

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

Minutes of the Meeting of the Advisory Board

8:30 a.m.

Davies Ward Phillips & Vineberg LLP
44th Floor, 1 First Canadian Place
Toronto, Ontario

Tuesday, December 13, 2011

Present:

Nicholas Leblovic (Chairman)	Davies Ward Phillips & Vineberg LLP
Glenn Leslie	Blake Cassels & Graydon LLP
Sue Grundy	Blake Cassels & Graydon LLP
Barry Bresner	Borden Ladner Gervais LLP
Gord Goodman	Cassels Brock & Blackwell LLP
Chris Woodbury	Fraser Milner Casgrain LLP
John Esvelt	Fraser Milner Casgrain LLP
Donald Milner	Fasken Martineau DuMoulin LLP
Kenneth Crofoot	Goodmans LLP
Bill Scott	McCarthy Tétrault LLP
Daniel MacDonald	McMillan LLP
Julia Holland	Torys LLP
Les O'Connor	WeirFoulds LLP
Patrick Mahoney	Office of the General Manager
Norma Ibbetson	Office of the General Manager
Joe Tontini	Dion Durrell
Ryan Durrell	Dion Durrell

1. Constitution of Meeting

The Chairman brought the meeting to order.

2. Appointment of Secretary

Norma Ibbetson acted as Secretary.

3. Approval of Minutes of the September 13, 2011 Meeting of the Advisory Board

It was moved by Gord Goodman and seconded by Barry Bresner that the minutes of the September 13, 2011 meeting of the Advisory Board be approved. The motion was carried unanimously.

4. Comments of the Chair

As a follow up to the presentation at the September Advisory Board meeting by Chubb, an analysis of how the cyber coverage differs from the current coverage will be prepared by DDA for discussion at the February Advisory Board meeting.

The issue of expanding CLLAS' membership was raised. Membership currently sits at 12 firms and the Board discussed whether it would make sense to add one or two more firms. Although many firms approach CLLAS during the last hard market, none have since that time so the matter was simply raised for discussion. No appetite for expansion was expressed by Board.

The Chairman reported that he had contacted several mid-sized (50-100 lawyers) firms who are not CLLAS members to assess their interest in the CLLAS e-learning program under some form of licensing arrangement. Blue-drop has proposed management of this process for a share of the revenue and a small per lawyer fee. There was general consensus that the Chairman should continue discussions with interested firms and with Bluedrop concerning this initiative.

5. Restructuring

The Chairman reported that a sub-committee made up of John Walker, Steve Ruby and Joe Tontini had been struck to review alternative structures for CLLAS. John Walker and Steve Ruby joined the meeting.

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

It was moved by Gord Goodman and seconded by Bill Scott that the "Reciprocal as Front" alternative be further explored with the appropriate regulators with a view to effecting the change by July 1, 2012 including the loss portfolio transfer. It was further resolved that fees related to the work to date be approved for payment and a budget for implementation be presented at the February Board meeting. The motion was carried unanimously.

The Chairman advised that he would be circulating a memorandum relating to the next 5-year underwriting period and he asked that if possible firms provide their commitment no later than the February 21, 2012 Advisory Board meeting. The commitment of the firms would have an impact on any decision taken to change the structure of CLLAS.

Mr. Ruby left the meeting.

6. Report of the Risk Management Committee

Bill Scott reported on the activities of the Committee since the last meeting.

Benchmarking Exercise – Mr. Walker, working with Ryan Durrell and the Risk Management Committee, examined the possible correlation between claims reported and the results of the risk management audits. A privileged and confidential report had been prepared and was included in the Board meeting material. Mr. Walker reviewed the benchmarking methodology. Although there was some statistical support for the proposition, it was difficult based on one data point to identify a strong correlation between claims severity/frequency and good risk management practices.

Mr. Walker offered to meet with firms and their management committee on an individual basis to discuss results for their particular firm if desired. Information was analyzed on a confidential basis; audit results were provided to DDA without firm names, and the services of DDA were provided pursuant to a retainer letter with Walker Sorenson to maintain privilege over the information collected from the firms.

The second round of audits is an opportunity to benchmark against the initial findings, presenting an opportunity to draw a better correlation.

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

Re-audits – Two firms have agreed to the re-audit process and these audits are currently underway.

Mr. Walker left the meeting.

7. Report of the General Manager's Office

Management Report at September 30, 2011

Mr. Mahoney reviewed the financial statements with the Board.

Mr. Mahoney reported that CLLAS' surplus as at September 30, 2011 is \$23,047,311, slightly above last year at this time. The Other Receivable amount of \$1.7 million represents the outstanding premium tax recoverable from Ontario. The recovery is being processed slowly within the government office. The delay appears to be driven by an internal process issue versus a problem with the CLLAS request.

CLLAS is licensed in Alberta, B.C. and Ontario and remits premium tax in all those jurisdictions. CLLAS is not required to remit premium tax in Quebec and this was recently confirmed by a firm with an office in Quebec who applied for a ruling from the regulator. With the assistance of legal counsel, CLLAS is reviewing insurance licencing considerations in Quebec.

The *Reinsurance Recoverable* line item of \$934,854 is, largely, the remaining recovery on the previously discussed large claim which was the subject of an arbitration. Some of this amount was recovered subsequent to September 30, 2011 and about \$660,000 remains at issue.

The Income Statement shows a small loss year to date. This is driven primarily by claims activity (i.e. an increase in case reserves) and by management/operating expenses.

Budget Variance

The overage in the *Professional Services - Reinsurance* with respect to DDA fees is related entirely to the new policy structure and placement. Under Other Expenses – the *Special Services* line is where fees are tracked when CLLAS retains other lawyers to provide advice. The positive variance is as a result of cost recoveries from the ACE arbitration.

Membership in Canadian Association of Insurance Reciprocals (CAIR)

Patrick Mahoney reported to the Board on the inaugural meeting of CAIR, which took place in Toronto in October. CAIR was set up as an advisory group of reciprocals from across the

country. Most of the member reciprocals have institutional subscribers (hospitals, universities, etc.). It is a good forum for hearing issues related to the running of reciprocals. The key objective is to build a positive relationship with the various regulators so that reciprocal issues are properly addressed. He noted that it is unclear at this point if the momentum of the first meeting carries forward to a sustainable level of energy to move CAIR forward. The Board concluded that while the CAIR initiative was worthwhile, that CLLAS would defer consideration of joining for a year, to see how the organization develops.

8. Report of the Claims Committee

Barry Bresner reported to the Board. The Committee is maintaining a watch on a number of files. There has been some settlement activity as well in the past month, including one class action and the first paid drop-down claim (i.e. a claim with no underlying law society coverage). The drop-down claim was a P&T matter.

With the new reinsurance structure the General Manager's office has made some changes to the claims protocol. Reinsurers now attach excess of \$1 million and this requires a more rigorous reporting protocol. In addition to receiving large loss reports on claims where the total incurred is \$500,000 or greater there will be quarterly conference calls with the reinsurers to discuss active files.

9. Report of the Audit Committee

Chris Woodbury reported on behalf of the Committee. A pre-audit planning meeting took place in November and no issues were identified. Deloitte requested a "non-standard" fee increase and after discussion, a reasonable outcome was negotiated.

The Committee also reviewed the reinsurance security report from the September Advisory Board meeting and noted nothing requiring attention. The Committee advised that it has requested an update specific to the recent purchase of Transatlantic Re.

In concluding his report, Mr. Woodbury advised that this would be his last meeting with CLLAS as he has elected to retire. He thanked the Board members for making it such a pleasure to work within the group and wished everyone much continued success.

10. Report of the Policy Committee

There was no report.

11. Investment Report for Quarter Ending September 30, 2010

No changes to the Investment Guidelines are contemplated for FY2012 and the Board confirmed the appropriateness of the Investment Policy.

12. 2012 Meeting Dates

February 21, 2012
June 19, 2012
September 11, 2012
December 11, 2012

13. Annual Dinner

The date and location still need to be confirmed but it will be a Friday in the later part of April most likely at the Toronto Club.

14. Other Business

The Chairman asked that members of the Board please contact him over the next few weeks advising of any preferences with respect to the Committee structure for 2012.

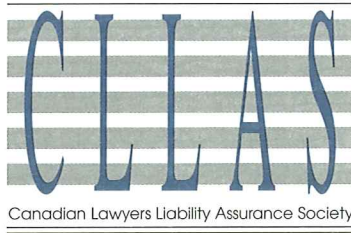
Mr. Glenn Leslie advised that he was also retiring at the end of this year but that we might expect to see him from time to time. He expressed his agreement with the sentiments articulated by Mr. Woodbury about the pleasure he has had working with the Board.

There being no other business, the meeting was adjourned.

Chairman

Secretary

Tab 2 – no hand out material



P R I V A T E & C O N F I D E N T I A L
M E M O R A N D U M

Date: February 13, 2012

From: Joe Tontini

To:	David Morritt	Barry Bresner
	William Scott	Daniel MacDonald
	Donald Milner	John Esvelt
	Gordon Goodman	Les O'Connor
	Susan Grundy	Nicholas Leblovic
	Ken Crofoot	Julia Holland

Copy: Patrick Mahoney

Re: CLLAS Cyber Coverage

The importance of cyber coverage to Canadian law firms has become increasingly evident over the last 24 months. Along with the quantifiable monetary loss associated with a cyber-attack, the potential damage to a firm's reputation is immeasurable.

This memorandum will explore:

- a) the exposures to cyber risks in general and to law firms specifically;
- b) the types of cyber coverage that exists for law firms;
- c) the difference in conditions between these coverages and the CLLAS professional liability policy;
- d) some hypothetical claims examples; and
- e) the more important pricing factors that underwriters consider when quoting on a cyber risk.

Increased Law Firm Exposure

The last 10 years has seen an increase in exposure and awareness by law firms in the areas of IT security and data privacy. This is a result of an increasing volume and profile of cyber events. An example regarding law firms was the high profile hacking of four large Toronto law firms who suffered sophisticated malware attacks that appear to have originated in China (see attached articles). Other high profile examples include:

Date	Organization	Description	Records Exposed	Estimated Cost (US\$)
May 2011	Sony Corp.	Gaming network hacking	102 million	\$170 million
April 2011	Alliance Data	System hack of marketing unit	40-60 million	\$100 million
2008	Heartland Payment	System hack of payment card system	130 million	\$145 million
2006	TJX Company	System hack regarding transaction processing	94 million	\$172 million

A Chartis report on Data Breach Disasters (U.S. based) indicated an average cost of a data breach involving sensitive data was \$14 million with a cost per record of up to \$303. In addition, a recent Websense Inc. survey indicated that Canadian information and cyber crime increased 319% in 2011.

Other factors that are contributing to the growing cyber exposure are increases in legislative, regulatory and compliance requirements, evolving computing environments such as internet use and cloud computing, an ever increasing level of sophistication of hackers and an increase in the use of third parties for computing and security. The costs of responding to a cyber event are also increasing and can include notification and monitoring, fines and penalties resulting in class action law suits and significant reputational risk.

In addition, law firms are considered prime targets since they often hold significant amounts of sensitive personal and business data relating to M&A and other deals, assets related to divorces or estates, etc. Hackers can use such information to sabotage transactions, extort, sell the information or conduct insider trading.

On the positive side, law firms appear to be reacting to these exposures. In a survey conducted by CNA "Law Firms and Risk Control: Information Security and Confidentiality" in 2010, 78% of respondents had a written policy regarding IT security and/or data privacy, compared to 50% of respondents in 2005.

Coverage Considerations

CLLAS Policy

The CLLAS policy and wording is intended to provide professional liability coverage. Therefore, subject to policy exclusions, the policy would respond to any negligent actions related to the provision of professional services. If such an action resulted in the disclosure of personal data, such as a failure to maintain the security of the data in the event of a cyber attack, the policy should respond.

However, there are other types of first party and third party cyber related exposures that would not be covered by the CLLAS policy as discussed below.

First Party Cyber Coverage

First party cyber coverage would include coverage for expenses incurred by the Insured resulting from a cyber-attack. First party coverage is typically triggered by loss or damage to property belonging to the law firms as well as business interruption while third party coverage is triggered by a claim being made against the law firm.

The following are examples of typical first party cyber coverage:

- Loss of revenue or extra expense incurred;
- Costs related to the theft or restoration of data;
- Costs to implement preventative measures;
- Threat/extortion costs;
- Cyber terrorism;
- Vandalism (destruction of data).

The existing CLLAS policy wording is a professional liability policy and, therefore, would not provide any first party cyber coverage.

Third Party Cyber Coverage

As indicated above, the CLLAS policy provides coverage for third party cyber claims related to the rendering of a professional service. There is no cyber, data, or intangible property exclusion in the policy wording. Therefore, as long as the cyber claim stems from the rendering of professional services, the policy should provide coverage for that exposure which the Insured is legally responsible. The policy limit also includes reasonable “costs, charges and expenses” associated with a claim or circumstance.

Although the coverage analysis in this memorandum is not exhaustive, it can generally be said that, subject to policy exclusions, as long as the cyber claim results from the rendering of a professional service, there would be coverage.

What may be Covered by the CLLAS Policy

The following third party coverage is found in typical cyber policies. This coverage may also be found under the CLLAS policy, subject to exclusions and depending on whether the specific claim resulted from performance or failure to perform professional services:

- Disclosure (unauthorized access to personal records);
- Reputational (disparagement, libel, slander or violation of privacy rights);
- Impaired access or use of systems;
- Infringement of intellectual property;
- Virus transmission;
- Contingent business interruption (i.e. downstream denial of service).

It should be noted, however, that the underlying law society policies may treat cyber-related losses differently. For example, the Alberta underlying policy has the following specific exclusion:

“damage to or loss of use of tangible or intangible property, loss of data, disclosure of confidential information, or any other loss which is directly or indirectly connected with the receipt or transmission of a computer virus or other damaging program via the internet or in any other electronic manner, or through unauthorized interference with an internet connection, network, computer or telecommunication device.”

Clearly, most, if not all, cyber-related losses would be excluded by the Alberta policy. In the event of a cyber-related loss that is covered by CLLAS but not covered by the Alberta underlying policy, CLLAS would provide primary coverage subject to a \$25,000 deductible.

What is Not covered by the CLLAS Policy

Although some cyber exposures, as noted above, may be covered by the CLLAS policy, cyber policies also provide coverage for specific additional expenses. The following expenses can be found in a cyber policy, but would not be included in the CLLAS definition of “Costs, Charges and Expenses”:

- Privacy notification expenses;
- Crisis management expenses (which can include public relations);
- Credit monitoring expenses;
- Reward expenses;
- E-Business interruption and extra expense;
- E-Threat expense;
- E-Vandalism expense.

Cyber wordings are also specifically designed to cover “hacker” and “cyber-attacks”, and the coverage wording for “cyber-attack” can be very broad. There is no cyber exclusion in the professional liability policy, so whether this coverage would be found in the professional liability policy would depend on the specifics of the claim as it relates to the rendering of professional services.

Claim Examples

In order to better understand some real world scenarios, we reviewed the CLLAS professional liability policy in conjunction with an existing cyber policy. We chose Chubb Insurance Company of Canada's cyber policy, since they are a leader in this field and their wording is quite broad.

The following hypothetical claims examples are illustrative of the types of exposures that a cyber policy, such as Chubb's, is designed to cover. They also help to identify some potential cyber exposures that may not be covered under the existing CLLAS policy:

1. Intellectual Property:

Since the CLLAS wording is silent on intellectual property infringements, an allegation that a law firm infringed a third party copyright or trademark may be covered under the CLLAS wording but such a situation would have to arise out of professional services provided to a client.

For example, the law firm was supposed to have registered a trademark but failed to do so and the client is sued for trademark infringement. In this scenario, if the client sued the law firm for Damages that they had to pay a third party for the infringement, then the firm may have committed a covered negligent act under the professional policy.

However, if the law firm itself infringed a trademark of a third party in its own marketing material on its website, that is not a professional service, so there may be no coverage under the CLLAS professional policy. That situation might be addressed by a cyber policy if the trademark was infringed by the cyber activities defined in the policy.

2. Personal Injury:

If the Insured were to defame a client or violate an individual's right of privacy, then the Personal Injury trigger of the CLLAS policy may apply, if such a Personal Injury arose from a professional service.

However, if a third party claimed that they were defamed by an Insured but it was determined that the vehicle of the defamation was not linked to a professional service, the Insured may have to look to a general liability (GL) policy for coverage. If the GL policy has a publishing exclusion (which is common), and such defamation appeared on the firm's Facebook page or website for example, then the GL policy may also exclude those allegations.

If the defamation arose out of an email trail that came out of the firm's domain and it was the result of a firm employee making defamatory comments about a third party (such as a lawyer at another firm) that had nothing to do with a professional service, then there may be a gap. This gap may otherwise be covered under a cyber policy.

3. Contingent Loss:

If a CLLAS firm relies on e-filing of documents in a timely fashion with a third party authority, like the courts, regulators, tax authorities, financial institutions, conveyance bodies or others, and they can't file them because their system is down due to a cyber event resulting in their clients suffering a contingent financial loss, the CLLAS policy may not respond but a cyber policy may respond.

Pricing and Underwriting Considerations

Although a relatively new area of coverage, the following are the factors that tend to drive the underwriters' premium calculation:

- **Nature of Data:** Is private and confidential information retained such as financial information (i.e. credit card numbers)?
- **Extent of Data:** Number of records processed and maintained and dollar value (if financial);
- **Network Security:** Existence of firewalls, virus protection, data encryption, data back-up, system access limitations, including passwords;
- **Policies and Procedures:** The existence of current and tested policies regarding IT controls and security, disaster recovery and incident response plans;
- **Third Parties:** Extent to which third parties are used for website development and maintenance, payment processing, infrastructure support or data back-up. Where third parties are used, is the level of their controls assessed and is indemnities provided;
- **Incident History:** Prior cyber/privacy incidents, claims or losses can be an indication of a higher level of risk.

General Market Information

The combination of concern about the financial implications of cyber events and the potential coverage gaps in insurance coverage has resulted in an increase in the coverages available in the insurance market. There are many new insurers entering the market and the coverages offered vary. Some insurers provide a combined first party/third party policy while others offer one or the other. There is also a variety of different cyber-related extra expenses covered. Many insurers provide these coverages on an optional basis to allow for the customization of coverage to suit the Insured. Exclusions can also vary and need to be reviewed carefully to ensure that the desired exposures will be covered.

The underwriting process for cyber insurance can be fairly onerous with a great deal of information required in order to assess the nature of the risk. Premiums are generally based on revenues with adjustment factors applied based on the assessment of the risk (as discussed above in “Pricing and Underwriting Considerations”).

Recommendations and Conclusion

It is reasonable to assume that Canadian law firms can expect an increase in cyber events with intent to access critical information resulting in a high level of reputational and financial risk. Firms should make every effort to increase their awareness of such evolving risks and to proactively reduce the risks by implementing appropriate policies and procedures to safeguard this information.

The existing professional liability policy contains coverage for cyber claims that are related to the rendering of professional services. However, there may be cyber exposures that are unrelated to the firm’s professional services. In order to ensure that the entire cyber exposure is covered, a separate cyber policy should be considered. For example, to address the areas of possible duplication of coverage, it could be possible to write a Cyber Policy for one or more of the CLLAS firms that would sit on top of the existing CLLAS Umbrella Policy and position the Cyber Policy to act as an excess policy for cyber-related professional liability claims with a “difference in conditions/difference in limits” endorsement to drop down to Primary where the Cyber Policy coverage was broader. We can assist with the assessment and selection of appropriate coverage for the CLLAS firms as required.

The Law Page

SECURITY

Major law firms fall victim to cyber attacks

The legal business gets a nasty reminder about the perils of the computer age after hackers breach defences at four Bay Street firms



JEFF GRAY
jgray@globeandmail.com

Hackers have penetrated four major Bay Street law firms in the past seven months with highly sophisticated cyber attacks designed to destroy data or to steal sensitive documents relating to impending mergers and acquisitions.

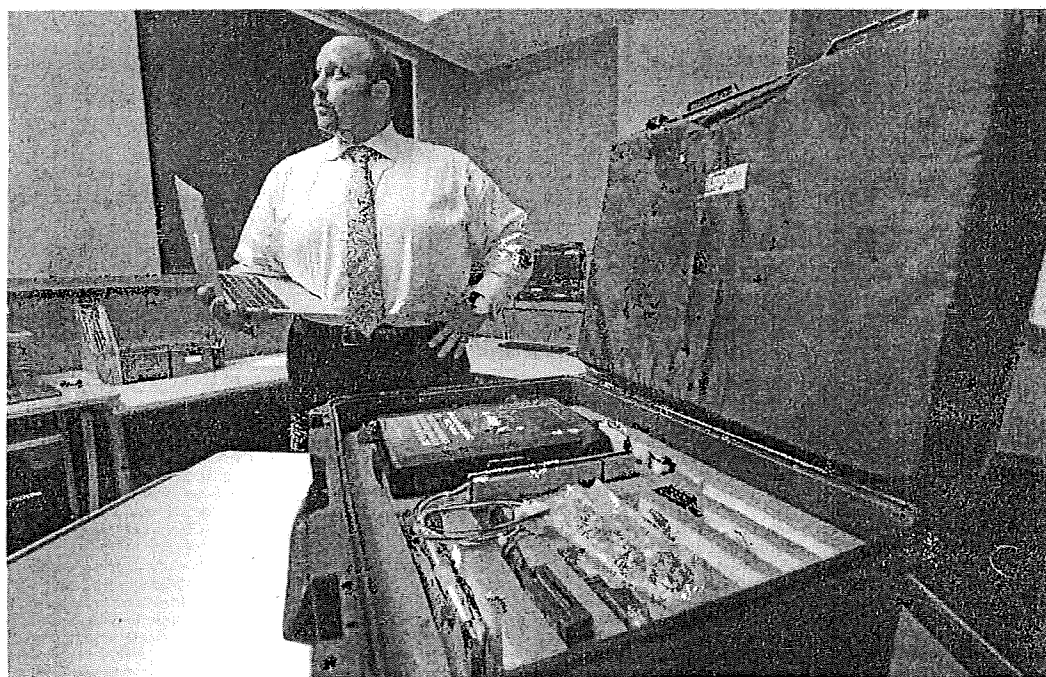
Daniel Tobok, president of Toronto-based Digital Wyzdom Inc., who investigated the attacks, would not name the firms. The attacks, which he said appeared to originate from computers in China, show that Canadian law firms are a target for hackers and potentially, state-sponsored cyber espionage. They follow similar attacks on governments and major corporations in recent years.

"They were harvesting information," Mr. Tobok said of the hackers who penetrated the computers of the four Toronto law firms. He said it was hard to say if any sensitive data actually went missing, but said the attacks were at least successful at getting inside the firms' systems. "This was probably one of the most sophisticated attacks we have seen."

In the most devious attacks, Mr. Tobok said, lawyers at a major Canadian law firm working on a proposed deal involving the acquisition of a Chinese company received e-mails that appeared to be from a partner working on a deal. The e-mail was a fake, and its attachment launched a hidden computer program known as malware that infected dozens of the law firm's computers.

The attack was traced to computers in China, but Mr. Tobok said it was not possible to be certain that the Chinese government, or an element of the Chinese government, had a hand in the attack.

Malware of this kind can sit in a target's computers undetected for months, Mr. Tobok said, stealing reams of information before anyone realizes security has been breached. And there is no question that sensitive information stolen from a law firm's files on



'This was probably one of the most sophisticated attacks we have seen,' says Daniel Tobok, whose firm investigated. JENNIFER ROBERTS FOR THE GLOBE AND MAIL

an impending merger deal has value: It could be used to sabotage a deal, it could sold to give rival bidders an advantage, or it could be used to conduct illegal insider trades.

Mr. Tobok said some in the legal world have been slow to realize just how serious the hacking threat is, although he said IT departments are doing the best they can. "Sometimes they have a false sense of security," he said of companies in general. "After they get attacked, they understand that they have to invest a little more."

Hugh MacKinnon, chief executive officer of Bennett Jones LLP, said he was not aware of his firm ever falling victim to a hacking attack. He said the growing importance of keeping the firm's data safe has prompted it to take a number of measures, including the recent move of all of its computer servers to a third-party, off-site security facility.

He said Canadians in general tend to underestimate the threat from malicious threats such as cyber attacks: "We're Boy Scouts, right? We tend to think that the rest of the world is comprised of Boy Scouts, and it's not."

David Craig, national information security practice leader for PricewaterhouseCoopers Canada, said law firms are a natural target for hackers because they are storehouses of information of interest to everyone from organized crime to spouses in marital disputes. But he said law firms tend to be extra careful about confidential information. Large firms usually have sophisticated IT staff and policies in place to try to keep data secure.

"Problems typically arise when those policies are violated for expediency, such as copying data to a flash drive and then misplacing it, or using a commonplace password that can be easily guessed," Mr. Craig said.

Of course, law firms are not alone when it comes to cyber attacks. On Tuesday, for example, word emerged that e-mail addresses of millions of customers of major retailers had been compromised when a Dallas marketing firm, Epsilon, was hit by hackers. Best Buy and the Air Miles Reward Program were among companies sending out warnings to customers.

Earlier this year, it was revealed that several federal Canadian government departments had been hacked. Oil companies, the Pentagon, even Google Inc., have been hit. China's government has denied any involvement, but defence and security experts have long speculated that the Chinese military or other Chinese agencies could be behind such attacks.

The U.S. Federal Bureau of Investigation has repeatedly warned law firms that they are a target. Last year, a Los Angeles law firm representing a U.S. com-

pany in a \$2.2-billion suit against the Chinese government and two Chinese computer firms said it was hit by hacking attacks from China.

Hackers have also targeted law firms and others engaged in the fight against websites that offer access to pirated movies, music and video games. Last year, a British law firm that was targeting illegal file-sharers was hounded by cyber-attacks.

For now, IT experts and hackers are engaged in a computer-code arms race. Mr. Tobok's firm, which has 80 employees in Toronto, stores malware that it finds in its clients' computers in its lab and tries to analyze just what the hackers were trying to do.

"We contain them and we play around with them," Mr. Tobok said of the malware programs. "It's like having a cobra in a cage. ... We actually try to see what it's going to do."

THE LAWYERS WEEKLY

Canadian law firms hacked

By Jeremy Hainsworth

June 24 2011 issue

Canadian law firms are naive when it comes to cyber security, a blind spot that could cost millions in lost clients and reputation, not to mention the financial hit of having computer forensic work and upgrading done, says a Canadian cyber security expert.

"It comes down to risking lawyer-client confidentiality," said Daniel Tobok, president of the Toronto-based Digital Wyzdom Inc. "That is the pure foundation of the legal community. It's definitely a multi-million [dollar] loss when these breaches happen."

Tobok told *The Lawyers Weekly* that in the past nine months or so about 20 law firms have been victims of cyber attacks, five of them hitting major Canadian law firms.

And they were unlike usual attacks which can deny service or take down systems, he said.

"These were targeted attacks," Tobok explained. "Three had serious levels of attack."

Indeed, said Tobok, the attacks might be fit for the script of Tom Cruise's next *Mission Impossible* film.

Of the attacks, Tobok said, two involved merger-and-acquisition (M&A) work while another had to do with high-profile litigation.

"Confidential information is the new currency crooks are after," Tobok said. "We have seen a 40 per cent rise in the theft of intellectual property since the 2008 recession."

Digital Wyzdom's website lists many high-profile organizations as past clients, including several Bay Street law firms. LexisNexis Canada Inc., the publisher of *The Lawyers Weekly*, is also listed on the site as a past client of Digital Wyzdom.

The *Lawyers Weekly* repeatedly contacted all the firms listed on Digital Wyzdom's website as past clients for comment, only Gowling Lafleur Henderson LLP and McMillan LLP, which merged with Lang Michener LLP earlier this year, responded.

McMillan's CEO Andrew Kent said the firm earlier this year, was not breached.

While he said the firm's security precautions are confidential, "rest assured we're doing things along the way to protect clients' data."

Added Gowling's Managing Partner Lorne Segal: "That certainly did not involve Gowling's."

Segal said the establishment of walls and barriers in the computer system to protect client data is "extremely important."

Tobok says what was striking, if not alarming, about the attacks was the level of sophistication.

In order for an attack to take place, he said, malware — complex software programs designed to damage or do other unwanted actions on a computer system — needs to get into a firm's system.

In one major incident, Tobok said, a major firm executive's email address was "spoofed" or faked to get the malware into the system. In another, a "whole bunch of emails [were] sent to see what would catch on."



[Illustration by Bahar Nasirzadeh]

And, he said, in one case, there was definitely some inside information used to mount the attack.

Once an email was opened, he said, the malware could begin its work inside the system, searching archives and sending the information to an outside source.

"On the way out, it was that sophisticated that it started cleaning its own tracks," he said.

"Only experts to a point can clean up their own tracks," Tobok stressed. "Only on a government level can someone go to that length of expertise.

"There was some evidence that two of them for sure led to China," he said. But, he cautioned, attacks could also be originating in places such as Russia, Lithuania, Estonia or the Ukraine.

"The Russians cover their tracks by making it look like it's coming from China," he said. "Have a scapegoat."

What's more, he said, it was only because people spotted something odd going on that the intrusions were suspected and forensic teams brought in.

"Another day or two and it would have been completely clear," he said. "This was completely unbelievable to see."

Tobok likens the breached systems to crime scenes.

"In cyber crimes there's no smoke, there's no alarms, there's nothing blowing up," he said.

And, he said, without denigrating the work in-house information technology (IT) teams do, they generally aren't much help in such cases. More often that not, he said they can foul the crime scenes as they attempt to fix the problem without the technical knowledge to do so.

"They have a false sense of security," he said, adding firms are generally not prepared for such events.

"We can see they're thinking about it but I don't know how fast they're moving," he said.

Further, Tobok cautions, the level of naiveté around cyber attacks stretches from senior partners to IT departments.

What's required is third-party security with regular system audits as part of a pro-active security approach.

"You need a fresh pair of eyes," he said.

Moreover, there needs to be policy around systems use and education of users, he said.

Digital Wyzdom uses a five-pronged method in its work: discovery, enumeration, susceptibility mapping, utilization and reporting.

In the discovery phase, it searches various "whois" databases, scan tools, etc., to gather information about the target organization. Searches often reveal many more Internet connections than the organizations expect. It also examines things such as Usenet postings and social engineering tactics. Apparently, many organizations are amazed at how willing employees are to divulge information useful to an attacker.

Once specific domain names, networks and systems have been identified, said Tobok, a so-called enumeration phase begins where a tester examines a system to see where an attack may come and simulates what that attack might look like.

"We actually do different layers of testing to see how far we can get into a specific server," he said, noting that is only done with rules and scope agreed upon with the client.

Tobok said the penetration tester's most valuable work comes in the susceptibility mapping phase as the tester creates a map of the system explaining its vulnerabilities and how they might be remedied.

Once that is done, the tester examines system vulnerabilities in the utilization phase. A penetration tester will attempt to gain privileged access to a target system by exploiting the identified vulnerabilities.

As for the malware that Digital Wyzdom finds on computers, the company takes it off and then examines

it to find out what the hackers were trying to do.

"We take the malware and dissect it, dig into the code. We give it a playground and watch it," he said. "It's like a cobra in a cage."

The federal government operates the Canadian Cyber Incident Response Centre. Its website lists information for businesses interested in increasing cyber security.

Legal Consultant and *The Lawyers Weekly* Columnist Jordan Furlong said the prevalence of hacking should be a wake-up call.

"It's not surprising law firms get hacked," he said. "Everyone's vulnerable to some degree or another. Businesses are way behind the curve in terms of protecting their information from hackers."

And companies appear to be on their own when it comes to oversight on technological security issues.

The Law Society of Upper Canada (LSUC) Spokesperson Susan Tonkin said the society regulates and investigates lawyers, not firms.

"In general, lawyers must ensure that the technology they choose for their practice is used in a way that complies with the Rules of Professional Conduct — Rule 2.01, Rule 2.03, Rule 2.04 (e.g. competence, confidentiality and avoidance of conflicts of interest)," Tonkin said in an email.

However, she noted, the society does publish practice management guidelines which include technology management available online. She also suggested Lawyers' Professional Indemnity Co.'s (LawPRO) security and privacy of electronic data information as a resource.

The Canadian Cyber Incident Response Centre is a sector of Public Safety Canada. It provides services for co-ordination and support for incident response efforts; monitoring and analysis of the cyber threat environment; information technology security-related technical advice; national cyber capacity building (standards, best practices, awareness, education); and a wide range of security publications and warnings.

But, said Spokesperson Janis Ferguson, the department does not comment on the details of security-related incidents.

And the Ontario privacy commissioner's office said it only deals with municipal and provincial issues such as health.

Information Officer Gail Pruder said a cyber breach complaint would be the bailiwick of the federal privacy commissioner.

Office of the Privacy Commissioner of Canada Spokesperson Valerie Lawton said the office has received no breach report from law firms or individuals about hacking incidents.

She said the Personal Information Protection and Electronic Documents Act doesn't currently require organizations to notify the commissioner's office following a breach.

Parliament had been considering legislation to create a mandatory reporting requirement prior to the federal election, Lawton said.

Defintions of tech terms

mal•ware: Disruptive viruses or complex software programs designed to damage or do other unwanted actions on a computer system.

spy•ware: Sends information back to the crooks immediately or lies dormant for months.

spoof•ing: The sending of legitimate-looking but fake emails. The email imitates someone else's identity or fakes a legitimate address while covering its tracks, all with the intent to harm or deliver malware or spyware when opened.

har•ves•ting: The collecting of information such as contents of address books or of specific folders. The information is transmitted to the perpetrators and sold for profit to a third party, used in "insider" or competitive information, or used to bribe the information owners for its return.

hon•ey•pots: Information set up to attract cyber crooks because they find them irresistible. When crooks steal the honeypot, forensic IT tools analyze the crooks' tracks and methods and clues to their geographic location and likely identities.

im•ag•ing: The copying of a hard drive using special forensic information technology software and hardware to preserve evidence of malfeasance or intrusion.


steg•a•nog•ra•phy: Writing hidden messages in such a way that no one, apart from the sender and intended recipient, suspects the existence of the message.

steg•a•nal•y•sis: The art and science of detecting messages hidden using steganography.

anti-fo•ren•sics: The purposeful hiding of the means of electronic break-in to make it hard for forensic investigators to find criminals and impossible for them to prove they found the specific criminals who perpetrated a specific breach or crime. Methods include data corruption, data obfuscation, data hiding (such as steganography or encryption), evidence wiping, file packers or "wrappers," and advanced or blended threats.

met•a•da•ta: Literally "data about the data." Certain types of metadata describe the characteristics of electronically stored information such as how, when, and by whom it was collected, created, accessed, modified and how it is formatted. Some metadata — such as file dates and sizes — can easily be seen by users. Others can be hidden or embedded and remain unavailable to computer users who are not technically adept.

