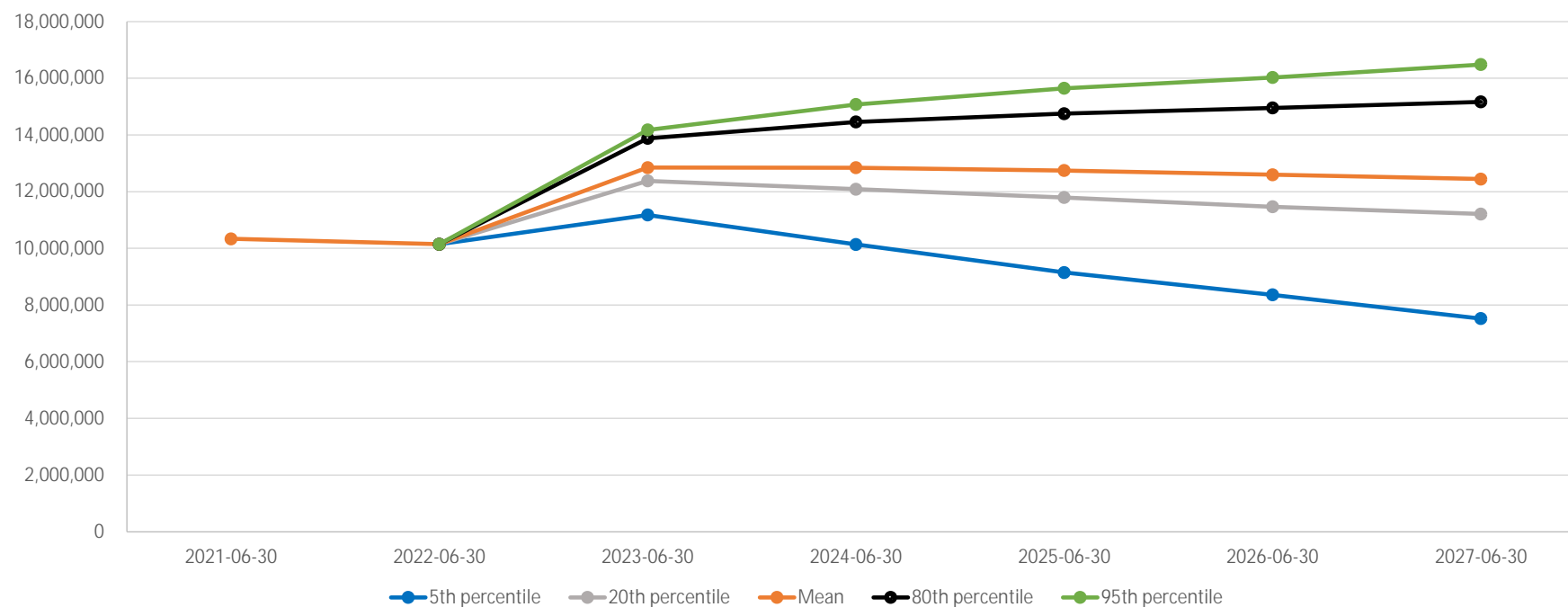
Notes

From stochastic simulation for all risks combined (Scenario 9).
Does not include Future Retroassessments

Section 1
Exhibit 2G

Canadian Lawyers Liability Assurance Society
5-Year Projections at Various Confidence Levels

Excess of AMRGF Requirement



Year	Actual 2021-06-30	Actual 2022-06-30	Projected 2023-06-30	Projected 2024-06-30	Projected 2025-06-30	Projected 2026-06-30	Projected 2027-06-30
5th percentile			11,177,000	10,138,000	9,146,000	8,359,000	7,526,000
20th percentile			12,380,000	12,085,000	11,794,000	11,466,000	11,210,000
Mean	10,334,000	10,146,000	12,847,000	12,848,000	12,745,000	12,597,000	12,445,000
80th percentile			13,878,000	14,458,000	14,751,000	14,952,000	15,166,000
95th percentile			14,176,000	15,074,000	15,647,000	16,027,000	16,485,000

Notes

From stochastic simulation for all risks combined (Scenario 9).

Does not include Future Retroassessments

Section 1

Exhibit 3

Canadian Lawyers Liability Assurance Society
Summary of Surplus Position under Various Stochastic Scenarios

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	End of Projection Year 1					End of Projection Year 3				
Confidence Level	Mean	90%	95%	97.5%	99%	Mean	90%	95%	97.5%	99%
Return Period (in Years)	10	20	40	100		10	20	40	100	
Scenario 1: Base Scenario*	16,004,000	16,004,000	16,004,000	16,004,000	16,004,000	16,428,000	16,428,000	16,428,000	16,428,000	16,428,000
Impact on Surplus **										
Scenario 2: Insurance & Reinsurance Risks Only	(1,056,000)	(1,622,000)	(2,337,000)	(9,553,000)		(1,827,000)	(3,118,000)	(6,399,000)	(21,104,000)	
Scenario 3: Operational Risk Only	(38,000)	(198,000)	(485,000)	(1,054,000)		(351,000)	(654,000)	(1,149,000)	(1,283,000)	
Scenario 4: Investment Risk Only	(112,000)	(160,000)	(209,000)	(280,000)		(301,000)	(386,000)	(452,000)	(899,000)	
Scenario 5: Premium Risk Only	0	0	0	0		(90,000)	(116,000)	(139,000)	(163,000)	
Additive Impact on Surplus (Before Diversification)	(1,206,000)	(1,980,000)	(3,031,000)	(10,887,000)		(2,569,000)	(4,274,000)	(8,139,000)	(23,449,000)	
Equivalent MCT Ratio	51%	85%	129%	465%		110%	182%	347%	1,001%	
Diversification Benefit	144,000	332,000	608,000	1,418,000		619,000	947,000	1,488,000	1,897,000	
Equivalent MCT Ratio	(6%)	(14%)	(26%)	(61%)		(26%)	(40%)	(64%)	(81%)	
Scenario 6: All Risks Combined	(1,062,000)	(1,648,000)	(2,423,000)	(9,469,000)		(1,950,000)	(3,327,000)	(6,651,000)	(21,552,000)	
Equivalent MCT Ratio	45%	70%	103%	404%		83%	142%	284%	920%	

Notes

* From Exhibit 1A (no simulation)

** From stochastic simulation

Does not include Future Retroassessments

Section 1
Exhibit 4A

Canadian Lawyers Liability Assurance Society
Capital Requirements Including Cyber Program

		ORSA Capital		
		Low Option A	High Option B	Target MCT 210%
Capital Requirement for Risks and Diversification From Stochastic Model				
(1)	Insurance & Reinsurance Risks*	2,337,000	3,118,000	2,101,000
(2)	Operational Risk	485,000	654,000	1,178,000
(4)	Investment Risk	209,000	386,000	2,376,000
(5)	Premium and Strategy Risk	0	116,000	
(6a)	Subtotal	3,031,000	4,274,000	5,655,000
(6b)	Equivalent MCT Ratio	125%	177%	234%
(7a)	Diversification Credit	(608,000)	(947,000)	(572,000)
(7b)	Equivalent MCT Ratio	(25%)	(39%)	(24%)
Capital Requirement for Additional Risks				
(8)	Premium & Strategy	641,000	711,000	
(9)	Regulatory Risk	254,000	254,000	
(10)	Reputation Risk	254,000	254,000	
(11a)	Subtotal	1,149,000	1,219,000	0
(11b)	Equivalent MCT Ratio	47%	50%	0%
Total Capital Requirement				
(12a)	Indicated Capital Required	3,572,000	4,546,000	5,083,000
(12b)	MCT Deductions from Capital Available (June 30, 2022)	148%	188%	210%
(12c)	MCT Deductions from Capital Available (June 30, 2022)	235,000	235,000	235,000
(12d)	Total Surplus Required (June 30, 2022)	3,807,000	4,781,000	5,318,000
(13)	Surplus (June 30, 2022)	12,368,963	12,368,963	12,368,963
(14)	AMRGF Surplus Required (June 30, 2022)			2,177,000

Notes

(1) to (5) Option A based on 97.5% confidence using 1-year horizon [Exhibit 3, Col. (3)]; Option B based on 95% confidence using 3-year horizon [Exhibit 3, Col. (8)]

(6) = Sum (1) to (5)

(7) From Exhibit 3; Option A based on 95% confidence using 1-year horizon; Option B based on 90% confidence using 3-year horizon

(8) = 25% of impact on the expected surplus of decrease of 20% in exposure; Option A based on a 1-year horizon; Option B based on a 3-year horizon

(9) = 5% x MCT capital required at 210% as at June 30, 2022

(10) = 5% x MCT capital required at 210% as at June 30, 2022

(11) = Sum (8) to (10)

(12a) = (6) + (7) + (11)

(12c) Receivables and recoverables from unregistered reinsurers not covered by acceptable collateral as at June 30, 2022

(12d) = (12a) + (12c)

(13) From Exhibit 1A

(14) = Surplus - Excess of Alberta Reserve and Guarantee Fund Requirement (as at June 30, 2022)

*The capital required for unpaid claims is increased by 10% to reflect the new MCT formula under IFRS 17

Section 1
Exhibit 4B

Canadian Lawyers Liability Assurance Society
Capital Requirements Excluding Cyber Program

		ORSA Capital		
		Low Option A	High Option B	Target MCT 210%
Capital Requirement for Risks and Diversification From Stochastic Model				
(1)	Insurance & Reinsurance Risks*	2,168,000	2,743,000	2,101,000
(2)	Operational Risk	387,000	528,000	1,178,000
(4)	Investment Risk	206,000	363,000	2,376,000
(5)	Premium and Strategy Risk	0	110,000	
(6a)	Subtotal	2,761,000	3,744,000	5,655,000
(6b)	Equivalent MCT Ratio	114%	155%	234%
(7a)	Diversification Credit	(522,000)	(885,000)	(572,000)
(7b)	Equivalent MCT Ratio	(22%)	(37%)	(24%)
Capital Requirement for Additional Risks				
(8)	Premium & Strategy	463,000	543,000	
(9)	Regulatory Risk	254,000	254,000	
(10)	Reputation Risk	254,000	254,000	
(11a)	Subtotal	971,000	1,051,000	0
(11b)	Equivalent MCT Ratio	40%	43%	0%
Total Capital Requirement				
(12a)	Indicated Capital Required	3,210,000	3,910,000	5,083,000
(12b)	Equivalent MCT Ratio	133%	162%	210%
(12c)	MCT Deductions from Capital Available (June 30, 2022)	235,000	235,000	235,000
(12d)	Total Surplus Required (June 30, 2022)	3,445,000	4,145,000	5,318,000
(13)	Surplus (June 30, 2022)	12,368,963	12,368,963	12,368,963
(14)	AMRGF Surplus Required (June 30, 2022)			2,177,000

Notes

(1) to (5) Option A based on 97.5% confidence using 1-year horizon [Exhibit 3, Col. (3)]; Option B based on 95% confidence using 3-year horizon [Exhibit 3, Col. (8)]

(6) = Sum (1) to (5)

(7) From Exhibit 3; Option A based on 95% confidence using 1-year horizon; Option B based on 90% confidence using 3-year horizon

(8) = 25% of impact on the expected surplus of decrease of 20% in exposure; Option A based on a 1-year horizon; Option B based on a 3-year horizon

(9) = 5% x MCT capital required at 210% as at June 30, 2022

(10) = 5% x MCT capital required at 210% as at June 30, 2022

(11) = Sum (8) to (10)

(12a) = (6) + (7) + (11)

(12c) Receivables and recoverables from unregistered reinsurers not covered by acceptable collateral as at June 30, 2022

(12d) = (12a) + (12c)

(13) From Exhibit 1A

(14) = Surplus - Excess of Alberta Reserve and Guarantee Fund Requirement (as at June 30, 2022)

*The capital required for unpaid claims is increased by 10% to reflect the new MCT formula under IFRS 17

Section 1
Exhibit 5

Canadian Lawyers Liability Assurance Society
Key Risk Metrics Report
As at June 30, 2022

	(02)	(04)	(06)
	Target Capital (210% MCT)	ORSA Capital	Methodology and References
Total Capital Required			
(01) Insurance & Reinsurance Risks	2,101,000	2,337,000	From Exhibit 4A
(02) Market Risk	316,000	198,550	From Exhibit 4A based on 95% of investment risk; regulatory capital includes reinsurance risk
(03) Credit Risk	2,060,000	10,450	From Exhibit 4A based on 5% of investment risk
(04) Operational Risk	1,178,000	485,000	From Exhibit 4A
(05) Base Required Capital	5,655,000	3,031,000	= (01) + (02) + (03) + (04)
(06) Regulatory Minimum Required Capital	5,655,000	3,031,000	= (05)
(07) Other Risk: Premium & Strategy		641,000	From Exhibit 4A
(08) Other Risk: Regulatory		254,000	From Exhibit 4A
(09) Other Risk: Reputation		254,000	From Exhibit 4A
(10) Adjustments - Other			
(11) Adjustments - Aggregation / Diversification	(572,000)	(608,000)	From Exhibit 4A
(12) Adjustments - Extremely Severe Scenarios			
(13) Target Required Capital / Own Capital Needs	5,083,000	3,572,000	= Sum [(06) to (13)]
(14) Adjustments - Other		1,511,000	
(15) Adjustments - Varying Nature & Severity Scenarios			
(16) Internal Target		5,083,000	Equivalent to MCT ratio of 210% at June 30, 2022
(17) Total Available Capital	12,134,000	12,134,000	From Exhibit 1C = Surplus - Recoverables not covered by collateral
Reconciliation of Available Capital			
(18) ORSA Total Available Capital		12,134,000	= (18)
(19) MCT Total Available Capital	12,134,000		= (18)

Section 2
Exhibit 1

Canadian Lawyers Liability Assurance Society
Summary of Historical Data

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Policy Period	Exposure	Reciprocal Premium		Number of Claims			CLLAS Reported Losses		Ground Up	Drop Down Claims
	Number of Lawyers	Gross of Reinsurance	Net of Reinsurance	CLLAS Layer	Drop Down Claims	Ground-Up Losses	Gross of Reinsurance	Net of Reinsurance	Reported Losses	Reported Losses
1987-1988	1,479	4,434,000	1,883,829	0	0	24	0	0	255,751	0
1988-1989	1,807	3,614,000	1,137,725	0	0	37	0	0	1,673,300	0
1989-1990	2,078	3,740,400	689,957	0	0	62	0	0	2,655,706	0
1990-1991	2,352	4,233,600	586,847	1	0	86	3,593,148	896,574	6,059,360	0
1991-1992	2,400	4,320,000	577,354	3	0	90	7,416,563	2,470,496	14,078,492	0
1992-1993	2,433	4,478,400	389,208	1	0	99	326,599	0	5,491,955	0
1993-1994	2,507	4,512,600	373,280	2	0	132	30,654,825	5,638,230	38,428,940	0
1994-1995	2,514	5,153,700	1,328,836	4	0	87	9,318,988	1,883,180	16,451,700	0
1995-1996	2,525	5,807,500	1,930,552	2	0	53	3,742,644	1,871,322	10,099,778	0
1996-1997	2,594	5,276,196	1,070,215	0	0	52	0	0	1,936,471	0
1997-1998	2,640	6,587,610	1,627,963	0	0	49	0	0	4,109,525	0
1998-1999	2,838	10,826,416	4,368,122	2	0	55	20,296,669	3,300,000	25,117,284	0
1999-2000	3,229	12,093,829	5,100,300	3	0	41	8,492,585	3,300,000	13,119,207	0
2000-2001	4,008	14,968,458	6,734,718	0	0	43	0	0	4,726,198	0
2001-2002	4,242	14,694,378	5,919,526	4	0	52	17,553,756	3,300,000	25,419,255	0
2002-2003	4,523	17,346,379	4,631,546	3	0	59	3,466,726	3,415,798	11,100,894	0
2003-2004	4,719	22,376,007	6,619,932	4	0	59	38,933,335	6,433,335	45,677,482	0
2004-2005	4,743	24,676,487	6,832,821	3	1	45	1,262,333	1,262,333	11,131,383	38,338
2005-2006	4,770	25,025,027	6,259,056	3	0	38	765,546	712,114	5,034,661	0
2006-2007	4,772	33,356,139	12,326,959	2	0	30	6,474,107	5,050,313	11,057,324	0
2007-2008	4,784	27,040,048	10,121,699	4	0	32	19,639,569	5,908,039	24,192,209	0
2008-2009	4,835	24,343,680	9,812,057	4	1	42	2,808,791	5,042	7,630,467	5,042
2009-2010	4,817	23,632,747	9,849,698	6	0	43	43,017,939	19,696	52,788,570	0
2010-2011	4,771	20,852,074	8,040,957	5	1	49	35,326,670	2,073,436	42,852,447	242,012
2011-2012	4,708	17,006,743	5,101,008	6	2	41	5,186,816	106,506	10,603,648	106,506
2012-2013	4,128	14,228,728	3,352,235	3	1	47	1,653,383	203,270	10,514,473	203,270
2013-2014	4,124	13,954,400	3,154,848	3	0	45	10,005,772	0	16,820,919	0
2014-2015	4,198	12,895,931	2,452,086	3	2	31	1,667,751	1,117,751	5,797,098	1,117,751
2015-2016	4,141	12,438,547	2,414,074	4	0	41	8,660,000	0	17,554,503	0
2016-2017	4,084	10,610,344	2,176,665	2	1	36	3,337,000	650,000	7,283,307	2,028,932
2017-2018	3,582	7,138,422	2,013,796	0	0	36	0	0	3,453,035	0
2018-2019	3,710	7,390,585	1,873,194	1	0	39	250,000	0	5,466,267	0
2019-2020	3,884	9,288,383	1,995,479	4	3	38	1,914,886	414,886	6,793,637	414,886
2020-2021	3,965	10,667,036	2,015,966	0	0	45	0	0	5,906,275	0
2021-2022	4,146	12,593,327	2,009,816	0	0	39	0	0	2,702,573	0
Total	127,047	451,602,121	136,772,324	82	12	1,797	285,766,402	50,032,322	473,984,094	4,156,738

Notes

- (1) The policy period extends from July 1 to June 30
 (2) From CLLAS
 (3) to (11) From CLLAS Actuarial Valuation as at June 30, 2022

Losses from policy periods 1987-1988 to 2011-2012 have been transferred to Colchester
 Premiums exclude retroassessments and the loss portfolio transfer premium

Section 2
Exhibit 2

Canadian Lawyers Liability Assurance Society
Selection of Exposure Trend

(1)	(2)	(3)
Policy Period	Number of Lawyers	Annual Change
1987-1988	1,479	
1988-1989	1,807	22.2%
1989-1990	2,078	15.0%
1990-1991	2,352	13.2%
1991-1992	2,400	2.0%
1992-1993	2,433	1.4%
1993-1994	2,507	3.0%
1994-1995	2,514	0.3%
1995-1996	2,525	0.4%
1996-1997	2,594	2.7%
1997-1998	2,640	1.8%
1998-1999	2,838	7.5%
1999-2000	3,229	13.8%
2000-2001	4,008	24.1%
2001-2002	4,242	5.8%
2002-2003	4,523	6.6%
2003-2004	4,719	4.3%
2004-2005	4,743	0.5%
2005-2006	4,770	0.6%
2006-2007	4,772	0.0%
2007-2008	4,784	0.3%
2008-2009	4,835	1.1%
2009-2010	4,817	-0.4%
2010-2011	4,771	-1.0%
2011-2012	4,708	-1.3%
2012-2013	4,128	-12.3%
2013-2014	4,124	-0.1%
2014-2015	4,198	1.8%
2015-2016	4,141	-1.4%
2016-2017	4,084	-1.4%
2017-2018	3,582	-12.3%
2018-2019	3,710	3.6%
2019-2020	3,884	4.7%
2020-2021	3,965	2.1%
2021-2022	4,146	4.6%
Total	127,047	

(4) Indicated Trend	
All Years	3.33%
Last 10 Years	-1.07%
Last 5 Years	0.52%

(5) Selected Average Exposure Trend **0.00%**

(6) Indicated Standard Deviation of Annual Changes 5.10%

(7) Selected Standard Deviation of Annual Changes **5.00%**

Notes

- (1) The policy period extends from July 1 to June 30
 (2) = Exhibit 1, Col. (2)
 (4) Simple average based on (3)
 (5) Selected based on actuarial judgment
 (6) Based on last 15 years standard deviation
 (7) Selected based on actuarial judgment

Section 2
Exhibit 3

Canadian Lawyers Liability Assurance Society
Selection of Loss Frequency Assumptions (Ground Up Losses)

(1) Policy Period	(2) Number of Earned Lawyers	(3) Number of Reported Drop Down Claims	(4) Number of Reported Claims CLLAS Layer	(5) Number of Non-Zero Ground Up Claims	(6) Claim Count Development Factor	(7) Ultimate Number of Claims	(8) Frequency (in %)
1987-1988	1,479		0	24	1.000	24	1.62%
1988-1989	1807		0	37	1.000	37	2.05%
1989-1990	2078		0	62	1.000	62	2.98%
1990-1991	2352		1	86	1.000	86	3.66%
1991-1992	2400		3	90	1.000	90	3.75%
1992-1993	2433		1	99	1.000	99	4.07%
1993-1994	2507		2	132	1.000	132	5.27%
1994-1995	2514		4	87	1.000	87	3.46%
1995-1996	2525		2	53	1.000	53	2.10%
1996-1997	2594		0	52	1.000	52	2.00%
1997-1998	2640		0	49	1.000	49	1.86%
1998-1999	2838		2	55	1.000	55	1.94%
1999-2000	3,229		3	41	1.000	41	1.27%
2000-2001	4,008		0	43	1.000	43	1.07%
2001-2002	4,242		4	52	1.000	52	1.23%
2002-2003	4,523		3	59	1.000	59	1.30%
2003-2004	4,719		4	59	1.000	59	1.25%
2004-2005	4,743	1	3	45	1.000	45	0.95%
2005-2006	4,770		3	38	1.000	38	0.80%
2006-2007	4,772		2	30	1.000	30	0.63%
2007-2008	4,784		4	32	1.000	32	0.67%
2008-2009	4,835	1	4	42	1.000	42	0.87%
2009-2010	4,817		6	43	1.000	43	0.89%
2010-2011	4,771	1	5	49	1.000	49	1.03%
2011-2012	4,708	2	6	41	1.000	41	0.87%
2012-2013	4,128	1	3	47	1.000	47	1.14%
2013-2014	4,124		3	45	1.000	45	1.09%
2014-2015	4,198	2	3	31	1.000	31	0.74%
2015-2016	4,141		4	41	1.000	41	0.99%
2016-2017	4,084	1	2	36	1.000	36	0.88%
2017-2018	3,582		0	36	1.000	36	1.01%
2018-2019	3,710		1	39	1.000	39	1.05%
2019-2020	3,884	3	4	38	0.983	37	0.96%
2020-2021	3,965		0	45	0.906	41	1.03%
2021-2022	4,146		0	39	0.941	37	0.89%
Total	127,047	12	82	1,797		1,790	1.41%

(9) Indicated Frequency:

All Years	61	1.41%
Last 10 Years	42	0.98%
Last 5 Years	42	0.98%
Last 3 Years	41	0.96%

(10) Selected Frequency:

1.00%

(11) Projected Exposure:

(11a) Total:	4,308
(11b) Quebec:	883
(11c) Proportion Quebec:	21%

(12) Projected Claim Count
2022-2023

43.08

(13) Indicated Frequency Trend:

All Years	-4.1%
Last 10 Years	-0.6%

(14) Selected Frequency Trend

0.0%

(15) Selected Proportion of Drop Down Claims :

(15a) Outside Quebec	10.00%
(15b) Quebec	1.00%

Notes

- (1) The policy period extends from July 1 to June 30
 (2) = Exhibit 1, Col. (2)
 (3) = Exhibit 1, Col. (6)
 (4) = Exhibit 1, Col. (5)
 (5) = Exhibit 1, Col. (7)
 (6) Based on the loss development factors selection in the 2022-2023 rating analysis
 (7) = (5) x (6)
 (8) = (7) / (2)
 (9) Frequency weighted based on total insured values in (2)
 Ultimate number of claims = Indicated Frequency x Exposure value of policy period 2022-2023

- (10) Selected based on actuarial judgment
 (11a) From CLLAS 2022-2023 renewal
 (11b) From CLLAS 2022-2023 renewal
 (11c) = (11b) / (11a)
 (12) = (10) x (11a)
 (13) Exponential trend
 (14) Selected based on actuarial judgment
 (15) Selected based on actuarial judgment

Section 2
Exhibit 4

Canadian Lawyers Liability Assurance Society
Selection of Loss Severity Trend (Ground Up Losses)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Policy Period	Ground-Up Reported Losses	Adjustments for Large Losses	Loss Development Factor	Ground-Up Ultimate Losses	Ultimate Number of Claims	Average Claim
1987-1988	255,751	0	1.000	255,751	24	10,656
1988-1989	1,673,300	0	1.000	1,673,300	37	45,224
1989-1990	2,655,706	0	1.000	2,655,706	62	42,834
1990-1991	6,059,360	0	1.000	6,059,360	86	70,458
1991-1992	14,078,492	0	1.000	14,078,492	90	156,428
1992-1993	5,491,955	0	1.000	5,491,955	99	55,474
1993-1994	38,428,940	0	1.000	38,428,940	132	291,128
1994-1995	16,451,700	0	1.000	16,451,700	87	189,100
1995-1996	10,099,778	0	1.000	10,099,778	53	190,562
1996-1997	1,936,471	0	1.000	1,936,471	52	37,240
1997-1998	4,109,525	0	1.000	4,109,525	49	83,868
1998-1999	25,117,284	0	1.000	25,117,284	55	456,678
1999-2000	13,119,207	0	1.000	13,119,207	41	319,981
2000-2001	4,726,198	0	1.000	4,726,198	43	109,912
2001-2002	25,419,255	0	1.000	25,419,255	52	488,832
2002-2003	11,100,894	0	1.000	11,100,894	59	188,151
2003-2004	45,677,482	0	1.000	45,677,482	59	774,195
2004-2005	11,131,383	0	1.000	11,131,383	45	247,364
2005-2006	5,034,661	0	1.000	5,034,661	38	132,491
2006-2007	11,057,324	0	1.000	11,057,324	30	368,577
2007-2008	24,192,209	0	1.000	24,192,209	32	756,007
2008-2009	7,630,467	0	1.000	7,630,467	42	181,678
2009-2010	52,788,570	32,900,000	1.000	52,788,570	43	1,227,641
2010-2011	42,852,447	31,800,000	1.000	42,852,447	49	874,540
2011-2012	10,603,648	0	1.000	10,603,648	41	258,626
2012-2013	10,514,473	0	1.000	10,514,473	47	223,712
2013-2014	16,820,919	0	1.005	16,912,455	45	375,832
2014-2015	5,797,098	0	1.022	5,921,760	31	191,025
2015-2016	17,554,503	0	1.063	18,668,313	41	455,325
2016-2017	7,283,307	0	1.150	8,372,993	36	232,583
2017-2018	3,453,035	0	1.290	4,454,103	36	123,725
2018-2019	5,466,267	0	1.429	7,809,438	39	200,242
2019-2020	6,793,637	0	1.637	11,120,486	37	297,637
2020-2021	5,906,275	0	2.647	15,631,719	41	383,616
2021-2022	2,702,573	0	4.001	10,811,703	37	294,591
Total	473,984,094	64,700,000		501,909,448	1,790	280,426

(8) Indicated Trend:

All Years	3.73%	5.63%
Last 10 Years	-0.24%	1.06%

(9) Selected Trend:

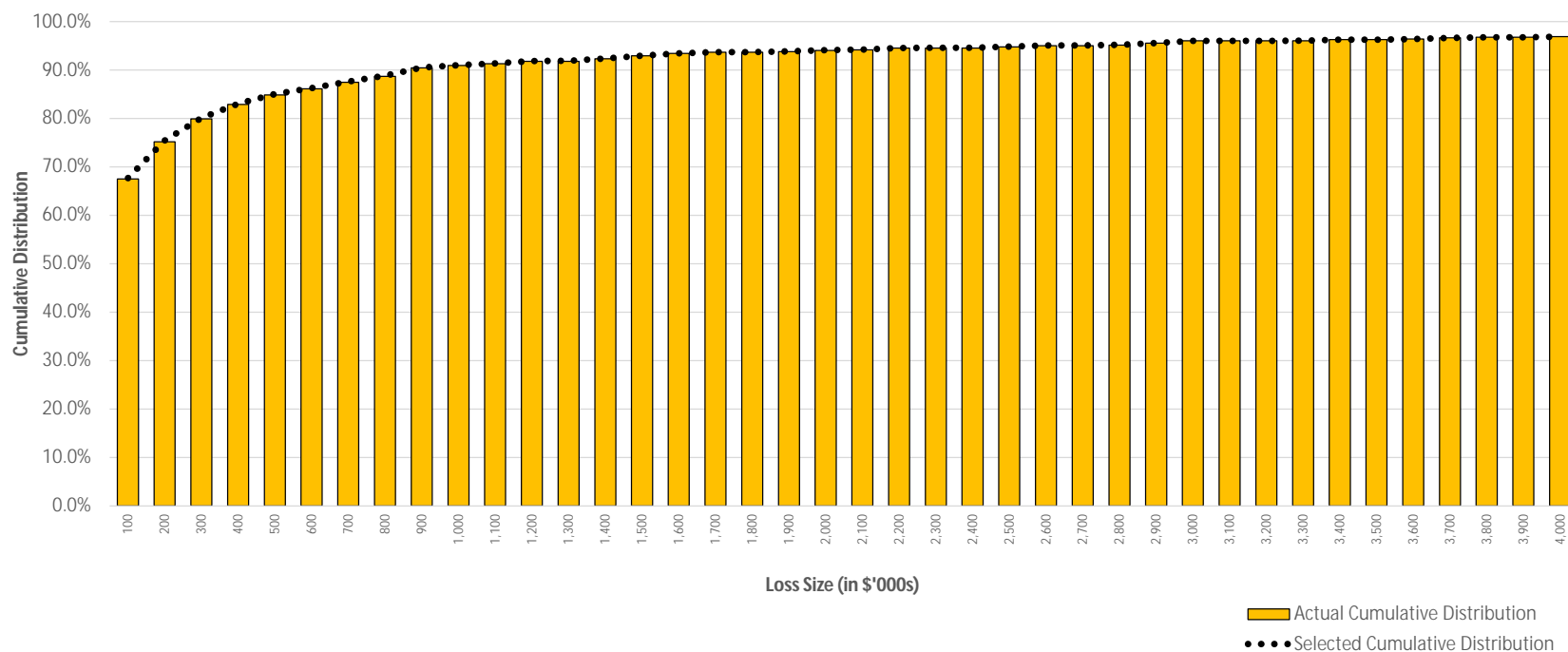
4.25%

Notes

- (1) The policy period extends from July 1 to June 30
Losses from policy periods 1987-1988 to 2011-2012 have been transferred to Colchester
- (2) = Exhibit 1, Col. (10)
- (3) Large claims not developed: 2010-059 and 2011-145
- (4) Based on the loss development factors selection in the 2022-2023 rating analysis
- (5) = [(2) - (3)] x (4) + (3)
- (6) = Exhibit 3, Col. (7)
- (7) = (5) / (6)
- (8) Exponential trend
- (9) Selected based on actuarial judgment

Section 2
Exhibit 5A

Canadian Lawyers Liability Assurance Society
Selection of Loss Severity Distribution - Ground Up Losses



	(1) Actual Distribution	(2) Selected Distribution	(3) Claims Excess of Retention	(4) Actual Proportion	(5) Selected Probability
Mean	674,707	600,000	> \$1,000,000	9.057%	8.983%
Standard Deviation	4,275,095	3,957,538	> \$10,000,000	0.744%	0.823%
Minimum	31	0	> \$50,000,000	0.372%	0.251%
Maximum	84,944,438	Unlimited	> \$100,000,000	0.000%	0.022%
			> \$220,000,000	0.000%	0.001%

Notes

- (1) Based on ground up claims observations between 2002-2003 and 2020-2021; losses were developed and trended in accordance with assumptions presented in Exhibit 4
- (2) The selected distribution is based on an Inverse Gaussian fitted distribution with a mean of \$600,000
- (3) to (5) provide information on the probability of large losses for the actual and selected distribution

Section 2
Exhibit 5B

Canadian Lawyers Liability Assurance Society
Summary of Undiscounted Loss Costs by Layer of Coverage

Policy Year 2022-2023

(1)	Number of Lawyers	4,308
(2)	Selected Frequency per Lawyer	1.00%
(3)	Selected Average Number of Claims	43.08
(4)	Selected Claim Severity	600,000
(5)	Expected Losses	25,848,030

(6) Range of Losses	(7) Layer	(8) Lawyer Distribution	(10) Lawyers Practicing in			
			Provinces other than Québec		Québec	
			Estimated Undiscounted Ultimate Losses	Estimated Undiscounted Loss Cost Per Lawyer	Estimated Undiscounted Ultimate Losses	Estimated Undiscounted Loss Cost Per Lawyer
Up to \$25,000	\$.025M Excess \$0		705,485	164	70,549	16
From \$25,000 to \$1,000,000	\$.975M Excess \$.025M		6,359,816	1,476	635,982	148
From \$1,000,000 to \$5,000,000	\$4M Excess \$1M		6,507,277	1,511	650,728	151
From \$5,000,000 to \$10,000,000	\$5M Excess \$5M		3,187,750	740	318,775	74
From \$10,000,000 to \$20,000,000	\$10M Excess \$10M		3,156,820	733	3,156,820	733
From \$20,000,000 to \$50,000,000	\$30M Excess \$20M		4,243,093	985	4,243,093	985
Primary Layer (\$49M Excess \$1M)			17,094,940	3,968	8,369,415	1,943
From \$50,000,000 to \$80,000,000	5% of \$30M Excess \$50M	2.8%	54,025	13	54,025	
From \$50,000,000 to \$160,000,000	5% of \$110M Excess \$50M	97.2%	81,127	19	81,127	
Secondary Layer (Excess \$50M)			100.0%	80,379	19	80,379
From \$80,000,000 to \$110,000,000	\$30M Excess \$80M	2.7%	355,006		355,006	
From \$200,000,000 to \$230,000,000	\$30M Excess \$200M	0.0%	12,316		12,316	
From \$220,000,000 to \$250,000,000	\$30M Excess \$220M	97.3%	7,425		7,425	
Excess Umbrella (\$30M Excess Min \$65M)			100.0%	16,835	4	16,835
From \$160,000,000 to \$200,000,000	\$40M Excess \$160M	0.0%	41,741		41,741	
From \$160,000,000 to \$220,000,000	\$60M Excess \$160M	100.0%	50,942		50,942	
Optional Excess (Excess \$160M)			100.0%	50,942	12	50,942
Optional Excess (Excess \$250M)			72.1%	2,545	1	2,545
Total CLLAS coverage above \$1M				\$4,003		\$1,978

Notes

- (1) = Exhibit 3, (11a)
(2) = Exhibit 3, (10)
(3) = (1)*(2)
(4) = Exhibit 5A, Col. (2) mean
(5) = (3)*(4)
(6) Range of losses corresponding to [7].
(7) Excess layer ID.
(8) Percentage of lawyers currently purchasing corresponding optional excess layer
(9) = (5) x by density of losses in range from 2022-2023 Rating Analysis (based on data at 12.31.2021)
(10) = (9) / total number of lawyers.
(11) = (5) x by density of losses in range from 2022-2023 Rating Analysis (based on data at 12.31.2021)
; multiplied by 10 % for layers \$10M and less
(12) = (11) / total number of lawyers.