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Foreign hackers targeted Canadian firms

Cyber-attack for PotashCorp bid info 'one of the biggest attacks we have ever seen'

Posted: Nov 29, 2011 9:04 PM ET

Last Updated: Nov 30, 2011 9:36 AM ET

A leading cyber-crime expert says foreign hackers who launched a massive attack on Canadian government computers last fall also broke into the data systems of prominent Bay Street law firms and other companies to get insider information on an attempted \$38-billion corporate takeover.

Daniel Tobok, whose international cyber-sleuthing company was called in by a number of the firms hit by the attacks, says the hacking spree from computers in China were all connected to last year's ultimately unsuccessful takeover bid for Potash Corporation of Saskatchewan.

"All those different attacks on companies, law firms and government were all interconnected — they weren't isolated incidents," he said in an interview with CBC News.

The cyber-forensics guru with prominent clients around the world calls the assault on Canadian companies and the government "one of the biggest attacks we have ever seen."

Tobok said hackers penetrated the computer systems of at least seven of Canada's leading law firms in what experts believe was an attempt to mask the real target of the attacks — the few firms directly involved in the aborted Potash deal.

The foreign hack-attack on Canadian law firms was "very sophisticated and highly targeted," he said.

The hackers appeared to have been hunting exclusively for information on the Potash deal, and there was no evidence they had penetrated the confidential files of other clients of the firms affected.

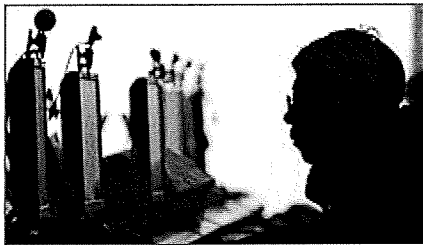
"I think the law firms did a pretty good job in dealing with this attack ... and no other clients were harmed. I mean this was not a fishing expedition to download all of the law firms' client files."

One of the law firms representing PotashCorp in the deal is Bay Street's legendary Stikeman Elliott.

In a prepared statement, the firm told CBC News it is "aware of the threat posed by hackers, as well as by viruses, malware and other means of infiltrating computer systems.

"Accordingly, there are safeguards, audit processes and other measures in place that we believe to be appropriate.

"We cannot comment on client matters specifically, but can say that we are not aware of any compromised client information as a result of our systems being breached."



A foreign hack-attack on Canadian firms probing for information on last year's failed bid for PotashCorp was 'very sophisticated and highly targeted,' according the head international cyber-sleuthing company contacted by several of the firms.

In a similar statement, another prominent law firm involved in the Potash deal, Blake, Cassels & Graydon, said it was "not aware of any compromise of client information as a result of any attempt to breach our systems."

"We take our obligations of confidentiality to our clients and the integrity of our systems very seriously," the firm said.

'Nobody knew the severity'

Tobok said, at first, no one investigating the Potash cyber-attacks connected the dots between the **widespread attack on the government** and similar invasions of the law firms and other companies.

He said his company was first called in to investigate a series of odd computer glitches at one of the firms hit in the attacks.

"We received a direct call just like we do every other day, (saying) 'I think that we have a problem here. Here is what is happening. Can you guys come and take a look at it?'

"And nobody knew the severity of the issue or what was happening. They were just noticing that they had a problem."

That was not long after the giant Australian resources conglomerate BHP Billiton had launched its **ultimately unsuccessful bid for Potash Corp** in August 2010, and several months before the federal government revealed its own computers had been hacked.

Over the ensuing few months, Tobok's company got similar calls from at least two other firms, and that's when his investigators began to notice a pattern.

"While there are hundreds of attacks a year, there were certain things about those attacks that had a certain signature on them that made it all connected," he said.

Tobok says eventually investigators "at a very high level" were able to match that signature to the attacks on the federal government.

The Conservative government finally stepped in and killed the whole Potash deal, but not before federal computer systems had taken the hardest cyber-hit of all.

The hackers' successful penetration of the Canadian government computers forced federal security officials to shut down all internet connections to the federal Finance Department and Treasury Board, along with Defence Research and Development Canada — an agency of the Department of National Defence — in an attempt to prevent the further theft of sensitive data.

Almost a year later, all three departments are still without full internet access.

The government initially tried to downplay the severity of the attack, claiming no information had been stolen.

But a government memo obtained by CBC News earlier this year stated that "data has been exfiltrated and privileged accounts have been compromised."

'Malware' designed to gather PotashCorp info

The hackers used the same so-called "spear-phishing" technique to break into otherwise highly protected computers in the government, law firms and other companies hit by the attacks.

The hackers sent each target organization a series of emails purporting to be from senior federal officials or firms involved in the PotashCorp deal.

When infected email attachments were opened, they embedded in the target computer network so-called "malware" specifically designed to gather information on the PotashCorp deal.

Exactly why hackers went to such extraordinary lengths to get inside information on the ultimately ill-fated PotashCorp takeover remains a matter of some speculation.

China, one of the world's biggest consumers of potash-based fertilizers, was reportedly against the takeover bid that would have put the world's largest producer in the hands of BHP.

The Financial Times reported that China's state-owned chemical company, Sinochem Group, had even hired several large international investment banking firms to assess ways to disrupt the BHP takeover bid.

The Chinese government has denied any role in the cyber-espionage fiasco, and experts say the fact the computers used in the attacks were in China does not necessarily mean the hackers were there, too.

At the time of the attack, Russian interests were also rumoured to be eyeing a possible takeover of PotashCorp if the BHP bid failed.

While Tobok isn't pointing fingers, he estimates the PotashCorp attack had to have involved more than 100 hackers, leaving little doubt in his mind the whole thing was the work of a foreign intelligence service, or was otherwise "state-sponsored."

He says the hacking methods used were so sophisticated the intruders almost completely erased their tracks after the attacks.

Almost.

"No crime is perfect," he said.

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CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

FINANCIAL MANAGEMENT REPORT

For the Period Ending December 31, 2011

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

FINANCIAL MANAGEMENT REPORT

December 31, 2011

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CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF FINANCIAL POSITION
December 31, 2011

	As at December 31, 2011	As at December 31, 2010
ASSETS		
Cash	4,538,284	3,409,867
Short term investments	12,216,563	14,757,472
Premium receivable	5,003,937	7,664,379
Other receivable	1,733,852	1,733,854
Prepaid expenses	136,500	136,500
Deferred policy acquisition costs	0	0
Unearned reinsurance premium ceded	5,920,338	6,352,910
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	34,431,000	33,176,000
Reinsurance recoverable	5,739,425	13,132,896
Interest income due and accrued	308,227	299,500
Bonds	44,248,315	39,807,585
	<u>114,276,441</u>	<u>120,470,963</u>
LIABILITIES		
Accounts payable & accrued charges	515,807	1,062,627
Premium taxes payable	141,850	1,937,063
Unearned premium	8,456,905	10,340,343
Due to reinsurers	4,506,997	5,179,783
Provision for unpaid claims and adjustment expenses	79,943,000	77,557,000
Provision for unpaid premium liabilities	0	2,629,821
Premium deficiency liability	586,000	548,000
	<u>94,150,559</u>	<u>99,254,637</u>
SUBSCRIBERS' EQUITY		
Surplus	17,823,450	20,018,273
Accumulated Other Comprehensive Income (Loss),	2,302,432	1,198,053
	<u>20,125,881</u>	<u>21,216,326</u>
	<u>114,276,441</u>	<u>120,470,963</u>

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF COMPREHENSIVE INCOME
For the Period Ending December 31, 2011

	Current Year		Prior Year	
	Quarter December 31, 2011	Year to Date December 31, 2011	Quarter December 31, 2010	Year to Date December 31, 2010
Written Premium	0	17,006,743	0	20,835,506
Gross Written Premiums	0	17,006,743	0	20,835,506
Less: Reinsurance Ceded	0	11,905,735	0	12,811,117
Net Written Premiums	0	5,101,008	0	8,024,389
Change in Unearned Premiums	1,282,221	1,450,866	2,026,762	905,153
Earned Premiums	1,282,221	6,551,875	2,026,762	8,929,542
Claims Paid	7,836,541	8,297,638	42,513	253,594
Change in IBNR	(1,329,000)	425,000	(975,000)	1,027,000
Change in Case Reserve	(3,381,000)	706,000	1,443,000	5,186,000
Premium Deficiency Expense	586,000	38,000	548,000	548,000
Change in provision for unpaid premium liability	0	0	0	0
Incurred Claims	3,712,541	9,466,638	1,058,513	7,014,594
Management and operating expenses	497,726	2,379,454	497,819	2,330,762
Reinsurance fees	68,250	273,000	68,250	273,000
Premium taxes	357,486	(117,787)	763,153	1,211,856
Total Operating Expenses	923,462	2,534,667	1,329,222	3,815,618
Underwriting Gain (Loss)	(3,353,782)	(5,449,431)	(360,973)	(1,900,670)
Investment Income	385,701	1,694,950	393,460	1,487,601
Income on Claim Related Matters	0	1,559,658	0	0
NET GAIN/(LOSS)	<u>(2,968,082)</u>	<u>(2,194,823)</u>	<u>32,487</u>	<u>(413,069)</u>
Other comprehensive income (loss)				
Unrealized gains (losses) on available for sale financial assets arising during the year	46,657	1,104,379	(560,389)	(12,432)
Recognition of realized (gain) loss included in income	-	-	-	0
Other comprehensive income (loss) for the year	46,657	1,104,379	(560,389)	(12,432)
Total comprehensive income (loss)	<u>(2,921,425)</u>	<u>(1,090,444)</u>	<u>(527,902)</u>	<u>(425,501)</u>

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF CHANGES IN EQUITY
December 31, 2011

	Minimum Surplus	Additional Surplus	Unrealized gains and losses on AFS financial assets	Total Equity
Balance, beginning of year	50,000	19,968,272	1,198,053	21,216,325
Prior year adjustment		-		-
Comprehensive income (loss) for the year				
Net gain (loss) for the year		(2,194,823)		(2,194,823)
Other comprehensive income (loss)				
Change in unrealized gain on available-for-sale assets			1,104,379	1,104,379
Recognition of realized (gain) loss on available-for-sale assets			-	-
Total comprehensive income (loss) for the year		(2,194,823)	1,104,379	(1,090,444)
Balance at December 31, 2011	50,000	17,773,450	2,302,432	20,125,881

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS
FOR THE PERIOD ENDED December 31, 2011**

	Annual Budget	Year to Date Budget % Accrued to Date	Year to Date Budget \$	Year to Date Actual \$	Fav/(Unfav) Variance \$
MANAGEMENT SERVICES	495,000	100%	495,000	532,097	(37,097)
PROFESSIONAL SERVICES					
Actuarial Services	100,000	100%	100,000	102,791	(2,791)
Reinsurance Matters (Note 1)	400,000	100%	400,000	605,577	(205,577)
Strategic Matters	120,000	100%	120,000	106,078	13,922
Sub-Total Professional Services	620,000		620,000	814,446	(194,446)
GST/HST on Consulting Fees	144,950		144,950	175,051	(30,101)
Total Management & Professional Services * (See Note 2)	1,259,950		1,259,950	1,521,594	(261,644)
OTHER EXPENSES					
Audit Expenses	75,000	100%	75,000	86,487	(11,487)
Annual Dinner	5,500	100%	5,500	6,014	(514)
Premium Taxes	745,000	100%	745,000	(117,787)	862,787
Premium Taxes: Interest	-		-	352,905	(352,905)
Chairman's Expenses	2,000	100%	2,000	-	2,000
Chairman's Honourium	75,000	100%	75,000	75,000	-
Reinsurance Expense	10,000	100%	10,000	5,831	4,169
Office Expenses	20,000	100%	20,000	34,767	(14,767)
Office Expenses - Website management software license	1,000	100%	1,000	1,162	(162)
Claims: Borderaux (LSUC)	16,000	100%	16,000	8,870	7,130
Special Services	165,000	100%	165,000	(114,586)	279,586
Miller Insurance Fees (Reins. Comm.) (See Note 3)	273,000	100%	273,000	273,000	-
I.B.C Statistical Plan Fees	15,000	100%	15,000	15,710	(710)
FSCO Assessment Fees	15,000	100%	15,000	5,106	9,894
Investment counsel fees	142,000	100%	142,000	144,468	(2,468)
Investment - Custodial	45,000	100%	45,000	44,338	662
Risk Management/Loss Prevention	80,000	100%	80,000	168,106	(88,106)
License Fee	5,000	100%	5,000	852	4,148
Insurance: Sundry	-		-	22,829	(22,829)
Sub-total	1,689,500		1,689,500	1,013,073	676,427
TOTAL	2,949,450		2,949,450	2,534,667	414,783

*** NOTE 1: REINSURANCE MATTERS**

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

*** NOTE 2: PROFESSIONAL SERVICES - SEASONALLY WEIGHTED BUDGET**

This is based upon an analysis of the current budget and previous years' experience, the anticipated pattern of seasonal workflow is as follows:

First Quarter, ending March 31st	26%
Second Quarter, ending June 30th	41%
Third Quarter, ending September 30th	16%
Fourth Quarter, ending December 31st	17%
	<u>100%</u>

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

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

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY (CLLAS)

REPORT ON THE VALUATION OF POLICYHOLDER LIABILITIES

As at December 31, 2011

Prepared by Julie-Linda Laforce, FCIA, FCAS

Draft Report – February 9, 2012

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PART 1 - INTRODUCTION AND SCOPE

INTRODUCTION

Company:	Canadian Lawyers Liability Assurance Society (CLLAS)
Date of Valuation:	December 31, 2011
Purpose:	Actuarial opinion and valuation report as required by the Ontario Insurance Act.
Author:	Ms. Julie-Linda Laforce, F.C.I.A , F.C.A.S. Dion, Durrell + Associates Inc. 630 Rene-Levesque Blvd. West, suite 2940 Montréal, QC, H3B 1S6 (514) 673-4708
Authority:	Actuary to the Canadian Lawyers Liability Assurance Society.
Distribution:	<p>This report is strictly for the use of CLLAS, its external auditors, its advisors and the regulatory authorities in the context of their work in connection with the financial statements and Annual Return. Any other use or disclosure should be discussed first with Dion, Durrell + Associates Inc. If our report is distributed further, the report must be distributed in its entirety. All recipients of this report should be aware that the person signing it is available to answer questions about it.</p> <p>This report was prepared and filed with the regulatory authorities in accordance with the relevant legislation and accepted actuarial practice based on the appropriate Standards of Practice of the Canadian Institute of Actuaries.</p>

SCOPE

Actuarial valuation of all policyholder liabilities, including:

- (1) claims liabilities,
- (2) liabilities in connection with unearned premium, and
- (3) other policyholder liabilities.

No actuarial liabilities have been excluded from this report.

No other report will be issued to the subscribers of CLLAS.

OPERATIONS

General

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. CLLAS is licensed in Alberta, British Columbia 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)

CLLAS HISTORICAL COVERAGE SUMMARY	
Coverage Period	Coverage Provided (in million \$)
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)
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 ****	\$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)

* 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 \$30million in excess of a \$10 million retention

**** For Québec, for policy year 2011/2012, 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 to the first \$5 million.

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 coverages 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. 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 has 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.

Reinsurance

The coverage provided by CLLAS is divided into layers with varying amounts of proportional reinsurance purchased in each layer. The size and the number of layers have varied over time. Effective July 1, 2002, CLLAS retains 100% of its losses in the layer \$4 million excess of \$1 million. In previous policy years the retained portion has been 50% in said layer. Effective July 1, 2011, CLLAS retains 25% of its losses in the layer \$49 million excess of \$1 million. In addition, beginning

July 1, 1989 reinsurance on the aggregate retention of CLLAS, after reflection of the proportional reinsurance, has been purchased from Colchester Reinsurance Limited (“Colchester”). Colchester is an unlicensed reinsurer which is domiciled in Barbados. Effective July 1, 2011, Colchester assumes 25% of the layer \$49 million excess of \$1 million in addition to its aggregate retention. The current and historical reinsurance arrangements are summarized in Schedule 1.

Membership/Management Changes

The number of insured lawyers has increased from approximately 1,450 to 4,863 (including 55 patent and trademark agents) from 1987 to 2011. There has been a slight increase in the number of lawyers insured by CLLAS since last year. Included in the 4,863 lawyers are 176 lawyers practicing in the US or the UK which are covered by the optional layers, but are not covered by the shared umbrella layer. CLLAS has been managed by The Wyatt Company from its inception in 1987 up until late 1995 and by Dion, Durrell + Associates Inc. thereafter.

To the best of my knowledge, there have not been any major changes in management policies and philosophy in recent years. There have been no management changes in 2011.

Claims Administration/Reserving

Based on discussions with CLLAS management, claims administration and reserving practices are generally consistent with prior years. CLLAS establishes its own claims reserves with consideration for the reserves set by the Law Society of Upper Canada (LSUC) and other law societies which offer the underlying compulsory program, as well as the circumstances of individual claims. CLLAS reserves are monitored on an ongoing basis and are reviewed and modified on a quarterly basis by CLLAS Claims Committee as deemed appropriate.

STANDARD OF MATERIALITY

I have selected a standard of materiality deemed to be appropriate under the circumstances.

In selecting this materiality level, I have given due consideration to:

- the surplus position of CLLAS,
- the value of the unpaid liabilities,
- the potential impact of errors on future premium levels and retro-assessments,
- who the potential users of CLLAS' financial statements are, and
- the overall level of materiality selected by the auditor.

The potential users of the CLLAS' financial statements include:

- regulators,
- management,
- auditors, and
- subscribers.

The level of materiality selected encompasses approximation errors as well as errors due to inaccurate information.

The foregoing considerations have resulted in the selection of a level of materiality of \$250,000, which corresponds to approximately 0.2% of CLLAS' assets and 0.5% of its net claims liabilities as of December 31, 2011.

CONDITIONS AND LIMITATIONS

In carrying out this valuation, I have relied on CLLAS' financial records and I have verified the consistency of the valuation data with the CLLAS financial records. I have asked CLLAS' external auditor, Deloitte & Touche:

- (a) to employ appropriate tests and sampling of CLLAS's individual records to ensure accurate and proper recording of premium, claim and asset information,
- (b) to employ appropriate tests and sampling to ascertain that proper management controls are in place to ensure the completeness of premium, claim and asset data, and
- (c) to employ appropriate tests to ensure that our premium and claim data sets correspond in aggregate to internal CLLAS reports.

I have received a satisfactory report from the auditors for the year ending December 31, 2011.

I am satisfied that the data utilized are reliable and sufficient for the valuation of these liabilities.

Policyholder liabilities are estimates. The ultimate liabilities will depend upon future contingent, and by definition, uncertain events. Examples of such events include unanticipated changes in inflation, changes to the legal system and judgements establishing precedents.

It must be recognized that the future emergence of loss and loss adjustment expenses may deviate from our estimates by a significant margin. In estimating these liabilities, I have used procedures and assumptions which, in my opinion, are reasonable and appropriate and I believe the resulting estimates are reasonable given the information available.

SPECIFIC DISCLOSURE REQUIREMENTS

Annual Required Reporting to the Board or Audit Committee

I will meet with the audit committee on February 15, 2012 to present the results of this report. I met with the audit committee on February 16, 2011 to present the December 31, 2010 results. I met with the audit committee on February 18, 2010 to present the December 31, 2009 results.

Continuing Professional Development Requirements

I am in compliance with the Continuing Professional Development requirements of the Canadian Institute of Actuaries.

Dynamic Capital Adequacy Testing (DCAT)

There is no requirement to complete a DCAT analysis for CLLAS.

Disclosure of Compensation

I attest that all my direct and indirect compensation is derived using the following methodology:

Dion Durrell operates on a fee for service basis and hence the compensation that we receive from CLLAS is a function of the time and personnel involved in the engagement.

I confirm that I have performed my duties without regard to my personal considerations or to any influence, interest or relationship in respect to the affairs of my client or employer that might impair my professional judgement or objectivity.

I confirm that my ability to act fairly is unimpaired, that there has been full disclosure of the methodology used to derive my compensation to all known direct users of my services.

PART 2 - EXPRESSION OF OPINION

I have valued the policyholder liabilities of the Canadian Lawyers Liability Assurance Society for its balance sheet as at December 31, 2011 and their change in the statement of income for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods. I am satisfied that the data utilized are reliable and sufficient for the valuation of these liabilities. I verified the consistency of the valuation data with the company financial records.

The results of my valuation together with items from the Annual Return are as follows:

Claim Liabilities	Carried in Annual Return	Actuary's Estimate
(1) Direct unpaid claims and adjustment expenses	\$79,943,000	\$79,943,000
(2) Assumed unpaid claims and adjustment expenses	0	0
(3) Gross unpaid claims and adjustment expenses	\$79,943,000	\$79,943,000
(4) Ceded unpaid claims and adjustment expenses	34,431,000	34,431,000
(5) Other amounts to recover	0	0
(6) Other net liabilities	0	0
(7) Net unpaid claims and adjustment expenses (3)-(4)-(5)+(6)	\$45,512,000	\$45,512,000

Premium Liabilities	Carried in Annual Return (Col. 1)	Actuary's Estimate (Col. 2)
(1) Gross policyholder liabilities in connection with unearned premiums		\$9,207,000
(2) Net policyholder liabilities in connection with unearned premiums		3,123,000
(3) Gross unearned premiums	\$8,457,000	
(4) Net unearned premiums	2,537,000	
(5) Premium deficiency	586,000	586,000
(6) Other net liabilities	0	0
(7) Deferred policy acquisition expenses	0	
(8) Maximum policy acquisition expenses deferrable [(4)+(5)+(9)] _{Col. 1} - (2) _{Col. 2}		\$ 0
(9) Unearned Commissions	\$ 0	

In my opinion the amount of policyholder liabilities makes appropriate provision for all policyholders' obligations and the annual return fairly presents the results of the valuation.

_____, FCIA
Signature of Actuary

Date opinion was rendered

Julie-Linda Laforce, FCIA
Printed name of Actuary

PART 3 - COMPARISON OF ACTUAL EXPERIENCE WITH EXPECTED EXPERIENCE

The expected experience represents the net ultimate loss projections as of December 31, 2002, through December 31, 2010, and the actual experience represents the net ultimate loss projections as of December 31, 2011. Exhibit XV shows both actual and expected experience net of proportional reinsurance and of Stop-Loss reinsurance (i.e. Colchester).

Significant changes in net ultimate losses were observed in several policy periods, which are summarized as follows:

Cause of Change in Net Ultimate Loss	Policy Periods
Favourable claim development (reduced reserves)	2000/2001
Favourable claim development (reduced IBNR)	2005/2006, 2008/2009, 2009/2010
Unfavourable claim development (increased reserves)	2003/2004, 2006/2007
Unfavourable claim development (paid amounts)	2007/2008, 2010/2011

There have been moderate changes in claims experience for other policy periods and an overall net claims experience loss of \$1,328,000 (i.e. +1.7% of prior year end estimate) has been realized in 2011 for all policy periods combined.

PART 4A - COMMENTARY - CLAIMS LIABILITIES, LIABILITIES IN CONNECTION WITH UNEARNED PREMIUM AND OTHER POLICYHOLDER LIABILITIES

CLAIMS LIABILITIES

Considerations

The following were considered in estimating the claims liabilities:

Homogeneity/Credibility

The same coverage is offered to all subscribers. We consider the risk exposures of the CLLAS subscribers to be homogeneous for estimating claims liabilities.

Given the excess nature of the coverage provided by CLLAS, claims experience is very limited. For that reason, we have estimated IBNR reserves based upon anticipated future development of expected losses.

Frequency/Severity

Given the excess nature of the coverage provided by CLLAS, claims experience has been very volatile from year to year.

Claims Runoff

As at December 31, 2011, there are a total of 50 claims with an incurred value of \$176,629,000 that exceed the underlying coverage, or self-insured retention in the event a claim is not covered, consisting of gross case reserves of \$17,204,000 and gross payments of \$159,425,000. At the end of 2010, there were 44 claims with an incurred value of \$162,486,000 within the CLLAS coverage layers, consisting of gross case reserves of \$16,482,000 and gross payments of \$146,004,000. The development during 2011 led to a slight deterioration of the claims experience.

Retention/Reinsurance

The aggregate retention has decreased in 2011/2012.

The 2011/2012 reinsurance arrangements were significantly revised over those in place in 2010/2011.

The details of the current (2011/2012 policy period) and historical reinsurance arrangements are provided in Schedule 1 of this report.

External Influences

I am not aware of any legal or regulatory changes or any precedents set in case law that would impact our estimates.

Marketing Strategy

There have been no changes in marketing strategy since CLLAS' inception. The number of insured lawyers is approximately the same as it was in the last valuation. Note that two CLLAS firms have merged. No adjustment has been made in our valuation to reflect the merger as there is no material impact expected.

Mix of Business

There has not been any material change in the mix of business since CLLAS' inception.

Claims Recording/Settlement

Claims recording and claims settlement practices during 2011 were consistent with historical practices. The year-end cut-off date was December 31, 2011.

Reopened Claim Potential

Our analysis indicates that in the past no relevant reopening claim activity has taken place. I am not aware of any precedent-setting judicial opinions, liberalizing legislation or company procedures which might affect the claims reopening potential.

Aggregate Limits

The aggregate limits of CLLAS' reinsurance with Colchester have changed at July 1, 1998 and subsequently at July 1, 2002, July 1, 2005, July 1, 2006 and July 1, 2011 as described in detail in Part 4 – Commentary – Reinsurance.

Collateral Sources

Case reserves used in this valuation are assumed to be net of salvage and subrogation. We are not aware of any other collateral sources which might reduce the claims liabilities.

Pools and Associations

CLLAS does not participate in any voluntary or involuntary underwriting pools or associations. Therefore, CLLAS is not subject to any liabilities from participation in any pools or associations.

Coverage Changes

For Québec, for policy years 2003/2004 and after, CLLAS coverage is provided in excess of a \$10 million retention compared to a \$5 million retention for policy years 1999/2000 to 2002/2003. Starting in 2008/2009, coverage can drop down to \$25,000 in certain instances compared to \$250,000 in prior policy periods. Starting in 2009/2010, optional layer 2 can also be purchased for \$10M, \$20M or \$30M in excess of \$160M. Starting in 2010/2011, optional layer 2 can also be purchased for \$20M, \$30M or \$40M in excess of \$160M. Starting in 2011/2012, mandatory coverage has increased from \$34M excess of \$1M to \$49M excess of \$1M and the two optional coverage layers have been combined into one layer that is available in \$10M increments up to \$60M in excess of \$160M. There have been no other coverage changes since my last valuation of CLLAS.

Case Reserving Practices

CLLAS utilizes case reserves set by the law societies and reviews large claims. However it may, if deemed appropriate, set reserves higher than the law societies for claims which have the potential of piercing into CLLAS' coverage layers. The case reserving practices have been consistent over time.

Regulatory Changes

I am not aware of any regulatory changes that would affect my valuation of CLLAS.

Harmonized Sales Tax

Effective July 1, 2010, the Ontario Retail Sales Tax ("ORST") was harmonized with the 5% federal Goods and Services Tax ("GST"), resulting in a federally administered 13% Ontario harmonized sales tax ("HST"), of which the Ontario portion is 8%. Similar changes took place in British Columbia, which will be reversed in 2013 as a result of the BC HST referendum in 2011. Due to the nature of CLLAS' business as an excess program which has few files with legal reserves, we have considered the impact of the HST immaterial to our valuation.

Methodology and Assumptions - Losses and Loss Adjustment Expenses

In estimating the ultimate loss and allocated loss adjustment expense liabilities faced by CLLAS, I have utilized methodologies consistent with last year. The data underlying our projections and estimates can be found in Part 5 of this report.

The Incurred But Not Reported ("IBNR") liabilities have been established using a Bornhuetter-Ferguson approach, based upon expected losses for each coverage period, and an assumed claim emergence pattern. The expected loss volumes have been estimated as the product of the exposure count (earned lawyer years) and pure premiums (expected loss costs per lawyer).

Rating studies have been performed annually since 1995 and expected loss costs assumptions have been revised from time to time. The last such rating study took place in early 2011 which led to revised expected loss costs per lawyer for the period covering from July 1, 2011 through June 30, 2012. These were used in my December 31, 2011 valuation. I have summarized below the revised and prior loss costs per lawyer assumptions for each layer of proportional reinsurance.

Reinsurance Layer (in million \$)	Expected Loss Costs Per Lawyer	
	Prior	Revised
\$0.975 xs \$0.025	\$ 131	\$ 125
\$4.0 xs \$1.0	1,347	1,248
\$5.0 xs \$5.0	n/a	640
\$7.5 xs \$5.0	1,056	n/a
\$10.0 xs \$10.0	n/a	780
\$12.5 xs \$12.5	837	n/a
\$30.0 xs \$20.0	n/a	870
\$10.0 xs \$25.0	367	n/a
\$30.0 xs minimum \$50.0	20	n/a
\$30.0 xs minimum \$65.0	n/a	1
\$20.0 xs \$140.0	13	n/a
\$40.0 xs \$160.0	9	8
\$60.0 xs \$160.0	n/a	9

The assumed claim emergence pattern has been derived using the observed development for lawyers professional liability excess loss experience from a number of the law societies as a guide as shown in Exhibit III. The loss development patterns were revised based upon the indications from Exhibit III. The selected developments and resulting IBNR factors are shown below.

Duration (in months)	Loss Development Factor	IBNR Factor
6	13.300	0.925
18	6.500	0.846
30	2.650	0.623
42	1.940	0.485
54	1.440	0.306
66	1.125	0.111
78	1.050	0.048
90	1.050	0.048
102	1.050	0.048
114	1.035	0.034
126	1.015	0.015
138	1.008	0.008
150+	1.000	0.000

The assumed claim payout pattern has been derived using the observed payout for lawyers' professional liability excess loss experience from a number of the law societies as a guide. The selected payout pattern is shown below.

Duration (in months)	Payout %
0	2%
12	10%
24	5%
36	8%
48	15%
60	15%
72	10%
84	10%
96	4%
108	3%
120	3%
132	3%
144	3%
156	3%
168	2%
180	2%
192	2%

I have established the liabilities for unallocated loss adjusting expenses at 3.25% of the gross indemnity and legal expense liabilities and have assumed that all ULAE costs would be retained by CLLAS. I selected a factor of 3.25% based on an analysis of unallocated loss adjustment expenses provision and gross outstanding liabilities. It should be noted that ULAE represents solely CLLAS internal claims management expenses.

The derivation of the ULAE % as shown in Exhibit IV is based upon the following key assumptions:

- Estimated internal claims management expenses equal to \$568,000 in 2011.
- Indexing of such expenses at 3% a year in future years.
- The portion of such annual expenses related to the outstanding claims liabilities as of December 31, 2011 will decrease at an annual rate of 1/7 per year from 2012 to 2018.

The ULAE provision resulting from the above assumptions represents, as indicated in Exhibit IV, 3.25% of the gross case reserves and IBNR provision as of December 31, 2011. A 3.25% assumption was selected to determine the ULAE provision as of December 31, 2011. As shown in Exhibit VIII, such provision amounts to \$2,417,000 (i.e. \$559,000 based on gross case reserves plus \$1,858,000 based on gross IBNR).

Exhibits V, VII, and VIII show the ground-up incurred loss amounts as well as the impact of proportional reinsurance, aggregate reinsurance (i.e. Colchester), and unallocated loss adjustment expenses.

Exhibit VIII shows the net CLLAS losses after consideration of all of the above elements.

Exhibit VIII shows CLLAS net outstanding liabilities. Such net outstanding liabilities amount to \$42,158,000 including the ULAE component (i.e. case reserves of \$14,061,000 and an IBNR provision of \$28,097,000).

Impact of Changes in Methodology and Assumptions on Reserve Estimates

The changes in assumptions implemented in my December 31, 2011 valuation resulted in a total increase in net undiscounted liabilities of \$342,000. There was no change in methodology from the previous year's valuation.

Expected Ultimate Loss Ratios

The ultimate loss ratio history, based on my estimates of ultimate losses and loss adjustment expenses in recent years, is as follows:

Policy ⁽¹⁾ Period	Ultimate Loss & LAE Ratio	
	Gross Basis	Net Basis
1987/1988	0%	0%
1988/1989	0%	0%
1989/1990	0%	0%
1990/1991	85%	153%
1991/1992	172%	428%
1992/1993	7%	0%
1993/1994	679%	1510%
1994/1995	181%	142%
1995/1996	64%	97%
1996/1997	0%	0%
1997/1998	0%	0%
1998/1999	187%	76%
1999/2000	70%	65%
2000/2001	1%	0%
2001/2002	121%	56%
2002/2003 ⁽²⁾	42%	119%
2003/2004 ⁽³⁾	180%	109%
2004/2005	13%	36%
2005/2006	8%	17%
2006/2007	29%	60%
2007/2008	80%	124%
2008/2009	36%	45%
2009/2010	59%	84%
2010/2011	83%	122%
2011/2012	96%	91%
Total	70%	76%

(1) July 1 to June 30, except for 2010/2011 which is July 1 to December 31, 2011.

(2) Excluding reinsurance swing premium return of \$706,071

(3) Excluding reinsurance swing premium payment of \$3,148,262

(4) Excluding unallocated loss adjustment expenses

The details of the previous table's calculations are summarized in Exhibit IX.

Please note that the above calculations do not reflect the \$7,000,000 retro-assessment called at December 31, 1996 and the \$1,600,000 retro-assessment called at June 30, 1998. If such retro-assessments are included in the above calculation a total loss ratio of 69% and 70% would result on a gross and net basis, respectively.

PROVISION FOR ADVERSE DEVIATION - CLAIMS LIABILITIES

Introduction

The Consolidated Standards of Practice – Specific Standards for Insurance, Section 2250 of the Canadian Institute of Actuaries (CIA) provides explicit guidance for the setting of the provision for adverse deviation associated with claims liabilities.

There are three major valuation variables in any property and casualty insurance valuation. Associated with each of these variables the CIA has established a recommended range of low and high margins which varies with the uncertainty of the variable.

The variables involved and the range of margin for each is shown below:

Variable	Margin
1. Claims Development	Low margin: 2.5% of discounted liabilities High margin: 20.0% of discounted liabilities
2. Reinsurance Recovery	Low margin: 0.0% of discounted liabilities High margin: 15.0 % of discounted liabilities
3. Interest Rate	Low margin: 25 basis points (0.25%) High margin: 200 basis points (2.0%)

Evaluation of these margins can be found in Exhibit XI, page 1.

Valuation Variables

Claim Development Variable

The liabilities are long tailed, which require a number of years of development before a precise picture of the ultimate liabilities can be obtained. In addition since the coverage is excess of loss it is also subject to a high degree of variability. As a result of these considerations I have selected a margin for claim development of 10.0%, which is at the medium to high end of the recommended range.

The total margin for net claim development is calculated at \$3,872,000 and is shown in Exhibit XI, page 7.

Reinsurance Recovery Variable

Except for Walbrook, all CLLAS proportional reinsurers are believed to be in sound financial condition. All have an A.M. Best Rating of A- or better except for Unionamerica which has not been rated by rating agencies since January 2001, the time at which the company was placed into run-off. Unionamerica assumes 4.02% of layer \$7.5 million xs \$5.0 million and 1.36% of layer \$12.5 million xs \$12.5 million in policy periods 1998/1999 to 2000/2001. Additionally, there was a dispute over a 2003/2004 claim with ACE, the lead reinsurer on the first two reinsurance layers prior to July 1, 2006. This dispute was resolved in CLLAS' favour during 2011. There is an outstanding dispute on this claim with Markel who still owes a portion of its share and discussions with the reinsurer are currently going on. After discussion with management, we do not believe that this affects the potential recovery on claims.

Given that a material amount of ceded liabilities are also with unlicensed reinsurers, I have selected a margin of 5.0% (\$1,586,000) for the reinsurance recovery variable. This selection remains unchanged from 2010. The calculation of this margin is also shown in Exhibit XI, page 7.

Interest Rate Variable

The investment portfolio is mainly comprised of government bonds of durations of up to 10 years and treasury bills which are all of high quality. Due to the high quality of investment holdings, we believe the risk of asset default is low. A discount rate of 1.85% was selected based on the yield of the company's bond portfolio as at December 31, 2011. The basis upon which this selection was made can be found on Exhibit X. This is a decrease of 0.85% from the discount rate used in the previous valuation. The yield reflects the market value of bonds since CLLAS has classified its bond portfolio as available-for-sale. The impact of this decrease in discount rate is an increase of \$1,709,000 in net discounted liabilities plus provision for adverse deviation.

Since the bulk of liabilities arise from excess of loss coverage, the length and predictability of the claim payment patterns means that it is difficult to perfectly match investments with claims payments. I have therefore selected a margin of 75 basis points (0.75%) on the interest rate variable which has resulted in the selection of a margin of \$1,334,000. The calculation of this margin is also shown in Exhibit XI, page 7.

Summary

The total margin on the variables comprising the provision for adverse deviation is \$6,792,000. Therefore, the final actuarial liabilities can be summarized as follows:

(1)	Discounted Outstanding Claims Liabilities at December 31, 2011	\$38,720,000
(2)	Provision for Adverse Deviation	<u>6,792,000</u>
(3)	Discounted Outstanding Claims Liabilities plus Provision for Adverse Deviation*	\$45,512,000

* *Outstanding claims liabilities are equal to the discounted outstanding liabilities plus the provision for adverse deviation as per the Canadian Institute of Actuaries standard of practice.*

Exhibit XIII shows a summary of the net undiscounted and discounted (including the provision for adverse deviation) claims liabilities.

SUMMARY OF CLAIMS LIABILITIES

Gross, Ceded and Net Basis

The unpaid claims and claims adjustment expenses on a gross, ceded and net basis are summarized as follows:

	Case Reserves	IBNR ^{/1}	Total Unpaid
Gross Losses	\$17,204,000	\$62,739,000	\$79,943,000
Ceded Losses	(3,143,000)	(31,288,000)	(34,431,000)
Net Losses	\$14,061,000	\$31,451,000	\$45,512,000

/1 Including ULAE and the full impact of discounting and PFAD

Subsequent Events

I am not aware of any significant event after the December 31, 2011 valuation date which would materially affect the results of my valuation.

Reconciliation with Annual Return

Reconciliation of claims liabilities reported in the Annual Return to the actuary's estimate:

		Source
(1)	Net unpaid claims reported by CLLAS	\$45,512,000
(2)	Actuary's estimate of recoverable	<u>34,431,000</u>
(3)	(1) + (2)	\$79,943,000
(4)	Actuary's estimate of gross unpaid claims	<u>79,943,000</u>
(5)	Redundancy (deficiency) (3) - (4)	\$0

POLICYHOLDER LIABILITIES IN CONNECTION WITH UNEARNED PREMIUM

Considerations

The liabilities in connection with unearned premium are based upon the review of the following considerations:

Rate History

Summarized below is the rate per lawyer charged by CLLAS since 1987:

Policy Period	Average Premium Rate Per Lawyer
July 1, 1987 to June 30, 1988	\$ 3,000
July 1, 1988 to June 30, 1989	2,000
July 1, 1989 to June 30, 1990	1,800
July 1, 1990 to June 30, 1991	1,800
July 1, 1991 to June 30, 1992	1,800
July 1, 1992 to June 30, 1993	1,800
July 1, 1993 to June 30, 1994	1,800
July 1, 1994 to June 30, 1995	1,950
July 1, 1995 to June 30, 1996	2,300
July 1, 1996 to June 30, 1997	3,000
July 1, 1997 to June 30, 1998	3,000
July 1, 1998 to June 30, 1999	4,350
July 1, 1999 to June 30, 2000	4,305
July 1, 2000 to June 30, 2001	4,180
July 1, 2001 to June 30, 2002	4,116
July 1, 2002 to June 30, 2003	3,881
July 1, 2003 to June 30, 2004	4,663
July 1, 2004 to June 30, 2005	5,089
July 1, 2005 to June 30, 2006	5,180
July 1, 2006 to June 30, 2007	6,812
July 1, 2007 to June 30, 2008	5,540
July 1, 2008 to June 30, 2009	4,945
July 1, 2009 to June 30, 2010	4,800
July 1, 2010 to June 30, 2011	4,299
July 1, 2011 to June 30, 2012	3,497

Also, as of December 31, 1996, CLLAS has called a retro-assessment of \$7,000,000 payable by its subscribers in ten instalments of \$700,000 over the following five years starting on July 1, 1997. The premium rate for 1997/1998 through 2001/2002 includes a provision for this retro-assessment. The 1998/1999 through 2001/2002 premium rate also includes a provision for the \$1,600,000 retro-assessment called on June 30, 1998 which is payable over a four year period starting on July 1, 1998.

Since 1998/1999 the premium rate is inclusive of a surplus contribution which has varied from year to year.

Frequency/Severity Trends

Coverage provided by CLLAS is expected to give rise to a combination of low frequency/high severity claims. Given the small volume of claims experience to date, frequency/severity trends are subject to high degree of volatility.

External Influences

I am not aware of any legal or regulatory changes or precedents set in case law expected to have a material impact on the future cost of claims.

Reinsurance Arrangements

The types of reinsurance arrangements, their conditions and retention levels applicable to the unexpired portion of the policies in force are similar to those currently in force.

Premium Collection

I am not aware of any premium collectability problems. This was confirmed by CLLAS management.

Seasonality of Losses

I am not aware of any variations in the frequency or severity of claims caused by seasonality. Therefore, the loss exposure arising from policies currently in force is not expected to be subject to seasonal variation.

Coverage Changes

I am not aware of any coverage change which could affect the claim costs arising from the unexpired portion of the business in force.

Unearned Premiums

Unearned premiums are computed using the daily pro rata method. The gross and net unearned premiums as of December 31, 2011 are \$8,457,000 and \$2,537,000 respectively.

Doubtful Reinsurance Accounts

There was an on-going dispute with several reinsurers regarding the recoveries pertaining to claim number 2004-194, however, the dispute has been resolved in CLLAS' favour. There is an outstanding dispute with Markel on the 2004-194 matter. The reinsurer has offered to pay about 95% of its \$2 million share. Management is in on-going discussions with Markel.

Summary of Liabilities in Connection with Unearned Premium

The liabilities in connection with unearned premiums are computed in Exhibit XII. Summarized below are the variables used in the calculation of the liabilities.

Expected Ultimate Loss Ratio

I have estimated the expected ultimate loss ratio using expected losses for 2011/2012 from my 2011/2012 rating study, divided by the earned premiums shown in Exhibit IX.

Unallocated Loss Adjusting Expenses

The unallocated loss adjusting expenses as a percentage of losses is selected in Exhibit IV. A 3.25% ratio is used for liabilities in connection with unearned premium for a total of \$275,000.

Policyholder Service Costs

I have selected 3.0% of premiums as the policyholder servicing costs for a total of \$254,000. This is based on 1/3 of the ratio of selected general expenses to gross earned premium subject to a maximum of 5.0% and a minimum of 3.0%.

Investment Return on Unearned Premiums

Based upon the same reasons as applicable for claims liabilities, a 1.85% rate of return has been used to calculate expected investment return on unearned premiums. The resulting income is \$8,000.

Change in Reinsurance Costs

Because the policy and reinsurance contract dates are the same, there is no applicable change in reinsurance cost amount.

After application of all these considerations the resulting liabilities were then discounted and the Provision for Adverse Deviation was added, per the CIA standard of practice, as illustrated later in this section. The final gross liabilities in connection with unearned premium are \$9,207,000 and the final net liabilities in connection with unearned premium are \$3,123,000.

Premium Deficiency

The premium deficiency reserve as at December 31, 2011 is \$586,000 as shown in Exhibit XII – Page 1.

Deferred Policy Acquisition Expense

Using the net liabilities in connection with unearned premiums stated above, the maximum allowable deferred policy acquisition expense is found to be \$0. CLLAS' deferred expenses at December 31, 2011 are \$0.

PROVISION FOR ADVERSE DEVIATION - LIABILITIES IN CONNECTION WITH UNEARNED PREMIUM

Introduction

As previously stated in connection with claims liabilities the CIA standard of practice with respect to Provision for Adverse Deviations also applies to liabilities in connection with unearned premiums.

The variables involved and the range of margins are the same as shown previously in the section on provision for adverse deviation in connection with claims liabilities.

Valuation Variables

Claim Development Variable

We have selected a margin similar to that chosen in the section on provision for adverse deviation for claim liabilities. The margin for net claim development has been selected at 10.0% (\$227,000). The calculation of this margin is shown in Exhibit XII, page 3.

Reinsurance Recovery Variable

We have selected a margin of 5.0% (\$278,000) for the reinsurance recovery variable. This selection is similar to that chosen in the section on provision for adverse deviation for claim liabilities. The calculation of this variable is also shown in Exhibit XII, page 3.

Interest Rate Variable

For reasons similar to those outlined in the claims liabilities section, a margin of 75 basis points (0.75%) has been selected for the interest rate variable. This has resulted in the selection of a margin of \$101,000. The calculation of this margin is also shown in Exhibit XII, page 3.

Summary

The total margin on the variables comprising the provision for adverse deviation is \$606,000. Therefore, the final actuarial liabilities can be summarized as follows:

(1) Discounted Claims Liabilities in connection with Unearned Premiums at December 31, 2011	\$2,271,000
(2) Provision for Adverse Deviation	<u>606,000</u>
(3) Discounted Claims Liabilities in connection with Unearned Premiums plus Provision for Adverse Deviation*	\$2,877,000

* Claims liabilities are equal to the discounted claims liabilities plus the provision for adverse deviation as per the Canadian Institute of Actuaries standard of practice.

Reconciliation with Annual Return

Reconciliation of policyholder liabilities reported in the Annual Return to the actuary's estimate:

		Source
(1) Net unearned premiums reported by CLLAS	\$2,537,000	Annual Return
(2) Other liabilities reported by CLLAS	0	Annual Return
(3) Deferred policy acquisition expense reported by CLLAS	<u>0</u>	Annual Return
(4) ((1) + (2) - (3))	\$2,537,000	
(5) Actuary's estimate of net liability in connection with unearned premium	<u>3,123,000</u>	
(6) Margin (deficiency) ((4) - (5))	(\$586,000)	

PART 4B - COMMENTARY - OTHER ACTUARIAL LIABILITIES

As at December 31, 2011, CLLAS has a premium liability of \$0 in connection with its proportional reinsurance arrangements for policy years 2002/2003 and 2003/2004. This matter is now closed and no further liabilities are expected to arise.

There have been no further premium adjustment provisions from policy year 2004/2005 onwards.

PART 4C - COMMENTARY - REINSURANCE

DESCRIPTION OF REINSURANCE ARRANGEMENTS

The reinsurance arrangements are summarized as follows:

Proportional Reinsurance

CLLAS has had proportional reinsurance arrangements since inception. Reinsurance ceded is on a claims made basis. CLLAS coverage was divided into various layers and a certain proportion in each layer is ceded to different reinsurers. CLLAS is also retaining a variable proportion of each layer.

Aggregate Reinsurance

CLLAS has arranged since July 1, 1989 aggregate reinsurance with Colchester which is applicable to its retention after reflection of proportional reinsurance.

The above reinsurance arrangements are summarized in Schedule 1.

In June 1996, the following changes were made to CLLAS non-proportional reinsurance arrangements with Colchester retrospectively for the policy periods 1993/1994 to 1995/1996 and for future policy periods unless the arrangement is terminated by either CLLAS or Colchester.

- As per the initial reinsurance terms, CLLAS' non-proportional reinsurer was assuming the first \$3,000,000 of CLLAS net of proportional aggregate retention. As a result of the June 1996 amendments, CLLAS assumes the first \$250,000 of this \$3,000,000 aggregate retention.
- The initial premium paid by CLLAS for each of these policy periods is subject to an adjustment, plus or minus, if actual losses are above or below a permissible loss ratio of 70%.
- The additional premium payable is subject to a maximum of 25% of the initial (deposit) premium, while the return premium is subject to a maximum of 10% of the initial premium.
- Any premium payable which is in excess of the 25% maximum adjustment is carried forward to subsequent policy periods, unless the retrospective rating arrangement is terminated by either CLLAS or Colchester. Similarly any premium receivable by CLLAS, which is in excess of the maximum 10% adjustment, is carried forward to the subsequent policy periods.
- The first retrospective premium adjustment is made 24 months after the expiration of each policy period on the basis of the losses paid at the time of the adjustment and subsequent adjustments are made annually thereafter.

However, in June 1998 the reinsurance arrangements between CLLAS and Colchester have again been modified as follows:

- The retrospective rating arrangement applicable to policy years 1993/1994 to 1997/1998 has been terminated. As a result any premium liability arising from such arrangement as of June 30, 1998 has been eliminated.
- Also the deficit carry-forward of \$3,733,000 as of December 31, 1997 under such retrospective rating arrangement has been eliminated as of June 30, 1998.
- For the 1998/1999 policy period CLLAS will retain the first \$3,300,000 of its net of proportional aggregate retention instead of \$250,000 and Colchester will assume \$4,700,000 excess of CLLAS new \$3,300,000 aggregate retention after proportional reinsurance.
- CLLAS will also assume \$6,000,000 excess of \$8,000,000 of its aggregate retention after proportional reinsurance.
- Colchester will continue to assume \$14,000,000 excess of \$14,000,000 of CLLAS retention after proportional reinsurance.
- It was also agreed between CLLAS and Colchester that the revised 1998/1999 reinsurance arrangements would apply retroactively to fiscal year 1995/1996.

On June 30, 2003, the reinsurance arrangements between CLLAS and Colchester have been modified as follows:

- For the 2002/2003, 2003/2004 and 2004/2005 policy periods CLLAS retains the first \$5,500,000 of its net proportional aggregate losses. Colchester assumes \$7,500,000 in excess of CLLAS' \$5,500,000 aggregate retention after proportional reinsurance. CLLAS also retains \$7,000,000 of its net proportional aggregate losses in excess of the underlying \$13,000,000 net of proportional reinsurance and Colchester assumes losses in the layer \$20,000,000 excess of \$20,000,000.

On June 30, 2005, the reinsurance arrangements between CLLAS and Colchester have been modified as follows:

- For the 2005/2006 policy period CLLAS retains the first \$5,500,000 of its net proportional aggregate losses. Colchester assumes \$9,500,000 in excess of CLLAS' \$5,500,000 aggregate retention after proportional reinsurance. CLLAS also retains \$5,000,000 of its net proportional aggregate losses in excess of the underlying \$15,000,000 net of proportional reinsurance and Colchester assumes losses in the layer \$20,000,000 excess of \$20,000,000.

On June 30, 2006, the reinsurance arrangements between CLLAS and Colchester have been modified as follows:

- For the 2006/2007 through 2008/2009 policy periods CLLAS retains the first \$15,000,000 of its net proportional aggregate losses. Colchester assumes \$5,000,000 in excess of CLLAS' \$15,000,000 aggregate retention after proportional reinsurance. Colchester also assumes losses in the layer \$20,000,000 excess of \$20,000,000.

On June 30, 2008, the reinsurance arrangements between CLLAS and Colchester have been modified as follows:

- Starting in policy period 2008/2009, CLLAS' retention of \$250,000 to which claims would "drop down" and attach to in certain instances has been reduced to \$25,000. However, Colchester does not assume the additional exposure between \$25,000 and \$250,000.

On June 30, 2009, the reinsurance arrangements between CLLAS and Colchester have been modified as follows:

- For 2009/2010 onwards, CLLAS retains the first \$15,000,000 of its net proportional aggregate losses. Colchester assumes \$10,000,000 in excess of CLLAS' \$15,000,000 aggregate retention after proportional reinsurance. Colchester also assumes losses in the layer \$15,000,000 excess of \$25,000,000.

On June 30, 2011, the reinsurance arrangements between CLLAS and Colchester have been modified as follows:

- For 2011/2012 onwards, the per claim retention for CLLAS subject to the aggregate limit includes 100% of the layer \$0.925 million excess of \$25,000 and 25% of the layer \$49 million excess of \$1 million. The per claim retention for Colchester subject to the aggregate limit includes 25% of the layer \$4 million excess of \$1 million. The aggregate coverage provides reinsurance of \$22,500,000 in excess of a \$17,500,000 limit on the combined basis. CLLAS' recoveries from Colchester will be for its share of the combined losses in the layer.

RECOVERABLE AMOUNTS FROM REINSURERS

The amounts assumed to be recoverable from reinsurers in the calculation of the net policyholder liabilities are as follows:

Claim Liabilities	\$34,431,000
Unearned Premium	<u>\$6,084,000</u>
Total	\$40,515,000

UNUSUAL PROBLEMS OR DELAYS

I have discussed reinsurance matters with the management and the external auditor of CLLAS regarding whether there are unusual problems and/or delays expected to be encountered in the collection of amounts from the reinsurers. I have specifically discussed the following situations with the management and the external auditor with respect to proportional reinsurers.

- A reinsurance contract or cover note is not signed.
- A dispute has arisen with a reinsurer.
- A reinsurer that has a history of not settling accounts properly.
- A reinsurer's experience under a treaty is so bad or other circumstance exists that cause there to be a high probability that the reinsurer will deny liability.
- A reinsurer that is known to have been the subject of regulatory restrictions in its home jurisdiction.
- Insolvent reinsurers.

There was an on-going dispute with several reinsurers regarding the recoveries pertaining to claim number 2004-194, however, the dispute has been resolved in CLLAS' favour. There is an outstanding dispute with Markel on the 2004-194 matter. The reinsurer has offered to pay about 95% of its \$2 million share. Management is in on-going discussions with Markel.

TRC, a long time reinsurer of CLLAS, appears to be raising the number of claims issue on claim files as a matter of course. This is being addressed by management on a claim-by-claim basis.

ACE, the lead reinsurer on the first two reinsurance layers prior to July 1, 2006 has signalled that it might become difficult on other files as it will be requiring consent prior to claim settlement, which is contrary to the reinsurance contract. This is being addressed by management on a claim-by-claim basis.

As stated earlier in this report, all CLLAS proportional reinsurers are believed to be in sound financial condition. All have an A.M. Best Rating of A- or better except for Unionamerica which has not been rated by rating agencies since January 2001, time at which the company was placed into run-off. Unionamerica assumes 4.02% of layer \$7.5 million xs \$5.0 million and 1.36% of layer \$12.5 million xs \$12.5 million in policy periods 1998/1999 to 2000/2001.

I am not aware of the existence of any of the above situations or unusual problems or delays which could affect the collection of amounts recoverable from other proportional reinsurers.

Based on my review of the reinsurance agreements in place for the business underwritten by CLLAS, and my discussions with management, to the best of my knowledge, there are no material financial reinsurance agreements.

COLCHESTER REINSURANCE LIMITED

Colchester is an off-shore captive reinsurer domiciled in Barbados. The shareholders of Colchester are twelve Toronto-based legal firms or their related service corporations. Those twelve shareholders are unrelated to each other. However, each of Colchester's shareholders is, or is related to, one of CLLAS' twelve subscribers.

Since July 1, 1989 Colchester has provided aggregate reinsurance to CLLAS. The terms of the current aggregate reinsurance arrangements provided to CLLAS are described in Schedule I. As far as I am aware, Colchester does not provide reinsurance to any other entity than CLLAS.

PART 5 - DATABASE AND EXHIBITS

This section contains the database summary and exhibits used in the current valuation.

RECONCILIATION

A reconciliation of the claims data used in this valuation with CLLAS' records was performed. I am satisfied that no material data was omitted. The details of my reconciliation are as follows:

		Gross Paid at 12/31/2011	Gross Case Reserves at 12/31/2011
(1)	Reported in CLLAS' financial records	\$159,425,000	\$17,204,000
(2)	Reported in claim bordereaux	159,425,000	17,204,000
(3)	Difference	\$0	\$0

LIST OF SCHEDULES

Schedule 1

CLLAS Reinsurance Arrangements

LIST OF EXHIBITS

Exhibit I	Page 1	Cumulative Paid Losses and ALAE - Gross Basis
Exhibit I	Page 2	Case Reserves - Gross Basis
Exhibit I	Page 3	Incurred Losses - Gross Basis
Exhibit I	Page 4	Cumulative Number of Claims Reported - Gross Basis
Exhibit I	Page 5	Number of Claims Open - Gross Basis
Exhibit I	Page 6	Cumulative Paid Losses and ALAE - Net Basis
Exhibit I	Page 7	Case Reserves - Net Basis
Exhibit I	Page 8	Incurred Losses - Net Basis
Exhibit I	Page 9	Cumulative Number of Claims Reported - Net Basis
Exhibit I	Page 10	Number of Claims Open - Net Basis
Exhibit II		IBNR - Reflecting Proportional Reinsurance
Exhibit III		Indicated Loss Development Factors for Losses in Excess of Various per Occurrence Retentions
Exhibit IV		Determination of the Provision for Unallocated Loss Adjustment Expenses
Exhibit V		Gross and Net of Proportional Experience
Exhibit VI		Colchester Proportional Reinsurance
Exhibit VII		Aggregate and Net of Aggregate Experience
Exhibit VIII		Net Experience
Exhibit IX		Gross and Net Loss and Loss Adjustment Expense Ratio
Exhibit X		Investment Portfolio Valuation & Selection of Discount Rate
Exhibit XI		Provision for Adverse Deviation – Claims Liabilities
Exhibit XII	Page 1	Premium Liabilities
Exhibit XII	Page 2	Provision for Adverse Deviation – Gross Liabilities in Connection with Unearned Premium
Exhibit XII	Page 3	Provision for Adverse Deviation – Net Liabilities in Connection with Unearned Premium
Exhibit XIII		Summary of Net Undiscounted and Net Discounted Claims Liabilities
Exhibit XIV		Summary of Net Outstanding Liabilities and Provision for Adverse Deviation by Year
Exhibit XV		Comparison of Net Actual Experience with Net Expected Experience from the December 31, 2002 through December 31, 2011 Valuations
Exhibit XVI		Unpaid Claims and Loss Ratio Analysis Exhibit

PART 6 - DATA RELIABILITY AND CONSISTENCY

DATA

I have relied on the following data provided by CLLAS as at December 31, 2011:

- Individual claims transaction data.
- Reinsurance ceded to all the reinsurers.
- Written premiums.
- Number of lawyers insured.
- Draft financial statements.

RELIANCE AND VERIFICATION

I have relied on those data in the preparation of this report. I have not audited such data except to observe its consistency with prior years and to perform those checks necessary to satisfy myself that the information provides a reliable and sufficient basis for estimating the ultimate policyholder liabilities.

I have performed a reconciliation of the claims and premium data used in this valuation with the CLLAS' records and am satisfied that no material data was omitted. The details of my reconciliation can be found in Part 5 of this report.

I have relied on the external auditor of CLLAS, Deloitte & Touche, to verify the accuracy of CLLAS' records. I have received assurance from the external auditor that CLLAS' data is complete.

Policyholder liabilities are estimates. Future emergence of loss and loss adjustment expenses may differ from our estimates. In estimating these liabilities, I have used procedures and assumptions that I believe are reasonable and appropriate, given the data available.

SCHEDULE 1—CLLAS REINSURANCE ARRANGEMENTS

Proportional Basis

<u>Fiscal Period</u>	<u>Layer (in million \$)</u>	<u>Retained Portion</u>	<u>Portion Reinsured with:</u>	
			<u>Registered Companies</u>	<u>Unregistered Companies</u>
7/1987 - 6/1988	\$4.4 xs \$0.6	50.00%	0.00%	50.00%
	\$5.0 xs \$5.0	8.00%	78.16%	13.84%
	\$15.0 xs \$10.0	16.00%	53.50%	30.50%
7/1988 - 6/1989	\$4.0 xs \$1.0	50.00%	0.00%	50.00%
	\$5.0 xs \$5.0	8.00%	74.90%	17.10%
	\$15.0 xs \$10.0	17.33%	54.38%	28.29%
7/1989 - 3/1990	\$4.0 xs \$1.0	50.00%	0.00%	50.00%
	\$5.0 xs \$5.0	8.00%	75.87%	16.13%
	\$15.0 xs \$10.0	17.33%	62.51%	20.16%
4/1990 - 6/1990	\$4.0 xs \$1.0	50.00%	27.50%	22.50%
	\$5.0 xs \$5.0	8.00%	75.87%	16.13%
	\$15.0 xs \$10.0	17.33%	68.13%	14.54%
7/1990 - 6/1991	\$4.0 xs \$1.0	50.00%	50.00%	0.00%
	\$5.0 xs \$5.0	8.00%	81.10%	10.90%
	\$15.0 xs \$10.0	17.33%	74.49%	8.18%
	\$25.0 xs \$50.0	0.00%	79.55%	20.45%
7/1991 - 6/1992	\$4.0 xs \$1.0	50.00%	50.00%	0.00%
	\$7.5 xs \$5.0	20.00%	71.50%	8.50%
	\$12.5 xs \$12.5	18.00%	72.52%	9.48%
	\$10.0 xs \$25.0	12.50%	87.50%	0.00%
	\$25.0 xs \$50.0	0.00%	79.75%	20.25%
7/1992 - 6/1993	\$4.0 xs \$1.0	50.00%	50.00%	0.00%
	\$7.5 xs \$5.0	20.00%	71.60%	8.40%
	\$12.5 xs \$12.5	18.00%	75.34%	6.66%
	\$10.0 xs \$25.0	12.50%	87.50%	0.00%
	\$25.0 xs \$50.0	0.00%	89.81%	10.19%

Proportional Basis *cont'd*

<u>Fiscal Period</u>	<u>Layer (in million \$)</u>	<u>Retained Portion</u>	<u>Portion Reinsured with:</u>	
			<u>Registered Companies</u>	<u>Unregistered Companies</u>
7/1993 - 6/1994	\$4.0 xs \$1.0	50.00%	50.00%	0.00%
	\$7.5 xs \$5.0	20.00%	73.62%	6.38%
	\$12.5 xs \$12.5	18.00%	75.44%	6.56%
	\$10.0 xs \$25.0	12.50%	87.50%	0.00%
	\$25.0 xs \$50.0	0.00%	86.41%	13.59%
7/1994 - 6/1995	\$4.0 xs \$1.0	50.00%	44.58%	5.42%
	\$7.5 xs \$5.0	20.00%	74.93%	5.07%
	\$12.5 xs \$12.5	18.00%	76.30%	5.70%
	\$10.0 xs \$25.0	12.50%	87.50%	0.00%
	\$25.0 xs \$50.0	0.00%	85.48%	14.52%
7/1995 - 6/1996	\$0.75 xs \$0.25	100.00%	0.00%	0.00%
	\$4.0 xs \$1.0	50.00%	42.35%	7.65%
	\$7.5 xs \$5.0	20.00%	75.21%	4.79%
	\$12.5 xs \$12.5	18.00%	77.41%	4.59%
	\$10.0 xs \$25.0	12.50%	81.80%	5.70%
	\$25.0 xs \$50.0	0.00%	88.12%	11.88%
7/1996 - 6/1997	\$0.75 xs \$0.25	100.00%	0.00%	0.00%
	\$4.0 xs \$1.0	50.00%	42.94%	7.06%
	\$7.5 xs \$5.0	20.00%	75.22%	4.78%
	\$12.5 xs \$12.5	18.00%	77.97%	4.03%
	\$10.0 xs \$25.0	12.50%	81.80%	5.70%
	\$25.0 xs \$50.0	0.00%	87.74%	12.26%
7/1997 - 6/1998	\$0.75 xs \$0.25	100.00%	0.00%	0.00%
	\$4.0 xs \$1.0	50.00%	42.94%	7.06%
	\$7.5 xs \$5.0	20.00%	74.34%	5.66%
	\$12.5 xs \$12.5	18.00%	77.97%	4.03%
	\$10.0 xs \$25.0	12.50%	79.03%	8.47%
	\$25.0 xs \$50.0	0.00%	87.17%	12.83%
	\$15.0 xs \$120.0	0.00%	89.02%	10.98%

Proportional Basis *cont'd*

<u>Fiscal Period</u>	<u>Layer (in million \$)</u>	<u>Retained Portion</u>	<u>Portion Reinsured with:</u>	
			<u>Registered Companies</u>	<u>Unregistered Companies</u>
7/1998 - 6/1999	\$0.75 xs \$0.25	100.00%	0.00%	0.00%
	\$4 xs \$1.0	50.00%	42.63%	7.37%
	\$7.5 xs \$5.0	20.00%	74.04%	5.96%
	\$12.5 xs \$12.5	18.00%	77.93%	4.07%
	\$10 xs \$25	12.50%	79.03%	8.47%
	\$30 xs \$50	0.00%	87.17%	12.83%
	\$20 xs \$130	0.00%	89.02%	10.98%
7/1999 - 6/2000	\$0.75 xs \$0.25	100.00%	0.00%	0.00%
	\$4 xs \$1.0	50.00%	46.80%	3.20%
	\$7.5 xs \$5.0	20.00%	75.98%	4.02%
	\$12.5 xs \$12.5	18.00%	77.61%	4.39%
	\$10 xs \$25	12.50%	79.12%	8.38%
	\$30 xs \$50	0.00%	86.00%	14.00%
	\$20 xs \$130	0.00%	88.16%	11.84%
7/2000 - 6/2001	\$0.75 xs \$0.25	100.00%	0.00%	0.00%
	\$4 xs \$1.0	50.00%	46.80%	3.20%
	\$7.5 xs \$5.0	20.00%	75.98%	4.02%
	\$12.5 xs \$12.5	18.00%	77.61%	4.39%
	\$10 xs \$25	12.50%	79.12%	8.38%
	\$30 xs \$50	0.00%	86.00%	14.00%
	\$20 xs \$140	0.00%	88.16%	11.84%
7/2001 - 6/2002	\$0.75 xs \$0.25	100.00%	0.00%	0.00%
	\$4 xs \$1.0	50.00%	46.80%	3.20%
	\$7.5 xs \$5.0	20.00%	80.00%	0.00%
	\$12.5 xs \$12.5	18.00%	78.97%	3.03%
	\$10 xs \$25	12.50%	79.12%	8.38%
	\$30 xs \$50	0.00%	86.00%	14.00%
	\$20 xs \$140	0.00%	88.16%	11.84%
7/2002 - 6/2003	\$0.75 xs \$0.25	100.00%	0.00%	0.00%
	\$4 xs \$1.0	100.00%	0.00%	0.00%
	\$7.5 xs \$5.0	20.00%	80.00%	0.00%
	\$12.5 xs \$12.5	18.00%	82.00%	0.00%
	\$10 xs \$25	12.50%	63.42%	24.08%
	\$30 xs \$50	0.00%	76.46%	23.54%
	\$20 xs \$140	0.00%	18.23%	81.77%