Section 2
Exhibit 6

Canadian Lawyers Liability Assurance Society
Selection of Payment Pattern Assumptions

Payment Pattern

Selected Payment Pattern	(1) Policy Period Maturity (in months)	(2) Selected Proportion Paid in Year
	12	2.750%
	24	5.250%
	36	9.250%
	48	10.500%
	60	8.500%
	72	8.750%
	84	9.500%
	96	8.500%
	108	7.500%
	120	7.000%
	132	6.250%
	144	4.250%
	156	3.000%
	168	2.750%
	180	2.250%
	192	1.750%
	204	1.125%
	216	1.125%
		100.00%

Unallocated Loss Adjustment Expenses

(3a) Selected ULAE Ratio - Claim Liabilities	3.00%
(3b) Selected ULAE Ratio - Premium Liabilities	3.00%

Margins for Adverse Deviation

(4) Claims Development	10.00%
(5) Reinsurance Default	1.00%
(6) Interest Rate	If discount rate is below 1.5%: 0.25%
	If discount rate is between 1.5% and 2.5%: 0.50%
	If discount rate is between 2.5% and 3.5%: 0.75%
	If discount rate is between 3.5% and 4.5%: 1.00%
	If discount rate is above or equal to 4.5%: 1.25%

(1) = Maturity of policy period

(2) = Selected per actuarial valuation at June 30, 2022 (Payout Pattern for Discount Factors)

(3) = Selected per actuarial valuation at June 30, 2022, Exhibit 6

(4) & (6) Selected per actuarial valuation at June 30, 2022, Exhibit 9

(5) Based on the selected % for reinsurance non-performance under IFRS 17

Section 2
Exhibit 7A

Canadian Lawyers Liability Assurance Society
Selection of Investment Assumptions
Summary of Investment Portfolio as at December 31, 2021

	(1) Market Value	(2) Average Duration	(3) Number of Investments	(4) Number of Issuers	(5) S&P Credit Rating	(6) IFRS 9 Classification
Cash	3,533,877					
Short-Term Investments						
Canadian Imperial Bank BA	2,394,140	0.06	2		A-1	Available for Sale
Toronto Dominion Bank BA	2,453,767	0.13	2		A-1+	Available for Sale
Canada Treasury Bills	6,513,578	0.09	5		A-1+	Available for Sale
Subtotal	11,361,485	0.093	9	3		
Long-Term Investments						
Canada Housing Trust	1,700,250	4.441	7		AAA	Available for Sale
Ontario Province	1,850,722	2.862	8		A+	Available for Sale
British Columbia Province	361,827	4.269	1		AA+	Available for Sale
Royal Bank of Canada	150,393	0.169	1		AA-	Available for Sale
National Bank of Canada	250,896	0.213	1		A	Available for Sale
Wells Fargo	360,511	2.814	2		BBB+	Available for Sale
Toronto Dominion Bank	564,002	1.951	3		AA-	Available for Sale
CIBC	263,818	3.243	1		A+	Available for Sale
Bank of Nova Scotia	311,205	4.646	2		A+	Available for Sale
Bank of Montreal	156,097	4.657	1		A+	Available for Sale
Bell Canada	74,041	6.000	1		BBB+	Available for Sale
Subtotal	6,043,762	3.319	28	11		
Canadian Equities	0	0	0	0		
Non-Canadian Investments	0	0	0	0		
Total	20,939,124	1.213	37	14		

Notes

(1) From financial statements as at December 31, 2021

(2) Total Duration excludes Cash

(5) Credit Rating as at August 2022

(6) Classification from Annual Return as at December 31, 2021

**Section 2
Exhibit 7B**

**Canadian Lawyers Liability Assurance Society
Selection of Investment Return Assumptions
Risk-Free Real Rate of Return**

Year	Year	(1a) Government of Canada Yield Curve Maturity 0.25 Years	(1b) Government of Canada Yield Curve Maturity 3.25 Years	(1c) Difference
1986	36	8.44%	8.51%	0.07%
1987	35	8.63%	9.61%	0.98%
1988	34	11.01%	10.12%	-0.89%
1989	33	11.88%	9.88%	-2.00%
1990	32	11.00%	10.22%	-0.78%
1991	31	7.07%	7.43%	0.36%
1992	30	7.10%	7.17%	0.06%
1993	29	4.01%	5.18%	1.17%
1994	28	7.17%	8.78%	1.60%
1995	27	5.68%	6.20%	0.53%
1996	26	2.86%	5.05%	2.19%
1997	25	4.08%	5.26%	1.18%
1998	24	4.73%	4.73%	0.00%
1999	23	4.95%	6.11%	1.17%
2000	22	5.57%	5.24%	-0.33%
2001	21	1.98%	4.08%	2.10%
2002	20	2.69%	3.56%	0.87%
2003	19	2.67%	3.50%	0.84%
2004	18	2.51%	3.33%	0.82%
2005	17	3.48%	3.85%	0.37%
2006	16	4.23%	3.92%	-0.31%
2007	15	3.89%	3.80%	-0.09%
2008	14	0.78%	1.46%	0.68%
2009	13	0.12%	2.23%	2.11%
2010	12	1.07%	2.03%	0.97%
2011	11	0.86%	1.08%	0.22%
2012	10	0.96%	1.26%	0.30%
2013	9	1.03%	1.47%	0.43%
2014	8	0.93%	1.13%	0.20%
2015	7	0.50%	0.56%	0.05%
2016	6	0.45%	0.94%	0.49%
2017	5	1.05%	1.78%	0.73%
2018	4	1.66%	1.87%	0.21%
2019	3	1.67%	1.68%	0.01%
2020	2	0.09%	0.30%	0.21%
2021	1	0.18%	1.16%	0.98%
*2022-07		2.67%	2.89%	0.22%
(2) Simple Average				
	Last 36 years	3.80%	4.29%	0.49%
	Last 20 years	1.54%	2.05%	0.50%
	Last 15 years	1.02%	1.52%	0.50%
	Last 5 years	0.93%	1.36%	0.43%

(3) Selected Mean Nominal Yield (Risk-Free) **1.50%** **2.00%** **0.50%**

(4) Selected Mean Inflation Rate **2.00%** **2.00%**

(5) Selected Mean Real Return (Risk-Free) **-0.50%** **0.00%** **0.50%**

Real Bond Returns (Risk-Free)

2-Year Mean-Reverting Autoregressive Model

Based on Last 33 Years

	Maturity of 0.25 years (6) Indicated Parameters	(7) Selected Parameters
Mean	3.80%	-0.50%
Weight on prior year	81.66%	82.00%
Weight on second prior year	5.80%	6.00%
Mean of Residuals	0.00%	0.00%
Standard Deviation of Residuals	1.51%	0.25%
Selected Minimum		-2.00%
Selected Maximum		2.00%

Notes

(1) from Bank of Canada. Accessed August 2022

(1a) Maturity of 0.25 years selected based on average maturity of 0.093 years for Short-Term Investments as at December 31, 2021

(1b) Maturity of 4.00 years selected based on average maturity of 3.319 years for Long-Term Investments as at December 31, 2021

(1c) = (1b) - (1a)

(2) Excludes 2022-07

(3) Selected based on actuarial judgment

(4) = From Exhibit 7C, Col. (5)

(5) = (3) - (4)

(6) Indicated parameters based on least-squares regressions for AR(2) model

(7) Selected based on actuarial judgment

**Section 2
Exhibit 7C**

**Canadian Lawyers Liability Assurance Society
Selection of Investment Return Assumptions
General Inflation**

Year	Year	(1) Consumer Price Index (Canada) All Items	(2) Year-over-year changes
1919	104	9.8	n/a
...
1982	41	55.4	11.0%
1983	40	58.4	5.4%
1984	39	60.8	4.1%
1985	38	63.3	4.1%
1986	37	65.9	4.1%
1987	36	68.9	4.6%
1988	35	71.6	3.9%
1989	34	75.4	5.3%
1990	33	78.5	4.1%
1991	32	83.2	6.0%
1992	31	84.2	1.2%
1993	30	85.6	1.7%
1994	29	85.7	0.1%
1995	28	87.9	2.6%
1996	27	89.0	1.3%
1997	26	90.5	1.7%
1998	25	91.4	1.0%
1999	24	93.1	1.9%
2000	23	95.8	2.9%
2001	22	98.4	2.7%
2002	21	100.5	2.1%
2003	20	102.6	2.1%
2004	19	105.0	2.3%
2005	18	107.1	2.0%
2006	17	109.6	2.3%
2007	16	112.0	2.2%
2008	15	115.8	3.4%
2009	14	114.7	-0.9%
2010	13	116.8	1.8%
2011	12	120.0	2.7%
2012	11	121.5	1.3%
2013	10	123.1	1.3%
2014	9	125.7	2.1%
2015	8	127.3	1.3%
2016	7	128.9	1.3%
2017	6	130.4	1.2%
2018	5	134.3	3.0%
2019	4	137.0	2.0%
2020	3	137.2	0.1%
2021	2	142.3	3.7%
2022	1	153.1	7.6%

(3) Simple Average

Last 100 years	2.9%
Last 50 years	4.0%
Last 30 years	2.0%
Last 15 years	2.1%

1-Year Mean-Reverting Autoregressive Model	(4) Indicated Parameters	(5) Selected Parameters
Based on Last 30 Years		
Mean	2.0%	2.00%
Weight on prior year	12.9%	15.00%
Mean of Residuals	0.0%	0.00%
Standard Deviation of Residuals	1.4%	1.50%
Selected Minimum		-1.00%
Selected Maximum		8.00%

Notes

(1) From Table: 18-10-0004-01 (formerly CANSIM 326-0020); August 17, 2022

(2) = (1) / [(1) Previous Year]

(4) Indicated parameters based on least-squares regressions for AR(1) model

(5) Selected based on actuarial judgment

Section 2
Exhibit 7D

Canadian Lawyers Liability Assurance Society
Selection of Investment Assumptions
Yield Spreads and Investment Management Expenses

	(1a)	(1b)	(1c)	(1d)	(1e)
	U.S. Corporate Bond Spread by Credit Rating				
	All Remaining Terms to Maturity				
Year	AAA	AA	A	BBB	CLLAS-Weighted
Weight	28.1%	17.8%	46.9%	7.2%	100.0%
1996	0.30%	0.42%	0.57%	0.83%	0.49%
1997	0.42%	0.51%	0.66%	0.93%	0.59%
1998	0.62%	0.74%	1.02%	1.71%	0.91%
1999	0.75%	0.83%	1.01%	1.53%	0.94%
2000	0.98%	1.30%	1.86%	2.66%	1.57%
2001	0.70%	0.86%	1.44%	2.22%	1.18%
2002	1.02%	0.81%	1.33%	2.70%	1.25%
2003	0.61%	0.48%	0.68%	1.30%	0.67%
2004	0.55%	0.54%	0.68%	1.13%	0.65%
2005	0.61%	0.64%	0.84%	1.21%	0.77%
2006	0.56%	0.61%	0.84%	1.22%	0.75%
2007	1.22%	1.68%	1.96%	2.45%	1.74%
2008	3.43%	4.19%	5.62%	7.84%	4.91%
2009	0.77%	1.19%	1.69%	2.48%	1.40%
2010	0.66%	1.10%	1.51%	2.11%	1.24%
2011	0.87%	1.67%	2.35%	3.15%	1.87%
2012	0.64%	0.89%	1.20%	2.04%	1.05%
2013	0.60%	0.70%	0.95%	1.74%	0.86%
2014	0.65%	0.84%	1.07%	1.98%	0.98%
2015	0.75%	0.97%	1.25%	2.41%	1.14%
2016	0.71%	0.80%	1.04%	1.66%	0.95%
2017	0.54%	0.56%	0.77%	1.28%	0.70%
2018	0.78%	0.87%	1.24%	2.02%	1.10%
2019	0.52%	0.53%	0.76%	1.30%	0.69%
2020	0.55%	0.63%	0.79%	1.30%	0.73%
2021	0.51%	0.62%	0.78%	1.21%	0.71%
(2) Simple Average	0.78%	0.96%	1.30%	2.02%	1.15%
(3) Average Excl. Min/Max	0.69%	0.85%	1.16%	1.82%	1.02%
(4) Standard Deviation	0.57%	0.74%	0.99%	1.34%	0.84%
(5) Minimum	0.30%	0.42%	0.57%	0.83%	0.49%
(6) Maximum	3.43%	4.19%	5.62%	7.84%	4.91%

(7) Selected Credit Spread Distribution

(7a)	(7b)	(7c)
Credit Spread Range (in %)	Actual Distribution	Selected Probability
0.00% to 0.25%	0.0%	0.0%
0.25% to 0.50%	3.8%	5.0%
0.50% to 0.75%	30.8%	25.0%
0.75% to 1.00%	23.1%	25.0%
1.00% to 1.25%	23.1%	25.0%
1.25% to 1.50%	3.8%	5.0%
1.50% to 1.75%	7.7%	5.0%
1.75% to 2.00%	3.8%	5.0%
2.00% and +	3.8%	5.0%
Total	100.0%	100.0%

	Long-Term	Short-Term	(50% of average spread selected for Long-Term Investments)
Average spread selected for Investments	1.02%	0.51%	
Selected Minimum	0.25%	0.125%	
Selected Maximum	2.00%	1.00%	

(8) Investment Management Expense Ratio

(8a) Investment Management Expenses - Calendar Year 2021	49,087
(8b) Average Invested Assets (Excl. Cash) - Calendar Years 2020 and 2021	18,098,500
(8c) Indicated Ratio	0.27%
(8d) Selected Ratio	0.25%

Notes

(1a) to (1d) from Federal Reserve Bank of St. Louis Economic Research. Merrill Lynch U.S. Corporate Option-Adjusted Spreads.

<<https://research.stlouisfed.org/fred2/series/BAMLC0A1CAAA>>. Accessed August 2022.

<<https://research.stlouisfed.org/fred2/series/BAMLC0A2CAA>>. Accessed August 2022.

<<https://research.stlouisfed.org/fred2/series/BAMLC0A3CA>>. Accessed August 2022.

<<https://research.stlouisfed.org/fred2/series/BAMLC0A4CBBB>>. Accessed August 2022.

(1e) = (1a) to (1d) weighted based on August 2022 credit rating distribution of Long-Term Investments (to the closest credit rating)

(7a) and (7b) based on (1e); (7c) selected based on actuarial judgment

(8a) and (8b) From CLLAS internal financial statements as at December 31, 2021

(8c) = (8a) / (8b)

(8d) = Selected based on actuarial judgment

Section 2
Exhibit 7E

Canadian Lawyers Liability Assurance Society
Selection of Investment Assumptions
Default Rates

Year	(1a)	(1b)	(1c)	(1d)	(2)
	Default Rate by S&P Credit Rating				CLLAS Portfolio Weighted
	AAA	AA	A	BBB	
1981	--	--	--	--	--
1982	--	--	0.21%	0.35%	0.07%
1983	--	--	--	0.34%	0.01%
1984	--	--	--	0.68%	0.02%
1985	--	--	--	--	--
1986	--	--	0.18%	0.34%	0.06%
1987	--	--	--	--	--
1988	--	--	--	--	--
1989	--	--	0.18%	0.61%	0.07%
1990	--	--	--	0.58%	0.01%
1991	--	--	--	0.55%	0.01%
1992	--	--	--	--	--
1993	--	--	--	--	--
1994	--	--	0.14%	--	0.04%
1995	--	--	--	0.17%	0.00%
1996	--	--	--	--	--
1997	--	--	--	0.25%	0.01%
1998	--	--	--	0.41%	0.01%
1999	--	0.17%	0.18%	0.20%	0.16%
2000	--	--	0.27%	0.37%	0.09%
2001	--	--	0.27%	0.34%	0.09%
2002	--	--	--	1.02%	0.03%
2003	--	--	--	0.23%	0.01%
2004	--	--	0.08%	--	0.02%
2005	--	--	--	0.07%	0.00%
2006	--	--	--	--	--
2007	--	--	--	--	--
2008	--	0.38%	0.39%	0.49%	0.35%
2009	--	--	0.22%	0.55%	0.08%
2010	--	--	--	--	--
2011	--	--	--	0.07%	0.00%
2012	--	--	--	--	--
2013	--	--	--	--	--
2014	--	--	--	--	--
2015	--	--	--	--	--
2016	--	--	--	0.06%	0.00%
2017	--	--	--	--	--
2018	--	--	--	--	--
2019	--	--	--	0.11%	0.00%
2020	--	--	--	--	--
2021	--	--	--	--	--
(3) Simple Average	--	0.01%	0.05%	0.19%	0.03%
(4) Standard Deviation	--	0.06%	0.10%	0.25%	0.06%
(5) Minimum	--	--	--	--	--
(6) Maximum	--	0.38%	0.39%	1.02%	0.35%
(7) One-Year Correlation	--	-4.56%	23.66%	29.37%	15.32%
(8) CLLAS Investments	1,700,250	10,043,567	5,226,878	434,552	17,405,247
(9) Proportion (%)	9.77%	57.70%	30.03%	2.50%	100.00%

(10) Selected Default Rate Distribution

Selected probability of default
on at least one investment

0.50%

1/200

Default on accounts receivable

Average

0.50%

Maximum

2.00%

Probability	Cumulative Probability	Default Rate
99.5000%	99.5000%	0%
0.2502%	99.7502%	10%
0.1251%	99.8754%	20%
0.0626%	99.9379%	30%
0.0313%	99.9692%	40%
0.0156%	99.9848%	50%
0.0078%	99.9927%	60%
0.0039%	99.9966%	70%
0.0020%	99.9985%	80%
0.0010%	99.9995%	90%
0.0005%	100.0000%	100%
Average Default Rate		0.0995%

Notes

(1) From Standard and Poor's 2021 Annual Global Corporate Default Study and Rating Transitions (April 13, 2022), Table 3

<<https://www.spglobal.com/ratings/en/research/articles/220413-default-transition-and-recovery-2021-annual-global-corporate-default-and-rating-transition-study>

(2) = (1), weighted according to (9)

(8) From Exhibit 7A

(9) = (8) / [(8) Total]

(10) Selected based on actuarial judgment; 0% default rate with probability of 1/200 years; probability of 10% to 100% of investments defaulting with geometrically decreasing probability of 50%.