Proportional Basis *cont'd*

<u>Fiscal Period</u>	<u>Layer (in million \$)</u>	<u>Retained Portion</u>	<u>Portion Reinsured with:</u>	
			<u>Registered Companies</u>	<u>Unregistered Companies</u>
7/2003 - 6/2004	\$0.75 xs \$0.25	100.00%	0.00%	0.00%
	\$4 xs \$1.0	100.00%	0.00%	0.00%
	\$7.5 xs \$5.0	20.00%	80.00%	0.00%
	\$12.5 xs \$12.5	18.00%	82.00%	0.00%
	\$10 xs \$25	12.50%	57.50%	30.00%
	\$30 xs \$50	0.00%	73.85%	26.15%
	\$20 xs \$140	0.00%	9.66%	90.34%
7/2004 - 6/2005	\$0.75 xs \$0.25	100.00%	0.00%	0.00%
	\$4 xs \$1.0	100.00%	0.00%	0.00%
	\$7.5 xs \$5.0	20.00%	75.00%	5.00%
	\$12.5 xs \$12.5	18.00%	82.00%	0.00%
	\$10 xs \$25	12.50%	63.05%	24.45%
	\$30 xs \$50	0.00%	74.86%	25.14%
	\$20 xs \$140	0.00%	9.66%	90.34%
7/2005 - 6/2006	\$0.75 xs \$0.25	100.00%	0.00%	0.00%
	\$4 xs \$1.0	100.00%	0.00%	0.00%
	\$7.5 xs \$5.0	20.00%	75.00%	5.00%
	\$12.5 xs \$12.5	18.00%	80.00%	2.00%
	\$10 xs \$25	12.50%	87.50%	0.00%
	\$30 xs \$50	0.00%	100.00%	0.00%
	\$20 xs \$140	0.00%	36.00%	64.00%
7/2006 - 6/2007	\$0.75 xs \$0.25	100.00%	0.00%	0.00%
	\$4 xs \$1.0	100.00%	0.00%	0.00%
	\$7.5 xs \$5.0	20.00%	75.00%	5.00%
	\$12.5 xs \$12.5	18.00%	77.00%	5.00%
	\$10 xs \$25	12.50%	87.50%	0.00%
	\$30 xs \$50	0.00%	100.00%	0.00%
	\$20 xs \$140	0.00%	36.00%	64.00%
7/2007 - 6/2008	\$0.75 xs \$0.25	100.00%	0.00%	0.00%
	\$4 xs \$1.0	100.00%	0.00%	0.00%
	\$7.5 xs \$5.0	30.00%	65.00%	5.00%
	\$12.5 xs \$12.5	18.00%	77.00%	5.00%
	\$10 xs \$25	12.50%	87.50%	0.00%
	\$30 xs \$50	0.00%	100.00%	0.00%
	\$20 xs \$140	0.00%	36.00%	64.00%
	\$20 xs \$160	0.00%	100.00%	0.00%

Proportional Basis *cont'd*

<u>Fiscal Period</u>	<u>Layer (in million \$)</u>	<u>Retained Portion</u>	<u>Portion Reinsured with:</u>	
			<u>Registered Companies</u>	<u>Unregistered Companies</u>
7/2008 - 6/2009	\$0.975 xs \$0.025	100.00%	0.00%	0.00%
	\$4 xs \$1.0	100.00%	0.00%	0.00%
	\$7.5 xs \$5.0	35.00%	60.00%	5.00%
	\$12.5 xs \$12.5	24.00%	71.00%	5.00%
	\$10 xs \$25	12.50%	87.50%	0.00%
	\$30 xs \$50	0.00%	100.00%	0.00%
	\$20 xs \$140	0.00%	36.00%	64.00%
	\$30 xs \$160	0.00%	100.00%	0.00%
7/2009 - 6/2010	\$0.975 xs \$0.025	100.00%	0.00%	0.00%
	\$4 xs \$1.0	100.00%	0.00%	0.00%
	\$7.5 xs \$5.0	45.00%	52.00%	3.00%
	\$12.5 xs \$12.5	28.00%	68.00%	4.00%
	\$10 xs \$25	15.00%	85.00%	0.00%
	\$30 xs \$50	0.00%	100.00%	0.00%
	\$20 xs \$140	0.00%	36.00%	64.00%
	\$30 xs \$160	0.00%	100.00%	0.00%
7/2010 - 6/2011	\$0.975 xs \$0.025	100.00%	0.00%	0.00%
	\$4 xs \$1.0	100.00%	0.00%	0.00%
	\$7.5 xs \$5.0	50.00%	47.50%	2.50%
	\$12.5 xs \$12.5	30.00%	67.50%	2.50%
	\$10 xs \$25	20.00%	80.00%	0.00%
	\$30 xs \$50	0.00%	100.00%	0.00%
	\$20 xs \$140	0.00%	36.00%	64.00%
	\$40 xs \$160	0.00%	100.00%	0.00%
7/2011 - 6/2012	\$0.975 xs \$0.025	100.00%	0.00%	0.00%
	\$49 xs \$1.0	25.00%	50.00%	25.00%
	\$30 xs min\$65	0.00%	100.00%	0.00%
	\$40/\$60 xs \$160	0.00%	76.00%	24.00%

Aggregate Basis Ceded to Unregistered Company

- | | |
|-----------------|---|
| 7/1989 - 6/1990 | a) Aggregate of \$750,000 of CLLAS retention after reflection of proportional reinsurance, and
b) \$4,250,000 excess \$15,000,000 of CLLAS retention after reflection of proportional reinsurance. |
| 7/1990 - 6/1991 | a) Aggregate of \$900,000 of CLLAS retention after reflection of proportional reinsurance, and
b) \$4,250,000 excess of \$15,000,000 of CLLAS retention after reflection of proportional reinsurance. |
| 7/1991 - 6/1992 | a) Aggregate of \$1,000,000 of CLLAS retention after reflection of proportional reinsurance, and
b) \$25,000,000 excess of \$12,000,000 of CLLAS retention after reflection of proportional reinsurance. |
| 7/1992 - 6/1993 | a) Aggregate of \$1,000,000 of CLLAS retention after reflection of proportional reinsurance, and
b) \$25,000,000 excess of \$12,000,000 of CLLAS retention after reflection of proportional reinsurance. |
| 7/1993 - 6/1994 | a) Aggregate of \$2,750,000 excess of \$250,000 of CLLAS retention after reflection of proportional reinsurance, and
b) \$14,000,000 excess of \$14,000,000 of CLLAS retention after reflection of proportional reinsurance. |
| 7/1994 - 6/1995 | a) Aggregate of \$2,750,000 excess of \$250,000 of CLLAS retention after reflection of proportional reinsurance, and
b) \$14,000,000 excess of \$14,000,000 of CLLAS retention after reflection of proportional reinsurance. |
| 7/1995 - 6/1996 | a) Aggregate of \$4,700,000 excess of \$3,300,000 of CLLAS retention after reflection of proportional reinsurance, and
b) \$14,000,000 excess of \$14,000,000 of CLLAS retention after reflection of proportional reinsurance. |
| 7/1996 - 6/1997 | a) Aggregate of \$4,700,000 excess of \$3,300,000 of CLLAS retention after reflection of proportional reinsurance, and
b) \$14,000,000 excess of \$14,000,000 of CLLAS retention after reflection of proportional reinsurance. |

Aggregate Basis Ceded to Unregistered Company *cont'd*

- | | |
|-----------------|---|
| 7/1998 - 6/1999 | a) Aggregate of \$4,700,000 excess of \$3,300,000 of CLLAS retention after reflection of proportional reinsurance, and
b) \$14,000,000 excess of \$14,000,000 of CLLAS retention after reflection of proportional reinsurance. |
| 7/1999 - 6/2000 | a) Aggregate of \$4,700,000 excess of \$3,300,000 of CLLAS retention after reflection of proportional reinsurance, and
b) \$14,000,000 excess of \$14,000,000 of CLLAS retention after reflection of proportional reinsurance |
| 7/2000 - 6/2001 | a) Aggregate of \$4,700,000 excess of \$3,300,000 of CLLAS retention after reflection of proportional reinsurance, and
b) \$14,000,000 excess of \$14,000,000 of CLLAS retention after reflection of proportional reinsurance |
| 7/2001 - 6/2002 | a) Aggregate of \$4,700,000 excess of \$3,300,000 of CLLAS retention after reflection of proportional reinsurance, and
b) \$14,000,000 excess of \$14,000,000 of CLLAS retention after reflection of proportional reinsurance |
| 7/2002 - 6/2003 | a) Aggregate of \$7,500,000 excess of \$5,500,000 of CLLAS retention after reflection of proportional reinsurance, and
b) \$20,000,000 excess of \$20,000,000 of CLLAS retention after reflection of proportional reinsurance |
| 7/2003 - 6/2004 | a) Aggregate of \$7,500,000 excess of \$5,500,000 of CLLAS retention after reflection of proportional reinsurance, and
b) \$20,000,000 excess of \$20,000,000 of CLLAS retention after reflection of proportional reinsurance |
| 7/2004 - 6/2005 | a) Aggregate of \$7,500,000 excess of \$5,500,000 of CLLAS retention after reflection of proportional reinsurance, and
b) \$20,000,000 excess of \$20,000,000 of CLLAS retention after reflection of proportional reinsurance |
| 7/2005 - 6/2006 | a) Aggregate of \$9,500,000 excess of \$5,500,000 of CLLAS retention after reflection of proportional reinsurance, and
b) \$20,000,000 excess of \$20,000,000 of CLLAS retention after reflection of proportional reinsurance |
| 7/2006 - 6/2007 | a) Aggregate of \$5,000,000 excess of \$15,000,000 of CLLAS retention after reflection of proportional reinsurance, and
b) \$20,000,000 excess of \$20,000,000 of CLLAS retention after reflection of proportional reinsurance |
| 7/2007 - 6/2008 | a) Aggregate of \$5,000,000 excess of \$15,000,000 of CLLAS retention after reflection of proportional reinsurance, and
b) \$20,000,000 excess of \$20,000,000 of CLLAS retention after reflection of proportional reinsurance |

Aggregate Basis Ceded to Unregistered Company *cont'd*

- | | |
|-----------------|--|
| 7/2008 – 6/2009 | a) Aggregate of \$5,000,000 excess of \$15,000,000 of CLLAS retention after reflection of proportional reinsurance, and
b) \$20,000,000 excess of \$20,000,000 of CLLAS retention after reflection of proportional reinsurance |
| 7/2009 – 6/2010 | a) Aggregate of \$10,000,000 excess of \$15,000,000 of CLLAS retention after reflection of proportional reinsurance, and
b) \$15,000,000 excess of \$25,000,000 of CLLAS retention after reflection of proportional reinsurance |
| 7/2010 – 6/2011 | a) Aggregate of \$10,000,000 excess of \$15,000,000 of CLLAS retention after reflection of proportional reinsurance, and
b) \$15,000,000 excess of \$25,000,000 of CLLAS retention after reflection of proportional reinsurance |
| 7/2011 – 6/2012 | a) Aggregate of \$22,500,000 excess of \$17,500,000 of CLLAS/Colchester retention after reflection of reinsurance |

CUMULATIVE PAID LOSSES AND ALAE - GROSS BASIS (in \$000's)

As at December 31, 2011

[illegible]

INCURRED LOSSES - GROSS BASIS (in \$000's)

As at December 31, 2011

[illegible]

CUMULATIVE NUMBER OF CLAIMS REPORTED - GROSS BASIS

As at December 31, 2011

[illegible]

NUMBER OF CLAIMS OPEN - GROSS BASIS

As at December 31, 2011

[illegible]

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

CUMULATIVE PAID LOSSES AND ALAE - NET BASIS (1) (in \$000's)

As at December 31, 2011

<i>Year</i>	<i>6</i>	<i>18</i>	<i>30</i>	<i>42</i>	<i>54</i>	<i>66</i>	<i>78</i>	<i>90</i>	<i>102</i>	<i>114</i>	<i>126</i>	<i>138</i>	<i>150</i>	<i>162</i>	<i>174</i>	<i>186</i>	<i>198</i>	<i>210</i>
July 1, 1987 - June 30, 1988	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 1988 - June 30, 1989	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 1989 - June 30, 1990	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 1990 - June 30, 1991	0	0	0	0	0	0	0	503	1,387	1,797	1,797	1,797	1,797	1,797	1,797	1,797	1,797	1,797
July 1, 1991 - June 30, 1992	0	0	0	0	0	622	2,785	2,780	2,780	2,780	2,780	3,470	3,470	3,470	3,470	3,470	3,470	3,470
July 1, 1992 - June 30, 1993	0	0	0	0	0	0	0	0	0	152	163	163	163	163	163	163	163	163
July 1, 1993 - June 30, 1994	0	0	0	4,182	4,180	4,180	4,191	4,191	4,191	4,191	4,708	4,967	5,105	8,388	8,388	8,388	8,388	8,388
July 1, 1994 - June 30, 1995	0	13	29	3,916	3,925	3,925	4,633	4,633	4,633	4,633	4,633	4,633	4,633	4,633	4,633	4,633	4,633	4,633
July 1, 1995 - June 30, 1996	0	0	608	688	696	703	1,876	1,871	1,871	1,871	1,871	1,871	1,871	1,871	1,871	1,871	1,871	1,871
July 1, 1996 - June 30, 1997	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 1997 - June 30, 1998	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 1998 - June 30, 1999	0	0	0	0	6,185	6,254	6,254	6,254	6,254	6,254	6,254	6,254	6,254	6,254	6,254	6,254	6,254	6,254
July 1, 1999 - June 30, 2000	0	0	0	0	0	210	210	2,731	2,731	3,459	3,465	3,465	3,465	3,465	3,465	3,465	3,465	3,465
July 1, 2000 - June 30, 2001	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 2001 - June 30, 2002	0	0	0	1,523	1,572	5,532	5,602	5,602	5,602	5,602	5,602	5,602	5,602	5,602	5,602	5,602	5,602	5,602
July 1, 2002 - June 30, 2003	0	0	4	5	10	342	868	3,395	3,398	3,416	3,416	3,416	3,416	3,416	3,416	3,416	3,416	3,416
July 1, 2003 - June 30, 2004	0	0	7,481	9,033	9,064	10,352	11,009	12,342	12,503	12,503	12,503	12,503	12,503	12,503	12,503	12,503	12,503	12,503
July 1, 2004 - June 30, 2005	0	11	912	945	975	980	987	1,262	1,262	1,262	1,262	1,262	1,262	1,262	1,262	1,262	1,262	1,262
July 1, 2005 - June 30, 2006	0	3	3	683	712	712	712	712	712	712	712	712	712	712	712	712	712	712
July 1, 2006 - June 30, 2007	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 2007 - June 30, 2008	0	0	2,166	2,184	8,361	8,361	8,361	8,361	8,361	8,361	8,361	8,361	8,361	8,361	8,361	8,361	8,361	8,361
July 1, 2008 - June 30, 2009	0	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
July 1, 2009 - June 30, 2010	0	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20
July 1, 2010 - June 30, 2011	0	1,663	1,663	1,663	1,663	1,663	1,663	1,663	1,663	1,663	1,663	1,663	1,663	1,663	1,663	1,663	1,663	1,663
July 1, 2011 - Dec. 31, 2011	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10

(1) Net of proportional reinsurance

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

CASE RESERVES - NET BASIS (1) (in \$000's)

As at December 31, 2011

<i>Year</i>	<i>6</i>	<i>18</i>	<i>30</i>	<i>42</i>	<i>54</i>	<i>66</i>	<i>78</i>	<i>90</i>	<i>102</i>	<i>114</i>	<i>126</i>	<i>138</i>	<i>150</i>	<i>162</i>	<i>174</i>	<i>186</i>	<i>198</i>	<i>210</i>
July 1, 1987 - June 30, 1988	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 1988 - June 30, 1989	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 1989 - June 30, 1990	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 1990 - June 30, 1991	0	0	0	250	300	300	100	613	325	0	0	0	0	0	0	0	0	0
July 1, 1991 - June 30, 1992	0	0	875	1,250	2,025	3,100	499	750	750	750	750	10	0	0	0	0	0	0
July 1, 1992 - June 30, 1993	0	0	0	0	0	0	0	250	250	17	7	0	0	0	0	0	0	0
July 1, 1993 - June 30, 1994	0	0	0	833	1,882	1,875	2,700	4,425	4,425	4,425	3,908	3,919	3,780	0	0	0	0	0
July 1, 1994 - June 30, 1995	0	388	1,362	409	625	1,050	250	0	0	0	0	0	0	0	0	0	0	0
July 1, 1995 - June 30, 1996	0	375	74	10	25	1,018	1	0	0	0	0	0	0	0	0	0	0	0
July 1, 1996 - June 30, 1997	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 1997 - June 30, 1998	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 1998 - June 30, 1999	0	108	2,108	2,233	385	108	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 1999 - June 30, 2000	0	0	0	0	0	2,600	2,600	626	625	5	0	0	0	0	0	0	0	0
July 1, 2000 - June 30, 2001	0	0	0	0	0	250	250	500	500	500	500	0	0	0	0	0	0	0
July 1, 2001 - June 30, 2002	250	250	3,350	2,821	4,893	667	598	598	350	350	0	0	0	0	0	0	0	0
July 1, 2002 - June 30, 2003	0	100	96	95	4,590	5,555	5,226	3,126	3,123	3,105	0	0	0	0	0	0	0	0
July 1, 2003 - June 30, 2004	0	500	3,755	1,939	1,909	744	463	1,325	1,750	0	0	0	0	0	0	0	0	0
July 1, 2004 - June 30, 2005	1,000	1,764	938	905	875	870	863	812	0	0	0	0	0	0	0	0	0	0
July 1, 2005 - June 30, 2006	0	0	0	30	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 2006 - June 30, 2007	250	1,550	1,800	2,550	3,550	6,150	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 2007 - June 30, 2008	0	0	2,100	4,582	1,263	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 2008 - June 30, 2009	0	20	20	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 2009 - June 30, 2010	25	1,280	2,280	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 2010 - June 30, 2011	0	365	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 2011 - Dec. 31, 2011	215	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

(1) Net of proportional reinsurance

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

INCURRED LOSSES - NET BASIS (1) (in \$000's)

As at December 31, 2011

<i>Year</i>	<i>6</i>	<i>18</i>	<i>30</i>	<i>42</i>	<i>54</i>	<i>66</i>	<i>78</i>	<i>90</i>	<i>102</i>	<i>114</i>	<i>126</i>	<i>138</i>	<i>150</i>	<i>162</i>	<i>174</i>	<i>186</i>	<i>198</i>	<i>210</i>
July 1, 1987 - June 30, 1988	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 1988 - June 30, 1989	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 1989 - June 30, 1990	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 1990 - June 30, 1991	0	0	0	250	300	300	100	1,116	1,712	1,797	1,797	1,797	1,797	1,797	1,797	1,797	1,797	1,797
July 1, 1991 - June 30, 1992	0	0	875	1,250	2,025	3,722	3,284	3,530	3,530	3,530	3,530	3,480	3,470	3,470	3,470	3,470	3,470	3,470
July 1, 1992 - June 30, 1993	0	0	0	0	0	0	0	250	250	170	170	163	163	163	163	163	163	163
July 1, 1993 - June 30, 1994	0	0	0	5,014	6,063	6,056	6,891	8,616	8,616	8,616	8,616	8,886	8,886	8,388	8,388	8,388	8,388	8,388
July 1, 1994 - June 30, 1995	0	400	1,391	4,326	4,550	4,975	4,883	4,633	4,633	4,633	4,633	4,633	4,633	4,633	4,633	4,633	4,633	4,633
July 1, 1995 - June 30, 1996	0	375	682	698	721	1,721	1,876	1,871	1,871	1,871	1,871	1,871	1,871	1,871	1,871	1,871	1,871	1,871
July 1, 1996 - June 30, 1997	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 1997 - June 30, 1998	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 1998 - June 30, 1999	0	108	2,108	2,233	6,570	6,362	6,254	6,254	6,254	6,254	6,254	6,254	6,254	6,254	6,254	6,254	6,254	6,254
July 1, 1999 - June 30, 2000	0	0	0	0	0	2,810	2,810	3,358	3,356	3,465	3,465	3,465	3,465	3,465	3,465	3,465	3,465	3,465
July 1, 2000 - June 30, 2001	0	0	0	0	0	250	250	500	500	500	500	0	0	0	0	0	0	0
July 1, 2001 - June 30, 2002	250	250	3,350	4,344	6,465	6,200	6,200	6,200	5,952	5,952	5,602	5,602	5,602	5,602	5,602	5,602	5,602	5,602
July 1, 2002 - June 30, 2003	0	100	100	100	4,600	5,898	6,094	6,521	6,521	6,521	6,521	6,521	6,521	6,521	6,521	6,521	6,521	6,521
July 1, 2003 - June 30, 2004	0	500	11,236	10,973	10,973	11,097	11,471	13,666	14,253	14,253	14,253	14,253	14,253	14,253	14,253	14,253	14,253	14,253
July 1, 2004 - June 30, 2005	1,000	1,775	1,850	1,850	1,850	1,850	1,850	2,074	2,074	2,074	2,074	2,074	2,074	2,074	2,074	2,074	2,074	2,074
July 1, 2005 - June 30, 2006	0	3	3	712	712	712	712	712	712	712	712	712	712	712	712	712	712	712
July 1, 2006 - June 30, 2007	250	1,550	1,800	2,550	3,550	6,150	6,150	6,150	6,150	6,150	6,150	6,150	6,150	6,150	6,150	6,150	6,150	6,150
July 1, 2007 - June 30, 2008	0	0	4,266	6,766	9,624	9,624	9,624	9,624	9,624	9,624	9,624	9,624	9,624	9,624	9,624	9,624	9,624	9,624
July 1, 2008 - June 30, 2009	0	25	25	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
July 1, 2009 - June 30, 2010	25	1,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300
July 1, 2010 - June 30, 2011	0	2,027	2,027	2,027	2,027	2,027	2,027	2,027	2,027	2,027	2,027	2,027	2,027	2,027	2,027	2,027	2,027	2,027
July 1, 2011 - Dec. 31, 2011	225	225	225	225	225	225	225	225	225	225	225	225	225	225	225	225	225	225

(1) Net of proportional reinsurance

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

CUMULATIVE NUMBER OF CLAIMS REPORTED - NET BASIS (1)

As at December 31, 2011

<i>Year</i>	<i>6</i>	<i>18</i>	<i>30</i>	<i>42</i>	<i>54</i>	<i>66</i>	<i>78</i>	<i>90</i>	<i>102</i>	<i>114</i>	<i>126</i>	<i>138</i>	<i>150</i>	<i>162</i>	<i>174</i>	<i>186</i>	<i>198</i>	<i>210</i>
July 1, 1987 - June 30, 1988	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 1988 - June 30, 1989	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 1989 - June 30, 1990	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 1990 - June 30, 1991	0	0	0	1	2	2	1	1	1	1	1	1	1	1	1	1	1	1
July 1, 1991 - June 30, 1992	0	0	2	3	4	3	3	3	3	3	3	3	3	3	3	3	3	3
July 1, 1992 - June 30, 1993	0	0	0	0	0	0	0	1	1	1	1	1	1	1	1	1	1	1
July 1, 1993 - June 30, 1994	0	0	0	4	4	4	4	4	4	4	4	4	4	2	2	2	2	2
July 1, 1994 - June 30, 1995	0	2	3	5	5	5	5	4	4	4	4	4	4	4	4	4	4	4
July 1, 1995 - June 30, 1996	0	1	1	1	2	2	2	2	2	2	2	2	2	2	2	2	2	
July 1, 1996 - June 30, 1997	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
July 1, 1997 - June 30, 1998	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
July 1, 1998 - June 30, 1999	0	1	2	3	3	3	2	2	2	2	2	2	2	2				
July 1, 1999 - June 30, 2000	0	0	0	0	0	2	2	3	3	3	3	3	3					
July 1, 2000 - June 30, 2001	0	0	0	0	0	1	1	1	1	1	1	0						
July 1, 2001 - June 30, 2002	1	1	3	4	5	6	6	6	6	6	4							
July 1, 2002 - June 30, 2003	0	1	1	1	2	2	2	3	3	3								
July 1, 2003 - June 30, 2004	0	1	3	3	3	3	3	4	4									
July 1, 2004 - June 30, 2005	1	2	2	2	2	2	2	3										
July 1, 2005 - June 30, 2006	0	1	1	2	2	2	2											
July 1, 2006 - June 30, 2007	1	1	2	2	2	2												
July 1, 2007 - June 30, 2008	0	0	3	3	3													
July 1, 2008 - June 30, 2009	0	1	1	1														
July 1, 2009 - June 30, 2010	1	2	3															
July 1, 2010 - June 30, 2011	0	2																
July 1, 2011 - Dec. 31, 2011	2																	

(1) Net of proportional reinsurance

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

NUMBER OF CLAIMS OPEN - NET BASIS (1)

As at December 31, 2011

<i>Year</i>	<i>6</i>	<i>18</i>	<i>30</i>	<i>42</i>	<i>54</i>	<i>66</i>	<i>78</i>	<i>90</i>	<i>102</i>	<i>114</i>	<i>126</i>	<i>138</i>	<i>150</i>	<i>162</i>	<i>174</i>	<i>186</i>	<i>198</i>	<i>210</i>
July 1, 1987 - June 30, 1988	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 1988 - June 30, 1989	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 1989 - June 30, 1990	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 1990 - June 30, 1991	0	0	0	1	2	2	1	1	1	0	0	0	0	0	0	0	0	0
July 1, 1991 - June 30, 1992	0	0	2	3	4	2	1	1	1	1	1	1	0	0	0	0	0	0
July 1, 1992 - June 30, 1993	0	0	0	0	0	0	0	1	1	1	1	0	0	0	0	0	0	0
July 1, 1993 - June 30, 1994	0	0	0	4	4	4	4	3	3	3	3	3	3	0	0	0	0	0
July 1, 1994 - June 30, 1995	0	2	3	5	2	2	1	0	0	0	0	0	0	0	0	0	0	0
July 1, 1995 - June 30, 1996	0	1	1	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0
July 1, 1996 - June 30, 1997	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 1997 - June 30, 1998	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 1998 - June 30, 1999	0	1	2	3	3	1	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 1999 - June 30, 2000	0	0	0	0	0	1	1	2	1	1	0	0	0	0	0	0	0	0
July 1, 2000 - June 30, 2001	0	0	0	0	0	1	1	1	1	1	1	0	0	0	0	0	0	0
July 1, 2001 - June 30, 2002	1	1	3	4	4	5	4	4	2	2	0	0	0	0	0	0	0	0
July 1, 2002 - June 30, 2003	0	1	1	1	2	2	2	1	1	1	0	0	0	0	0	0	0	0
July 1, 2003 - June 30, 2004	0	1	3	2	2	2	2	3	1	0	0	0	0	0	0	0	0	0
July 1, 2004 - June 30, 2005	1	2	2	2	2	2	2	2	0	0	0	0	0	0	0	0	0	0
July 1, 2005 - June 30, 2006	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 2006 - June 30, 2007	1	1	2	2	2	2	2	0	0	0	0	0	0	0	0	0	0	0
July 1, 2007 - June 30, 2008	0	0	3	3	3	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 2008 - June 30, 2009	0	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 2009 - June 30, 2010	1	2	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 2010 - June 30, 2011	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 2011 - Dec. 31, 2011	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

(1) Net of proportional reinsurance

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period: 1987-2
As at December 31, 2011

<i>LAYER</i>	<i>4.4 xs .6</i>	<i>5 xs 5</i>	<i>15 xs 10</i>	<i>Totals</i>
<u>Derivation of Ultimate Incurred</u>				
Earned Lawyer Count	716	716	716	
Expected Loss Cost per Lawyer	\$527	\$298	\$465	
Gross Expected Loss Volume	\$377,332	\$213,368	\$332,940	
IBNR Factor	0.000	0.000	0.000	
IBNR Amount	\$0	\$0	\$0	\$0
Case Reserves	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$0	\$0	\$0	\$0
Paid to Date	\$0	\$0	\$0	\$0
Total Ultimate Incurred	\$0	\$0	\$0	\$0
<u>Derivation of Loss Adjustment Expenses</u>				
IBNR LAE	\$0	\$0	\$0	\$0
Case Reserves LAE	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$0	\$0	\$0	\$0
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>				
Retention	0.5000	0.0800	0.1600	
Reinsured to Registered	0.0000	0.7816	0.5350	
Reinsured to Unregistered	0.5000	0.1384	0.3050	
Paid to Date Retained	\$0	\$0	\$0	\$0
Paid Ceded to				
Registered Reinsurers	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$0	\$0	\$0
Case Reserves Ceded to				
Registered Reinsurers	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$0	\$0	\$0	\$0
IBNR Reserves Ceded to				
Registered Reinsurers	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0
Total Reserves Retained	\$0	\$0	\$0	\$0
Reserves Ceded to				
Registered Reinsurers	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period: 1988-1
As at December 31, 2011

<i>LAYER</i>	<i>4.4 xs .6</i>	<i>5 xs 5</i>	<i>15 xs 10</i>	<i>Totals</i>
<u><i>Derivation of Ultimate Incurred</i></u>				
Earned Lawyer Count	763	763	763	
Expected Loss Cost per Lawyer	\$527	\$298	\$465	
Gross Expected Loss Volume	\$402,101	\$227,374	\$354,795	
IBNR Factor	0.000	0.000	0.000	
IBNR Amount	\$0	\$0	\$0	\$0
Case Reserves	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$0	\$0	\$0	\$0
Paid to Date	\$0	\$0	\$0	\$0
Total Ultimate Incurred	\$0	\$0	\$0	\$0
<u><i>Derivation of Loss Adjustment Expenses</i></u>				
IBNR LAE	\$0	\$0	\$0	\$0
Case Reserves LAE	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$0	\$0	\$0	\$0
<u><i>Distribution of Losses between CLLAS and Proportional Reinsurers</i></u>				
Retention	0.5000	0.0800	0.1600	
Reinsured to Registered	0.0000	0.7816	0.5350	
Reinsured to Unregistered	0.5000	0.1384	0.3050	
Paid to Date Retained	\$0	\$0	\$0	\$0
Paid Ceded to				
Registered Reinsurers	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$0	\$0	\$0
Case Reserves Ceded to				
Registered Reinsurers	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$0	\$0	\$0	\$0
IBNR Reserves Ceded to				
Registered Reinsurers	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0
Total Reserves Retained	\$0	\$0	\$0	\$0
Reserves Ceded to				
Registered Reinsurers	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period: 1988-2
As at December 31, 2011

<i>LAYER</i>	<i>4 xs 1</i>	<i>5 xs 5</i>	<i>15 xs 10</i>	<i>Totals</i>
<u><i>Derivation of Ultimate Incurred</i></u>				
Earned Lawyer Count	863	863	863	
Expected Loss Cost per Lawyer	\$483	\$298	\$465	
Gross Expected Loss Volume	\$416,829	\$257,174	\$401,295	
IBNR Factor	0.000	0.000	0.000	
IBNR Amount	\$0	\$0	\$0	\$0
Case Reserves	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$0	\$0	\$0	\$0
Paid to Date	\$0	\$0	\$0	\$0
Total Ultimate Incurred	\$0	\$0	\$0	\$0
<u><i>Derivation of Loss Adjustment Expenses</i></u>				
IBNR LAE	\$0	\$0	\$0	\$0
Case Reserves LAE	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$0	\$0	\$0	\$0
<u><i>Distribution of Losses between CLLAS and Proportional Reinsurers</i></u>				
Retention	0.5000	0.0800	0.1733	
Reinsured to Registered	0.0000	0.7490	0.5438	
Reinsured to Unregistered	0.5000	0.1710	0.2829	
Paid to Date Retained	\$0	\$0	\$0	\$0
Paid Ceded to				
Registered Reinsurers	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$0	\$0	\$0
Case Reserves Ceded to				
Registered Reinsurers	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$0	\$0	\$0	\$0
IBNR Reserves Ceded to				
Registered Reinsurers	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0
Total Reserves Retained	\$0	\$0	\$0	\$0
Reserves Ceded to				
Registered Reinsurers	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period: 1989-1
As at December 31, 2011

LAYER	4 xs 1	5 xs 5	15 xs 10	Totals
<u>Derivation of Ultimate Incurred</u>				
Earned Lawyer Count	944	944	944	
Expected Loss Cost per Lawyer	\$483	\$298	\$465	
Gross Expected Loss Volume	\$455,952	\$281,312	\$438,960	
IBNR Factor	0.000	0.000	0.000	
IBNR Amount	\$0	\$0	\$0	\$0
Case Reserves	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$0	\$0	\$0	\$0
Paid to Date	\$0	\$0	\$0	\$0
Total Ultimate Incurred	\$0	\$0	\$0	\$0
<u>Derivation of Loss Adjustment Expenses</u>				
IBNR LAE	\$0	\$0	\$0	\$0
Case Reserves LAE	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$0	\$0	\$0	\$0
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>				
Retention	0.5000	0.0800	0.1733	
Reinsured to Registered	0.0000	0.7490	0.5438	
Reinsured to Unregistered	0.5000	0.1710	0.2829	
Paid to Date Retained	\$0	\$0	\$0	\$0
Paid Ceded to				
Registered Reinsurers	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$0	\$0	\$0
Case Reserves Ceded to				
Registered Reinsurers	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$0	\$0	\$0	\$0
IBNR Reserves Ceded to				
Registered Reinsurers	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0
Total Reserves Retained	\$0	\$0	\$0	\$0
Reserves Ceded to				
Registered Reinsurers	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period: 1989-2

As at December 31, 2011

LAYER	4 xs 1	5 xs 5	15 xs 10	Totals
<u>Derivation of Ultimate Incurred</u>				
Earned Lawyer Count	1,026	1,026	1,026	
Expected Loss Cost per Lawyer	\$483	\$298	\$465	
Gross Expected Loss Volume	\$495,558	\$305,748	\$477,090	
IBNR Factor	0.000	0.000	0.000	
IBNR Amount	\$0	\$0	\$0	\$0
Case Reserves	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$0	\$0	\$0	\$0
Paid to Date	\$0	\$0	\$0	\$0
Total Ultimate Incurred	\$0	\$0	\$0	\$0
<u>Derivation of Loss Adjustment Expenses</u>				
IBNR LAE	\$0	\$0	\$0	\$0
Case Reserves LAE	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$0	\$0	\$0	\$0
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>				
Retention	0.5000	0.0800	0.1733	
Reinsured to Registered	0.0000	0.7587	0.6251	
Reinsured to Unregistered	0.5000	0.1613	0.2016	
Paid to Date Retained	\$0	\$0	\$0	\$0
Paid Ceded to				
Registered Reinsurers	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$0	\$0	\$0
Case Reserves Ceded to				
Registered Reinsurers	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$0	\$0	\$0	\$0
IBNR Reserves Ceded to				
Registered Reinsurers	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0
Total Reserves Retained	\$0	\$0	\$0	\$0
Reserves Ceded to				
Registered Reinsurers	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period: 1990-1
As at December 31, 2011

<i>LAYER</i>	<i>4 xs 1</i>	<i>5 xs 5</i>	<i>15 xs 10</i>	<i>Totals</i>
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Derivation of Ultimate Incurred

Earned Lawyer Count	1,052	1,052	1,052	
Expected Loss Cost per Lawyer	\$483	\$298	\$465	
Gross Expected Loss Volume	\$508,116	\$313,496	\$489,180	
IBNR Factor	0.000	0.000	0.000	
IBNR Amount	\$0	\$0	\$0	\$0
Case Reserves	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$0	\$0	\$0	\$0
Paid to Date	\$0	\$0	\$0	\$0
Total Ultimate Incurred	\$0	\$0	\$0	\$0

Derivation of Loss Adjustment Expenses

IBNR LAE	\$0	\$0	\$0	\$0
Case Reserves LAE	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$0	\$0	\$0	\$0

Distribution of Losses between CLLAS and Proportional Reinsurers

Retention	0.5000	0.0800	0.1733	
Reinsured to Registered	0.1375	0.7587	0.6532	
Reinsured to Unregistered	0.3625	0.1613	0.1735	
Paid to Date Retained	\$0	\$0	\$0	\$0
Paid Ceded to				
Registered Reinsurers	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$0	\$0	\$0
Case Reserves Ceded to				
Registered Reinsurers	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$0	\$0	\$0	\$0
IBNR Reserves Ceded to				
Registered Reinsurers	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0
Total Reserves Retained	\$0	\$0	\$0	\$0
Reserves Ceded to				
Registered Reinsurers	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period: 1990-2
As at December 31, 2011

<i>LAYER</i>	<i>4 xs 1</i>	<i>5 xs 5</i>	<i>15 xs 10</i>	<i>25 xs 50</i>	<i>Totals</i>
<u>Derivation of Ultimate Incurred</u>					
Earned Lawyer Count	1,176	1,176	1,176	1,176	
Expected Loss Cost per Lawyer	\$483	\$298	\$465	\$200	
Gross Expected Loss Volume	\$568,008	\$350,448	\$546,840	\$235,200	
IBNR Factor	0.000	0.000	0.000	0.000	
IBNR Amount	\$0	\$0	\$0	\$0	\$0
Case Reserves	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$0	\$0	\$0	\$0	\$0
Paid to Date	\$3,593,148	\$0	\$0	\$0	\$3,593,148
Total Ultimate Incurred	\$3,593,148	\$0	\$0	\$0	\$3,593,148
<u>Derivation of Loss Adjustment Expenses</u>					
IBNR LAE	\$0	\$0	\$0	\$0	\$0
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$0	\$0	\$0	\$0	\$0
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>					
Retention	0.5000	0.0800	0.1733	0.0000	
Reinsured to Registered	0.5000	0.8110	0.7449	0.7955	
Reinsured to Unregistered	0.0000	0.1090	0.0818	0.2045	
Paid to Date Retained	\$1,796,574	\$0	\$0	\$0	\$1,796,574
Paid Ceded to					
Registered Reinsurers	\$1,796,574	\$0	\$0	\$0	\$1,796,574
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$0	\$0	\$0	\$0
Case Reserves Ceded to					
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Ceded to					
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0
Total Reserves Retained	\$0	\$0	\$0	\$0	\$0
Reserves Ceded to					
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period: 1991-1
As at December 31, 2011

<i>LAYER</i>	<i>4 xs 1</i>	<i>5 xs 5</i>	<i>15 xs 10</i>	<i>25 xs 50</i>	<i>Totals</i>
<u>Derivation of Ultimate Incurred</u>					
Earned Lawyer Count	1,176	1,176	1,176	1,176	
Expected Loss Cost per Lawyer	\$483	\$298	\$465	\$200	
Gross Expected Loss Volume	\$568,008	\$350,448	\$546,840	\$235,200	
IBNR Factor	0.000	0.000	0.000	0.000	
IBNR Amount	\$0	\$0	\$0	\$0	\$0
Case Reserves	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$0	\$0	\$0	\$0	\$0
Paid to Date	\$0	\$0	\$0	\$0	\$0
Total Case Incurred	\$0	\$0	\$0	\$0	\$0
<u>Derivation of Loss Adjustment Expenses</u>					
IBNR LAE	\$0	\$0	\$0	\$0	\$0
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$0	\$0	\$0	\$0	\$0
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>					
Retention	0.5000	0.0800	0.1733	0.0000	
Reinsured to Registered	0.5000	0.8110	0.7449	0.7955	
Reinsured to Unregistered	0.0000	0.1090	0.0818	0.2045	
Paid to Date Retained	\$0	\$0	\$0	\$0	\$0
Paid Ceded to					
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$0	\$0	\$0	\$0
Case Reserves Ceded to					
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Ceded to					
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0
Total Reserves Retained	\$0	\$0	\$0	\$0	\$0
Reserves Ceded to					
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period: 1991-2
As at December 31, 2011

<i>LAYER</i>	<i>4 xs 1</i>	<i>7.5 xs 5</i>	<i>12.5 xs 12.5</i>	<i>10 xs 25</i>	<i>25 xs 50</i>	<i>Totals</i>
<u>Derivation of Ultimate Incurred</u>						
Earned Lawyer Count	1,200	1,200	1,200	1,200	1,200	
Expected Loss Cost per Lawyer	\$680	\$520	\$420	\$220	\$200	
Gross Expected Loss Volume	\$816,000	\$624,000	\$504,000	\$264,000	\$240,000	
IBNR Factor	0.000	0.000	0.000	0.000	0.000	
IBNR Amount	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$0	\$0	\$0	\$0	\$0	\$0
Paid to Date	\$4,000,000	\$792,618	\$0	\$0	\$0	\$4,792,618
Total Ultimate Incurred	\$4,000,000	\$792,618	\$0	\$0	\$0	\$4,792,618
<u>Derivation of Loss Adjustment Expenses</u>						
IBNR LAE	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$0	\$0	\$0	\$0	\$0	\$0
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>						
Retention	0.5000	0.2000	0.1800	0.1250	0.0000	
Reinsured to Registered	0.5000	0.7150	0.7252	0.8750	0.7975	
Reinsured to Unregistered	0.0000	0.0850	0.0948	0.0000	0.2025	
Paid to Date Retained	\$2,000,000	\$158,524	\$0	\$0	\$0	\$2,158,524
Paid Ceded to						
Registered Reinsurers	\$2,000,000	\$566,722	\$0	\$0	\$0	\$2,566,722
Unregistered Reinsurers	\$0	\$67,373	\$0	\$0	\$0	\$67,373
Case Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Ceded to						
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Ceded to						
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0
Reserves Ceded to						
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period: 1992-1
As at December 31, 2011

<i>LAYER</i>	<i>4 xs 1</i>	<i>7.5 xs 5</i>	<i>12.5 xs 12.5</i>	<i>10 xs 25</i>	<i>25 xs 50</i>	<i>Totals</i>
<u>Derivation of Ultimate Incurred</u>						
Earned Lawyer Count	1,200	1,200	1,200	1,200	1,200	
Expected Loss Cost per Lawyer	\$680	\$520	\$420	\$220	\$290	
Gross Expected Loss Volume	\$816,000	\$624,000	\$504,000	\$264,000	\$348,000	
IBNR Factor	0.000	0.000	0.000	0.000	0.000	
IBNR Amount	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$0	\$0	\$0	\$0	\$0	\$0
Paid to Date	\$2,623,945	\$0	\$0	\$0	\$0	\$2,623,945
Total Ultimate Incurred	\$2,623,945	\$0	\$0	\$0	\$0	\$2,623,945
<u>Derivation of Loss Adjustment Expenses</u>						
IBNR LAE	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$0	\$0	\$0	\$0	\$0	\$0
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>						
Retention	0.5000	0.2000	0.1800	0.1250	0.0000	
Reinsured to Registered	0.5000	0.7150	0.7252	0.8750	0.7975	
Reinsured to Unregistered	0.0000	0.0850	0.0948	0.0000	0.2025	
Paid to Date Retained	\$1,311,972	\$0	\$0	\$0	\$0	\$1,311,972
Paid Ceded to						
Registered Reinsurers	\$1,311,972	\$0	\$0	\$0	\$0	\$1,311,972
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Ceded to						
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Ceded to						
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0
Reserves Ceded to						
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period: 1992-2
As at December 31, 2011

LAYER	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	25 xs 50	Totals
<u>Derivation of Ultimate Incurred</u>						
Earned Lawyer Count	1,217	1,217	1,217	1,217	1,217	
Expected Loss Cost per Lawyer	\$680	\$520	\$420	\$220	\$290	
Gross Expected Loss Volume	\$827,220	\$632,580	\$510,930	\$267,630	\$352,785	
IBNR Factor	0.000	0.000	0.000	0.000	0.000	
IBNR Amount	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$0	\$0	\$0	\$0	\$0	\$0
Paid to Date	\$0	\$0	\$0	\$0	\$0	\$0
Total Ultimate Incurred	\$0	\$0	\$0	\$0	\$0	\$0
<u>Derivation of Loss Adjustment Expenses</u>						
IBNR LAE	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$0	\$0	\$0	\$0	\$0	\$0
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>						
Retention	0.5000	0.2000	0.1800	0.1250	0.0000	
Reinsured to Registered	0.5000	0.7160	0.7534	0.8750	0.8981	
Reinsured to Unregistered	0.0000	0.0840	0.0666	0.0000	0.1019	
Paid to Date Retained	\$0	\$0	\$0	\$0	\$0	\$0
Paid Ceded to						
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Ceded to						
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Ceded to						
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0
Reserves Ceded to						
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period: 1993-1
As at December 31, 2011

<i>LAYER</i>	<i>4 xs 1</i>	<i>7.5 xs 5</i>	<i>12.5 xs 12.5</i>	<i>10 xs 25</i>	<i>25 xs 50</i>	<i>Totals</i>
<u>Derivation of Ultimate Incurred</u>						
Earned Lawyer Count	1,217	1,217	1,217	1,217	1,217	
Expected Loss Cost per Lawyer	\$680	\$520	\$420	\$220	\$290	
Gross Expected Loss Volume	\$827,220	\$632,580	\$510,930	\$267,630	\$352,785	
IBNR Factor	0.000	0.000	0.000	0.000	0.000	
IBNR Amount	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$0	\$0	\$0	\$0	\$0	\$0
Paid to Date	\$326,599	\$0	\$0	\$0	\$0	\$326,599
Total Ultimate Incurred	\$326,599	\$0	\$0	\$0	\$0	\$326,599
<u>Derivation of Loss Adjustment Expenses</u>						
IBNR LAE	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$0	\$0	\$0	\$0	\$0	\$0
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>						
Retention	0.5000	0.2000	0.1800	0.1250	0.0000	
Reinsured to Registered	0.5000	0.7160	0.7534	0.8750	0.8981	
Reinsured to Unregistered	0.0000	0.0840	0.0666	0.0000	0.1019	
Paid to Date Retained	\$163,299	\$0	\$0	\$0	\$0	\$163,299
Paid Ceded to						
Registered Reinsurers	\$163,299	\$0	\$0	\$0	\$0	\$163,299
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Ceded to						
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Ceded to						
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0
Reserves Ceded to						
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period: 1993-2
As at December 31, 2011

<i>LAYER</i>	<i>4 xs 1</i>	<i>7.5 xs 5</i>	<i>12.5 xs 12.5</i>	<i>10 xs 25</i>	<i>25 xs 50</i>	<i>Totals</i>
<u>Derivation of Ultimate Incurred</u>						
Earned Lawyer Count	1,254	1,254	1,254	1,254	1,254	
Expected Loss Cost per Lawyer	\$680	\$520	\$420	\$220	\$290	
Gross Expected Loss Volume	\$852,380	\$651,820	\$526,470	\$275,770	\$363,515	
IBNR Factor	0.000	0.000	0.000	0.000	0.000	
IBNR Amount	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$0	\$0	\$0	\$0	\$0	\$0
Paid to Date	\$8,000,000	\$15,000,000	\$7,654,825	\$0	\$0	\$30,654,825
Total Ultimate Incurred	\$8,000,000	\$15,000,000	\$7,654,825	\$0	\$0	\$30,654,825
<u>Derivation of Loss Adjustment Expenses</u>						
IBNR LAE	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$0	\$0	\$0	\$0	\$0	\$0
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>						
Retention	0.5000	0.2000	0.1800	0.1250	0.0000	
Reinsured to Registered	0.5000	0.7362	0.7544	0.8750	0.8641	
Reinsured to Unregistered	0.0000	0.0638	0.0656	0.0000	0.1359	
Paid to Date Retained	\$4,000,000	\$3,000,000	\$1,377,869	\$0	\$0	\$8,377,869
Paid Ceded to						
Registered Reinsurers	\$4,000,000	\$11,043,000	\$5,774,800	\$0	\$0	\$20,817,800
Unregistered Reinsurers	\$0	\$957,000	\$502,157	\$0	\$0	\$1,459,157
Case Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Ceded to						
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Ceded to						
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0
Reserves Ceded to						
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period: 1994-1
As at December 31, 2011

<i>LAYER</i>	<i>4 xs 1</i>	<i>7.5 xs 5</i>	<i>12.5 xs 12.5</i>	<i>10 xs 25</i>	<i>25 xs 50</i>	<i>Totals</i>
<u>Derivation of Ultimate Incurred</u>						
Earned Lawyer Count	1,254	1,254	1,254	1,254	1,254	
Expected Loss Cost per Lawyer	\$680	\$520	\$420	\$220	\$290	
Gross Expected Loss Volume	\$852,380	\$651,820	\$526,470	\$275,770	\$363,515	
IBNR Factor	0.000	0.000	0.000	0.000	0.000	
IBNR Amount	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$0	\$0	\$0	\$0	\$0	\$0
Paid to Date	\$0	\$0	\$0	\$0	\$0	\$0
Total Ultimate Incurred	\$0	\$0	\$0	\$0	\$0	\$0
<u>Derivation of Loss Adjustment Expenses</u>						
IBNR LAE	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$0	\$0	\$0	\$0	\$0	\$0
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>						
Retention	0.5000	0.2000	0.1800	0.1250	0.0000	
Reinsured to Registered	0.5000	0.7362	0.7544	0.8750	0.8641	
Reinsured to Unregistered	0.0000	0.0638	0.0656	0.0000	0.1359	
Paid to Date Retained	\$0	\$0	\$0	\$0	\$0	\$0
Paid Ceded to						
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Ceded to						
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Ceded to						
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0
Reserves Ceded to						
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period: 1994-2
As at December 31, 2011

LAYER	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	25 xs 50	Totals
<u>Derivation of Ultimate Incurred</u>						
Earned Lawyer Count	1,257	1,257	1,257	1,257	1,257	
Expected Loss Cost per Lawyer	\$680	\$520	\$420	\$220	\$290	
Gross Expected Loss Volume	\$854,760	\$653,640	\$527,940	\$276,540	\$364,530	
IBNR Factor	0.000	0.000	0.000	0.000	0.000	
IBNR Amount	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$0	\$0	\$0	\$0	\$0	\$0
Paid to Date	\$4,856,364	\$0	\$0	\$0	\$0	\$4,856,364
Total Ultimate Incurred	\$4,856,364	\$0	\$0	\$0	\$0	\$4,856,364
<u>Derivation of Loss Adjustment Expenses</u>						
IBNR LAE	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$0	\$0	\$0	\$0	\$0	\$0
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>						
Retention	0.5000	0.2000	0.1800	0.1250	0.0000	
Reinsured to Registered	0.4458	0.7493	0.7630	0.8750	0.8548	
Reinsured to Unregistered	0.0542	0.0507	0.0570	0.0000	0.1452	
Paid to Date Retained	\$2,428,182	\$0	\$0	\$0	\$0	\$2,428,182
Paid Ceded to						
Registered Reinsurers	\$2,164,967	\$0	\$0	\$0	\$0	\$2,164,967
Unregistered Reinsurers	\$263,215	\$0	\$0	\$0	\$0	\$263,215
Case Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Ceded to						
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Ceded to						
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0
Reserves Ceded to						
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period: 1995-1
As at December 31, 2011

LAYER	.75 xs .25	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	25 xs 50	Totals
<u>Derivation of Ultimate Incurred</u>							
Earned Lawyer Count	1,257	1,257	1,257	1,257	1,257	1,257	
Expected Loss Cost per Lawyer	\$10	\$990	\$605	\$495	\$255	\$335	
Gross Expected Loss Volume	\$12,570	\$1,244,430	\$760,485	\$622,215	\$320,535	\$421,095	
IBNR Factor	0.000	0.000	0.000	0.000	0.000	0.000	
IBNR Amount	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Paid to Date	\$0	\$4,374,911	\$87,714	\$0	\$0	\$0	\$4,462,625
Total Ultimate Incurred	\$0	\$4,374,911	\$87,714	\$0	\$0	\$0	\$4,462,625
<u>Derivation of Loss Adjustment Expenses</u>							
IBNR LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>							
Retention	1.0000	0.5000	0.2000	0.1800	0.1250	0.0000	
Reinsured to Registered	0.0000	0.4458	0.7493	0.7630	0.8750	0.8548	
Reinsured to Unregistered	0.0000	0.0542	0.0507	0.0570	0.0000	0.1452	
Paid to Date Retained	\$0	\$2,187,455	\$17,543	\$0	\$0	\$0	\$2,204,998
Paid Ceded to							
Registered Reinsurers	\$0	\$1,950,335	\$65,724	\$0	\$0	\$0	\$2,016,059
Unregistered Reinsurers	\$0	\$237,120	\$4,447	\$0	\$0	\$0	\$241,567
Case Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Ceded to							
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Ceded to							
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Reserves Ceded to							
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period: 1995-2

As at December 31, 2011

LAYER	.75 xs .25	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	25 xs 50	Totals
<u>Derivation of Ultimate Incurred</u>							
Earned Lawyer Count	1,263	1,263	1,263	1,263	1,263	1,263	
Expected Loss Cost per Lawyer	\$10	\$990	\$605	\$495	\$255	\$335	
Gross Expected Loss Volume	\$12,625	\$1,249,875	\$763,813	\$624,938	\$321,938	\$422,938	
IBNR Factor	0.000	0.000	0.000	0.000	0.000	0.000	
IBNR Amount	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Paid to Date	\$0	\$3,742,644	\$0	\$0	\$0	\$0	\$3,742,644
Total Ultimate Incurred	\$0	\$3,742,644	\$0	\$0	\$0	\$0	\$3,742,644
<u>Derivation of Loss Adjustment Expenses</u>							
IBNR LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>							
Retention	1.0000	0.5000	0.2000	0.1800	0.1250	0.0000	
Reinsured to Registered	0.0000	0.4214	0.7521	0.7741	0.8180	0.8812	
Reinsured to Unregistered	0.0000	0.0786	0.0479	0.0459	0.0570	0.1188	
Paid to Date Retained	\$0	\$1,871,322	\$0	\$0	\$0	\$0	\$1,871,322
Paid Ceded to							
Registered Reinsurers	\$0	\$1,577,150	\$0	\$0	\$0	\$0	\$1,577,150
Unregistered Reinsurers	\$0	\$294,172	\$0	\$0	\$0	\$0	\$294,172
Case Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Ceded to							
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Ceded to							
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Reserves Ceded to							
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 1996-1

As at December 31, 2011

LAYER	.75 xs .25	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	25 xs 50	Totals
<u>Derivation of Ultimate Incurred</u>							
Earned Lawyer Count	1,263	1,263	1,263	1,263	1,263	1,263	
Expected Loss Cost per Lawyer	\$10	\$990	\$605	\$495	\$255	\$335	
Gross Expected Loss Volume	\$12,625	\$1,249,875	\$763,813	\$624,938	\$321,938	\$422,938	
IBNR Factor	0.000	0.000	0.000	0.000	0.000	0.000	
IBNR Amount	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Paid to Date	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Ultimate Incurred	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Derivation of Loss Adjustment Expenses</u>							
IBNR LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>							
Retention	1.0000	0.5000	0.2000	0.1800	0.1250	0.0000	
Reinsured to Registered	0.0000	0.4214	0.7521	0.7741	0.8180	0.8812	
Reinsured to Unregistered	0.0000	0.0786	0.0479	0.0459	0.0570	0.1188	
Paid to Date Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Paid Ceded to							
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Ceded to							
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Ceded to							
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Reserves Ceded to							
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 1996-2

As at December 31, 2011

<i>LAYER</i>	<i>.75 xs .25</i>	<i>4 xs 1</i>	<i>7.5 xs 5</i>	<i>12.5 xs 12.5</i>	<i>10 xs 25</i>	<i>25 xs 50</i>	<i>Totals</i>
<u><i>Derivation of Ultimate Incurred</i></u>							
Earned Lawyer Count	1,297	1,297	1,297	1,297	1,297	1,297	
Expected Loss Cost per Lawyer	\$10	\$1,100	\$680	\$560	\$290	\$290	
Gross Expected Loss Volume	\$12,970	\$1,426,700	\$881,960	\$726,320	\$376,130	\$376,130	
IBNR Factor	0.000	0.000	0.000	0.000	0.000	0.000	
IBNR Amount	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Paid to Date	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Ultimate Incurred	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u><i>Derivation of Loss Adjustment Expenses</i></u>							
IBNR LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u><i>Distribution of Losses between CLLAS and Proportional Reinsurers</i></u>							
Retention	1.0000	0.5000	0.2000	0.1800	0.1250	0.0000	
Reinsured to Registered	0.0000	0.4294	0.7522	0.7797	0.8180	0.8774	
Reinsured to Unregistered	0.0000	0.0706	0.0478	0.0403	0.0570	0.1226	
Paid to Date Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Paid Ceded to							
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Ceded to							
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Ceded to							
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Reserves Ceded to							
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 1997-1

As at December 31, 2011

LAYER	.75 xs .25	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	25 xs 50	Totals
<u>Derivation of Ultimate Incurred</u>							
Earned Lawyer Count	1,297	1,297	1,297	1,297	1,297	1,297	
Expected Loss Cost per Lawyer	\$10	\$1,100	\$680	\$560	\$290	\$290	
Gross Expected Loss Volume	\$12,970	\$1,426,700	\$881,960	\$726,320	\$376,130	\$376,130	
IBNR Factor	0.000	0.000	0.000	0.000	0.000	0.000	
IBNR Amount	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Paid to Date	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Ultimate Incurred	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Derivation of Loss Adjustment Expenses</u>							
IBNR LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>							
Retention	1.0000	0.5000	0.2000	0.1800	0.1250	0.0000	
Reinsured to Registered	0.0000	0.4294	0.7522	0.7797	0.8180	0.8774	
Reinsured to Unregistered	0.0000	0.0706	0.0478	0.0403	0.0570	0.1226	
Paid to Date Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Paid Ceded to							
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Ceded to							
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Ceded to							
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Reserves Ceded to							
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 1997-2

As at December 31, 2011

LAYER	.75 xs .25	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	25 xs 50	15 xs 120	Totals
<u>Derivation of Ultimate Incurred</u>								
Earned Lawyer Count	1,320	1,320	1,320	1,320	1,320	1,320	1,006	
Expected Loss Cost per Lawyer	\$10	\$1,100	\$680	\$560	\$290	\$290	\$125	
Gross Expected Loss Volume	\$13,200	\$1,452,000	\$897,600	\$739,200	\$382,800	\$382,800	\$125,750	
IBNR Factor	0.000	0.000	0.000	0.000	0.000	0.000	0	
IBNR Amount	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Paid to Date	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Ultimate Incurred	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Derivation of Loss Adjustment Expenses</u>								
IBNR LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>								
Retention	1.0000	0.5000	0.2000	0.1800	0.1250	0.0000	0.0000	
Reinsured to Registered	0.0000	0.4294	0.7434	0.7797	0.7903	0.8717	0.8902	
Reinsured to Unregistered	0.0000	0.0706	0.0566	0.0403	0.0847	0.1283	0.1098	
Paid to Date Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Paid Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 1998-1

As at December 31, 2011

LAYER	.75 xs .25	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	25 xs 50	15 xs 120	Totals
<u>Derivation of Ultimate Incurred</u>								
Earned Lawyer Count	1,320	1,320	1,320	1,320	1,320	1,320	1,006	
Expected Loss Cost per Lawyer	\$10	\$1,100	\$680	\$560	\$290	\$290	\$125	
Gross Expected Loss Volume	\$13,200	\$1,452,000	\$897,600	\$739,200	\$382,800	\$382,800	\$125,750	
IBNR Factor	0.000	0.000	0.000	0.000	0.000	0.000	0	
IBNR Amount	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Paid to Date	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Ultimate Incurred	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Derivation of Loss Adjustment Expenses</u>								
IBNR LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>								
Retention	1.0000	0.5000	0.2000	0.1800	0.1250	0.0000	0.0000	
Reinsured to Registered	0.0000	0.4294	0.7434	0.7797	0.7903	0.8717	0.8902	
Reinsured to Unregistered	0.0000	0.0706	0.0566	0.0403	0.0847	0.1283	0.1098	
Paid to Date Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Paid Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 1998-2

As at December 31, 2011

LAYER	.75 xs .25	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	30 xs 50	20 xs 130	Totals
<u>Derivation of Ultimate Incurred</u>								
Earned Lawyer Count	1,400	1,400	1,400	1,400	1,400	1,400	1,071	
Expected Loss Cost per Lawyer	\$10	\$1,140	\$750	\$635	\$335	\$285	\$185	
Gross Expected Loss Volume	\$14,000	\$1,596,000	\$1,050,000	\$889,000	\$469,000	\$399,000	\$198,043	
IBNR Factor	0.000	0.000	0.000	0.000	0.000	0.000	0	
IBNR Amount	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Paid to Date	\$0	\$7,658,266	\$7,500,000	\$5,138,403	\$0	\$0	\$0	\$20,296,669
Total Ultimate Incurred	\$0	\$7,658,266	\$7,500,000	\$5,138,403	\$0	\$0	\$0	\$20,296,669
<u>Derivation of Loss Adjustment Expenses</u>								
IBNR LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>								
Retention	1.0000	0.5000	0.2000	0.1800	0.1250	0.0000	0.0000	
Reinsured to Registered	0.0000	0.4263	0.7404	0.7793	0.7903	0.8717	0.8902	
Reinsured to Unregistered	0.0000	0.0737	0.0596	0.0407	0.0847	0.1283	0.1098	
Paid to Date Retained	\$0	\$3,829,133	\$1,500,000	\$924,913	\$0	\$0	\$0	\$6,254,045
Paid Ceded to								
Registered Reinsurers	\$0	\$3,264,719	\$5,553,000	\$4,004,358	\$0	\$0	\$0	\$12,822,076
Unregistered Reinsurers	\$0	\$564,414	\$447,000	\$209,133	\$0	\$0	\$0	\$1,220,547
Case Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 1999-1

As at December 31, 2011

LAYER	.75 xs .25	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	30 xs 50	20 xs 130	Totals
<u>Derivation of Ultimate Incurred</u>								
Earned Lawyer Count	1,438	1,438	1,438	1,438	1,438	1,438	1,109	
Expected Loss Cost per Lawyer	\$10	\$1,140	\$750	\$635	\$335	\$285	\$185	
Gross Expected Loss Volume	\$14,380	\$1,639,320	\$1,078,500	\$913,130	\$481,730	\$409,830	\$205,073	
IBNR Factor	0.000	0.000	0.000	0.000	0.000	0.000	0	
IBNR Amount	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Paid to Date	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Ultimate Incurred	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Derivation of Loss Adjustment Expenses</u>								
IBNR LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>								
Retention	1.0000	0.5000	0.2000	0.1800	0.1250	0.0000	0.0000	
Reinsured to Registered	0.0000	0.4263	0.7404	0.7793	0.7903	0.8717	0.8902	
Reinsured to Unregistered	0.0000	0.0737	0.0596	0.0407	0.0847	0.1283	0.1098	
Paid to Date Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Paid Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 1999-2

As at December 31, 2011

LAYER	.75 xs .25	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	30 xs 50	20 xs 130	Totals
<u>Derivation of Ultimate Incurred</u>								
Earned Lawyer Count	1,497	1,497	1,497	1,497	1,497	1,514	1,177	
Expected Loss Cost per Lawyer	\$10	\$1,112	\$769	\$665	\$353	\$300	\$205	
Gross Expected Loss Volume	\$14,965	\$1,664,108	\$1,150,809	\$995,173	\$528,265	\$454,275	\$241,234	
IBNR Factor	0.000	0.000	0.000	0.000	0.000	0.000	0	
IBNR Amount	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Paid to Date	\$0	\$5,466,191	\$2,605,779	\$0	\$0	\$0	\$0	\$8,071,971
Total Ultimate Incurred	\$0	\$5,466,191	\$2,605,779	\$0	\$0	\$0	\$0	\$8,071,971
<u>Derivation of Loss Adjustment Expenses</u>								
IBNR LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>								
Retention	1.0000	0.5000	0.2000	0.1800	0.1250	0.0000	0.0000	
Reinsured to Registered	0.0000	0.4680	0.7598	0.7761	0.7912	0.8600	0.8816	
Reinsured to Unregistered	0.0000	0.0320	0.0402	0.0439	0.0838	0.1400	0.1184	
Paid to Date Retained	\$0	\$2,733,096	\$521,156	\$0	\$0	\$0	\$0	\$3,254,252
Paid Ceded to								
Registered Reinsurers	\$0	\$2,558,178	\$1,979,871	\$0	\$0	\$0	\$0	\$4,538,049
Unregistered Reinsurers	\$0	\$174,918	\$104,752	\$0	\$0	\$0	\$0	\$279,670
Case Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2000-1

As at December 31, 2011

LAYER	.75 xs .25	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	30 xs 50	20 xs 130	Totals
<u>Derivation of Ultimate Incurred</u>								
Earned Lawyer Count	1,732	1,732	1,732	1,732	1,732	1,768	1,322	
Expected Loss Cost per Lawyer	\$10	\$1,112	\$769	\$665	\$353	\$300	\$205	
Gross Expected Loss Volume	\$17,324	\$1,926,447	\$1,332,228	\$1,152,057	\$611,543	\$530,375	\$271,095	
IBNR Factor	0.000	0.000	0.000	0.000	0.000	0.000	0	
IBNR Amount	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Paid to Date	\$0	\$420,614	\$0	\$0	\$0	\$0	\$0	\$420,614
Total Ultimate Incurred	\$0	\$420,614	\$0	\$0	\$0	\$0	\$0	\$420,614
<u>Derivation of Loss Adjustment Expenses</u>								
IBNR LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>								
Retention	1.0000	0.5000	0.2000	0.1800	0.1250	0.0000	0.0000	
Reinsured to Registered	0.0000	0.4680	0.7598	0.7761	0.7912	0.8600	0.8816	
Reinsured to Unregistered	0.0000	0.0320	0.0402	0.0439	0.0838	0.1400	0.1184	
Paid to Date Retained	\$0	\$210,307	\$0	\$0	\$0	\$0	\$0	\$210,307
Paid Ceded to								
Registered Reinsurers	\$0	\$196,847	\$0	\$0	\$0	\$0	\$0	\$196,847
Unregistered Reinsurers	\$0	\$13,460	\$0	\$0	\$0	\$0	\$0	\$13,460
Case Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2000-2

As at December 31, 2011

LAYER	.75 xs .25	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	30 xs 50	20 xs 140	Totals
<u>Derivation of Ultimate Incurred</u>								
Earned Lawyer Count	1,918	1,918	1,918	1,918	1,918	1,945	1,462	
Expected Loss Cost per Lawyer	\$70	\$1,463	\$1,167	\$948	\$436	\$82	\$43	
Gross Expected Loss Volume	\$134,248	\$2,805,790	\$2,238,112	\$1,818,106	\$836,175	\$159,517	\$62,859	
IBNR Factor	0.008	0.008	0.008	0.008	0.008	0.008	0.008	
IBNR Amount	\$1,074	\$22,446	\$17,905	\$14,545	\$6,689	\$1,276	\$503	\$64,438
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$1,074	\$22,446	\$17,905	\$14,545	\$6,689	\$1,276	\$503	\$64,438
Paid to Date	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Ultimate Incurred	\$1,074	\$22,446	\$17,905	\$14,545	\$6,689	\$1,276	\$503	\$64,438
<u>Derivation of Loss Adjustment Expenses</u>								
IBNR LAE	\$35	\$730	\$582	\$473	\$217	\$41	\$16	\$2,094
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$35	\$730	\$582	\$473	\$217	\$41	\$16	\$2,094
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>								
Retention	1.0000	0.5000	0.2000	0.1800	0.1250	0.0000	0.0000	
Reinsured to Registered	0.0000	0.4680	0.7598	0.7761	0.7912	0.8600	0.8816	
Reinsured to Unregistered	0.0000	0.0320	0.0402	0.0439	0.0838	0.1400	0.1184	
Paid to Date Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Paid Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$1,074	\$11,223	\$3,581	\$2,618	\$836	\$0	\$0	\$19,332
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$10,505	\$13,604	\$11,288	\$5,293	\$1,097	\$443	\$42,231
Unregistered Reinsurers	\$0	\$718	\$720	\$639	\$561	\$179	\$60	\$2,875
Total Reserves Retained	\$1,074	\$11,223	\$3,581	\$2,618	\$836	\$0	\$0	\$19,332
Reserves Ceded to								
Registered Reinsurers	\$0	\$10,505	\$13,604	\$11,288	\$5,293	\$1,097	\$443	\$42,231
Unregistered Reinsurers	\$0	\$718	\$720	\$639	\$561	\$179	\$60	\$2,875