Section 2
Exhibit 7F

Canadian Lawyers Liability Assurance Society
Selection of Investment Assumptions
Recovery Rates

	(1) Recovery Rate
Year	All Bonds
1983	44.50%
1984	45.50%
1985	43.60%
1986	47.20%
1987	51.30%
1988	38.50%
1989	32.50%
1990	25.80%
1991	35.50%
1992	45.90%
1993	43.10%
1994	45.60%
1995	43.30%
1996	41.50%
1997	47.60%
1998	38.30%
1999	34.30%
2000	25.30%
2001	21.80%
2002	30.00%
2003	40.80%
2004	58.50%
2005	56.50%
2006	55.00%
2007	57.40%
2008	34.10%
2009	33.90%
2010	51.10%
2011	46.70%
2012	44.50%
2013	46.20%
2014	48.50%
2015	41.10%
2016	36.70%
2017	56.10%
2018	51.40%
2019	41.30%
2020	38.40%
2021	53.60%
(2) Simple Average	42.9%
(3) Standard Deviation	9.1%
(4) Minimum	21.8%
(5) Maximum	58.5%

(6) Selected Recovery Rate

40%

Notes

(1) From Moody's Corporate Global Annual Default Study
(February 8, 2022), Exhibit 27

(6) Selected based on actuarial judgment

Section 2
Exhibit 8A

Canadian Lawyers Liability Assurance Society
Selection of Reinsurance Rate Change Assumptions

(1a) Range of Reinsurance Rate Change			(2a) Probability	(3a) Average in Range
-10%	to	-5%	2.50%	-7.5%
-5%	to	0%	7.50%	-2.5%
		0%	12.50%	0.0%
0%	to	5%	18.00%	2.5%
5%	to	10%	18.00%	7.5%
10%	to	15%	18.00%	12.5%
15%	to	20%	15.00%	17.5%
20%	to	25%	5.00%	22.5%
25%	to	30%	2.00%	27.5%
30%	to	35%	1.00%	32.5%
35%	to	40%	0.30%	37.5%
40%	to	45%	0.10%	42.5%
45%	to	50%	0.10%	47.5%
Total			100.00%	8.5%

(4a) 2022/2023 Reinsurance Premium

13,321,983

(5a) Minimum reinsurance rate change for the next

-25%

(6a) Maximum reinsurance rate change for the next

75%

Notes

(1) to (3) Selected distribution based on judgment

(4) Provided by CLLAS, including cyber reinsurance premium

(5) & (6) Selected based on judgment

Section 2
Exhibit 8B

Canadian Lawyers Liability Assurance Society
Selection of Reinsurance Default Assumptions
(Proportional Reinsurance Excluding Colchester)

Reinsurance Group*	Most Important Reinsurers with the Largest Liability as at December 31, 2021 (Proportional Reinsurance)	(1) Proportion of Current Liability	(2) Expected Proportion of Future Liability	(3) Selected Proportion of Liability	(4) Status in Canada	(5) A.M. Best Financial Strength Rating (FSR)	(6) (7) (8) Historical Default Rate by Credit Rating 1 Year 15 Years Annualized			(9) Selected Probability of Default/Dispute
1	Underwriters at Lloyds	78.4%	57.1%	70.0%	Registered Insurer	A+	0.06%	3.98%	0.27%	0.35%
2	Allianz Global Risks	10.8%	4.8%	7.0%	Registered Insurer	AA	0.00%	0.09%	0.01%	0.01%
3	AXIS Re	7.5%	6.4%	7.0%	Registered Insurer	A+	0.06%	3.98%	0.27%	0.35%
4	CNA Canada	2.0%	--	1.0%	Registered Insurer	A+	0.06%	3.98%	0.27%	0.35%
5	Others	1.3%	31.7%	15.0%	Registered & Unregistered		--	--	--	0.50%
Total		100%	100%	100%			0.06%	3.66%	0.21%	0.35%
6	Colchester									0.00%
Average of Groups 1 to 4										0.35%
Registered Reinsurers			76.2%							
Unregistered Reinsurers (excluding Colchester)			0.1%							
Colchester			23.8%							
			100.0%							

(10) Selected Default/Dispute Rate Correlation Between Reinsurers

20%

(11) Selected Default/Dispute Rate for Replacement Reinsurers in Event of Default

0.500%

(12) Selected Recovery Rate

40%

Notes

* Five groups of reinsurers are used for probability of default/dispute modeling.

It is assumed that Colchester's probability of default/dispute is 0%.

(1) Based on liability as at December 31, 2021

(2) Based on calendar year premium

(3) Based on judgment

(5) From November 2021 CLLAS Report on Reinsurance Security

(6) and (7) From A.M. Best Impairment Rate and Rating Transition Study - 1977 to 2020, Exhibit 3

(8) = $1 - [1 - (6)]^{(1/15)}$

(9) Selected based on actuarial judgment to include the risk of default, downgrade and dispute

Group 5 selection based on judgment

Colchester: We assume a 0% Probability of Default/Dispute

(10) Based on A.M. Best's Securitization of Reinsurance Recoverables (June 16, 2011), Exhibit 6 and Actuarial Judgment.

(11) Selected based on actuarial judgment

(12) Selected based on actuarial judgment

Section 2
Exhibit 9A

Canadian Lawyers Liability Assurance Society
Selection of Operational Risk Assumptions - Operational Risk Loss Data for Banks

(1) Industry Distribution by Loss Range (Events in Excess of €20,000 Only)	(1a)	(1b)	(1c)	(1d) Selected Average Loss in Range
	Frequency in Loss Range			
Range	2012 to 2016	2017	2012-2017	
€ 20,000 to € 50,000	55.5%	62.6%	56.7%	€ 35,000
€ 50,000 to € 100,000	21.4%	19.2%	21.0%	€ 75,000
€ 100,000 to € 500,000	18.4%	14.7%	17.8%	€ 300,000
€ 500,000 to € 1,000,000	2.2%	1.7%	2.1%	€ 750,000
€ 1,000,000 to € 5,000,000	1.8%	1.4%	1.7%	€ 3,000,000
€ 5,000,000 to € 10,000,000	0.3%	0.2%	0.3%	€ 7,500,000
€ 10,000,000 and over	0.4%	0.2%	0.4%	€ 81,500,000
Total	100.0%	100.0%	100.0%	€ 476,923

(2) Selected CLLAS Distribution by Loss Range (as a % of Gross Premium)

(2a) Selected CLLAS Average Loss as a % of Gross Premium	0.40%	(2b)	(2c)
		Selected Frequency in Loss Range	Selected Average Loss in Range
Range			
0.04% to 0.10%		55.0%	0.07%
0.10% to 0.19%		20.0%	0.14%
0.19% to 0.95%		20.0%	0.57%
0.95% to 1.90%		2.5%	1.43%
1.90% to 9.50%		2.0%	5.70%
9.50% to 19.00%		0.5%	14.25%
19.00% and over		0.0%	19.00%
Total		100.0%	0.40%

(3) Industry Average Total Loss Cost as a % of Gross Income (2012-2017) 2.43%

(4) Selected CLLAS Total Loss Cost as a % of Gross Premium

	(4a)	(4b)	(4a) Indicated	(4b) Adjustment	(4c) Selected % of Total
Frequency of Loss Events by Event Type	2013	2008 to 2012	2012 to 2017	Factor	
Internal fraud	2.9%	2.1%	1.7%	1.000	1.7%
External fraud	29.3%	28.8%	27.6%	0.150	4.1%
Employment practices and workplace safety	9.6%	19.5%	16.5%	0.000	0.0%
Clients, products and business practices	19.4%	18.9%	21.1%	0.250	5.3%
Disasters and public safety	1.4%	1.3%	1.1%	1.000	1.1%
Technology and infrastructure failures	2.0%	1.3%	1.4%	1.000	1.4%
Executing, delivery and process management	35.4%	28.1%	30.5%	0.250	7.6%
Total	100.0%	100.0%	100.0%		21.3%

(4d) Indicated CLLAS Total Loss Cost as a % of Gross Premium 0.52%

(4e) Selected CLLAS Total Loss Cost as a % of Gross Premium **0.50%**

(4f) Selected CLLAS Average Number of Events **1.25**

Notes

(1a) and (1b) From 2018 ORX Report on Operational Risk Loss Data for Banks

(1c) = $5/6 \times (1a) + 1/6 \times (1b)$

(1d) Middle of range; range and average loss size for range €10,000,000 was selected based on actuarial judgment to arrive close to the average loss of €476,156.

(2a) Selected based on actuarial judgment

(2b) Selected based on (1c)

(2c) Ranges and average values normalized based on (2a)

(3) From 2018 ORX Report on Operational Risk Loss Data for Banks.

(4a) From 2018 ORX Report on Operational Risk Loss Data for Banks

(4b) Selected based on actuarial judgment; external fraud frequency reduced to as data reflects a high proportion of external fraud events from retail banking; the loss frequency for other categories was reduced to reflect the nature and complexity of the Reciprocal's operations.

(4c) = $(4a) \times (4b)$

(4d) = $(3) \times (4c)$

(4e) Selected based on actuarial judgment

(4f) = $(4e) / (2a)$

Section 2
Exhibit 9B

Canadian Lawyers Liability Assurance Society
Selection of Operational Risk Assumptions - Operational Risk Loss Data for Insurers

(1) Industry Distribution by Loss Range (Events in Excess of €50,000 Only)	(1a)	(1b)	(1c)	(1d)
	Frequency in Loss Range			Selected Average Loss in Range
Range	2012 to 2016	2017	2012-2017	
€ 50,000 to € 100,000	40.0%	40.8%	40.1%	€ 75,000
€ 100,000 to € 250,000	31.2%	32.7%	31.5%	€ 175,000
€ 250,000 to € 500,000	12.4%	12.3%	12.4%	€ 375,000
€ 500,000 to € 1,000,000	7.4%	7.3%	7.4%	€ 750,000
€ 1,000,000 to € 5,000,000	6.6%	5.2%	6.4%	€ 3,000,000
€ 5,000,000 to € 10,000,000	1.1%	0.6%	1.0%	€ 7,500,000
€ 10,000,000 and over	1.3%	1.1%	1.3%	€ 20,000,000
Total	100.0%	100.0%	100.0%	€ 707,533

(2) Selected CLLAS Distribution by Loss Range (as a % of Gross Premium)

(2a) Selected CLLAS Average Loss as a % of Gross Premium	0.40%	(2b)	(2c)
		Selected Frequency in Loss Range	Selected Average Loss in Range
Range			
0.04% to 0.07%		40.0%	0.06%
0.07% to 0.18%		32.0%	0.13%
0.18% to 0.37%		12.5%	0.28%
0.37% to 0.74%		7.5%	0.55%
0.74% to 3.68%		6.0%	2.21%
3.68% to 7.35%		1.0%	5.51%
7.35% and over		1.0%	7.35%
Total		100.0%	0.40%

(3) Industry Average Total Loss Cost as a % of Gross Income (2012-2017) 0.16%

(4) Selected CLLAS Total Loss Cost as a % of Gross Premium

	(4a)	(4b)	(4a)	(4b)	(4c)
Frequency of Loss Events by Event Type	2013	2008 to 2012	Indicated 2012 to 2017	Adjustment Factor	Selected % of Total
Internal fraud	2.9%	2.1%	7.9%	1.000	7.9%
External fraud	29.3%	28.8%	11.2%	0.100	1.1%
Employment practices and workplace safety	9.6%	19.5%	8.4%	0.000	0.0%
Clients, products and business practices	19.4%	18.9%	18.1%	0.250	4.5%
Damage to physical assets	1.4%	1.3%	0.7%	1.000	0.7%
System failure	2.0%	1.3%	6.1%	1.000	6.1%
Executing, delivery and process management	35.4%	28.1%	47.6%	0.250	11.9%
Total	100.0%	100.0%	100.0%		32.2%

(4d) Indicated CLLAS Total Loss Cost as a % of Gross Premium 0.05%

(4e) Selected CLLAS Total Loss Cost as a % of Gross Premium **0.10%**

(4f) Selected CLLAS Average Number of Events **0.25**

Notes

(1a) and (1b) From 2018 ORX Report on Operational Risk Loss Data for Insurers

(1c) = $5/6 \times (1a) + 1/6 \times (1b)$

(1d) Middle of range; range and average loss size for range €10,000,000 was selected based on actuarial judgment to arrive close to the average loss of €703,947.

(2a) Selected based on actuarial judgment

(2b) Selected based on (1c)

(2c) Ranges and average values normalized based on (2a)

(3) From 2018 ORX Report on Operational Risk Loss Data for Insurers.

(4a) From 2018 ORX Report on Operational Risk Loss Data for Insurers

(4b) Selected based on actuarial judgment; external fraud frequency reduced to as data reflects a high proportion of external fraud events from retail banking; the loss frequency for other categories was reduced to reflect the nature and complexity of the Reciprocal's operations.

(4c) = $(4a) \times (4b)$

(4d) = $(3) \times (4c)$

(4e) Selected based on actuarial judgment

(4f) = $(4e) / (2a)$

Section 2
Exhibit 9C

Canadian Lawyers Liability Assurance Society
Selected Operational Risk Assumptions

(1) Selected CLLAS Average Number of Events

0.75

(2) Selected CLLAS Distribution by Loss Range (as a % of Gross Premium)

Range	(2a) Selected Frequency in Loss Range	(2b) Selected Average Loss in Range
0.04% to 0.07%	40.0%	0.06%
0.07% to 0.18%	32.0%	0.13%
0.18% to 0.37%	12.5%	0.28%
0.37% to 0.74%	7.5%	0.55%
0.74% to 3.68%	6.0%	2.21%
3.68% to 7.35%	1.0%	n/a
7.35% and over	1.0%	n/a
Total	100.0%	0.27%

(3) Selected CLLAS Total Loss Cost as a % of Gross Premium

0.30%

Notes

(1) = Average of Exhibit 9A, Line (4f) and Exhibit 9B, Line (4f)

(2) = Exhibit 9B, Table (2)

(3) = (1) x [(2) Selected Average]

Section 2
Exhibit 10

Canadian Lawyers Liability Assurance Society
Cyber Losses Assumptions*

(1) Selected Average Number of Cyber Claims

1.50

(2) Selected Severity Distribution

Event type	Distribution	Severity		
		Low	Mid	High
Business Email Compromise	24%	55,000	105,000	122,500
Extortion / Ransomware	19%	175,000	350,000	2,250,000
Computer and Social Engineering Fraud	19%	50,000	100,000	500,000
Privacy and Incident	36%	10,000	10,000	10,000
Third Party Liability	2%	100,000	250,000	1,000,000

(3) Probability of a Catastrophic Cyber Event with Severity between \$2,000,000 and \$10,000,000

12.5%

Notes

- (1) Selected based on information from the industry and actuarial judgment
 (2) Selected based on information from the industry and actuarial judgment
 We assume that low, mid and high severity may evenly occur
 (3) Selected based on actuarial judgment

*For simplicity purposes, we assume the following for every firm:

- Inception date: July 1, 2022
- Deductible: \$250,000
- Aggregate Limit: \$10,000,000



CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Investment Policy

Last Updated
December 7, 2021



1. PURPOSE

- 1.1. This investment policy ("Policy") sets forth the investment objectives and guidelines for the management of the investments of the Canadian Lawyers Liability Assurance Society ("CLLAS") and the conflict of interest rules applicable to the members of the Advisory Board (the "Board") of CLLAS, the employees of the Office of the General Manager (the "General Manager") directly engaged in providing services to CLLAS and the employees of the investment counsel directly engaged in providing investment services to CLLAS (the "Investment Manager"), collectively referred to as the "CLLAS Agents".
- 1.2. This policy formalizes investment-related activities that comply with the *Alberta Insurance Act* and OSFI's Guideline B-1 *Prudent Person Approach* adopted by the Alberta Superintendent of Insurance.
- 1.3. This Policy is considered to reflect the financial needs of CLLAS and the risk appetite of its subscribers and to set investment standards which a reasonably prudent person would apply to avoid undue risk of loss, maintain appropriate liquidity and obtain a reasonable return.