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2001-1

As at December 31, 2011

LAYER	.75 xs .25	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	30 xs 50	20 xs 140	Totals
<u>Derivation of Ultimate Incurred</u>								
Earned Lawyer Count	2,090	2,090	2,090	2,090	2,090	2,096	1,561	
Expected Loss Cost per Lawyer	\$70	\$1,463	\$1,167	\$948	\$436	\$82	\$43	
Gross Expected Loss Volume	\$146,300	\$3,057,670	\$2,439,030	\$1,981,320	\$911,240	\$171,858	\$67,116	
IBNR Factor	0.008	0.008	0.008	0.008	0.008	0.008	0.008	
IBNR Amount	\$1,170	\$24,461	\$19,512	\$15,851	\$7,290	\$1,375	\$537	\$70,196
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$1,170	\$24,461	\$19,512	\$15,851	\$7,290	\$1,375	\$537	\$70,196
Paid to Date	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Ultimate Incurred	\$1,170	\$24,461	\$19,512	\$15,851	\$7,290	\$1,375	\$537	\$70,196
<u>Derivation of Loss Adjustment Expenses</u>								
IBNR LAE	\$38	\$795	\$634	\$515	\$237	\$45	\$17	\$2,281
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$38	\$795	\$634	\$515	\$237	\$45	\$17	\$2,281
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>								
Retention	1.0000	0.5000	0.2000	0.1800	0.1250	0.0000	0.0000	
Reinsured to Registered	0.0000	0.4680	0.7598	0.7761	0.7912	0.8600	0.8816	
Reinsured to Unregistered	0.0000	0.0320	0.0402	0.0439	0.0838	0.1400	0.1184	
Paid to Date Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Paid Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$1,170	\$12,231	\$3,902	\$2,853	\$911	\$0	\$0	\$21,068
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$11,448	\$14,825	\$12,302	\$5,768	\$1,182	\$473	\$45,998
Unregistered Reinsurers	\$0	\$783	\$784	\$696	\$611	\$192	\$64	\$3,130
Total Reserves Retained	\$1,170	\$12,231	\$3,902	\$2,853	\$911	\$0	\$0	\$21,068
Reserves Ceded to								
Registered Reinsurers	\$0	\$11,448	\$14,825	\$12,302	\$5,768	\$1,182	\$473	\$45,998
Unregistered Reinsurers	\$0	\$783	\$784	\$696	\$611	\$192	\$64	\$3,130

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2001-2

As at December 31, 2011

LAYER	.75 xs .25	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	30 xs 50	20 xs 140	Totals
<u>Derivation of Ultimate Incurred</u>								
Earned Lawyer Count	2,067	2,067	2,067	2,067	2,067	2,096	1,568	
Expected Loss Cost per Lawyer	\$70	\$1,463	\$1,167	\$948	\$436	\$82	\$43	
Gross Expected Loss Volume	\$144,690	\$3,024,021	\$2,412,189	\$1,959,516	\$901,212	\$171,831	\$67,424	
IBNR Factor	0.015	0.015	0.015	0.015	0.015	0.015	0.015	
IBNR Amount	\$2,170	\$45,360	\$36,183	\$29,393	\$13,518	\$2,577	\$1,011	\$130,213
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$2,170	\$45,360	\$36,183	\$29,393	\$13,518	\$2,577	\$1,011	\$130,213
Paid to Date	\$0	\$7,154,054	\$7,500,000	\$2,890,929	\$0	\$0	\$0	\$17,544,983
Total Ultimate Incurred	\$2,170	\$7,199,414	\$7,536,183	\$2,920,322	\$13,518	\$2,577	\$1,011	\$17,675,196
<u>Derivation of Loss Adjustment Expenses</u>								
IBNR LAE	\$71	\$1,474	\$1,176	\$955	\$439	\$84	\$33	\$4,232
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$71	\$1,474	\$1,176	\$955	\$439	\$84	\$33	\$4,232
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>								
Retention	1.0000	0.5000	0.2000	0.1800	0.1250	0.0000	0.0000	
Reinsured to Registered	0.0000	0.4680	0.8000	0.7897	0.7912	0.8600	0.8816	
Reinsured to Unregistered	0.0000	0.0320	0.0000	0.0303	0.0838	0.1400	0.1184	
Paid to Date Retained	\$0	\$3,577,027	\$1,500,000	\$520,367	\$0	\$0	\$0	\$5,597,394
Paid Ceded to								
Registered Reinsurers	\$0	\$3,348,097	\$6,000,000	\$2,282,966	\$0	\$0	\$0	\$11,631,064
Unregistered Reinsurers	\$0	\$228,930	\$0	\$87,595	\$0	\$0	\$0	\$316,525
Case Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$2,170	\$22,680	\$7,237	\$5,291	\$1,690	\$0	\$0	\$39,068
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$21,229	\$28,946	\$23,211	\$10,696	\$2,217	\$892	\$87,190
Unregistered Reinsurers	\$0	\$1,452	\$0	\$891	\$1,133	\$361	\$120	\$3,956
Total Reserves Retained	\$2,170	\$22,680	\$7,237	\$5,291	\$1,690	\$0	\$0	\$39,068
Reserves Ceded to								
Registered Reinsurers	\$0	\$21,229	\$28,946	\$23,211	\$10,696	\$2,217	\$892	\$87,190
Unregistered Reinsurers	\$0	\$1,452	\$0	\$891	\$1,133	\$361	\$120	\$3,956

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2002-1

As at December 31, 2011

LAYER	.75 xs .25	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	30 xs 50	20 xs 140	Totals
<u>Derivation of Ultimate Incurred</u>								
Earned Lawyer Count	2,175	2,175	2,175	2,175	2,175	2,175	1,663	
Expected Loss Cost per Lawyer	\$70	\$1,463	\$1,167	\$948	\$436	\$82	\$43	
Gross Expected Loss Volume	\$152,215	\$3,181,294	\$2,537,642	\$2,061,426	\$948,082	\$178,309	\$71,509	
IBNR Factor	0.015	0.015	0.015	0.015	0.015	0.015	0.015	
IBNR Amount	\$2,283	\$47,719	\$38,065	\$30,921	\$14,221	\$2,675	\$1,073	\$136,957
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$2,283	\$47,719	\$38,065	\$30,921	\$14,221	\$2,675	\$1,073	\$136,957
Paid to Date	\$0	\$8,773	\$0	\$0	\$0	\$0	\$0	\$8,773
Total Ultimate Incurred	\$2,283	\$56,493	\$38,065	\$30,921	\$14,221	\$2,675	\$1,073	\$145,731
<u>Derivation of Loss Adjustment Expenses</u>								
IBNR LAE	\$74	\$1,551	\$1,237	\$1,005	\$462	\$87	\$35	\$4,451
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$74	\$1,551	\$1,237	\$1,005	\$462	\$87	\$35	\$4,451
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>								
Retention	1.0000	0.5000	0.2000	0.1800	0.1250	0.0000	0.0000	
Reinsured to Registered	0.0000	0.4680	0.8000	0.7897	0.7912	0.8600	0.8816	
Reinsured to Unregistered	0.0000	0.0320	0.0000	0.0303	0.0838	0.1400	0.1184	
Paid to Date Retained	\$0	\$4,387	\$0	\$0	\$0	\$0	\$0	\$4,387
Paid Ceded to								
Registered Reinsurers	\$0	\$4,106	\$0	\$0	\$0	\$0	\$0	\$4,106
Unregistered Reinsurers	\$0	\$281	\$0	\$0	\$0	\$0	\$0	\$281
Case Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$2,283	\$23,860	\$7,613	\$5,566	\$1,778	\$0	\$0	\$41,099
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$22,333	\$30,452	\$24,419	\$11,252	\$2,300	\$946	\$91,701
Unregistered Reinsurers	\$0	\$1,527	\$0	\$937	\$1,192	\$374	\$127	\$4,157
Total Reserves Retained	\$2,283	\$23,860	\$7,613	\$5,566	\$1,778	\$0	\$0	\$41,099
Reserves Ceded to								
Registered Reinsurers	\$0	\$22,333	\$30,452	\$24,419	\$11,252	\$2,300	\$946	\$91,701
Unregistered Reinsurers	\$0	\$1,527	\$0	\$937	\$1,192	\$374	\$127	\$4,157

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2002-2

As at December 31, 2011

LAYER	.75 xs .25	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	30 xs 50	20 xs 140	Totals
<u>Derivation of Ultimate Incurred</u>								
Earned Lawyer Count	2,175	2,175	2,175	2,175	2,175	2,175	1,971	
Expected Loss Cost per Lawyer	\$73	\$1,524	\$1,224	\$1,002	\$464	\$92	\$49	
Gross Expected Loss Volume	\$158,739	\$3,313,938	\$2,661,588	\$2,178,849	\$1,008,968	\$200,054	\$96,555	
IBNR Factor	0.034	0.034	0.034	0.034	0.034	0.034	0.034	
IBNR Amount	\$5,397	\$112,674	\$90,494	\$74,081	\$34,305	\$6,802	\$3,283	\$327,035
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$5,397	\$112,674	\$90,494	\$74,081	\$34,305	\$6,802	\$3,283	\$327,035
Paid to Date	\$0	\$271,947	\$0	\$0	\$0	\$0	\$0	\$271,947
Total Ultimate Incurred	\$5,397	\$384,621	\$90,494	\$74,081	\$34,305	\$6,802	\$3,283	\$598,982
<u>Derivation of Loss Adjustment Expenses</u>								
IBNR LAE	\$175	\$3,662	\$2,941	\$2,408	\$1,115	\$221	\$107	\$10,629
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$175	\$3,662	\$2,941	\$2,408	\$1,115	\$221	\$107	\$10,629
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>								
Retention	1.0000	1.0000	0.2000	0.1800	0.1250	0.0000	0.0000	
Reinsured to Registered	0.0000	0.0000	0.8000	0.8200	0.6342	0.7646	0.1823	
Reinsured to Unregistered	0.0000	0.0000	0.0000	0.0000	0.2408	0.2354	0.8177	
Paid to Date Retained	\$0	\$271,947	\$0	\$0	\$0	\$0	\$0	\$271,947
Paid Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$5,397	\$112,674	\$18,099	\$13,335	\$4,288	\$0	\$0	\$153,792
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$72,395	\$60,746	\$21,756	\$5,201	\$598	\$160,697
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$8,261	\$1,601	\$2,684	\$12,546
Total Reserves Retained	\$5,397	\$112,674	\$18,099	\$13,335	\$4,288	\$0	\$0	\$153,792
Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$72,395	\$60,746	\$21,756	\$5,201	\$598	\$160,697
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$8,261	\$1,601	\$2,684	\$12,546

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2003-1

As at December 31, 2011

LAYER	.75 xs .25	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	30 xs 50	20 xs 140	Totals
<u>Derivation of Ultimate Incurred</u>								
Earned Lawyer Count	2,349	2,349	2,349	2,349	2,349	2,349	2,040	
Expected Loss Cost per Lawyer	\$73	\$1,524	\$1,224	\$1,002	\$464	\$92	\$49	
Gross Expected Loss Volume	\$171,450	\$3,579,305	\$2,874,717	\$2,353,322	\$1,089,762	\$216,074	\$99,948	
IBNR Factor	0.034	0.034	0.034	0.034	0.034	0.034	0.034	
IBNR Amount	\$5,829	\$121,696	\$97,740	\$80,013	\$37,052	\$7,346	\$3,398	\$353,076
Case Reserves	\$0	\$3,105,347	\$0	\$0	\$0	\$0	\$0	\$3,105,347
Total Reserves (Ind. & Leg.)	\$5,829	\$3,227,043	\$97,740	\$80,013	\$37,052	\$7,346	\$3,398	\$3,458,422
Paid to Date	\$0	\$3,143,851	\$0	\$0	\$0	\$0	\$0	\$3,143,851
Total Ultimate Incurred	\$5,829	\$6,370,894	\$97,740	\$80,013	\$37,052	\$7,346	\$3,398	\$6,602,273
<u>Derivation of Loss Adjustment Expenses</u>								
IBNR LAE	\$189	\$3,955	\$3,177	\$2,600	\$1,204	\$239	\$110	\$11,475
Case Reserves LAE	\$0	\$100,924	\$0	\$0	\$0	\$0	\$0	\$100,924
Total LAE(3.25%)	\$189	\$104,879	\$3,177	\$2,600	\$1,204	\$239	\$110	\$112,399
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>								
Retention	1.0000	1.0000	0.2000	0.1800	0.1250	0.0000	0.0000	
Reinsured to Registered	0.0000	0.0000	0.8000	0.8200	0.6342	0.7646	0.1823	
Reinsured to Unregistered	0.0000	0.0000	0.0000	0.0000	0.2408	0.2354	0.8177	
Paid to Date Retained	\$0	\$3,143,851	\$0	\$0	\$0	\$0	\$0	\$3,143,851
Paid Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$3,105,347	\$0	\$0	\$0	\$0	\$0	\$3,105,347
Case Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$5,829	\$121,696	\$19,548	\$14,402	\$4,631	\$0	\$0	\$166,108
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$78,192	\$65,611	\$23,498	\$5,617	\$619	\$173,538
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$8,922	\$1,729	\$2,779	\$13,430
Total Reserves Retained	\$5,829	\$3,227,043	\$19,548	\$14,402	\$4,631	\$0	\$0	\$3,271,454
Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$78,192	\$65,611	\$23,498	\$5,617	\$619	\$173,538
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$8,922	\$1,729	\$2,779	\$13,430

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2003-2

As at December 31, 2011

LAYER	.75 xs .25	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	30 xs 50	20 xs 140	Totals
<u>Derivation of Ultimate Incurred</u>								
Earned Lawyer Count	2,349	2,349	2,349	2,349	2,349	2,349	2,040	
Expected Loss Cost per Lawyer	\$76	\$1,592	\$1,218	\$1,025	\$483	\$103	\$57	
Gross Expected Loss Volume	\$178,496	\$3,739,011	\$2,861,780	\$2,407,226	\$1,134,252	\$241,908	\$116,266	
IBNR Factor	0.048	0.048	0.048	0.048	0.048	0.048	0.048	
IBNR Amount	\$8,568	\$179,473	\$137,365	\$115,547	\$54,444	\$11,612	\$5,581	\$512,589
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$8,568	\$179,473	\$137,365	\$115,547	\$54,444	\$11,612	\$5,581	\$512,589
Paid to Date	\$0	\$1,637,555	\$0	\$0	\$0	\$0	\$0	\$1,637,555
Total Ultimate Incurred	\$8,568	\$1,817,028	\$137,365	\$115,547	\$54,444	\$11,612	\$5,581	\$2,150,144
<u>Derivation of Loss Adjustment Expenses</u>								
IBNR LAE	\$278	\$5,833	\$4,464	\$3,755	\$1,769	\$377	\$181	\$16,659
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$278	\$5,833	\$4,464	\$3,755	\$1,769	\$377	\$181	\$16,659
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>								
Retention	1.0000	1.0000	0.2000	0.1800	0.1250	0.0000	0.0000	
Reinsured to Registered	0.0000	0.0000	0.8000	0.8200	0.5750	0.7385	0.0966	
Reinsured to Unregistered	0.0000	0.0000	0.0000	0.0000	0.3000	0.2615	0.9034	
Paid to Date Retained	\$0	\$1,637,555	\$0	\$0	\$0	\$0	\$0	\$1,637,555
Paid Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$8,568	\$179,473	\$27,473	\$20,798	\$6,806	\$0	\$0	\$243,117
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$109,892	\$94,748	\$31,305	\$8,575	\$539	\$245,060
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$16,333	\$3,036	\$5,042	\$24,411
Total Reserves Retained	\$8,568	\$179,473	\$27,473	\$20,798	\$6,806	\$0	\$0	\$243,117
Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$109,892	\$94,748	\$31,305	\$8,575	\$539	\$245,060
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$16,333	\$3,036	\$5,042	\$24,411

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2004-1

As at December 31, 2011

LAYER	.75 xs .25	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	30 xs 50	20 xs 140	Totals
<u>Derivation of Ultimate Incurred</u>								
Earned Lawyer Count	2,371	2,371	2,371	2,371	2,371	2,371	2,059	
Expected Loss Cost per Lawyer	\$76	\$1,592	\$1,215	\$1,023	\$482	\$103	\$57	
Gross Expected Loss Volume	\$180,168	\$3,774,035	\$2,879,622	\$2,424,815	\$1,143,109	\$244,174	\$117,370	
IBNR Factor	0.048	0.048	0.048	0.048	0.048	0.048	0.048	
IBNR Amount	\$8,648	\$181,154	\$138,222	\$116,391	\$54,869	\$11,720	\$5,634	\$516,638
Case Reserves	\$0	\$1,750,000	\$0	\$0	\$0	\$0	\$0	\$1,750,000
Total Reserves (Ind. & Leg.)	\$8,648	\$1,931,154	\$138,222	\$116,391	\$54,869	\$11,720	\$5,634	\$2,266,638
Paid to Date	\$0	\$5,865,877	\$7,500,000	\$12,500,000	\$10,000,000	\$0	\$0	\$35,865,877
Total Ultimate Incurred	\$8,648	\$7,797,031	\$7,638,222	\$12,616,391	\$10,054,869	\$11,720	\$5,634	\$38,132,516
<u>Derivation of Loss Adjustment Expenses</u>								
IBNR LAE	\$281	\$5,887	\$4,492	\$3,783	\$1,783	\$381	\$183	\$16,791
Case Reserves LAE	\$0	\$56,875	\$0	\$0	\$0	\$0	\$0	\$56,875
Total LAE(3.25%)	\$281	\$62,762	\$4,492	\$3,783	\$1,783	\$381	\$183	\$73,666
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>								
Retention	1.0000	1.0000	0.2000	0.1800	0.1250	0.0000	0.0000	
Reinsured to Registered	0.0000	0.0000	0.8000	0.8200	0.5750	0.7385	0.0966	
Reinsured to Unregistered	0.0000	0.0000	0.0000	0.0000	0.3000	0.2615	0.9034	
Paid to Date Retained	\$0	\$5,865,877	\$1,500,000	\$2,250,000	\$1,250,000	\$0	\$0	\$10,865,877
Paid Ceded to								
Registered Reinsurers	\$0	\$0	\$6,000,000	\$10,250,000	\$5,750,000	\$0	\$0	\$22,000,000
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$3,000,000	\$0	\$0	\$3,000,000
Case Reserves Retained	\$0	\$1,750,000	\$0	\$0	\$0	\$0	\$0	\$1,750,000
Case Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$8,648	\$181,154	\$27,644	\$20,950	\$6,859	\$0	\$0	\$245,255
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$110,577	\$95,441	\$31,550	\$8,655	\$544	\$246,768
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$16,461	\$3,065	\$5,090	\$24,615
Total Reserves Retained	\$8,648	\$1,931,154	\$27,644	\$20,950	\$6,859	\$0	\$0	\$1,995,255
Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$110,577	\$95,441	\$31,550	\$8,655	\$544	\$246,768
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$16,461	\$3,065	\$5,090	\$24,615

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2004-2

As at December 31, 2011

LAYER	.75 xs .25	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	30 xs 50	20 xs 140	Totals
<u>Derivation of Ultimate Incurred</u>								
Earned Lawyer Count	2,371	2,371	2,371	2,371	2,371	2,371	2,059	
Expected Loss Cost per Lawyer	\$79	\$1,668	\$1,284	\$1,092	\$520	\$118	\$66	
Gross Expected Loss Volume	\$187,279	\$3,954,203	\$3,043,825	\$2,588,971	\$1,232,842	\$279,734	\$135,902	
IBNR Factor	0.048	0.048	0.048	0.048	0.048	0.048	0.048	
IBNR Amount	\$8,989	\$189,802	\$146,104	\$124,271	\$59,176	\$13,427	\$6,523	\$548,292
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$8,989	\$189,802	\$146,104	\$124,271	\$59,176	\$13,427	\$6,523	\$548,292
Paid to Date	\$0	\$1,223,693	\$0	\$0	\$0	\$0	\$0	\$1,223,693
Total Ultimate Incurred	\$8,989	\$1,413,494	\$146,104	\$124,271	\$59,176	\$13,427	\$6,523	\$1,771,985
<u>Derivation of Loss Adjustment Expenses</u>								
IBNR LAE	\$292	\$6,169	\$4,748	\$4,039	\$1,923	\$436	\$212	\$17,819
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$292	\$6,169	\$4,748	\$4,039	\$1,923	\$436	\$212	\$17,819
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>								
Retention	1.0000	1.0000	0.2000	0.1800	0.1250	0.0000	0.0000	
Reinsured to Registered	0.0000	0.0000	0.7500	0.8200	0.6305	0.7486	0.0966	
Reinsured to Unregistered	0.0000	0.0000	0.0500	0.0000	0.2445	0.2514	0.9034	
Paid to Date Retained	\$0	\$1,223,693	\$0	\$0	\$0	\$0	\$0	\$1,223,693
Paid Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$8,989	\$189,802	\$29,221	\$22,369	\$7,397	\$0	\$0	\$257,778
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$109,578	\$101,902	\$37,311	\$10,052	\$630	\$259,472
Unregistered Reinsurers	\$0	\$0	\$7,305	\$0	\$14,469	\$3,376	\$5,893	\$31,043
Total Reserves Retained	\$8,989	\$189,802	\$29,221	\$22,369	\$7,397	\$0	\$0	\$257,778
Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$109,578	\$101,902	\$37,311	\$10,052	\$630	\$259,472
Unregistered Reinsurers	\$0	\$0	\$7,305	\$0	\$14,469	\$3,376	\$5,893	\$31,043

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2005-1

As at December 31, 2011

LAYER	.75 xs .25	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	30 xs 50	20 xs 140	Totals
<u>Derivation of Ultimate Incurred</u>								
Earned Lawyer Count	2,373	2,373	2,373	2,373	2,373	2,373	2,049	
Expected Loss Cost per Lawyer	\$79	\$1,668	\$1,280	\$1,090	\$519	\$118	\$66	
Gross Expected Loss Volume	\$187,428	\$3,957,330	\$3,036,359	\$2,585,526	\$1,231,847	\$279,955	\$135,201	
IBNR Factor	0.048	0.048	0.048	0.048	0.048	0.048	0.048	
IBNR Amount	\$8,997	\$189,952	\$145,745	\$124,105	\$59,129	\$13,438	\$6,490	\$547,855
Case Reserves	\$711,662	\$100,000	\$0	\$0	\$0	\$0	\$0	\$811,662
Total Reserves (Ind. & Leg.)	\$720,659	\$289,952	\$145,745	\$124,105	\$59,129	\$13,438	\$6,490	\$1,359,517
Paid to Date	\$38,338	\$0	\$0	\$0	\$0	\$0	\$0	\$38,338
Total Ultimate Incurred	\$758,997	\$289,952	\$145,745	\$124,105	\$59,129	\$13,438	\$6,490	\$1,397,855
<u>Derivation of Loss Adjustment Expenses</u>								
IBNR LAE	\$292	\$6,173	\$4,737	\$4,033	\$1,922	\$437	\$211	\$17,805
Case Reserves LAE	\$23,129	\$3,250	\$0	\$0	\$0	\$0	\$0	\$26,379
Total LAE(3.25%)	\$23,421	\$9,423	\$4,737	\$4,033	\$1,922	\$437	\$211	\$44,184
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>								
Retention	1.0000	1.0000	0.2000	0.1800	0.1250	0.0000	0.0000	
Reinsured to Registered	0.0000	0.0000	0.7500	0.8200	0.6305	0.7486	0.0966	
Reinsured to Unregistered	0.0000	0.0000	0.0500	0.0000	0.2445	0.2514	0.9034	
Paid to Date Retained	\$38,338	\$0	\$0	\$0	\$0	\$0	\$0	\$38,338
Paid Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Retained	\$711,662	\$100,000	\$0	\$0	\$0	\$0	\$0	\$811,662
Case Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$8,997	\$189,952	\$29,149	\$22,339	\$7,391	\$0	\$0	\$257,827
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$109,309	\$101,766	\$37,281	\$10,060	\$627	\$259,042
Unregistered Reinsurers	\$0	\$0	\$7,287	\$0	\$14,457	\$3,378	\$5,863	\$30,985
Total Reserves Retained	\$720,659	\$289,952	\$29,149	\$22,339	\$7,391	\$0	\$0	\$1,069,490
Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$109,309	\$101,766	\$37,281	\$10,060	\$627	\$259,042
Unregistered Reinsurers	\$0	\$0	\$7,287	\$0	\$14,457	\$3,378	\$5,863	\$30,985

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2005-2

As at December 31, 2011

LAYER	.75 xs .25	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	30 xs 50	20 xs 140	Totals
<u>Derivation of Ultimate Incurred</u>								
Earned Lawyer Count	2,373	2,373	2,373	2,373	2,373	2,373	2,049	
Expected Loss Cost per Lawyer	\$83	\$1,752	\$1,359	\$1,171	\$565	\$139	\$79	
Gross Expected Loss Volume	\$196,918	\$4,156,620	\$3,223,221	\$2,778,400	\$1,339,985	\$329,778	\$161,832	
IBNR Factor	0.048	0.048	0.048	0.048	0.048	0.048	0.048	
IBNR Amount	\$9,452	\$199,518	\$154,715	\$133,363	\$64,319	\$15,829	\$7,768	\$584,964
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$9,452	\$199,518	\$154,715	\$133,363	\$64,319	\$15,829	\$7,768	\$584,964
Paid to Date	\$0	\$709,280	\$0	\$0	\$0	\$0	\$0	\$709,280
Total Ultimate Incurred	\$9,452	\$908,798	\$154,715	\$133,363	\$64,319	\$15,829	\$7,768	\$1,294,245
<u>Derivation of Loss Adjustment Expenses</u>								
IBNR LAE	\$307	\$6,484	\$5,028	\$4,334	\$2,090	\$514	\$252	\$19,011
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$307	\$6,484	\$5,028	\$4,334	\$2,090	\$514	\$252	\$19,011
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>								
Retention	1.0000	1.0000	0.2000	0.1800	0.1250	0.0000	0.0000	
Reinsured to Registered	0.0000	0.0000	0.7500	0.8000	0.8750	1.0000	0.3600	
Reinsured to Unregistered	0.0000	0.0000	0.0500	0.0200	0.0000	0.0000	0.6400	
Paid to Date Retained	\$0	\$709,280	\$0	\$0	\$0	\$0	\$0	\$709,280
Paid Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$9,452	\$199,518	\$30,943	\$24,005	\$8,040	\$0	\$0	\$271,958
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$116,036	\$106,691	\$56,279	\$15,829	\$2,796	\$297,632
Unregistered Reinsurers	\$0	\$0	\$7,736	\$2,667	\$0	\$0	\$4,971	\$15,374
Total Reserves Retained	\$9,452	\$199,518	\$30,943	\$24,005	\$8,040	\$0	\$0	\$271,958
Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$116,036	\$106,691	\$56,279	\$15,829	\$2,796	\$297,632
Unregistered Reinsurers	\$0	\$0	\$7,736	\$2,667	\$0	\$0	\$4,971	\$15,374

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2006-1

As at December 31, 2011

LAYER	.75 xs .25	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	30 xs 50	20 xs 140	Totals
<u>Derivation of Ultimate Incurred</u>								
Earned Lawyer Count	2,397	2,397	2,397	2,397	2,397	2,397	2,076	
Expected Loss Cost per Lawyer	\$83	\$1,752	\$1,357	\$1,170	\$564	\$139	\$79	
Gross Expected Loss Volume	\$198,972	\$4,199,982	\$3,251,953	\$2,804,645	\$1,352,973	\$333,218	\$164,004	
IBNR Factor	0.048	0.048	0.048	0.048	0.048	0.048	0.048	
IBNR Amount	\$9,551	\$201,599	\$156,094	\$134,623	\$64,943	\$15,994	\$7,872	\$590,676
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$9,551	\$201,599	\$156,094	\$134,623	\$64,943	\$15,994	\$7,872	\$590,676
Paid to Date	\$0	\$2,833	\$0	\$0	\$0	\$0	\$0	\$2,833
Total Ultimate Incurred	\$9,551	\$204,433	\$156,094	\$134,623	\$64,943	\$15,994	\$7,872	\$593,509
<u>Derivation of Loss Adjustment Expenses</u>								
IBNR LAE	\$310	\$6,552	\$5,073	\$4,375	\$2,111	\$520	\$256	\$19,197
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$310	\$6,552	\$5,073	\$4,375	\$2,111	\$520	\$256	\$19,197
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>								
Retention	1.0000	1.0000	0.2000	0.1800	0.1250	0.0000	0.0000	
Reinsured to Registered	0.0000	0.0000	0.7500	0.8000	0.8750	1.0000	0.3600	
Reinsured to Unregistered	0.0000	0.0000	0.0500	0.0200	0.0000	0.0000	0.6400	
Paid to Date Retained	\$0	\$2,833	\$0	\$0	\$0	\$0	\$0	\$2,833
Paid Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$9,551	\$201,599	\$31,219	\$24,232	\$8,118	\$0	\$0	\$274,718
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$117,070	\$107,698	\$56,825	\$15,994	\$2,834	\$300,422
Unregistered Reinsurers	\$0	\$0	\$7,805	\$2,692	\$0	\$0	\$5,038	\$15,535
Total Reserves Retained	\$9,551	\$201,599	\$31,219	\$24,232	\$8,118	\$0	\$0	\$274,718
Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$117,070	\$107,698	\$56,825	\$15,994	\$2,834	\$300,422
Unregistered Reinsurers	\$0	\$0	\$7,805	\$2,692	\$0	\$0	\$5,038	\$15,535

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2006-2

As at December 31, 2011

LAYER	.75 xs .25	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	30 xs 50	20 xs 140	20 xs 160	Totals
<u>Derivation of Ultimate Incurred</u>									
Earned Lawyer Count	2,397	2,397	2,397	2,397	2,397	2,397	2,076	877	
Expected Loss Cost per Lawyer	\$185	\$1,885	\$1,532	\$1,302	\$540	\$42	\$24	\$18	
Gross Expected Loss Volume	\$443,245	\$4,519,084	\$3,673,441	\$3,121,345	\$1,295,199	\$100,685	\$49,824	\$15,791	
IBNR Factor	0.111	0.111	0.111	0.111	0.111	0.111	0.111	0.111	
IBNR Amount	\$49,200	\$501,618	\$407,752	\$346,469	\$143,767	\$11,176	\$5,530	\$1,753	\$1,467,266
Case Reserves	\$0	\$6,000,000	\$750,000	\$0	\$0	\$0	\$0	\$0	\$6,750,000
Total Reserves (Ind. & Leg.)	\$49,200	\$6,501,618	\$1,157,752	\$346,469	\$143,767	\$11,176	\$5,530	\$1,753	\$8,217,266
Paid to Date	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Ultimate Incurred	\$49,200	\$6,501,618	\$1,157,752	\$346,469	\$143,767	\$11,176	\$5,530	\$1,753	\$8,217,266
<u>Derivation of Loss Adjustment Expenses</u>									
IBNR LAE	\$1,599	\$16,303	\$13,252	\$11,260	\$4,672	\$363	\$180	\$57	\$47,686
Case Reserves LAE	\$0	\$195,000	\$24,375	\$0	\$0	\$0	\$0	\$0	\$219,375
Total LAE(3.25%)	\$1,599	\$211,303	\$37,627	\$11,260	\$4,672	\$363	\$180	\$57	\$267,061
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>									
Retention	1.0000	1.0000	0.2000	0.1800	0.1250	0.0000	0.0000	0.0000	
Reinsured to Registered	0.0000	0.0000	0.7500	0.7700	0.8750	1.0000	0.3600	1.0000	
Reinsured to Unregistered	0.0000	0.0000	0.0500	0.0500	0.0000	0.0000	0.6400	0.0000	
Paid to Date Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Paid Ceded to									
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$6,000,000	\$150,000	\$0	\$0	\$0	\$0	\$0	\$6,150,000
Case Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$562,500	\$0	\$0	\$0	\$0	\$0	\$562,500
Unregistered Reinsurers	\$0	\$0	\$37,500	\$0	\$0	\$0	\$0	\$0	\$37,500
IBNR Reserves Retained	\$49,200	\$501,618	\$81,550	\$62,364	\$17,971	\$0	\$0	\$0	\$712,704
IBNR Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$305,814	\$266,781	\$125,796	\$11,176	\$1,991	\$1,753	\$713,311
Unregistered Reinsurers	\$0	\$0	\$20,388	\$17,323	\$0	\$0	\$3,539	\$0	\$41,251
Total Reserves Retained	\$49,200	\$6,501,618	\$231,550	\$62,364	\$17,971	\$0	\$0	\$0	\$6,862,704
Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$868,314	\$266,781	\$125,796	\$11,176	\$1,991	\$1,753	\$1,275,811
Unregistered Reinsurers	\$0	\$0	\$57,888	\$17,323	\$0	\$0	\$3,539	\$0	\$78,751

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2007-1

As at December 31, 2011

LAYER	.75 xs .25	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	30 xs 50	20 xs 140	20 xs 160	Totals
<u>Derivation of Ultimate Incurred</u>									
Earned Lawyer Count	2,374	2,374	2,374	2,374	2,374	2,374	2,127	2,127	
Expected Loss Cost per Lawyer	\$184	\$1,879	\$1,531	\$1,301	\$540	\$42	\$24	\$18	
Gross Expected Loss Volume	\$437,492	\$4,460,430	\$3,636,029	\$3,088,127	\$1,281,128	\$99,719	\$51,054	\$38,291	
IBNR Factor	0.111	0.111	0.111	0.111	0.111	0.111	0.111	0.111	
IBNR Amount	\$48,562	\$495,108	\$403,599	\$342,782	\$142,205	\$11,069	\$5,667	\$4,250	\$1,453,242
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$48,562	\$495,108	\$403,599	\$342,782	\$142,205	\$11,069	\$5,667	\$4,250	\$1,453,242
Paid to Date	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Ultimate Incurred	\$48,562	\$495,108	\$403,599	\$342,782	\$142,205	\$11,069	\$5,667	\$4,250	\$1,453,242
<u>Derivation of Loss Adjustment Expenses</u>									
IBNR LAE	\$1,578	\$16,091	\$13,117	\$11,140	\$4,622	\$360	\$184	\$138	\$47,230
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$1,578	\$16,091	\$13,117	\$11,140	\$4,622	\$360	\$184	\$138	\$47,230
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>									
Retention	1.0000	1.0000	0.2000	0.1800	0.1250	0.0000	0.0000	0.0000	
Reinsured to Registered	0.0000	0.0000	0.7500	0.7700	0.8750	1.0000	0.3600	1.0000	
Reinsured to Unregistered	0.0000	0.0000	0.0500	0.0500	0.0000	0.0000	0.6400	0.0000	
Paid to Date Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Paid Ceded to									
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$48,562	\$495,108	\$80,720	\$61,701	\$17,776	\$0	\$0	\$0	\$703,866
IBNR Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$302,699	\$263,942	\$124,430	\$11,069	\$2,040	\$4,250	\$708,430
Unregistered Reinsurers	\$0	\$0	\$20,180	\$17,139	\$0	\$0	\$3,627	\$0	\$40,946
Total Reserves Retained	\$48,562	\$495,108	\$80,720	\$61,701	\$17,776	\$0	\$0	\$0	\$703,866
Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$302,699	\$263,942	\$124,430	\$11,069	\$2,040	\$4,250	\$708,430
Unregistered Reinsurers	\$0	\$0	\$20,180	\$17,139	\$0	\$0	\$3,627	\$0	\$40,946