2. CLLAS INVESTMENT ACTIVITIES

- 2.1. The Investment Manager will invest and reinvest, with full discretion but in accordance with the provisions of this Policy, the funds of CLLAS not required for operational purposes.
- 2.2. The Investment Manager will maintain two Funds (the "Funds") for investment purposes: the Short Term Investment Fund and the Long term Investment Fund. Monies provided to the Investment Manager for investment shall be allocated to one or both of the Funds as follows:

Fund	Target Allocation	Acceptable Range
Short Term Investment Fund	40%	20% to 100%
Long Term Investment Fund	60%	0% to 80%

- 2.3. In any event, the Short Term Investment Fund must represent not less than 20% of the total market value of the two Funds at the time the monies are received by the Investment Manager, after giving effect to such allocation. Transfers between the Funds may also be made subject to the Short Term Fund being at least 20% of the market value of the two Funds at the time of transfer and after giving effect thereto.
- 2.4. Investments in the two Funds will be denominated in Canadian dollars.



2.5. The Short Term Investment Fund is restricted to investments which mature within one year.

2.5.1. Such investments are restricted to the following:

- Treasury Bills issued by the Government of Canada or by any province of Canada having a rating A or better;
- Certificates of Deposit issued by a Canadian chartered bank having a rating R-1 High or better;
- Bankers Acceptances accepted by a Canadian chartered bank having a rating of R-1 High or better; and
- Bonds issued or guaranteed by any of the above which mature in less than one year.

2.5.2. Not less than 50% of short term investments will be invested in qualifying Government of Canada or provincial securities.

2.6. The Long Term Investment Fund consists of all investments which are not designated as being part of the Short Term Investment Fund.

2.6.1. Such investments are restricted to the following:

- Securities issued or guaranteed by the Government of Canada or any province of Canada; and
- Bonds issued by corporations incorporated under the laws of Canada or any province of Canada.

2.6.2. The maximum term to maturity of any one investment shall not exceed 10 years. For greater certainty, this Fund may include short term investments of the type permitted for investment under section 2.5.1

2.6.3. Not less than 60% of the market value of this Fund shall be invested in securities issued or guaranteed by the Government of Canada or by the government of any province of Canada and all such securities must, at the time of purchase, be rated A or better.

2.6.4. Not more than 40% of the market value of this Fund may be invested in bonds issued by corporations incorporated under the laws of Canada or any province of Canada and all such bonds, at the time of purchase, are restricted to the following:

Rating	Acceptable Range
BBB	0% to 10%
A or better	0% to 40%

In any event, not more than 10% of long term investments will be invested in BBB rated corporate bonds.



- 2.7. Investments which do not meet the criteria in Sections 2.5 and 2.6 are ineligible for inclusion in the investment portfolio.
- 2.8. If the credit rating for a fixed income instrument held in the portfolio is downgraded by a debt rating agency and results in part of the portfolio falling below the minimum rating standard, the investment manager is in the first ten days to communicate a plan that will result in the security's liquidation within a reasonable period of time. If a downgrade results in a split rating (variation among rating agencies in rating an issue), the security may be held under the condition of monitoring by the investment manager and ongoing communication with CLLAS provided at least one of the ratings meets the criteria in Section 2.6.4.
- 2.9. Under IAS 39, all CLLAS investments are designated as available-for-sale and have been reported at fair market value, unless otherwise determined by the General Manager with the concurrence of CLLAS' auditor. However, effective January 1, 2023, IFRS 9 will replace IAS 39.

Under IFRS 9, the classification for financial assets is dependent on two key criteria:

- The business model within which the asset is held, and
- the contractual cash flows of the asset

CLLAS holds financial instruments to fund insurance contract liabilities and uses the proceeds from the contractual cash flows on the financial assets to settle insurance liabilities as they come due. To ensure that the contractual cash flows from the financial assets match the insurance liabilities, CLLAS undertakes buying and selling activities as required to rebalance its portfolio.

Based on this criterion, the financial instruments of CLLAS meet the required conditions to be measured at Fair Value through Other Comprehensive Income (FVOCI).

- 2.10. The investment portfolio, in aggregate, will at all times comply with the applicable regulatory requirements and restrictions. In particular, Sections 415 to 432 of the *Alberta Insurance Act* describe restrictions with respect to investments.
- 2.11. Unless otherwise required by the Board, the Investment Manager will report to CLLAS each quarter on the status of the Funds and will compare the performance of the Funds with the following benchmarks for the period covered by the report.
 - 2.11.1. The benchmark for the Short Term Investment Fund consists of 30-day Treasury Bills.
 - 2.11.2. The benchmark for the Long Term Investment Fund is a composite benchmark comprised of 60% FTSE Canada Short Term Bond Index and 40% FTSE Canada Mid Term Bond Index.



- 2.11.3. Each report shall also provide such additional information as CLLAS may reasonably require.
- 2.12. The Board will re-examine the asset mix policy periodically in light of significant changes in any of the following:
- 2.12.1. the Board becoming aware of any significant liability with respect to any claim;
 - 2.12.2. capital market prospects;
 - 2.12.3. the risk appetite of the subscribers of CLLAS;
 - 2.12.4. any changes in regulatory requirements, and
 - 2.12.5. any other factors considered relevant by the Board.
- 2.13. Nothing in this Section 2 will preclude the Chair or, in his absence, the Vice Chair, from withholding from the Investment Manager funds anticipated to be required for operational purposes and investing such funds in short term investments of the type permitted for investment under Section 2.5.1 and having maturities not exceeding 90 days.
- 2.14. The Board, in conjunction with the General Manager, will review and, if necessary, update this Policy at least annually.

3. ASSETS HELD PURSUANT TO REINSURANCE SECURITY AGREEMENTS

- 3.1. Section 3 of this Policy applies to monies held for the benefit of CLLAS pursuant to Reinsurance Security Agreements with reinsurers not licensed to do business in Canada which may be entered into by CLLAS from time to time.
- 3.2. Such Reinsurance Security Agreements must comply with the requirements of the Alberta Superintendent of Insurance. Pursuant to the terms of applicable Reinsurance Security Agreements, the market value of the deposits held pursuant to such Agreements must total not less than the amount required in the Minimum Capital Test in order to avoid any capital deduction or margin requirement as a result of CLLAS ceding risks to unlicensed reinsurers.
- 3.3. Pursuant to the terms of applicable Reinsurance Security Agreements, such deposits must be denominated in Canadian dollars and are restricted to the following:
- 3.3.1. Cash;
 - 3.3.2. Bonds and debentures issued by the Government of Canada, any province of Canada or any municipality of Canada;
 - 3.3.3. Bonds and debentures issued by a Canadian corporation, trust or limited partnership;
 - 3.3.4. Common or preferred shares in the capital of a Canadian or Provincial corporation; and
 - 3.3.5. Guaranteed investment certificates.



- 3.4. CLLAS has entered into a Loss Portfolio Transfer (“LPT”) with Colchester Reinsurance Limited. The terms of the LPT require that the assets supporting Colchester’s liabilities be held under a Reinsurance Security Agreement and that an investment policy that permits investment in securities other than Cash, T-bills, Government of Canada bonds and Canadian Provincial Government Bonds must be approved by CLLAS.

4. CONFLICTS OF INTEREST

- 4.1. No CLLAS Agent will knowingly permit his or her interest to conflict with his or her duties and powers in respect of CLLAS.
- 4.2. A conflict of interest is deemed to include any direct, indirect, actual or perceived material pecuniary interest of a CLLAS Agent in any arrangement, contract, investment, transaction or other matter in which CLLAS participates or proposes to participate. The pecuniary interest of a CLLAS Agent is deemed to include that of:
- 4.2.1. his or her spouse;
 - 4.2.2. any person with whom the CLLAS Agent is living in a relationship outside marriage;
 - 4.2.3. any member of the CLLAS Agent's family who shares his or her home; and
 - 4.2.4. any corporation or trust controlled by the CLLAS Agent or in which he or she has a substantial beneficial interest.
- 4.3. CLLAS Agents must not:
- 4.3.1. make, influence or participate in the making of any decision, if the effect or such decision is the potential furthering of the CLLAS Agent's interests;
 - 4.3.2. use material information derived from his or her status as a CLLAS Agent that has not been generally disclosed, to further the CLLAS Agent's interests; or
 - 4.3.3. accept, in connection with his or her status as a CLLAS Agent, any gift or personal benefit except those of a minor nature or as permitted by law.
- 4.4. At the earliest opportunity, each CLLAS Agent must fully disclose in writing, if practical, any conflict of interest or potential conflict of interest to the Chair or Vice Chair. The Chair or Vice Chair will record such declarations of conflict and report them to the Board at the earliest opportunity.
- 4.5. Board members in attendance at any meeting of the Board or its Committees must also declare to the Chair of the meeting any conflict or potential conflict of interest in any matter being considered at that meeting which relates to investment made pursuant to this policy and must refrain from participating in the discussion of or voting on such matter.



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

5. ROLES AND RESPONSIBILITIES

- 5.1. The Board is responsible for the following:
 - 5.1.1. Ensuring that the investments are in compliance with applicable regulatory requirements and restrictions and that the investments are managed in a prudent manner;
 - 5.1.2. Establishing investment objectives, asset allocations and performance measures;
 - 5.1.3. Reviewing and approving this Policy annually;
 - 5.1.4. Appointing and modifying or terminating the appointment of the Investment Manager;
 - 5.1.5. Reviewing the annual investment review and compliance report; and
 - 5.1.6. Reviewing changes, if any, to the investment policy for the assets supporting the LPT.
- 5.2. The General Manager is responsible for the following:
 - 5.2.1. Ensuring that the investments are in compliance with applicable regulatory requirements and restrictions and that the investments are managed in a prudent manner;
 - 5.2.2. Monitoring the Investment Manager's performance, based on the benchmarks set in this Policy, and recommending corrective actions to the Board when required;
 - 5.2.3. Monitoring compliance with this Policy;
 - 5.2.4. Maintaining a system of internal controls designed to prevent losses from inappropriate investment activities, fraud or human error;
 - 5.2.5. Filing all documentation required by the Alberta Superintendent of Insurance.
- 5.3. The Investment Manager is responsible for the following:
 - 5.3.1. Managing the day-to-day securities transactions;
 - 5.3.2. Ensuring compliance with this Policy;
 - 5.3.3. Achieving performance targets set in this Policy;
 - 5.3.4. Maintaining an appropriate level of liquidity to meet financial obligations;



- 5.3.5. Reporting to the General Manager and Board on a quarterly basis, or if warranted, on a more frequent basis on compliance with this Policy;
- 5.3.6. Providing regular reports to the Board which include a review of the current portfolio, a review of investment performance and future investment strategies.

6. AUTHORITY

- 6.1. The Board has the authority to make revisions to this Policy.
- 6.2. The Board may, at any time, modify or terminate the appointment of Investment Manager and appoint one or more investment counsel to act as an Investment Manager in its place. The Chair or, in his absence, the Vice Chair shall be responsible, in consultation with the General Manager, for the supervision of the Investment Manager.
- 6.3. The Investment Manager has the authority to purchase, sell or hold securities that will be used to meet the objectives set forth in this Policy.

7. HISTORY OF CHANGES

December 2021: The Policy was amended to allow up to 10% of long term investments to be invested in BBB Corporate Bonds.

A section was added to specify steps to be taken in the event a fixed income security held in the portfolio is downgraded by a debt rating agency causing it to fall below the minimum rating standard specified in the policy.

A section was also added to address the future transition to IRFS 9 which will replace IAS 39 on January 1, 2023. Under the new accounting standard, the financial instruments of CLLAS will be measured at FVOCI.

The benchmark for the long term fund was updated to reflect the following:

- Change in name from the DEX Indices to FTSE Canada Indices.
- In order to align with the addition of BBB bonds, the composition of the benchmark was modified to include the entire index, whereas previously it was limited to equal portions of the federal and provincial indexes only.

Other minor changes were also made.



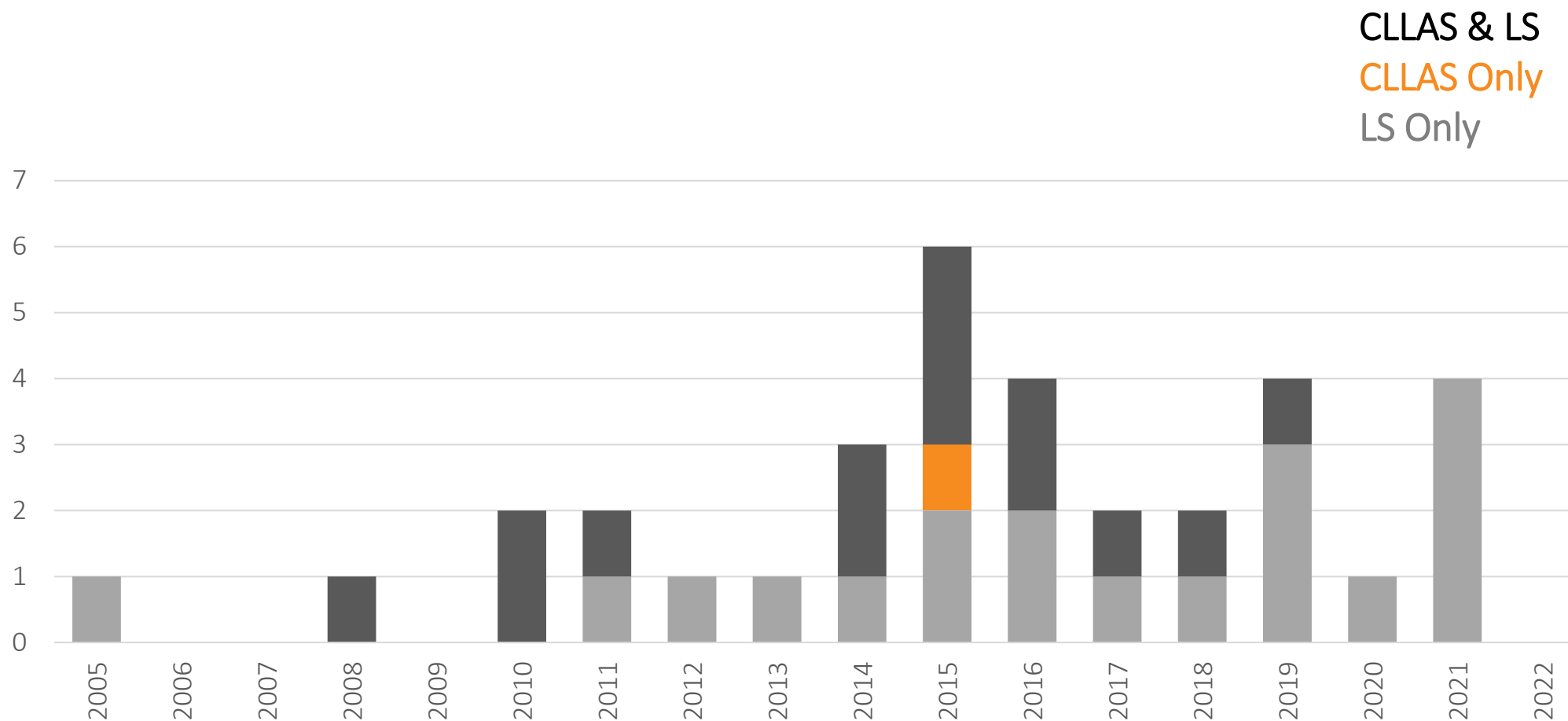
- December 2015: The Policy was amended to comply with OSFI's Guideline B-1 adopted by the Alberta Superintendent of Insurance. Notable changes include the following:
- Addition of accounting classification of investments;
 - Addition of section on the oversight of assets held pursuant to Reinsurance Security Agreements;
 - Addition of section on roles and responsibilities;
 - Addition of section on authority with respect to this Policy;
 - Addition of section on history of changes.
- Other minor changes were also made.
- December 2013: The Policy was amended to reflect CLLAS' financial profile in light of the Loss Portfolio Transfer. The following changes were adopted:
- Increasing the maximum allowable investments in corporate bonds from 20% to 40%;
 - Changing the minimum for federal and provincial bonds to 60% in the Long Term Investment Fund;
 - Adding a benchmark for the Short-Term Investment Fund.
- May 2012: The Policy was amended to restrict all investments based on applicable regulatory requirements and restrictions. The reporting frequency was clarified to be on a quarterly basis. Other minor stylistic changes were made.
- October 2008: The benchmark for the Long-Term Fund was changed from Scotia McLeod's Short Term Bond Index and Provincial Short Term Bond Index to 60% DEX short-term index and 40% DEX mid-term index.
- Prior: Prior revisions to this Policy date from 2001.



Canadian Lawyers Liability Assurance Society

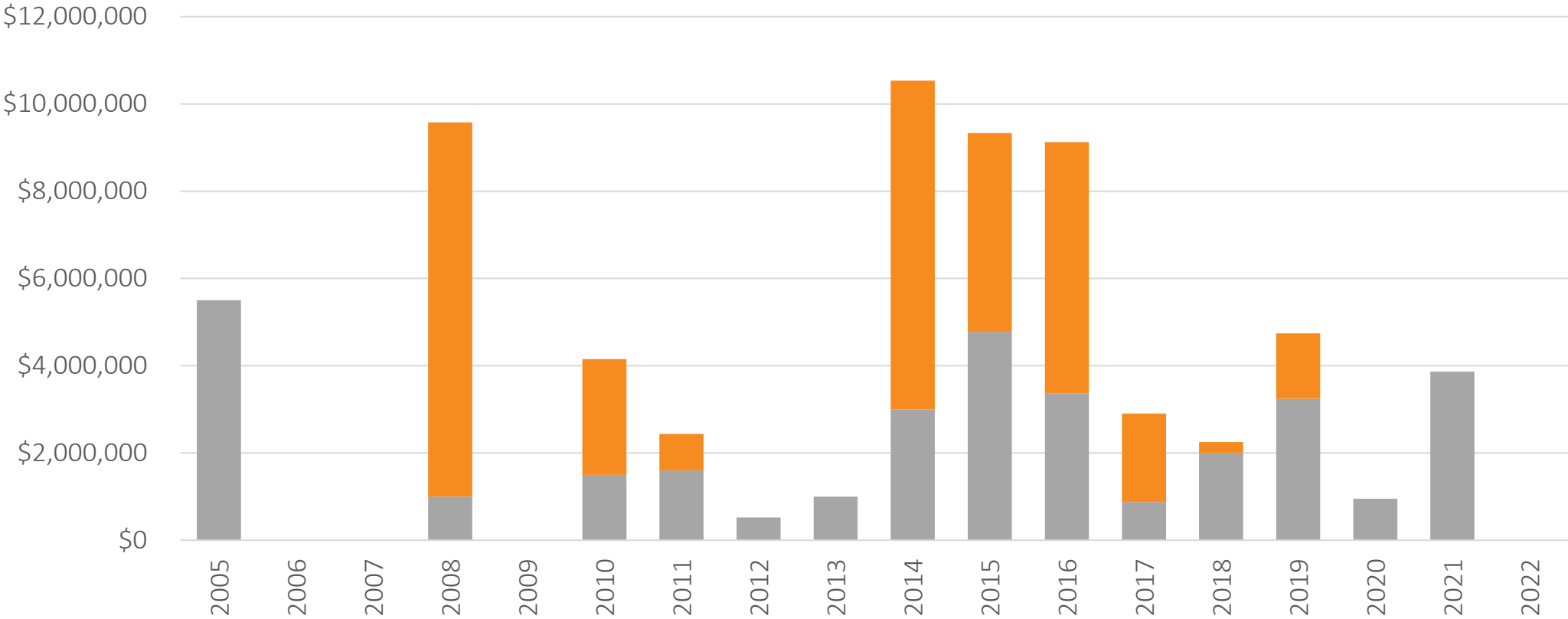
Open Large Loss Claims Summary as at September 30, 2022

Number of Claims by Insurer

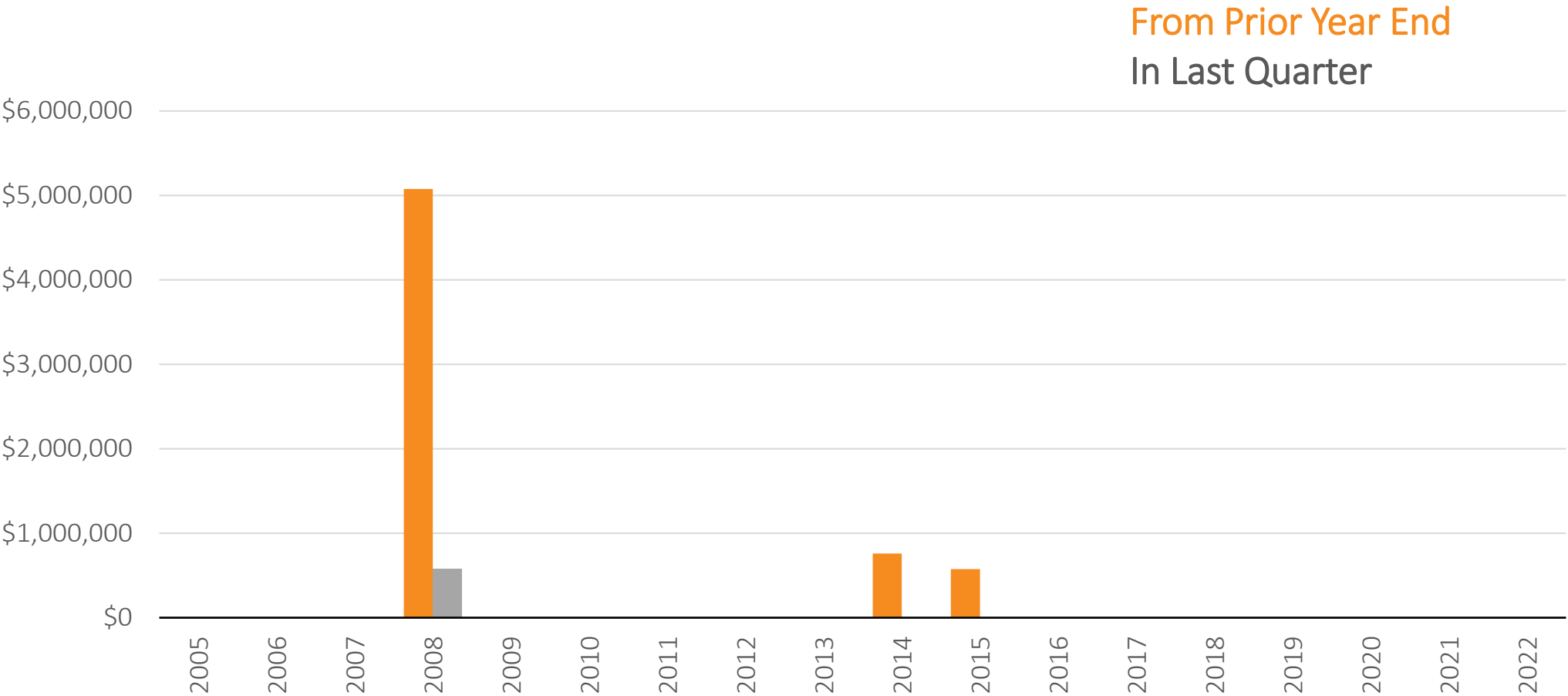


Incurred Amounts by Insurer

LS - **CLLAS**

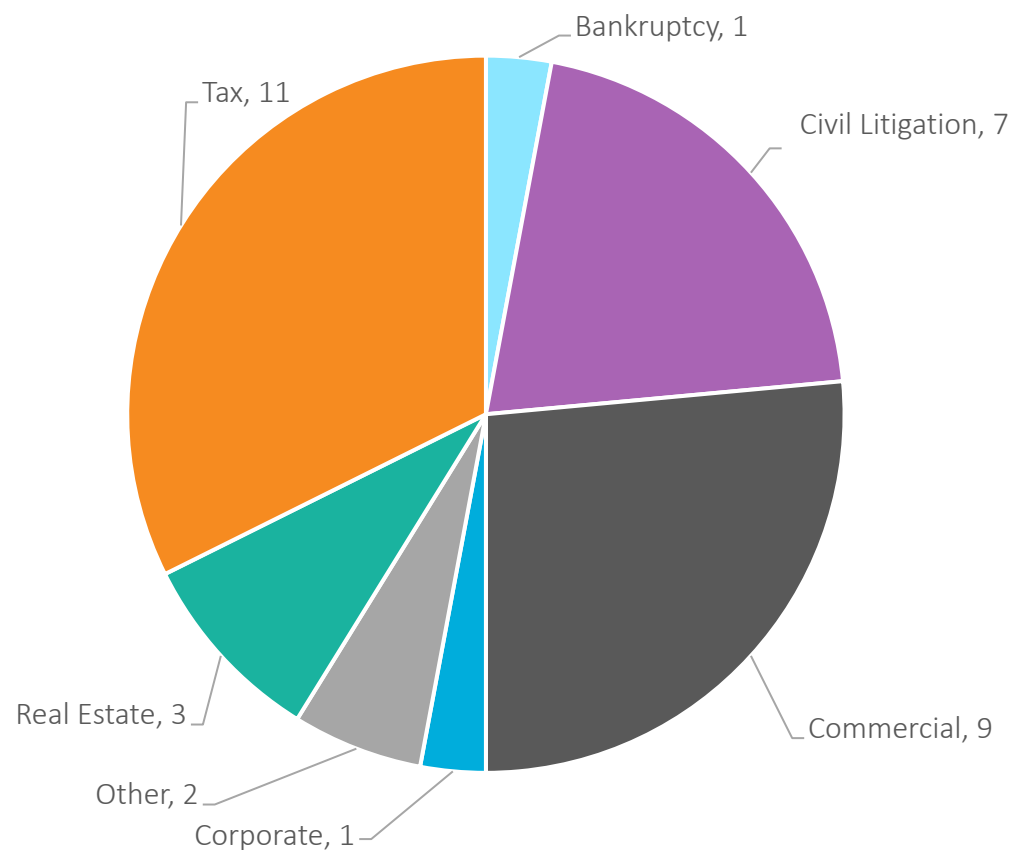


Change in Incurred Amounts (CLLAS)

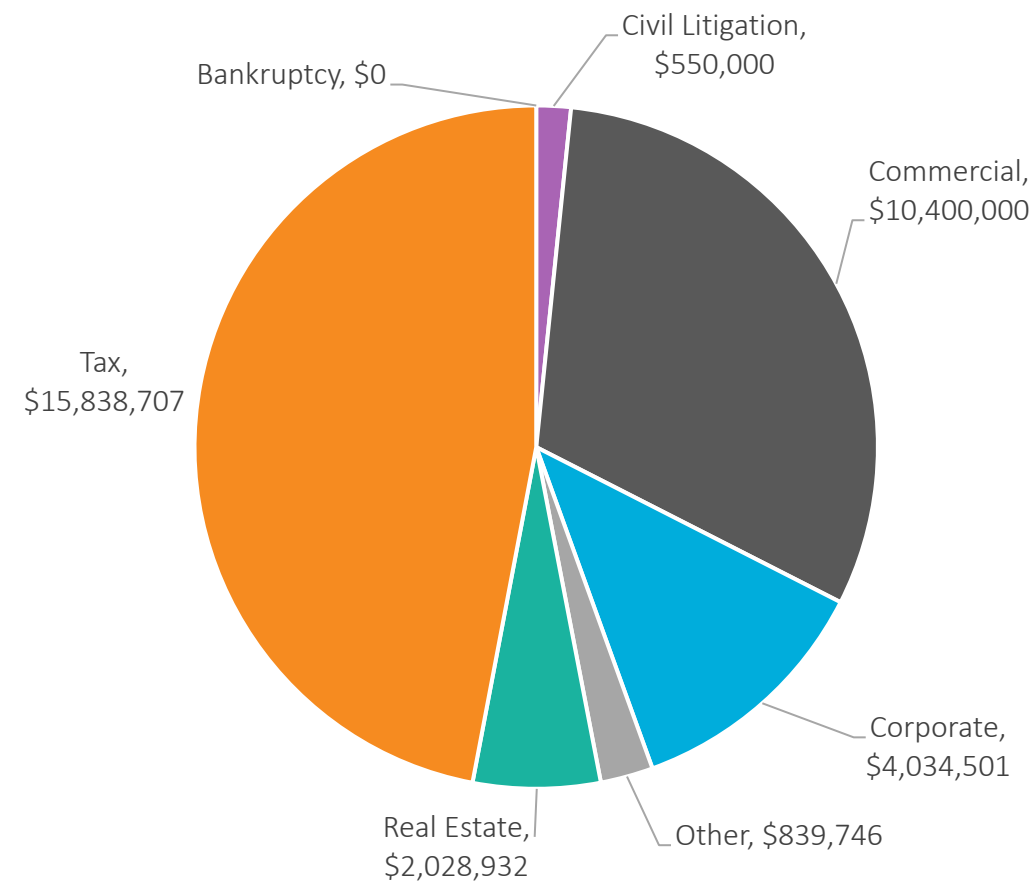


By Area of Law

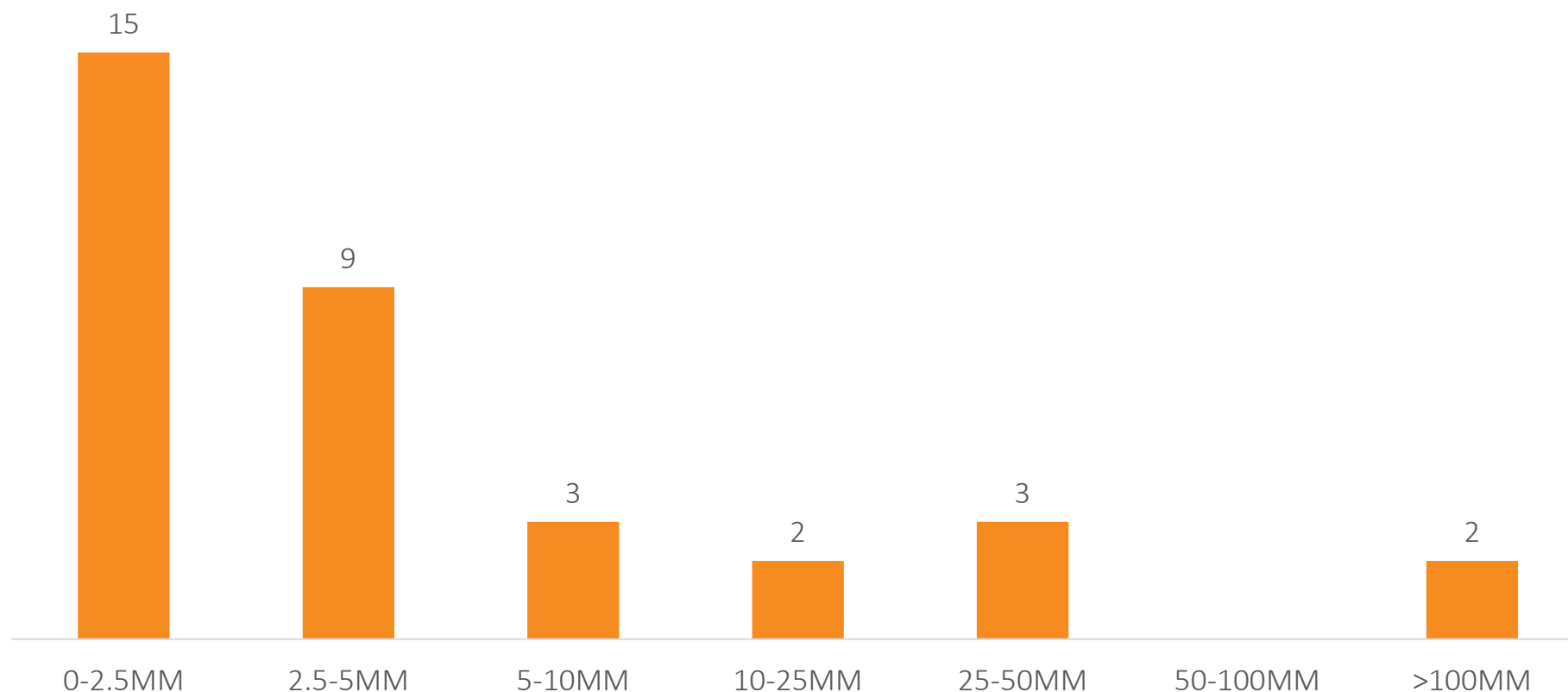
Number of Claims (CLLAS & LS)



CLLAS Incurred



Number of Claims by Best Estimate of Worst Case



Claim Count Movement in Quarter

Policy Year	Law Society Only	CLLAS Only	CLLAS & Law Society
2005 and prior	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	0	0	0
2015	0	0	0
2016	0	0	0
2017	0	0	0
2018	-1	0	0
2019	0	0	0
2020	0	0	0
2021	0	0	0
2022	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 on open claims
- 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

discussion



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M5E 1G9

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E-Mail: info@mlsinvest.com

October 20th, 2022

Mr. Patrick Mahoney,
Axxima,
Berkeley Castle
Toronto, ON M5A 1J2

Re: Canadian Lawyers Liability Assurance Society

Dear Patrick:

Please find enclosed our quarterly investment report for the period ending September 30 last on the Short and Long Term Fund last for CLLAS, together with a copy of our accounts, the originals of which have been sent to RBC Dexia Investor Services for payment.

It was a mixed quarter for the bond markets with considerable volatility. As a result of an upward shift at the short end of the yield curve, the short-term total return bond index closed the quarter with a 0.3% loss. Longer-term issues, on the other hand, gained a little ground and the mid-term index returned 0.8%. Reflecting these mixed trends, the Long Term Fund posted a total return of 0.1%.