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2007-2

As at December 31, 2011

LAYER	.75 xs .25	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	30 xs 50	20 xs 140	20 xs 160	Totals
<u>Derivation of Ultimate Incurred</u>									
Earned Lawyer Count	2,356	2,356	2,356	2,356	2,356	2,356	2,099	1,414	
Expected Loss Cost per Lawyer	\$106	\$1,501	\$1,279	\$945	\$379	\$28	\$13	\$9	
Gross Expected Loss Volume	\$248,658	\$3,536,467	\$3,013,726	\$2,225,966	\$893,454	\$65,961	\$27,284	\$12,724	
IBNR Factor	0.306	0.306	0.306	0.306	0.306	0.306	0.306	0.306	
IBNR Amount	\$76,089	\$1,082,159	\$922,200	\$681,146	\$273,397	\$20,184	\$8,349	\$3,893	\$3,067,417
Case Reserves	\$0	\$81,594	\$0	\$0	\$0	\$0	\$0	\$0	\$81,594
Total Reserves (Ind. & Leg.)	\$76,089	\$1,163,753	\$922,200	\$681,146	\$273,397	\$20,184	\$8,349	\$3,893	\$3,149,011
Paid to Date	\$0	\$2,184,024	\$0	\$0	\$0	\$0	\$0	\$0	\$2,184,024
Total Ultimate Incurred	\$76,089	\$3,347,776	\$922,200	\$681,146	\$273,397	\$20,184	\$8,349	\$3,893	\$5,333,034
<u>Derivation of Loss Adjustment Expenses</u>									
IBNR LAE	\$2,473	\$35,170	\$29,972	\$22,137	\$8,885	\$656	\$271	\$127	\$99,691
Case Reserves LAE	\$0	\$2,652	\$0	\$0	\$0	\$0	\$0	\$0	\$2,652
Total LAE(3.25%)	\$2,473	\$37,822	\$29,972	\$22,137	\$8,885	\$656	\$271	\$127	\$102,343
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>									
Retention	1.0000	1.0000	0.3000	0.1800	0.1250	0.0000	0.0000	0.0000	
Reinsured to Registered	0.0000	0.0000	0.6500	0.7700	0.8750	1.0000	0.3600	1.0000	
Reinsured to Unregistered	0.0000	0.0000	0.0500	0.0500	0.0000	0.0000	0.6400	0.0000	
Paid to Date Retained	\$0	\$2,184,024	\$0	\$0	\$0	\$0	\$0	\$0	\$2,184,024
Paid Ceded to									
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$81,594	\$0	\$0	\$0	\$0	\$0	\$0	\$81,594
Case Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$76,089	\$1,082,159	\$276,660	\$122,606	\$34,175	\$0	\$0	\$0	\$1,591,689
IBNR Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$599,430	\$524,482	\$239,222	\$20,184	\$3,006	\$3,893	\$1,390,217
Unregistered Reinsurers	\$0	\$0	\$46,110	\$34,057	\$0	\$0	\$5,343	\$0	\$85,511
Total Reserves Retained	\$76,089	\$1,163,753	\$276,660	\$122,606	\$34,175	\$0	\$0	\$0	\$1,673,283
Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$599,430	\$524,482	\$239,222	\$20,184	\$3,006	\$3,893	\$1,390,217
Unregistered Reinsurers	\$0	\$0	\$46,110	\$34,057	\$0	\$0	\$5,343	\$0	\$85,511

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2008-1

As at December 31, 2011

LAYER	.75 xs .25	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	30 xs 50	20 xs 140	20 xs 160	Totals
<u>Derivation of Ultimate Incurred</u>									
Earned Lawyer Count	2,428	2,428	2,428	2,428	2,428	2,428	2,162	1,476	
Expected Loss Cost per Lawyer	\$106	\$1,504	\$1,280	\$945	\$379	\$28	\$13	\$9	
Gross Expected Loss Volume	\$256,794	\$3,652,186	\$3,107,901	\$2,295,130	\$921,305	\$67,977	\$28,103	\$13,280	
IBNR Factor	0.306	0.306	0.306	0.306	0.306	0.306	0.306	0.306	
IBNR Amount	\$78,579	\$1,117,569	\$951,018	\$702,310	\$281,919	\$20,801	\$8,599	\$4,064	\$3,164,859
Case Reserves	\$0	\$1,000,000	\$244,992	\$600,000	\$0	\$0	\$0	\$0	\$1,844,992
Total Reserves (Ind. & Leg.)	\$78,579	\$2,117,569	\$1,196,009	\$1,302,310	\$281,919	\$20,801	\$8,599	\$4,064	\$5,009,850
Paid to Date	\$0	\$4,000,000	\$7,255,008	\$0	\$0	\$0	\$0	\$0	\$11,255,008
Total Ultimate Incurred	\$78,579	\$6,117,569	\$8,451,018	\$1,302,310	\$281,919	\$20,801	\$8,599	\$4,064	\$16,264,859
<u>Derivation of Loss Adjustment Expenses</u>									
IBNR LAE	\$2,554	\$36,321	\$30,908	\$22,825	\$9,162	\$676	\$279	\$132	\$102,858
Case Reserves LAE	\$0	\$32,500	\$7,962	\$19,500	\$0	\$0	\$0	\$0	\$59,962
Total LAE(3.25%)	\$2,554	\$68,821	\$38,870	\$42,325	\$9,162	\$676	\$279	\$132	\$162,820
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>									
Retention	1.0000	1.0000	0.3000	0.1800	0.1250	0.0000	0.0000	0.0000	
Reinsured to Registered	0.0000	0.0000	0.6500	0.7700	0.8750	1.0000	0.3600	1.0000	
Reinsured to Unregistered	0.0000	0.0000	0.0500	0.0500	0.0000	0.0000	0.6400	0.0000	
Paid to Date Retained	\$0	\$4,000,000	\$2,176,503	\$0	\$0	\$0	\$0	\$0	\$6,176,503
Paid Ceded to									
Registered Reinsurers	\$0	\$0	\$4,715,755	\$0	\$0	\$0	\$0	\$0	\$4,715,755
Unregistered Reinsurers	\$0	\$0	\$362,750	\$0	\$0	\$0	\$0	\$0	\$362,750
Case Reserves Retained	\$0	\$1,000,000	\$73,497	\$108,000	\$0	\$0	\$0	\$0	\$1,181,497
Case Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$159,245	\$462,000	\$0	\$0	\$0	\$0	\$621,245
Unregistered Reinsurers	\$0	\$0	\$12,250	\$30,000	\$0	\$0	\$0	\$0	\$42,250
IBNR Reserves Retained	\$78,579	\$1,117,569	\$285,305	\$126,416	\$35,240	\$0	\$0	\$0	\$1,643,109
IBNR Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$618,161	\$540,779	\$246,679	\$20,801	\$3,096	\$4,064	\$1,433,580
Unregistered Reinsurers	\$0	\$0	\$47,551	\$35,115	\$0	\$0	\$5,504	\$0	\$88,170
Total Reserves Retained	\$78,579	\$2,117,569	\$358,803	\$234,416	\$35,240	\$0	\$0	\$0	\$2,824,606
Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$777,406	\$1,002,779	\$246,679	\$20,801	\$3,096	\$4,064	\$2,054,824
Unregistered Reinsurers	\$0	\$0	\$59,800	\$65,115	\$0	\$0	\$5,504	\$0	\$130,420

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2008-2

As at December 31, 2011

LAYER	.975 xs .025	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	30 xs 50	20 xs 140	30 xs 160	Totals
<u>Derivation of Ultimate Incurred</u>									
Earned Lawyer Count	2,393	2,393	2,393	2,393	2,393	2,393	2,136	1,457	
Expected Loss Cost per Lawyer	\$138	\$1,341	\$1,082	\$768	\$381	\$8	\$3	\$2	
Gross Expected Loss Volume	\$329,492	\$3,208,533	\$2,588,748	\$1,837,058	\$911,711	\$19,140	\$6,409	\$2,915	
IBNR Factor	0.485	0.485	0.485	0.485	0.485	0.485	0.485	0.485	
IBNR Amount	\$159,804	\$1,556,138	\$1,255,543	\$890,973	\$442,180	\$9,283	\$3,108	\$1,414	\$4,318,442
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$159,804	\$1,556,138	\$1,255,543	\$890,973	\$442,180	\$9,283	\$3,108	\$1,414	\$4,318,442
Paid to Date	\$0	\$5,042	\$0	\$0	\$0	\$0	\$0	\$0	\$5,042
Total Ultimate Incurred	\$159,804	\$1,561,180	\$1,255,543	\$890,973	\$442,180	\$9,283	\$3,108	\$1,414	\$4,323,484
<u>Derivation of Loss Adjustment Expenses</u>									
IBNR LAE	\$5,194	\$50,574	\$40,805	\$28,957	\$14,371	\$302	\$101	\$46	\$140,349
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$5,194	\$50,574	\$40,805	\$28,957	\$14,371	\$302	\$101	\$46	\$140,349
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>									
Retention	1.0000	1.0000	0.3500	0.2400	0.1250	0.0000	0.0000	0.0000	
Reinsured to Registered	0.0000	0.0000	0.6000	0.7100	0.8750	1.0000	0.3600	1.0000	
Reinsured to Unregistered	0.0000	0.0000	0.0500	0.0500	0.0000	0.0000	0.6400	0.0000	
Paid to Date Retained	\$0	\$5,042	\$0	\$0	\$0	\$0	\$0	\$0	\$5,042
Paid Ceded to									
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$159,804	\$1,556,138	\$439,440	\$213,833	\$55,272	\$0	\$0	\$0	\$2,424,488
IBNR Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$753,326	\$632,591	\$386,907	\$9,283	\$1,119	\$1,414	\$1,784,639
Unregistered Reinsurers	\$0	\$0	\$62,777	\$44,549	\$0	\$0	\$1,989	\$0	\$109,315
Total Reserves Retained	\$159,804	\$1,556,138	\$439,440	\$213,833	\$55,272	\$0	\$0	\$0	\$2,424,488
Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$753,326	\$632,591	\$386,907	\$9,283	\$1,119	\$1,414	\$1,784,639
Unregistered Reinsurers	\$0	\$0	\$62,777	\$44,549	\$0	\$0	\$1,989	\$0	\$109,315

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2009-1

As at December 31, 2011

LAYER	.975 xs .025	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	30 xs 50	20 xs 140	30 xs 160	Totals
<u>Derivation of Ultimate Incurred</u>									
Earned Lawyer Count	2,443	2,443	2,443	2,443	2,443	2,443	2,174	1,472	
Expected Loss Cost per Lawyer	\$138	\$1,344	\$1,083	\$768	\$381	\$8	\$3	\$2	
Gross Expected Loss Volume	\$337,176	\$3,283,352	\$2,645,033	\$1,876,395	\$931,126	\$19,540	\$6,521	\$2,945	
IBNR Factor	0.485	0.485	0.485	0.485	0.485	0.485	0.485	0.485	
IBNR Amount	\$163,530	\$1,592,426	\$1,282,841	\$910,052	\$451,596	\$9,477	\$3,163	\$1,428	\$4,414,513
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$163,530	\$1,592,426	\$1,282,841	\$910,052	\$451,596	\$9,477	\$3,163	\$1,428	\$4,414,513
Paid to Date	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Ultimate Incurred	\$163,530	\$1,592,426	\$1,282,841	\$910,052	\$451,596	\$9,477	\$3,163	\$1,428	\$4,414,513
<u>Derivation of Loss Adjustment Expenses</u>									
IBNR LAE	\$5,315	\$51,754	\$41,692	\$29,577	\$14,677	\$308	\$103	\$46	\$143,472
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(3.25%)	\$5,315	\$51,754	\$41,692	\$29,577	\$14,677	\$308	\$103	\$46	\$143,472
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>									
Retention	1.0000	1.0000	0.3500	0.2400	0.1250	0.0000	0.0000	0.0000	
Reinsured to Registered	0.0000	0.0000	0.6000	0.7100	0.8750	1.0000	0.3600	1.0000	
Reinsured to Unregistered	0.0000	0.0000	0.0500	0.0500	0.0000	0.0000	0.6400	0.0000	
Paid to Date Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Paid Ceded to									
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$163,530	\$1,592,426	\$448,994	\$218,412	\$56,450	\$0	\$0	\$0	\$2,479,812
IBNR Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$769,705	\$646,137	\$395,147	\$9,477	\$1,139	\$1,428	\$1,823,031
Unregistered Reinsurers	\$0	\$0	\$64,142	\$45,503	\$0	\$0	\$2,024	\$0	\$111,669
Total Reserves Retained	\$163,530	\$1,592,426	\$448,994	\$218,412	\$56,450	\$0	\$0	\$0	\$2,479,812
Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$769,705	\$646,137	\$395,147	\$9,477	\$1,139	\$1,428	\$1,823,031
Unregistered Reinsurers	\$0	\$0	\$64,142	\$45,503	\$0	\$0	\$2,024	\$0	\$111,669

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2009-2

As at December 31, 2011

LAYER	.975 xs .025	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	30 xs 50	20 xs 140	30 xs 160	Totals
<u>Derivation of Ultimate Incurred</u>									
Earned Lawyer Count	2,402	2,402	2,402	2,402	2,402	2,402	2,118	1,441	
Expected Loss Cost per Lawyer	\$143	\$1,419	\$1,093	\$844	\$373	\$13	\$7	\$5	
Gross Expected Loss Volume	\$343,640	\$3,408,081	\$2,624,425	\$2,027,484	\$894,687	\$31,220	\$14,828	\$7,206	
IBNR Factor	0.623	0.623	0.623	0.623	0.623	0.623	0.623	0.623	
IBNR Amount	\$214,088	\$2,123,234	\$1,635,017	\$1,263,122	\$557,390	\$19,450	\$9,238	\$4,489	\$5,826,028
Case Reserves	\$0	\$1,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$1,000,000
Total Reserves (Ind. & Leg.)	\$214,088	\$3,123,234	\$1,635,017	\$1,263,122	\$557,390	\$19,450	\$9,238	\$4,489	\$6,826,028
Paid to Date	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Ultimate Incurred	\$214,088	\$3,123,234	\$1,635,017	\$1,263,122	\$557,390	\$19,450	\$9,238	\$4,489	\$6,826,028
<u>Derivation of Loss Adjustment Expenses</u>									
IBNR LAE	\$6,958	\$69,005	\$53,138	\$41,051	\$18,115	\$632	\$300	\$146	\$189,346
Case Reserves LAE	\$0	\$32,500	\$0	\$0	\$0	\$0	\$0	\$0	\$32,500
Total LAE(3.25%)	\$6,958	\$101,505	\$53,138	\$41,051	\$18,115	\$632	\$300	\$146	\$221,846
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>									
Retention	1.0000	1.0000	0.4500	0.2800	0.1500	0.0000	0.0000	0.0000	
Reinsured to Registered	0.0000	0.0000	0.5200	0.6800	0.8500	1.0000	0.3600	1.0000	
Reinsured to Unregistered	0.0000	0.0000	0.0300	0.0400	0.0000	0.0000	0.6400	0.0000	
Paid to Date Retained	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Paid Ceded to									
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$1,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$1,000,000
Case Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$214,088	\$2,123,234	\$735,758	\$353,674	\$83,608	\$0	\$0	\$0	\$3,510,362
IBNR Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$850,209	\$858,923	\$473,781	\$19,450	\$3,326	\$4,489	\$2,210,178
Unregistered Reinsurers	\$0	\$0	\$49,051	\$50,525	\$0	\$0	\$5,912	\$0	\$105,488
Total Reserves Retained	\$214,088	\$3,123,234	\$735,758	\$353,674	\$83,608	\$0	\$0	\$0	\$4,510,362
Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$850,209	\$858,923	\$473,781	\$19,450	\$3,326	\$4,489	\$2,210,178
Unregistered Reinsurers	\$0	\$0	\$49,051	\$50,525	\$0	\$0	\$5,912	\$0	\$105,488

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2010-1

As at December 31, 2011

LAYER	.975 xs .025	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	30 xs 50	20 xs 140	30 xs 160	Totals
<u>Derivation of Ultimate Incurred</u>									
Earned Lawyer Count	2,416	2,416	2,416	2,416	2,416	2,416	2,135	1,466	
Expected Loss Cost per Lawyer	\$144	\$1,428	\$1,095	\$846	\$373	\$13	\$7	\$5	
Gross Expected Loss Volume	\$347,777	\$3,449,111	\$2,644,515	\$2,042,387	\$900,893	\$31,402	\$14,947	\$7,331	
IBNR Factor	0.623	0.623	0.623	0.623	0.623	0.623	0.623	0.623	
IBNR Amount	\$216,665	\$2,148,796	\$1,647,533	\$1,272,407	\$561,256	\$19,563	\$9,312	\$4,567	\$5,880,099
Case Reserves	\$0	\$1,280,304	\$0	\$0	\$0	\$0	\$0	\$0	\$1,280,304
Total Reserves (Ind. & Leg.)	\$216,665	\$3,429,100	\$1,647,533	\$1,272,407	\$561,256	\$19,563	\$9,312	\$4,567	\$7,160,403
Paid to Date	\$0	\$19,696	\$0	\$0	\$0	\$0	\$0	\$0	\$19,696
Total Ultimate Incurred	\$216,665	\$3,448,796	\$1,647,533	\$1,272,407	\$561,256	\$19,563	\$9,312	\$4,567	\$7,180,099
<u>Derivation of Loss Adjustment Expenses</u>									
IBNR LAE	\$7,042	\$69,836	\$53,545	\$41,353	\$18,241	\$636	\$303	\$148	\$191,103
Case Reserves LAE	\$0	\$41,610	\$0	\$0	\$0	\$0	\$0	\$0	\$41,610
Total LAE(3.25%)	\$7,042	\$111,446	\$53,545	\$41,353	\$18,241	\$636	\$303	\$148	\$232,713
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>									
Retention	1.0000	1.0000	0.4500	0.2800	0.1500	0.0000	0.0000	0.0000	
Reinsured to Registered	0.0000	0.0000	0.5200	0.6800	0.8500	1.0000	0.3600	1.0000	
Reinsured to Unregistered	0.0000	0.0000	0.0300	0.0400	0.0000	0.0000	0.6400	0.0000	
Paid to Date Retained	\$0	\$19,696	\$0	\$0	\$0	\$0	\$0	\$0	\$19,696
Paid Ceded to									
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$1,280,304	\$0	\$0	\$0	\$0	\$0	\$0	\$1,280,304
Case Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$216,665	\$2,148,796	\$741,390	\$356,274	\$84,188	\$0	\$0	\$0	\$3,547,313
IBNR Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$856,717	\$865,237	\$477,068	\$19,563	\$3,352	\$4,567	\$2,226,504
Unregistered Reinsurers	\$0	\$0	\$49,426	\$50,896	\$0	\$0	\$5,960	\$0	\$106,282
Total Reserves Retained	\$216,665	\$3,429,100	\$741,390	\$356,274	\$84,188	\$0	\$0	\$0	\$4,827,617
Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$856,717	\$865,237	\$477,068	\$19,563	\$3,352	\$4,567	\$2,226,504
Unregistered Reinsurers	\$0	\$0	\$49,426	\$50,896	\$0	\$0	\$5,960	\$0	\$106,282

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2010-2

As at December 31, 2011

LAYER	.975 xs .025	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	30 xs 50	20 xs 140	40 xs 160	Totals
<u>Derivation of Ultimate Incurred</u>									
Earned Lawyer Count	2,368	2,368	2,368	2,368	2,368	2,368	2,094	1,434	
Expected Loss Cost per Lawyer	\$132	\$1,350	\$1,057	\$838	\$367	\$20	\$13	\$9	
Gross Expected Loss Volume	\$311,556	\$3,197,598	\$2,502,009	\$1,983,277	\$869,590	\$47,355	\$27,222	\$12,902	
IBNR Factor	0.846	0.846	0.846	0.846	0.846	0.846	0.846	0.846	
IBNR Amount	\$263,576	\$2,705,168	\$2,116,699	\$1,677,852	\$735,673	\$40,062	\$23,030	\$10,915	\$7,572,975
Case Reserves	\$14,766	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$14,766
Total Reserves (Ind. & Leg.)	\$278,342	\$2,705,168	\$2,116,699	\$1,677,852	\$735,673	\$40,062	\$23,030	\$10,915	\$7,587,741
Paid to Date	\$260,234	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$260,234
Total Ultimate Incurred	\$538,576	\$2,705,168	\$2,116,699	\$1,677,852	\$735,673	\$40,062	\$23,030	\$10,915	\$7,847,975
<u>Derivation of Loss Adjustment Expenses</u>									
IBNR LAE	\$8,566	\$87,918	\$68,793	\$54,530	\$23,909	\$1,302	\$748	\$355	\$246,122
Case Reserves LAE	\$480	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$480
Total LAE(3.25%)	\$9,046	\$87,918	\$68,793	\$54,530	\$23,909	\$1,302	\$748	\$355	\$246,602
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>									
Retention	1.0000	1.0000	0.5000	0.3000	0.2000	0.0000	0.0000	0.0000	
Reinsured to Registered	0.0000	0.0000	0.4750	0.6750	0.8000	1.0000	0.3600	1.0000	
Reinsured to Unregistered	0.0000	0.0000	0.0250	0.0250	0.0000	0.0000	0.6400	0.0000	
Paid to Date Retained	\$260,234	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$260,234
Paid Ceded to									
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Retained	\$14,766	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$14,766
Case Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$263,576	\$2,705,168	\$1,058,350	\$503,356	\$147,135	\$0	\$0	\$0	\$4,677,584
IBNR Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$1,005,432	\$1,132,550	\$588,539	\$40,062	\$8,291	\$10,915	\$2,785,789
Unregistered Reinsurers	\$0	\$0	\$52,917	\$41,946	\$0	\$0	\$14,739	\$0	\$109,603
Total Reserves Retained	\$278,342	\$2,705,168	\$1,058,350	\$503,356	\$147,135	\$0	\$0	\$0	\$4,692,349
Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$1,005,432	\$1,132,550	\$588,539	\$40,062	\$8,291	\$10,915	\$2,785,789
Unregistered Reinsurers	\$0	\$0	\$52,917	\$41,946	\$0	\$0	\$14,739	\$0	\$109,603

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2011-1

As at December 31, 2011

LAYER	.975 xs .025	4 xs 1	7.5 xs 5	12.5 xs 12.5	10 xs 25	30 xs 50	20 xs 140	40 xs 160	Totals
<u>Derivation of Ultimate Incurred</u>									
Earned Lawyer Count	2,403	2,403	2,403	2,403	2,403	2,403	2,140	1,472	
Expected Loss Cost per Lawyer	\$131	\$1,347	\$1,056	\$837	\$367	\$20	\$13	\$9	
Gross Expected Loss Volume	\$315,296	\$3,235,990	\$2,537,427	\$2,011,531	\$882,137	\$48,065	\$27,814	\$13,250	
IBNR Factor	0.846	0.846	0.846	0.846	0.846	0.846	0.846	0.846	
IBNR Amount	\$266,741	\$2,737,647	\$2,146,663	\$1,701,755	\$746,287	\$40,663	\$23,530	\$11,210	\$7,674,497
Case Reserves	\$0	\$350,000	\$0	\$0	\$0	\$0	\$0	\$0	\$350,000
Total Reserves (Ind. & Leg.)	\$266,741	\$3,087,647	\$2,146,663	\$1,701,755	\$746,287	\$40,663	\$23,530	\$11,210	\$8,024,497
Paid to Date	\$0	\$1,402,479	\$0	\$0	\$0	\$0	\$0	\$0	\$1,402,479
Total Ultimate Incurred	\$266,741	\$4,490,127	\$2,146,663	\$1,701,755	\$746,287	\$40,663	\$23,530	\$11,210	\$9,426,976
<u>Derivation of Loss Adjustment Expenses</u>									
IBNR LAE	\$8,669	\$88,974	\$69,767	\$55,307	\$24,254	\$1,322	\$765	\$364	\$249,421
Case Reserves LAE	\$0	\$11,375	\$0	\$0	\$0	\$0	\$0	\$0	\$11,375
Total LAE(3.25%)	\$8,669	\$100,349	\$69,767	\$55,307	\$24,254	\$1,322	\$765	\$364	\$260,796
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>									
Retention	1.0000	1.0000	0.5000	0.3000	0.2000	0.0000	0.0000	0.0000	
Reinsured to Registered	0.0000	0.0000	0.4750	0.6750	0.8000	1.0000	0.3600	1.0000	
Reinsured to Unregistered	0.0000	0.0000	0.0250	0.0250	0.0000	0.0000	0.6400	0.0000	
Paid to Date Retained	\$0	\$1,402,479	\$0	\$0	\$0	\$0	\$0	\$0	\$1,402,479
Paid Ceded to									
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$350,000	\$0	\$0	\$0	\$0	\$0	\$0	\$350,000
Case Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$266,741	\$2,737,647	\$1,073,332	\$510,527	\$149,257	\$0	\$0	\$0	\$4,737,504
IBNR Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$1,019,665	\$1,148,685	\$597,030	\$40,663	\$8,471	\$11,210	\$2,825,723
Unregistered Reinsurers	\$0	\$0	\$53,667	\$42,544	\$0	\$0	\$15,059	\$0	\$111,270
Total Reserves Retained	\$266,741	\$3,087,647	\$1,073,332	\$510,527	\$149,257	\$0	\$0	\$0	\$5,087,504
Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$1,019,665	\$1,148,685	\$597,030	\$40,663	\$8,471	\$11,210	\$2,825,723
Unregistered Reinsurers	\$0	\$0	\$53,667	\$42,544	\$0	\$0	\$15,059	\$0	\$111,270

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2011-2

As at December 31, 2011

LAYER	.975 xs .025	4 xs 1	5 xs 5	10 xs 10	30 xs 20	30 xs Min 65	40 xs 160	60 xs 160	Totals
<u>Derivation of Ultimate Incurred</u>									
Earned Lawyer Count	2,340	2,339.5	2,340	2,340	2,340	2,340	714	1,770	
Expected Loss Cost per Lawyer	\$125	\$1,248	\$640	\$780	\$870	\$1	\$8	\$9	
Gross Expected Loss Volume	\$291,817	\$2,919,370	\$1,497,082	\$1,824,927	\$2,034,400	\$2,918	\$5,398	\$16,206	
IBNR Factor	0.925	0.925	0.925	0.925	0.925	0.925	0.925	0.925	
IBNR Amount	\$269,931	\$2,700,418	\$1,384,801	\$1,688,058	\$1,881,820	\$2,699	\$4,993	\$14,990	\$7,947,709
Case Reserves	\$215,377	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$215,377
Total Reserves (Ind. & Leg.)	\$485,308	\$2,700,418	\$1,384,801	\$1,688,058	\$1,881,820	\$2,699	\$4,993	\$14,990	\$8,163,086
Paid to Date	\$9,623	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$9,623
Total Ultimate Incurred	\$494,931	\$2,700,418	\$1,384,801	\$1,688,058	\$1,881,820	\$2,699	\$4,993	\$14,990	\$8,172,709
<u>Derivation of Loss Adjustment Expenses</u>									
IBNR LAE	\$8,773	\$87,764	\$45,006	\$54,862	\$61,159	\$88	\$162	\$487	\$258,301
Case Reserves LAE	\$7,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,000
Total LAE(3.25%)	\$15,773	\$87,764	\$45,006	\$54,862	\$61,159	\$88	\$162	\$487	\$265,300
<u>Distribution of Losses between CLLAS, Colchester and Proportional Reinsurers</u>									
Retention	1.0000	0.2500	0.2500	0.2500	0.2500	0.0000	0.0000	0.0000	
Reinsured to Colchester	0.0000	0.2500	0.2500	0.2500	0.2500	0.0000	0.0000	0.0000	
Reinsured to Registered	0.0000	0.5000	0.5000	0.5000	0.5000	1.0000	0.7600	0.7600	
Reinsured to Unregistered	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.2400	0.2400	
Paid to Date Retained	\$9,623	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$9,623
Paid Ceded to									
Colchester	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Retained	\$215,377	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$215,377
Case Reserves Ceded to									
Colchester	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Registered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IBNR Reserves Retained	\$269,931	\$675,104	\$346,200	\$422,014	\$470,455	\$0	\$0	\$0	\$2,183,705
IBNR Reserves Ceded to									
Colchester	\$0	\$675,104	\$346,200	\$422,014	\$470,455	\$0	\$0	\$0	\$1,913,774
Registered Reinsurers	\$0	\$1,350,209	\$692,401	\$844,029	\$940,910	\$2,699	\$3,795	\$11,393	\$3,845,434
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$1,198	\$3,598	\$4,796
Total Reserves Retained	\$485,308	\$675,104	\$346,200	\$422,014	\$470,455	\$0	\$0	\$0	\$2,399,082
Reserves Ceded to									
Colchester	\$0	\$675,104	\$346,200	\$422,014	\$470,455	\$0	\$0	\$0	\$1,913,774
Registered Reinsurers	\$0	\$1,350,209	\$692,401	\$844,029	\$940,910	\$2,699	\$3,795	\$11,393	\$3,845,434
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$1,198	\$3,598	\$4,796

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period: All Years
As at December 31, 2011

LAYER	Totals
IBNR Amount	\$57,169,977
Case Reserves	\$17,204,041
Total Reserves (Ind. & Leg.)	\$74,374,018
Paid to Date	\$159,425,259
Total Ultimate Incurred	\$233,799,276
Paid to Date Retained	\$63,584,100
Paid Ceded to	
Colchester	\$0
Registered Reinsurers	\$88,322,442
Unregistered Reinsurers	\$7,518,716
Case Reserves Retained	\$15,940,547
Case Reserves Ceded to	
Colchester	\$0
Registered Reinsurers	\$1,183,745
Unregistered Reinsurers	\$79,750
IBNR Reserves Retained	\$30,203,257
IBNR Reserves Ceded to	
Colchester	\$1,913,774
Registered Reinsurers	\$23,956,588
Unregistered Reinsurers	\$1,096,357
Total Reserves Retained	\$46,143,804
Reserves Ceded to	
Colchester	\$1,913,774
Registered Reinsurers	\$25,140,333
Unregistered Reinsurers	\$1,176,107

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

INDICATED INCURRED LOSS DEVELOPMENT FACTORS
FOR LOSSES IN EXCESS OF VARIOUS PER OCCURRENCE RETENTIONS (1)

Retention per Occurrence		Loss Development Factor to Ultimate at Duration t (in months)												
		t=	6	18	30	42	54	66	78	90	102	114	126	138
\$	25,000		2.895	1.917	1.308	1.132	1.037	0.974	0.945	0.948	0.963	0.973	0.977	0.980
	50,000		3.440	2.194	1.417	1.190	1.067	0.984	0.946	0.946	0.960	0.970	0.974	0.976
	100,000		4.102	2.521	1.545	1.271	1.112	0.999	0.950	0.947	0.960	0.970	0.974	0.975
	200,000		5.111	2.913	1.622	1.322	1.131	0.995	0.939	0.942	0.955	0.967	0.976	0.977
	300,000		5.348	2.968	1.588	1.298	1.112	0.971	0.915	0.924	0.940	0.954	0.965	0.969
	1,000,000		13.300	6.500	2.650	1.940	1.440	1.125	1.050	1.050	1.050	1.035	1.015	1.008
	Selected		13.300	6.500	2.650	1.940	1.440	1.125	1.050	1.050	1.050	1.035	1.015	1.008

(1) Based on industry data for Lawyers Professional Liability insurance.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

DETERMINATION OF THE PROVISION FOR UNALLOCATED LOSS ADJUSTMENT EXPENSES

<i>Year</i>	<i>Assumed Annual Claims Management Expenses (1) (in \$2011)</i>	<i>Assumed Portion Applicable to Losses Outstanding As at December 31, 2011</i>	<i>Future Indexing (3% per year)</i>	<i>Estimated Provision As at December 31, 2011</i>
2012	\$568,000	7/7	1.000	\$ 568,000
2013	568,000	6/7	1.030	501,463
2014	568,000	5/7	1.061	430,422
2015	568,000	4/7	1.093	354,668
2016	568,000	3/7	1.126	273,981
2017	568,000	2/7	1.159	188,134
2018	568,000	1/7	1.194	96,889
Total				\$ 2,413,557

Gross Outstanding Liabilities

- Case Reserve	\$ 17,204,041
- IBNR	<u>57,169,977</u>
- Total	\$ 74,374,018

Unallocated Loss Adjustment Expenses Provision
as a % of Gross Outstanding liabilities

- Indicated	3.25%
- Selected	3.25%

(1) Based upon actual CLLAS internal claims management expenses of \$481,000 in 2011 and estimated 2012 expenses of \$568,000.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
GROSS AND NET OF PROPORTIONAL EXPERIENCE
As at December 31, 2011

<i>Policy Period</i>	GROSS CLLAS EXPERIENCE (1)				NET OF PROPORTIONAL REINSURANCE			
	<i>Paid</i>	<i>Case Reserves</i>	<i>IBNR</i>	<i>Total Incurred</i>	<i>Paid</i>	<i>Case Reserves</i>	<i>IBNR</i>	<i>Total Incurred</i>
July 1, 1987 - June 30, 1988	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
July 1, 1988 - June 30, 1989	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
July 1, 1989 - June 30, 1990	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
July 1, 1990 - June 30, 1991	\$3,593,148	\$0	\$0	\$3,593,148	\$1,796,574	\$0	\$0	\$1,796,574
July 1, 1991 - June 30, 1992	\$7,416,563	\$0	\$0	\$7,416,563	\$3,470,496	\$0	\$0	\$3,470,496
July 1, 1992 - June 30, 1993	\$326,599	\$0	\$0	\$326,599	\$163,299	\$0	\$0	\$163,299
July 1, 1993 - June 30, 1994	\$30,654,825	\$0	\$0	\$30,654,825	\$8,388,230 (2)	\$0	\$0	\$8,388,230
July 1, 1994 - June 30, 1995	\$9,318,988	\$0	\$0	\$9,318,988	\$4,633,180	\$0	\$0	\$4,633,180
July 1, 1995 - June 30, 1996	\$3,742,644	\$0	\$0	\$3,742,644	\$1,871,322	\$0	\$0	\$1,871,322
July 1, 1996 - June 30, 1997	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
July 1, 1997 - June 30, 1998	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
July 1, 1998 - June 30, 1999	\$20,296,669	\$0	\$0	\$20,296,669	\$6,254,045	\$0	\$0	\$6,254,045
July 1, 1999 - June 30, 2000	\$8,492,585	\$0	\$0	\$8,492,585	\$3,464,559	\$0	\$0	\$3,464,559
July 1, 2000 - June 30, 2001	\$0	\$0	\$134,635	\$134,635	\$0	\$0	\$40,400	\$40,400
July 1, 2001 - June 30, 2002	\$17,553,756	\$0	\$267,170	\$17,820,927	\$5,601,781	\$0	\$80,167	\$5,681,948
July 1, 2002 - June 30, 2003	\$3,415,798	\$3,105,347	\$680,111	\$7,201,255	\$3,415,798	\$3,105,347	\$319,900	\$6,841,044
July 1, 2003 - June 30, 2004	\$37,503,433	\$1,750,000	\$1,029,227	\$40,282,660	\$12,503,433	\$1,750,000	\$488,372	\$14,741,805
July 1, 2004 - June 30, 2005	\$1,262,030	\$811,662	\$1,096,147	\$3,169,840	\$1,262,030	\$811,662	\$515,605	\$2,589,298
July 1, 2005 - June 30, 2006	\$712,114	\$0	\$1,175,640	\$1,887,754	\$712,114	\$0	\$546,677	\$1,258,790
July 1, 2006 - June 30, 2007	\$0	\$6,750,000	\$2,920,508	\$9,670,508	\$0	\$6,150,000	\$1,416,570	\$7,566,570
July 1, 2007 - June 30, 2008	\$13,439,032	\$1,926,585	\$6,232,276	\$21,597,893	\$8,360,526	\$1,263,091	\$3,234,798	\$12,858,415
July 1, 2008 - June 30, 2009	\$5,042	\$0	\$8,732,955	\$8,737,997	\$5,042	\$0	\$4,904,300	\$4,909,342
July 1, 2009 - June 30, 2010	\$19,696	\$2,280,304	\$11,706,127	\$14,006,127	\$19,696	\$2,280,304	\$7,057,675	\$9,357,675
July 1, 2010 - June 30, 2011	\$1,662,714	\$364,766	\$15,247,472	\$17,274,952	\$1,662,714	\$364,766	\$9,415,088	\$11,442,567
July 1, 2011 - December 31, 2011	\$9,623	\$215,377	\$7,947,709	\$8,172,709	\$9,623	\$215,377	\$2,183,705	\$2,408,705
Total	\$159,425,259	\$17,204,041	\$57,169,977	\$233,799,276	\$63,594,461	\$15,940,547	\$30,203,257	\$109,738,265

(1) Excluding unallocated loss adjustment expenses.