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

With best regards,

Yours sincerely,

Rowland W. Bell

RWB/de
Enclosures

CLLAS
CANADIAN LAWYERS LIABILITY
ASSURANCE SOCIETY

INVESTMENT REPORT
SEPTEMBER 30, 2022

MARTIN, LUCAS & SEAGRAM LTD.
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CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**COMMENTARY FOR THE QUARTER ENDING SEPTEMBER 30, 2022****Review of Market Yields**

Following a significant increase during the second quarter, yields across the entire curve moved lower early in third quarter. However, the decline proved temporary and yields resumed their climb early in August and continued to rise over the balance of the quarter. At the end of September, the most significant increase occurred at the short-end of the curve. The yield on the 3-month treasury bill was up 150 basis points. The increase in yields continued to diminish as the term increased out to 7-years and the yield on the 10-year issue closed the quarter 7 basis points below its level at the end of June.

As a result of these shifts, the yield curve inverted to a negative slope during the third quarter. At the end of September, the 3-month Treasury yield exceeded the yield on the 10-year Canada by 42 basis points. Three months earlier, the curve had a positive slope as the 10-year issue's yield was 115 basis points above the Treasury yield.

	Jan. 01/95	Mar.31/22	Jun. 30/22	Sep. 29/22*
3-month Treasury Bill	6.80%	0.60%	2.08%	3.58%
5-year Canada	8.99%	2.39%	3.10%	3.32%
10-year Canada	9.09%	2.40%	3.23%	3.16%

*Sept 30 2022 – Bank Holiday

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

At September 30, 2022, the average term to maturity of the Long Term Investment Fund was 3.7 years and the duration was 3.4 years.

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

<i>Distribution at September 30, 2022</i>	<i>Valuation</i>	<i>%</i>
Short Term Investment Fund	\$11,429,843	66.8%
Long Term Investment Fund	\$ 5,688,492	33.2%
TOTAL COMBINED VALUATION	\$17,118,335	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 September 30, 2022
- Security Purchases and Sales
- Cash Reconciliations
- External Individual Credit Rating Report

LONG TERM INVESTMENT FUND**TIME-WEIGHTED RATES OF TOTAL RETURN
FOR PERIODS ENDING SEPTEMBER 30, 2022**

	3 Years*	2 Years*	1 Year	Last 3 months
<i>Long Term Investment Fund – Gross of Fees</i>	<i>-0.20%</i>	<i>-3.11%</i>	<i>-5.76%</i>	<i>0.10%</i>
<i>Long Term Investment Fund – Net of Fees</i>	<i>-0.48%</i>	<i>-3.38%</i>	<i>-6.02%</i>	<i>0.03%</i>
Benchmark Portfolio **	-1.04%	-4.42%	-7.20%	0.17%

*Annualized

** In the most recent Investment Policy update (dated December 7, 2021) the Benchmark Portfolio was revised to a composite comprised of the following total return indices:

- 60% FTSE Canada Short Bond Index
- 40% FTSE Canada Mid Bond Index

To reflect this change, the returns of the Benchmark Portfolio shown in the above table are based on the returns earned by the revised Benchmark Portfolio (as detailed above) in December 2021 and subsequent periods and the returns of the former Benchmark Portfolio that prevailed during reported periods prior to December 2021 (as detailed below).

- 30% FTSE (DEX) Federal Short Bond Index
- 30% FTSE (DEX) Provincial Short Bond Index
- 20% FTSE (DEX) Federal Mid Bond Index
- 20% FTSE (DEX) Provincial Mid Bond Index

SHORT TERM INVESTMENT FUND**TIME-WEIGHTED RATES OF TOTAL RETURN
FOR PERIODS ENDING SEPTEMBER 30, 2022**

	Since Inception Oct. 01/08 *	3 Years*	2 Years *	1 Year	Last 3 Months
<i>Short Term Investment Fund – Gross of Fees</i>	<i>0.84%</i>	<i>0.65%</i>	<i>0.48%</i>	<i>0.86%</i>	<i>0.56%</i>
<i>Short Term Investment Fund – Net of Fees</i>	<i>0.72%</i>	<i>0.54%</i>	<i>0.37%</i>	<i>0.74%</i>	<i>0.53%</i>
Benchmark Portfolio **	0.79%	0.64%	0.46%	0.81%	0.53%

* Annualized

** The Benchmark Portfolio, confirmed in the December 7, 2021 Investment Policy update, 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	Dec. 31/21	Mar. 31/22	Jun. 30/22	Sep. 30/22
Bonds, Treasury Bills & Cash Less than 1 year term	100.0%	16.7%	13.0%	14.8%	20.0%
Canadas Greater than 1 year term		24.8%	24.5%	24.1%	24.1%
Provincials Greater than 1 year term		29.9%	29.9%	26.7%	26.8%
Corporates Greater than 1 year term		28.6%	32.6%	34.4%	29.1%
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. 30/21	Dec. 31/21	Mar. 31/22	Sep. 30/22
Under 1 year	17.3%	16.7%	13.0%	23.5%
1 - 3 years	27.0%	28.0%	26.0%	19.7%
3 - 5 years	30.0%	33.5%	33.2%	31.3%
5 - 7 years	18.0%	11.6%	16.0%	13.3%
7 - 10 years	7.6%	10.2%	11.8%	12.3%
TOTAL	100.0%	100.0%	100.0%	100.0%
Average Maturity (yrs)	3.69	3.50	3.62	3.66
Average Duration (yrs)	3.48	3.29	3.36	3.38

SHORT TERM INVESTMENT FUND

	Dec. 31/21	Mar. 31/22	Jun. 30/22	Sep. 30/22
Short Term Average Duration (yrs)	0.09	0.13	0.14	0.09

COMPLIANCE WITH INVESTMENT POLICY STATEMENT

AT SEPTEMBER 30, 2022

	Investment Limits	Investment Funds	Compliance
<i>Short Term Investment Fund</i>			
Maximum Term of Any Issue	1 year	0.2 years	Yes
Minimum Percentage of Total Fund (Short & Long)	20% of Total	66.8%	Yes
Minimum Canada & Provincial Percentage	50%	55.9%	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	8.7 years	Yes
Maximum Percentage of Total Fund (Short & Long)	80% of Total	33.2%	Yes
Minimum Canada Percentage	20%	27.6%	Yes
Maximum Provincial Percentage	40%	35.5%	Yes
Minimum Canada & Provincial Percentage	60%	63.1%	Yes
Minimum Provincial Quality *	A	AA (low)	Yes
Maximum Corporate Percentage	40%	32.1%	Yes
Minimum Corporate Quality *	BBB	BBB (high)	Yes
Maximum BBB Corporate Percentage	10%	4.8%	Yes

* At time of purchase

This will confirm that, during the latest quarter, the Long Term and Short Term Investment Funds were managed in compliance with the Investment Policy limits provided December 7, 2021.

Martin, Lucas & Seagram Ltd.
 PERFORMANCE REPORT
 GROSS OF FEES
CLLAS – LONG TERM INVESTMENT FUND
(RBC Investor Services)
From 06-30-22 to 09-30-22

Portfolio Value on 06/30/22	5,720,976
Accrued Interest	24,241
Contributions	0
Withdrawals	-24,236
Realized Gains	0
Unrealized Gains	-32,483
Interest	24,236
Dividends	0
Change in Accrued Interest	14,152
Portfolio Value on 09/30/22	5,688,492
Accrued Interest	38,393
Average Capital	5,734,813
Total Gains before Fees	5,905
IRR for 0.25 Years	0.10%

BOND MARKET COMMENTARY AND FUTURE POLICY

Global security markets have experienced significant moves, both up and down since the beginning of the year. In the U.S., the S&P 500 stock index entered bear market territory during the second quarter, which is typically defined as a decline of 20% from the previous high. Stocks then rebounded sharply higher during July and August, when some investors became increasingly hopeful that inflation was nearing a peak and that the U.S. Federal Reserve (Fed) would soon pivot away from aggressive interest rate hikes. However, the markets resumed their downward slide and the major stock indices recently fell below the previous year-to-date lows recorded in June. Meanwhile, the Toronto stock index has followed a similar pattern, although the swings have been less pronounced and the Toronto index is off close to 12% year-to-date.

Fixed income markets have also experienced a roller coaster performance thus far in 2022 and bonds have failed to provide a safe haven from the selloff in equities due to a sharp upward shift in the yield curve. After starting the year at 1.5%, the 10-year U.S. Treasury yield climbed steadily higher and reached a peak of 3.5% in June. In Canada, yields followed a similar path upward and the yield on the domestic 10-year benchmark issue surpassed 3.6% late in the second quarter. As was the case for stocks, bond prices recovered during the summer months as yields reversed part of their upward climb. However, this rebound in bond prices also proved temporary. In Canada and the U.S., after falling close to 2.6% in early August, the 10-year benchmark yield has been trending higher in the wake of some solid economic data south of the border, inflationary pressures that have remained stubbornly high and repeated messages from central bank officials that further rate hikes were necessary to subdue inflation. Following the release of stronger than expected U.S. inflation data for September, bond yields took another step higher. The U.S. 10-year yield moved well above its previous year high to 4%, while the 10-year yield on the domestic benchmark has approached the 3.6% year-to-date high reached in June. The increase in shorter term yields, which are most sensitive to shifts in monetary policy, has been even more pronounced. In the U.S., the two-year Treasury reached a 15-year high of 4.5% last week and the 2-year Canada issue has climbed to 4.2%.

Meanwhile, recent economic reports paint a mixed picture. On some fronts, the U.S. economy has shown considerable resilience in the face of persistently high inflationary pressures and multiple interest rate hikes. On the plus side, employment growth, which is the main pillar of the economy, has remained strong. The latest report for September showed employers added 263,000 workers. While this was a slight slowdown in the average pace of hiring in recent months, it is still consistent with a tight labour market and resulted in a drop in the unemployment rate back to a multi-decade low of 3.5%. Last week, a closely watched economic model run by the Federal Reserve Bank of Atlanta suggested that real U.S. gross domestic product grew at a 2.8% pace in the three months ended Sept. 30, which is a substantial uptick over the previous quarter. Consumer spending, on the other hand, was flat in September compared to expectations for a 0.3% gain. Since these numbers are not adjusted for inflation, the latest report shows that real spending across a broad range of sectors retreated last month as consumer prices rose 0.4%. For the latest 12-month period, the core CPI measure of inflation, which excludes food and energy, was up to a 40-year high of 6.6% in September, driven in large part by price pressures in the service sector. This has occurred despite the Federal Reserve implementing the fastest rate hike cycle in recent history with more to come as they reaffirm a commitment to returning inflation to the Committee's 2% objective. Unfortunately, monetary tightening will only exacerbate the negative impact of inflation on households in the form of higher debt servicing costs and a drop in asset prices. This can be seen in the recent cooling of house prices against rising mortgage rates.

Canada's economy, which remains uniquely vulnerable to a slowdown in its oversized housing market, is also showing signs of strain. With the volume of home sales down over 30% in September, on a year-over-year basis, and the Bank of Canada following the same restrictive interest rate path as in the U.S., the economy is expected to slow further. Unlike the U.S., the Canadian job market has been losing considerable momentum. Employment is down 92,000 over the last four months. Coincidentally, manufacturing sales have also declined every month since peaking in April. Nevertheless, the data suggests the labour market remains tight. Despite these job losses, which pushed up the unemployment rate from July's record low of 4.9% to 5.2% in September, hourly wages were up 5.2% over the year. Still, this gain lagged the latest annual inflation rate of 6.9%, down from the near 40-year high of 8.1% recorded just three months earlier.

Outside of North America, the global economic backdrop has also deteriorated on balance. Due in part to energy shortages and persistently high inflation, many forecasters expect Europe will soon be in recession. The latest composite purchasing managers' index, which is viewed as a reliable gauge of economic health, has dropped to a 20-month low and is signaling a contraction ahead. China's economy has also been struggling under the impact of stringent Covid controls and a slumping real estate sector. Furthermore, the Fed's efforts to subdue high inflation in the U.S. is also contributing to the challenges faced by many offshore economies. As global investors have flocked into higher-yielding U.S. assets, the resulting surge in the value of the U.S. dollar has pushed down overseas currencies as well as their sovereign debt and increased inflationary pressures outside the U.S. These conditions contributed to the recent turmoil in the U.K., which experienced a collapse in their domestic bonds in reaction to fiscal spending announcements. This forced the country's central bank into a series of extraordinary interventions in order to avert a collapse among pension funds that were using leverage through derivatives to increase returns.

Looking ahead, the key question for investors is whether the monetary authorities can reduce inflation towards their targets without causing significant damage to the underlying economy. Given that monetary policy operates with long and variable lags, critical debates have emerged surrounding a range of potential outcomes. In their latest minutes, members of the rate-setting Federal Open Market Committee lowered their projections for U.S. GDP growth to only a 0.2% increase for 2022 and just a 1.2% gain for next year. Meanwhile, from the latest survey of economists by the Wall Street Journal, close to 60% said they think the Fed will raise interest rates too much and cause unnecessary economic weakness and the average forecast is for a mild contraction in the first two quarters of 2023. As demonstrated by the volatility in both the bond and stock markets, the high degree of uncertainty surrounding the outlook for inflation and the economy has whipsawed investor sentiment and we expect this will continue for some time yet.

While there have been some encouraging signs that inflationary pressures may soon ease, given the pullback in commodity prices and an easing in pandemic-fuelled trade disruptions, we think it would be premature to sound the "all clear" on the inflation front. We expect the monetary authorities will continue to raise administered rates until there is more evidence that domestic price pressures are easing. In Canada, the markets are now pricing in 50-50 odds that the terminal policy rate will be 4.25%, which is a full percentage point above the current rate of 3.25%. In the U.S., the bank rate is expected to peak even higher at 4.6% and interest-rate derivatives show that investors believe that there is a meaningful chance it could reach 5% by March. As a result, we believe the downside risks for bond prices remain elevated over the near term.

However, looking further ahead, given the central banks' guidance on future rate hikes and their apparent willingness to reduce inflation towards their long-term target at the expense of the economy, we believe this increases the likelihood that a recession will develop next year. While there is considerable debate regarding the timing and severity of a downturn, we believe signs of weakness in the macro-economic backdrop will be supportive of mid- and longer-term bond prices and that this will set the stage for a recovery in prices as the yield curve shifts lower and returns to a traditional upward slope.

Turning to the portfolios, we will be looking for favourable opportunities to shift some funds from the Short Term Investment Fund to the Long Term Fund in order to take advantage of the upward shift in the yield curve and to hold or moderately extend the Long Term Fund's duration. In the meantime, we believe the Long Term Fund's laddered maturity structure, with a below benchmark duration of 3.4 years is appropriate. We believe this posture provides a prudent hedge against the risk of rates moving higher in the near term and the possibility that serious economic strains could develop sooner than expected. Also, in view of the elevated risks in the domestic and global financial system, we believe it is important to maintain the portfolio's emphasis on high-quality holdings as we expect credit spreads to widen as the economic backdrop deteriorates.

RWB/de

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

Martin, Lucas & Seagram Ltd.

CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)

Portfolio Holdings at September 30, 2022

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
CASH					
	Cash Account			13,653	0
MONEY MARKET ISSUES					
1,205,000	Toronto Dominion Bank BA 2.46% due October 4, 2022	99.35	99.95	1,204,424	29,450
1,335,000	Royal Bank BA 3.11% due October 11, 2022	99.46	99.89	1,333,470	41,293
1,180,000	Canada Treasury Bill 2.10% due October 13, 2022	99.44	99.88	1,178,603	24,641
1,325,000	Canada Treasury Bill 2.50% due October 27, 2022	99.33	99.76	1,321,778	32,904
1,260,000	CIBC BA 3.50% due November 1, 2022	99.49	99.68	1,256,016	43,877
1,245,000	CIBC BA 3.24% due November 7, 2022	99.36	99.62	1,240,293	40,078
1,395,000	Canada Treasury Bill 2.75% due November 10, 2022	99.37	99.62	1,389,741	38,121
1,365,000	Canada Treasury Bill 2.80% due November 24, 2022	99.51	99.49	1,358,089	37,929
1,155,000	Canada Treasury Bill 3.30% due December 8, 2022	99.25	99.34	1,147,430	37,828
				<u>11,429,843</u>	<u>326,122</u>
TOTAL PORTFOLIO				11,443,496	326,122

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 07-01-22 To 09-30-22

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
07-06-22	07-06-22	1,180,000	Canada Treasury Bill 2.10% due October 13, 2022	99.44	1,173,380.20
07-13-22	07-13-22	1,240,000	CIBC BA 2.63% due September 9, 2022	99.59	1,234,928.40
07-20-22	07-21-22	1,325,000	Canada Treasury Bill 2.50% due October 27, 2022	99.33	1,316,164.90
08-05-22	08-08-22	1,335,000	Royal Bank BA 3.11% due October 11, 2022	99.46	1,327,758.96
08-17-22	08-17-22	1,395,000	Canada Treasury Bill 2.75% due November 10, 2022	99.37	1,386,225.45
08-25-22	08-26-22	1,245,000	CIBC BA 3.24% due November 7, 2022	99.36	1,236,974.73
09-08-22	09-09-22	1,260,000	CIBC BA 3.50% due November 1, 2022	99.49	1,253,629.44
09-14-22	09-15-22	1,155,000	Canada Treasury Bill 3.30% due December 8, 2022	99.25	1,146,294.77
09-28-22	09-29-22	1,365,000	Canada Treasury Bill 2.80% due November 24, 2022	99.51	1,358,330.61
					11,433,687.46
SALES					
07-07-22	07-07-22	1,175,000	Canada Treasury Bill 1.20% due July 7, 2022	100.00	1,175,000.00
07-14-22	07-14-22	1,240,000	CIBC B.A. 1.30% due July 14, 2022	100.00	1,240,000.00
07-21-22	07-21-22	1,310,000	Canada Treasury Bill 0.90% due July 21, 2022	100.00	1,310,000.00
08-08-22	08-08-22	1,325,000	CIBC BA 1.65% due August 8, 2022	100.00	1,325,000.00
08-18-22	08-18-22	1,390,000	Canada Treasury Bill 1.30% due August 18, 2022	100.00	1,390,000.00
08-26-22	08-26-22	1,245,000	Toronto Dominion Bank B.A. 1.75% due August 26, 2022	100.00	1,245,000.00
09-09-22	09-09-22	1,240,000	CIBC BA 2.63% due September 9, 2022	100.00	1,240,000.00
09-15-22	09-15-22	1,145,000	Canada Treasury Bill 1.60% due September 15, 2022	100.00	1,145,000.00
09-29-22	09-29-22	1,350,000	Canada Treasury Bill 2.00% due September 29, 2022	100.00	1,350,000.00
					11,420,000.00

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)
From 06-30-22 to 09-30-22

Cash Balance at June 30th, 2022		<u>15,017.02</u>
ADD: Proceeds from Sales	11,420,000.00	
Capital Contribution		
Bond Interest Credited (from Long Term Investment Fund)	24,235.96	
Transfers from Long Term Fund re: net sales and purchases	<u>0.00</u>	<u>11,444,235.96</u>
LESS: Cost of Purchases	-11,433,687.46	
Capital Withdrawal		
Q2 2022 Investment Counsel Fees - Short Term Investment Fund	-3,211.29	
Q2 2022 Investment Counsel Fees - Long Term Investment Fund	-4,040.44	
Trust Company Charges net interest income	<u>-4,660.86</u>	<u>-11,445,600.05</u>
Cash Balance at September 30, 2022		<u><u>13,652.93</u></u>

Martin, Lucas & Seagram Ltd.							
EXTERNAL INDIVIDUAL CREDIT RATING REPORT - SEPTEMBER 30 2022							
CLLAS - SHORT TERM INVESTMENT FUND							
			Unit	Total		Market	%
Quantity	Security	Rating	Cost	Cost	Price	Value	Assets
1,205,000	Toronto Dominion Bank BA 2.46% due October 4, 2022	R-1 (high)	99.350	1,197,168	99.952	1,204,424	10.5%
1,335,000	Royal Bank BA 3.11% due October 11, 2022	R-1 (high)	99.458	1,327,759	99.885	1,333,470	11.7%
1,180,000	Canada Treasury Bill 2.10% due October 13, 2022	R-1 (high)	99.439	1,173,380	99.882	1,178,603	10.3%
1,325,000	Canada Treasury Bill 2.50% due October 27, 2022	R-1 (high)	99.333	1,316,165	99.757	1,321,778	11.6%
1,260,000	CIBC BA 3.50% due November 1, 2022	R-1 (high)	99.494	1,253,629	99.684	1,256,016	11.0%
1,245,000	CIBC BA 3.24% due November 7, 2022	R-1 (high)	99.355	1,236,975	99.622	1,240,293	10.9%
1,395,000	Canada Treasury Bill 2.75% due November 10, 2022	R-1 (high)	99.371	1,386,225	99.623	1,389,741	12.2%
1,365,000	Canada Treasury Bill 2.80% due November 24, 2022	R-1 (high)	99.511	1,358,331	99.494	1,358,089	11.9%
1,155,000	Canada Treasury Bill 3.30% due December 8, 2022	R-1 (high)	99.246	1,146,295	99.345	1,147,430	10.0%
				11,395,927		11,429,843	100%

Martin, Lucas & Seagram Ltd.

CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)

Portfolio Holdings at September 30, 2022

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
GOVERNMENT BONDS					
200,000	Canada Housing Trust 2.4% Series 48 due December 15, 2022	100.37	99.76	199,510	4,800
200,000	Canada Housing Trust 2.35% due September 15, 2023	105.62	98.45	196,894	4,700
250,000	Canada Housing Trust 2.9% due June 15, 2024	102.64	98.30	245,761	7,250
300,000	Canada Housing Trust Ser. 70 2.25% due December 15, 2025	100.98	95.40	286,190	6,750
250,000	Canada Housing Trust No.1 2.350% due March 15, 2028	103.96	93.79	234,470	5,875
200,000	Canada Housing Trust 2.1% Series 88 due September 15, 2029	102.89	90.91	181,825	4,200
275,000	Canada Housing Trust 1.1% Series 95 due March 15, 2031	94.05	81.84	225,064	3,025
				<hr/> 1,569,715	<hr/> 36,600
PROVINCIAL BONDS					
500,000	Ontario 2.85% due June 2, 2023	102.29	99.25	496,228	14,250
400,000	Ontario 2.60% due June 2, 2025	101.08	96.71	386,834	10,400
350,000	British Columbia 2.3% due June 18, 2026	104.40	94.82	331,874	8,050
350,000	Ontario 2.60% due June 2, 2027	97.56	95.08	332,776	9,100
350,000	Ontario 2.05% due June 2, 2030	94.43	87.96	307,850	7,175
200,000	British Columbia 1.55% due June 18, 2031	83.75	82.93	165,852	3,100
				<hr/> 2,021,413	<hr/> 52,075
CORPORATE BONDS					
150,000	Wells Fargo 3.46% due January 24, 2023	102.36	99.77	149,661	5,190
300,000	Toronto Dominion Bank Dep. Note 1.909% due July 18, 2023	102.63	97.95	293,858	5,727
250,000	Toronto Dominion Bank Dep. Note 3.226% due July 24, 2024	102.02	97.51	243,776	8,065
250,000	CIBC Deposit Note 3.3% due May 26, 2025	100.24	96.72	241,802	8,250

Martin, Lucas & Seagram Ltd.

CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)

Portfolio Holdings at September 30, 2022

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
200,000	Wells Fargo & Company 2.975% due May 19, 2026	102.15	92.59	185,177	5,950
300,000	Bank of Nova Scotia Dep. Notes 2.62% due December 2, 2026	102.07	92.30	276,906	7,860
150,000	Bank of Montreal Dep. Note 2.70% due December 9, 2026	108.76	92.57	138,855	4,050
100,000	Bank of Nova Scotia 2.95% due March 8, 2027	92.85	91.86	91,857	2,950
150,000	Enbridge Inc. CB-27 3.2% due June 8, 2027	96.43	91.82	137,736	4,800
100,000	Bank of Montreal 3.19% due March 1, 2028	100.75	93.12	93,117	3,190
50,000	Telus Corp. CB-27 3.625% due March 1, 2028	100.55	93.03	46,516	1,813
100,000	Bell Canada SerM56 2.2% due May 29, 2028	98.26	85.89	85,891	2,200
125,000	Ontario Power Generation 2.977% 13SEP29 due September 13, 2029	99.95	89.77	112,213	3,721
				<hr/> 2,097,364	<hr/> 63,766
TOTAL PORTFOLIO				5,688,492	152,441

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 07-01-22 To 09-30-22

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 06-30-22 to 09-30-22

Cash Balance at June 30th, 2022		0.00
ADD: Proceeds from Sales	0.00	
Bond Interest Credited to Long Term Investment Fund	24,235.96	
Transfer Bond Interest to Short Term Investment Fund	-24,235.96	
Transfer to Short Term Investment Fund net purchases & sales	0.00	0.00
LESS: Cost of Purchases	0.00	0.00
Cash Balance at September 30, 2022		0.00

Martin, Lucas & Seagram Ltd.

EXTERNAL INDIVIDUAL CREDIT RATING REPORT - SEPTEMBER 30 2022

CLLAS - LONG TERM INVESTMENT FUND

					Unit	Total		Market	Pct.
Quantity	CUSIP	Security		Rating	Cost	Cost	Price	Value	Assets
GOVERNMENT BONDS									
200,000	13509PDL4	Canada Housing Trust 2.4% Series 48	due December 15, 2022	AAA	100.37	200,740	99.76	199,510	3.5%
200,000	13509PDV2	Canada Housing Trust 2.35%	due September 15, 2023	AAA	105.62	211,240	98.45	196,894	3.5%
250,000	13509PEF6	Canada Housing Trust 2.9%	due June 15, 2024	AAA	102.64	256,600	98.30	245,761	4.3%
300,000	13509PFD0	Canada Housing Trust Ser. 70 2.25%	due December 15, 2025	AAA	100.98	302,940	95.40	286,190	5.0%
250,000	13509PGF4	Canada Housing Trust No.1 2.350%	due March 15, 2028	AAA	103.96	259,900	93.79	234,470	4.1%
200,000	13509PHD8	Canada Housing Trust 2.1% Series 88	due September 15, 2029	AAA	102.89	205,780	90.91	181,825	3.2%
275,000	13509PHQ9	Canada Housing Trust 1.1% Series 95	due March 15, 2031	AAA	94.05	258,638	81.84	225,064	4.0%
						1,695,838		1,569,715	27.6%
PROVINCIAL BONDS									
500,000	68323ABN3	Ontario 2.85%	due June 2, 2023	AA (low)	102.29	511,430	99.25	496,228	8.7%
400,000	68323ACX0	Ontario 2.60%	due June 2, 2025	AA (low)	101.08	404,305	96.71	386,834	6.8%
350,000	11070TAJ7	British Columbia 2.3%	due June 18, 2026	AA (high)	104.40	365,400	94.82	331,874	5.8%
350,000	68323AEE0	Ontario 2.60%	due June 2, 2027	AA (low)	97.56	341,460	95.08	332,776	5.8%
350,000	68333ZAH0	Ontario 2.05%	due June 2, 2030	AA (low)	94.43	330,515	87.96	307,850	5.4%
200,000	110709AF9	British Columbia 1.55%	due June 18, 2031	AA (high)	83.75	167,500	82.93	165,852	2.9%
						2,120,610		2,021,413	35.5%
CORPORATE BONDS									
150,000	94975ZBN5	Wells Fargo 3.46%	due January 24, 2023	AA (low)	102.36	153,542	99.77	149,661	2.6%
300,000	891160LV3	Toronto Dominion Bank Dep. Note 1.909%	due July 18, 2023	AA (high)	102.63	307,890	97.95	293,858	5.2%
250,000	891145T79	Toronto Dominion Bank Dep. Note 3.226%	due July 24, 2024	AA (high)	102.02	255,050	97.51	243,776	4.3%
250,000	13596Z3Y9	CIBC Deposit Note 3.3%	due May 26, 2025	AA	100.24	250,600	96.72	241,802	4.3%
200,000	949746RX1	Wells Fargo & Company 2.975%	due May 19, 2026	AA (low)	102.15	204,300	92.59	185,177	3.3%
300,000	064151QE6	Bank of Nova Scotia Dep. Notes 2.62%	due December 2, 2026	AA	102.07	306,210	92.30	276,906	4.9%
150,000	06368AAA8	Bank of Montreal Dep. Note 2.70%	due December 9, 2026	AA	108.76	163,140	92.57	138,855	2.4%
100,000	06415GDE7	Bank of Nova Scotia 2.95%	due March 8, 2027	AA (low)	92.85	92,850	91.86	91,857	1.6%
150,000	29251ZBK2	Enbridge Inc. CB-27 3.2%	due June 8, 2027	BBB (high)	96.43	144,650	91.82	137,737	2.4%
100,000	06368BTX6	Bank of Montreal 3.19%	due March 1, 2028	AA	100.75	100,750	93.12	93,117	1.6%
50,000	87971MBG7	Telus Corp. CB-27 3.625%	due March 1, 2028	BBB (high)	100.55	50,275	93.03	46,516	0.8%
100,000	07813ZCJ1	Bell Canada SerM56 2.2%	due May 29, 2028	BBB (high)	98.26	98,263	85.89	85,891	1.5%
125,000	68321ZAD3	Ontario Power Generation 2.977% 13SEP29	due September 13, 2029	A (low)	99.95	124,938	89.77	112,213	2.0%
						2,252,457		2,097,365	36.9%
TOTAL PORTFOLIO						6,068,904		5,688,493	100.0%

Martin, Lucas & Seagram Ltd.
DATE TO DATE GAINS AND LOSSES
CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)
From 12-31-21 to 09-30-22

Security	12-31-21 Market Value	Additions Withdrawals	09-30-22 Market Value	09-30-22 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
CASH								
Cash Account	0	0	0	0				
GOVERNMENT BONDS								
Canada Housing Trust 2.4% Series 48 due December 15, 2022	203,127	-2,400	199,510	200,740	0	0	-1,230	-3,617
Canada Housing Trust 2.35% due September 15, 2023	204,346	-4,700	196,894	211,240	0	0	-14,346	-7,451
Canada Housing Trust 2.9% due June 15, 2024	260,019	-3,625	245,761	256,600	0	0	-10,839	-14,258
Canada Housing Trust Ser. 70 2.25% due December 15, 2025	309,270	-3,375	286,190	302,940	0	0	-16,750	-23,080
Canada Housing Trust No.1 2.350% due March 15, 2028	260,345	-5,875	234,470	259,900	0	0	-25,430	-25,875
Canada Housing Trust 2.1% Series 88 due September 15, 2029	205,396	-4,200	181,825	205,780	0	0	-23,955	-23,571
Canada Housing Trust 1.1% Series 95 due March 15, 2031	257,750	-3,025	225,064	258,638	0	0	-33,574	-32,687
GOVERNMENT BONDS Total	<u>1,700,253</u>		<u>1,569,715</u>	<u>1,695,838</u>	<u>0</u>	<u>0</u>	<u>-126,123</u>	<u>-130,538</u>
PROVINCIAL BONDS								
Ontario 3.15% due June 2, 2022	404,586	-406,300	0	0	0	-4,586	0	0
Ontario 2.85% due June 2, 2023	512,946	-7,125	496,228	511,430	0	0	-15,202	-16,718
Ontario 2.60% due June 2, 2025	415,229	-5,200	386,834	404,305	0	0	-17,471	-28,395
British Columbia 2.3% due June 18, 2026	361,838	-4,025	331,874	365,400	0	0	-33,526	-29,964
Ontario 2.60% due June 2, 2027	366,808	-4,550	332,776	341,460	0	0	-8,684	-34,032
Ontario 2.05% due June 2, 2030	151,249	176,247	307,850	330,515	0	0	-22,665	-21,139
British Columbia 1.55% due June 18, 2031	0	167,394	165,852	167,500	0	0	-1,648	-1,648
PROVINCIAL BONDS Total	<u>2,212,655</u>		<u>2,021,413</u>	<u>2,120,610</u>	<u>0</u>	<u>-4,586</u>	<u>-99,197</u>	<u>-131,896</u>
CORPORATE BONDS								
Royal Bank 1.968% due March 2, 2022	150,393	-151,476	0	0	-75	-393	0	0
National Bank of Canada 2.105% due March 18, 2022	250,894	-252,631	0	0	-5,100	-894	0	0
Wells Fargo 3.46% due January 24, 2023	153,860	-5,190	149,661	153,542	0	0	-3,881	-4,199
Toronto Dominion Bank Dep. Note 1.909% due July 18, 2023	303,230	-5,727	293,858	307,890	0	0	-14,032	-9,371
Toronto Dominion Bank Dep. Note 3.226% due July 24, 2024	260,800	-8,065	243,776	255,050	0	0	-11,275	-17,025
CIBC Deposit Note 3.3% due May 26, 2025	263,907	-4,125	241,802	250,600	0	0	-8,798	-22,105
Wells Fargo & Company 2.975% due May 19, 2026	206,648	-2,975	185,177	204,300	0	0	-19,123	-21,471

Martin, Lucas & Seagram Ltd.
DATE TO DATE GAINS AND LOSSES
CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)
From 12-31-21 to 09-30-22

Security	12-31-21 Market Value	Additions Withdrawals	09-30-22 Market Value	09-30-22 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
Bank of Nova Scotia Dep. Notes 2.62% due December 2, 2026	311,225	-3,930	276,906	306,210	0	0	-29,304	-34,319
Bank of Montreal Dep. Note 2.70% due December 9, 2026	156,139	-2,025	138,855	163,140	0	0	-24,285	-17,284
Bank of Nova Scotia 2.95% due March 8, 2027	0	92,135	91,857	92,850	0	0	-993	-993
Enbridge Inc. CB-27 3.2% due June 8, 2027	0	143,975	137,736	144,650	0	0	-6,914	-6,914
Bank of Montreal 3.19% due March 1, 2028	0	99,339	93,117	100,750	0	0	-7,633	-7,633
Telus Corp. CB-27 3.625% due March 1, 2028	0	49,473	46,516	50,275	0	0	-3,759	-3,759
Bell Canada SerM56 2.2% due May 29, 2028	74,065	22,643	85,891	98,263	0	0	-12,372	-11,774
Ontario Power Generation 2.977% 13SEP29 due September 13, 2029	0	122,970	112,213	124,938	0	0	-12,725	-12,725
CORPORATE BONDS Total	2,131,161		2,097,364	2,252,457	-5,175	-1,286	-155,092	-169,573
TOTAL PORTFOLIO	6,044,070		5,688,492	6,068,904	-5,175	-5,873	-380,412	-432,007
TOTAL DATE TO DATE GAIN OR LOSS								-437,880
% CHANGE DURING PERIOD								-7.24