(2) An expense amount of \$10,361 for claim 94-010 is fully assumed by CLLAS.

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
COLCHESTER PROPORTIONAL REINSURANCE
As at December 31, 2011**

<i>Policy Period</i>	<i>Paid</i>	<i>Case Reserves</i>	<i>IBNR</i>	<i>Total Incurred</i>
July 1, 2011 - December 31, 2011	\$0	\$0	\$1,913,774	\$1,913,774
Total	\$0	\$0	\$1,913,774	\$1,913,774

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
AGGREGATE AND NET OF AGGREGATE EXPERIENCE
As at December 31, 2011

	STOP LOSS PROPORTION (1)						NET OF PROPORTIONAL & STOP LOSS				
Policy Period	Stop Loss Reins. Ratio	Stop Loss Limit	Paid	Case Reserves	IBNR	Total Incurred	Paid	Case Reserves	IBNR	Total Incurred	
July 1, 1987 - June 30, 1988	0.000	n/a	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
July 1, 1988 - June 30, 1989	0.000	n/a	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
July 1, 1989 - June 30, 1990	0.300	\$750,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
July 1, 1990 - June 30, 1991	0.330	\$900,000	\$900,000	\$0	\$0	\$900,000	\$896,574	\$0	\$0	\$896,574	
July 1, 1991 - June 30, 1992	0.360	\$1,000,000	\$1,000,000	\$0	\$0	\$1,000,000	\$2,470,496	\$0	\$0	\$2,470,496	
July 1, 1992 - June 30, 1993	0.360	\$1,000,000	\$163,299	\$0	\$0	\$163,299	\$0	\$0	\$0	\$0	
July 1, 1993 - June 30, 1994	0.600	\$3,000,000 (2)	\$2,750,000	\$0	\$0	\$2,750,000	\$5,638,230	\$0	\$0	\$5,638,230	
July 1, 1994 - June 30, 1995	0.600	\$3,000,000 (2)	\$2,750,000	\$0	\$0	\$2,750,000	\$1,883,180	\$0	\$0	\$1,883,180	
July 1, 1995 - June 30, 1996	0.300	\$4.7M xs \$3.3M	\$0	\$0	\$0	\$0	\$1,871,322	\$0	\$0	\$1,871,322	
July 1, 1996 - June 30, 1997	0.300	\$4.7M xs \$3.3M	\$0	\$0	\$0 (3)	\$0	\$0	\$0	\$0 (3)	\$0	
July 1, 1997 - June 30, 1998	0.300	\$4.7M xs \$3.3M	\$0	\$0	\$0 (3)	\$0	\$0	\$0	\$0 (3)	\$0	
July 1, 1998 - June 30, 1999	0.300	\$4.7M xs \$3.3M	\$2,954,045	\$0	\$0 (4)	\$2,954,045	\$3,300,000	\$0	\$0 (4)	\$3,300,000	
July 1, 1999 - June 30, 2000	0.300	\$4.7M xs \$3.3M	\$164,559	\$0	\$0 (4)	\$164,559	\$3,300,000	\$0	\$0 (4)	\$3,300,000	
July 1, 2000 - June 30, 2001	0.300	\$4.7M xs \$3.3M	\$0	\$0	\$12,120 (3)	\$12,120	\$0	\$0	\$28,280 (3)	\$28,280	
July 1, 2001 - June 30, 2002	0.300	\$4.7M xs \$3.3M	\$2,301,781	\$0	\$80,167 (4)	\$2,381,948	\$3,300,000	(\$0)	\$0 (4)	\$3,300,000	
July 1, 2002 - June 30, 2003	0.300	\$7.5M xs \$5.5M	\$0	\$1,021,144	\$319,900 (4)	\$1,341,044	\$3,415,798	\$2,084,202	\$0 (4)	\$5,500,000	
July 1, 2003 - June 30, 2004	0.300	\$7.5M xs \$5.5M	\$6,641,608	\$858,392	\$0 (5)	\$7,500,000	\$5,861,824	\$891,608	\$488,372 (5)	\$7,241,805	
July 1, 2004 - June 30, 2005	0.300	\$7.5M xs \$5.5M	\$0	\$0	\$154,682 (3)	\$154,682	\$1,262,030	\$811,662	\$360,924 (3)	\$2,434,616	
July 1, 2005 - June 30, 2006	0.400	\$9.5M xs \$5.5M	\$0	\$0	\$218,671 (3)	\$218,671	\$712,114	\$0	\$328,006 (3)	\$1,040,120	
July 1, 2006 - June 30, 2007	0.100	\$5M xs \$15.0M	\$0	\$0	\$141,657 (3)	\$141,657	\$0	\$6,150,000	\$1,274,913 (3)	\$7,424,913	
July 1, 2007 - June 30, 2008	0.100	\$5M xs \$15.0M	\$0	\$0	\$323,480 (3)	\$323,480	\$8,360,526	\$1,263,091	\$2,911,318 (3)	\$12,534,936	
July 1, 2008 - June 30, 2009	0.100	\$5M xs \$15.0M	\$0	\$0	\$490,430 (3)	\$490,430	\$5,042	\$0	\$4,413,870 (3)	\$4,418,912	
July 1, 2009 - June 30, 2010	0.150	\$10M xs \$15.0M	\$0	\$0	\$1,058,651 (3)	\$1,058,651	\$19,696	\$2,280,304	\$5,999,024 (3)	\$8,299,024	
July 1, 2010 - June 30, 2011	0.175	\$10M xs \$15.0M	\$0	\$0	\$1,647,640 (3)	\$1,647,640	\$1,662,714	\$364,766	\$7,767,447 (3)	\$9,794,927	
July 1, 2011 - December 31, 2011	0.035	\$22.5M xs \$17.5M	\$0	\$0	\$76,430 (3)	\$76,430	\$9,623	\$215,377	\$2,107,275 (3)	\$2,332,275	
Total			\$19,625,293	\$1,879,536	\$4,523,827	\$26,028,656	\$43,969,168	\$14,061,011	\$25,679,430	\$83,709,610	

(1) Ceded to Colchester Reinsurance Limited. Additional stop-loss coverage provided by Colchester per Schedule 1.

(2) First \$250,000 of CLLAS net of proportional retention is assumed by CLLAS and the next \$2,750,000 layer is assumed by Colchester.

(3) IBNR net of proportional reinsurance allocated by stop loss reinsurance ratio between CLLAS and Colchester.

(4) IBNR net of proportional reinsurance 100% allocated to Colchester Reinsurance Limited, subject to aggregate limits since attachment point is reached.

(5) IBNR net of proportional reinsurance 100% allocated to CLLAS since attachment point is reached. Paid adjusting expenses of \$327,187 are retained by CLLAS.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
NET EXPERIENCE
As at December 31, 2011

<i>Policy Period</i>	<u>ADDITIONAL NET LIABILITIES</u>		<u>NET CLLAS EXPERIENCE</u>			
	<i>ULAE Case Reserves</i>	<i>ULAE IBNR</i>	<i>Paid</i>	<i>Total Case Reserves</i>	<i>Total IBNR (1)</i>	<i>Total Incurred</i>
July 1, 1987 - June 30, 1988	\$0	\$0	\$0	\$0	\$0	\$0
July 1, 1988 - June 30, 1989	\$0	\$0	\$0	\$0	\$0	\$0
July 1, 1989 - June 30, 1990	\$0	\$0	\$0	\$0	\$0	\$0
July 1, 1990 - June 30, 1991	\$0	\$0	\$896,574	\$0	\$0	\$896,574
July 1, 1991 - June 30, 1992	\$0	\$0	\$2,470,496	\$0	\$0	\$2,470,496
July 1, 1992 - June 30, 1993	\$0	\$0	\$0	\$0	\$0	\$0
July 1, 1993 - June 30, 1994	\$0	\$0	\$5,638,230	\$0	\$0	\$5,638,230
July 1, 1994 - June 30, 1995	\$0	\$0	\$1,883,180	\$0	\$0	\$1,883,180
July 1, 1995 - June 30, 1996	\$0	\$0	\$1,871,322	\$0	\$0	\$1,871,322
July 1, 1996 - June 30, 1997	\$0	\$0	\$0	\$0	\$0	\$0
July 1, 1997 - June 30, 1998	\$0	\$0	\$0	\$0	\$0	\$0
July 1, 1998 - June 30, 1999	\$0	\$0	\$3,300,000	\$0	\$0	\$3,300,000
July 1, 1999 - June 30, 2000	\$0	\$0	\$3,300,000	\$0	\$0	\$3,300,000
July 1, 2000 - June 30, 2001	\$0	\$4,376	\$0	\$0	\$32,656	\$32,656
July 1, 2001 - June 30, 2002	\$0	\$8,683	\$3,300,000	(\$0)	\$8,683	\$3,308,683
July 1, 2002 - June 30, 2003	\$100,924	\$22,104	\$3,415,798	\$2,084,202	\$123,027	\$5,623,027
July 1, 2003 - June 30, 2004	\$56,875	\$33,450	\$5,861,824	\$891,608	\$578,697	\$7,332,130
July 1, 2004 - June 30, 2005	\$26,379	\$35,625	\$1,262,030	\$811,662	\$422,927	\$2,496,620
July 1, 2005 - June 30, 2006	\$0	\$38,208	\$712,114	\$0	\$366,214	\$1,078,328
July 1, 2006 - June 30, 2007	\$219,375	\$94,917	\$0	\$6,150,000	\$1,589,204	\$7,739,204
July 1, 2007 - June 30, 2008	\$62,614	\$202,549	\$8,360,526	\$1,263,091	\$3,176,481	\$12,800,098
July 1, 2008 - June 30, 2009	\$0	\$283,821	\$5,042	\$0	\$4,697,691	\$4,702,733
July 1, 2009 - June 30, 2010	\$74,110	\$380,449	\$19,696	\$2,280,304	\$6,453,583	\$8,753,583
July 1, 2010 - June 30, 2011	\$11,855	\$495,543	\$1,662,714	\$364,766	\$8,274,845	\$10,302,325
July 1, 2011 - December 31, 2011	\$7,000	\$258,301	\$9,623	\$215,377	\$2,372,575	\$2,597,575
Total	\$559,131	\$1,858,024	\$43,969,168	\$14,061,011	\$28,096,586	\$86,126,765

(1) Including unallocated loss adjustment expenses.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
GROSS AND NET LOSS AND LOSS ADJUSTMENT EXPENSE RATIO
As at December 31, 2011

<i>Policy Period</i>	<i>GROSS EARNED PREMIUM (\$'000'S)</i>	<i>GROSS ULTIMATE LOSS (\$'000'S) ⁽¹⁾</i>	<i>GROSS LOSS RATIO</i>	<i>NET EARNED PREMIUM (\$'000'S)</i>	<i>NET ULTIMATE LOSSES (\$'000'S) ⁽¹⁾</i>	<i>NET LOSS RATIO</i>
July 1, 1987 - June 30, 1988	\$4,434,000	\$0	0%	\$1,883,829	\$0	0%
July 1, 1988 - June 30, 1989	\$3,614,000	\$0	0%	\$1,137,725	\$0	0%
July 1, 1989 - June 30, 1990	\$3,740,400	\$0	0%	\$689,957	\$0	0%
July 1, 1990 - June 30, 1991	\$4,233,600	\$3,593,148	85%	\$586,847	\$896,574	153%
July 1, 1991 - June 30, 1992	\$4,320,000	\$7,416,563	172%	\$577,354	\$2,470,496	428%
July 1, 1992 - June 30, 1993	\$4,478,400	\$326,599	7%	\$389,208	\$0	0%
July 1, 1993 - June 30, 1994	\$4,512,600	\$30,654,825	679%	\$373,280	\$5,638,230	1510%
July 1, 1994 - June 30, 1995	\$5,153,700	\$9,318,988	181%	\$1,328,836	\$1,883,180	142%
July 1, 1995 - June 30, 1996	\$5,807,500	\$3,742,644	64%	\$1,930,552	\$1,871,322	97%
July 1, 1996 - June 30, 1997	\$5,276,196	\$0	0%	\$1,070,215	\$0	0%
July 1, 1997 - June 30, 1998	\$6,587,610	\$0	0%	\$1,627,963	\$0	0%
July 1, 1998 - June 30, 1999	\$10,826,416	\$20,296,669	187%	\$4,368,122	\$3,300,000	76%
July 1, 1999 - June 30, 2000	\$12,093,829	\$8,492,585	70%	\$5,100,300	\$3,300,000	65%
July 1, 2000 - June 30, 2001	\$14,968,458	\$134,635	1%	\$6,734,718	\$28,280	0%
July 1, 2001 - June 30, 2002	\$14,694,378	\$17,820,927	121%	\$5,919,526	\$3,300,000	56%
July 1, 2002 - June 30, 2003	\$17,346,379	\$7,201,255	42%	\$4,631,546 ⁽¹⁾	\$5,500,000	119%
July 1, 2003 - June 30, 2004	\$22,376,007	\$40,282,660	180%	\$6,619,932 ⁽²⁾	\$7,241,805	109%
July 1, 2004 - June 30, 2005	\$24,676,487	\$3,169,840	13%	\$6,832,821	\$2,434,616	36%
July 1, 2005 - June 30, 2006	\$25,025,027	\$1,887,754	8%	\$6,259,056	\$1,040,120	17%
July 1, 2006 - June 30, 2007	\$33,356,139	\$9,670,508	29%	\$12,326,959	\$7,424,913	60%
July 1, 2007 - June 30, 2008	\$27,040,048	\$21,597,893	80%	\$10,121,699	\$12,534,936	124%
July 1, 2008 - June 30, 2009	\$24,343,680	\$8,737,997	36%	\$9,812,057	\$4,418,912	45%
July 1, 2009 - June 30, 2010	\$23,632,747	\$14,006,127	59%	\$9,849,698	\$8,299,024	84%
July 1, 2010 - June 30, 2011	\$20,852,074	\$17,274,952	83%	\$8,040,957	\$9,794,927	122%
July 1, 2011 - December 31, 2011	\$8,549,838	\$8,172,709	96%	\$2,564,441	\$2,332,275	91%
Total	\$331,939,513	\$233,799,276	70%	\$110,777,598	\$83,709,610	76%
December 31, 1996 Retroassessment call	\$7,000,000			\$7,000,000		
June 30, 1998 Retroassessment call	\$1,600,000			\$1,600,000		
Total Including December 31, 1996 and June 30, 1998 Retroassessment calls	\$340,539,513	\$233,799,276	69%	\$119,377,598	\$83,709,610	70%

(1) Excluding reinsurance swing premium return of \$706,071.

(2) Excluding reinsurance swing premium payment of \$3,148,262.

(3) Excluding unallocated loss adjustment expenses.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

INVESTMENT PORTFOLIO VALUATION & SELECTION OF DISCOUNT RATE
As at December 31, 2011

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
BONDS									
Bond Issuer	Holdings	Coupon Rate	Maturity Date	Cost	Market Value	Valuation Date	Market Yield	Effective Yield	Duration
Canada Government	1,000,000	3.00%	12/1/2015	1,019,983	1,069,323	12/31/2011	1.18%	1.19%	3.725
Canada Government	600,000	4.00%	6/1/2016	597,795	670,725	12/31/2011	1.25%	1.25%	4.103
Canada Government	400,000	4.00%	6/1/2016	400,315	447,150	12/31/2011	1.25%	1.25%	4.103
Ontario	600,000	4.50%	12/2/2012	605,133	618,407	12/31/2011	1.14%	1.14%	0.910
Ontario	400,000	4.50%	12/2/2012	401,954	412,271	12/31/2011	1.14%	1.14%	0.910
Ontario	250,000	4.50%	12/2/2012	251,440	257,670	12/31/2011	1.14%	1.14%	0.910
Ontario	750,000	4.75%	6/2/2013	752,729	787,549	12/31/2011	1.18%	1.19%	1.387
Ontario	150,000	4.75%	6/2/2013	151,110	157,510	12/31/2011	1.18%	1.19%	1.387
Ontario	300,000	4.75%	6/2/2013	302,387	315,020	12/31/2011	1.18%	1.19%	1.387
Ontario	75,000	4.75%	6/2/2013	75,318	78,755	12/31/2011	1.18%	1.19%	1.387
Manitoba	750,000	5.05%	12/3/2013	752,666	804,524	12/31/2011	1.21%	1.22%	1.854
Manitoba	250,000	5.05%	12/3/2013	250,721	268,175	12/31/2011	1.21%	1.22%	1.854
Ontario	250,000	5.00%	3/8/2014	251,308	270,206	12/31/2011	1.24%	1.24%	2.074
Ontario	500,000	5.00%	3/8/2014	504,062	540,412	12/31/2011	1.24%	1.24%	2.074
Ontario	125,000	3.25%	9/8/2014	124,894	131,384	12/31/2011	1.31%	1.31%	2.573
Ontario	375,000	3.25%	9/8/2014	374,682	394,151	12/31/2011	1.31%	1.31%	2.573
Alberta	300,000	2.75%	12/1/2014	300,380	313,058	12/31/2011	1.23%	1.23%	2.821
Alberta	500,000	2.75%	12/1/2014	508,658	521,763	12/31/2011	1.23%	1.23%	2.821
Manitoba	500,000	4.80%	12/3/2014	507,440	549,717	12/31/2011	1.32%	1.32%	2.763
Manitoba	250,000	4.80%	12/3/2014	253,504	274,859	12/31/2011	1.32%	1.32%	2.763
Ontario	250,000	4.50%	3/8/2015	251,379	274,060	12/31/2011	1.40%	1.41%	2.977
Ontario	250,000	4.50%	3/8/2015	251,418	274,060	12/31/2011	1.40%	1.41%	2.977
Ontario	250,000	4.50%	3/8/2015	251,493	274,060	12/31/2011	1.40%	1.41%	2.977
Ontario	250,000	4.50%	3/8/2015	251,732	274,060	12/31/2011	1.40%	1.41%	2.977
Ontario	350,000	4.50%	3/8/2015	352,131	383,684	12/31/2011	1.40%	1.41%	2.977
Ontario	500,000	3.15%	9/8/2015	513,231	529,408	12/31/2011	1.50%	1.51%	3.484
Ontario	400,000	3.15%	9/8/2015	405,332	423,527	12/31/2011	1.50%	1.51%	3.484
Ontario	750,000	4.40%	3/8/2016	754,345	834,173	12/31/2011	1.62%	1.62%	3.843
Ontario	350,000	4.40%	3/8/2016	347,860	389,281	12/31/2011	1.62%	1.62%	3.843
Ontario	650,000	4.40%	3/8/2016	670,681	722,950	12/31/2011	1.62%	1.62%	3.843
Ontario	750,000	3.20%	9/8/2016	749,674	799,921	12/31/2011	1.72%	1.72%	4.361
Ontario	500,000	4.30%	3/8/2017	499,593	559,678	12/31/2011	1.87%	1.88%	4.681
Ontario	500,000	4.30%	3/8/2017	502,773	559,678	12/31/2011	1.87%	1.88%	4.681
Ontario	750,000	4.30%	3/8/2017	764,488	839,517	12/31/2011	1.87%	1.88%	4.681
Ontario	500,000	4.20%	3/8/2018	503,205	559,892	12/31/2011	2.12%	2.13%	5.494
Ontario	500,000	4.20%	3/8/2018	499,060	559,892	12/31/2011	2.12%	2.13%	5.494
British Columbia	350,000	4.10%	12/18/2019	357,120	390,399	12/31/2011	2.49%	2.51%	6.935
British Columbia	650,000	4.10%	12/18/2019	676,186	725,027	12/31/2011	2.49%	2.51%	6.935
British Columbia	500,000	3.70%	12/18/2020	509,144	540,471	12/31/2011	2.68%	2.70%	7.759
British Columbia	500,000	3.70%	12/18/2020	489,042	540,471	12/31/2011	2.68%	2.70%	7.758
Canada Housing Trust	1,000,000	4.00%	6/15/2012	999,913	1,013,189	12/31/2011	1.08%	1.08%	0.456
Canada Housing Trust	700,000	4.00%	6/15/2012	702,005	709,232	12/31/2011	1.08%	1.08%	0.456
Canada Housing Trust	500,000	4.00%	6/15/2012	499,540	506,595	12/31/2011	1.08%	1.08%	0.456
Canada Housing Trust	500,000	4.55%	12/15/2012	502,920	516,422	12/31/2011	1.09%	1.09%	0.945
Canada Housing Trust	250,000	4.55%	12/15/2012	251,425	258,211	12/31/2011	1.09%	1.09%	0.945
Canada Housing Trust	400,000	3.60%	6/15/2013	400,289	414,520	12/31/2011	1.08%	1.08%	1.430
Canada Housing Trust	500,000	3.60%	6/15/2013	499,365	518,151	12/31/2011	1.08%	1.08%	1.430
Canada Housing Trust	500,000	2.70%	12/15/2013	500,230	515,556	12/31/2011	1.09%	1.09%	1.917
Canada Housing Trust	500,000	2.70%	12/15/2013	500,230	515,556	12/31/2011	1.09%	1.09%	1.917
Canada Housing Trust	650,000	2.70%	12/15/2013	651,353	670,223	12/31/2011	1.09%	1.09%	1.917
Canada Housing Trust	500,000	3.55%	9/15/2013	508,117	520,824	12/31/2011	1.08%	1.08%	1.656
Canada Housing Trust	400,000	3.55%	9/15/2013	408,987	416,660	12/31/2011	1.08%	1.08%	1.656
Canada Housing Trust	750,000	2.20%	3/15/2014	749,381	767,909	12/31/2011	1.10%	1.10%	2.153
Canada Housing Trust	250,000	2.20%	3/15/2014	250,952	255,970	12/31/2011	1.10%	1.10%	2.153
Canada Housing Trust	500,000	2.20%	3/15/2014	498,314	511,939	12/31/2011	1.10%	1.10%	2.153
Canada Housing Trust	1,000,000	3.15%	6/15/2014	999,735	1,048,854	12/31/2011	1.13%	1.13%	2.382
Canada Housing Trust	250,000	2.75%	9/15/2014	249,862	260,592	12/31/2011	1.15%	1.16%	2.609
Canada Housing Trust	750,000	2.75%	9/15/2014	763,496	781,776	12/31/2011	1.15%	1.16%	2.609
Canada Housing Trust	500,000	2.75%	9/15/2014	505,856	521,184	12/31/2011	1.15%	1.16%	2.609
Canada Mortgage and Housing	600,000	4.30%	4/1/2015	602,308	657,251	12/31/2011	1.29%	1.30%	3.050
Canada Mortgage and Housing	50,000	4.10%	10/1/2015	50,954	54,977	12/31/2011	1.37%	1.37%	3.497
Canada Mortgage and Housing	300,000	4.10%	10/1/2015	298,251	329,860	12/31/2011	1.37%	1.37%	3.497
Canada Mortgage and Housing	250,000	4.10%	10/1/2015	244,770	274,883	12/31/2011	1.37%	1.37%	3.497
Canada Mortgage and Housing	50,000	4.10%	10/1/2015	51,782	54,977	12/31/2011	1.37%	1.37%	3.497
Canada Housing Trust	1,000,000	2.75%	12/15/2015	994,589	1,051,133	12/31/2011	1.42%	1.42%	3.777
Canada Housing Trust	750,000	4.10%	12/15/2018	774,603	851,517	12/31/2011	2.01%	2.02%	6.175
Canada Housing Trust	500,000	3.75%	3/15/2020	527,948	556,369	12/31/2011	2.24%	2.25%	7.136
Canada Housing Trust	500,000	3.75%	3/15/2020	519,347	556,369	12/31/2011	2.24%	2.25%	7.136
Canada Housing Trust	500,000	3.75%	3/15/2020	504,489	556,369	12/31/2011	2.24%	2.25%	7.136
Canada Housing Trust	1,000,000	3.35%	12/15/2020	1,045,329	1,080,868	12/31/2011	2.34%	2.36%	7.854
Farm Credit Corporation	500,000	4.20%	2/15/2012	500,210	501,754	12/31/2011	1.28%	1.28%	0.125
Wells Fargo Financial Canada	400,000	4.40%	12/12/2012	399,853	409,747	12/31/2011	1.79%	1.80%	0.937
Canadian Imperial Bank	300,000	5.00%	9/10/2012	300,099	307,438	12/31/2011	1.38%	1.39%	0.680
Toronto Dominion Bank BA	500,000	4.85%	2/13/2013	502,023	519,039	12/31/2011	1.40%	1.41%	1.085
Toronto Dominion Bank BA	250,000	4.85%	2/13/2013	250,390	259,520	12/31/2011	1.40%	1.41%	1.085
Bank of Nova Scotia SR Deposit	250,000	4.56%	10/30/2013	250,062	263,257	12/31/2011	1.61%	1.62%	1.767
Wells Fargo Financial Canada	300,000	4.33%	12/6/2013	299,977	312,140	12/31/2011	2.18%	2.19%	1.870
Enbridge Gas	250,000	5.57%	1/29/2014	258,413	269,067	12/31/2011	1.81%	1.82%	1.953
CU Inc.	250,000	5.10%	11/18/2014	259,313	272,750	12/31/2011	1.84%	1.85%	2.711
Canadian Imperial Bank	300,000	4.75%	12/22/2014	301,593	324,073	12/31/2011	1.96%	1.97%	2.814
Canadian Imperial Bank	200,000	4.75%	12/22/2014	201,745	216,049	12/31/2011	1.96%	1.97%	2.814
GE Capital Canada Funding	300,000	4.65%	2/11/2015	302,130	317,446	12/31/2011	2.69%	2.71%	2.893
Royal Bank of Canada	500,000	3.18%	3/16/2015	507,661	518,635	12/31/2011	1.97%	1.98%	3.052
Royal Bank of Canada	300,000	3.36%	1/11/2016	301,321	311,747	12/31/2011	2.34%	2.35%	3.751
Canadian Imperial Bank	300,000	3.40%	1/14/2016	301,630	312,096	12/31/2011	2.35%	2.36%	3.756
Bank of Nova Scotia	400,000	3.61%	2/22/2016	405,560	419,694	12/31/2011	2.35%	2.37%	3.847
Bank of Montreal	400,000	3.10%	3/10/2016	398,344	411,496	12/31/2011	2.38%	2.39%	3.932
Bank of Montreal	200,000	3.10%	3/10/2016	206,317	205,748	12/31/2011	2.38%	2.39%	3.932
Bank of Montreal	500,000	3.49%	6/10/2016	523,135	521,584	12/31/2011	2.46%	2.47%	4.153
Royal Bank of Canada	300,000	3.66%	1/25/2017	303,722	315,438	12/31/2011	2.57%	2.59%	4.614

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

INVESTMENT PORTFOLIO VALUATION & SELECTION OF DISCOUNT RATE
As at December 31, 2011

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
BONDS									
Bond Issuer	Holdings	Coupon Rate	Maturity Date	Cost	Market Value	Valuation Date	Market Yield	Effective Yield	Duration
Royal Bank of Canada	75,000	3.66%	1/25/2017	76,362	78,860	12/31/2011	2.57%	2.59%	4.614
Royal Bank of Canada	125,000	3.66%	1/25/2017	126,742	131,433	12/31/2011	2.57%	2.59%	4.614
Canadian Imperial Bank	400,000	3.95%	7/14/2017	409,449	425,972	12/31/2011	2.68%	2.70%	4.962
Canadian Imperial Bank	300,000	3.95%	7/14/2017	308,768	319,479	12/31/2011	2.68%	2.70%	4.962
Bank of Montreal	200,000	4.55%	8/1/2017	199,919	219,085	12/31/2011	2.70%	2.72%	4.943
BOND TOTAL				41,937,442	44,248,315				
TREASURY BILLS									
Canada Treasury Bills	900,000	n/a	3/1/2012	898,838	897,337	12/31/2011	0.83%	0.83%	0.167
BC Prov CDS	2,000,000	n/a	1/9/2012	1,999,586	1,999,776	12/31/2011	0.83%	0.83%	0.025
Canada Treasury Bills	1,000,000	n/a	2/2/2012	999,352	998,762	12/31/2011	0.83%	0.83%	0.090
Canada Treasury Bills	500,000	n/a	3/1/2012	499,381	498,521	12/31/2011	0.83%	0.83%	0.167
Canada Treasury Bills	1,800,000	n/a	2/16/2012	1,798,430	1,798,096	12/31/2011	0.83%	0.83%	0.129
TREASURY BILL TOTAL				6,195,586	6,192,492				

(10) Duration-Weighted Effective Market Yield on Bonds: 1.85%

(11) Selected Discount Rate: 1.85%

- (1) - (5) From Investment Manager
(6) Valuation Date = 12/31/2011
(7) Expected future yield on bond
(8) $= [(1 + (7) / 2) ^ 2] - 1$
(9) Duration of bond
(10) $= [(5) \times (8) \times (9)] / [(5) \times (9)]$
(11) Judgment

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
SELECTION FOR PROVISION FOR ADVERSE DEVIATION
As at December 31, 2011

Major Valuation Variables		Low Margin	High Margin	Considerations	Evaluation (1)	Weight(2)	Indicated PFAD	Selected PFAD
Claims Development		2.50%	20.00%	Company practices: Consistency in claims handling procedures and personnel	0	1	10.00%	10.00%
				System changes	0	1		
				Changes in case reserve estimation	0	1		
				Data: Number of years of past experience on which expected development is based	0	1		
				Volume of business in each year	1	1		
				Changes in volume of business over last five to seven years	0	1		
				Changes in mix of business over last five to seven years	0	1		
				Homogeneity of data grouping	1	1		
				Stability of historical development	1	1		
				Potential impact of large individual claims	2	1		
				Line of Business: Length of time over which potential development might take place from reporting of new losses	2	2		
				Likelihood of external changes which may significantly affect development	2	1		
				Net retention of the company for the line of business	1	1		
				Change in policy form	0	1		
Reinsurance Recovery		0.00%	15.00%	Ceded claims ratio	0	1	5.00%	5.00%
				Potential problem reinsurers	1	1		
				Balance sheet exposure for each assuming company	1	1		
Interest Rate		25 BP	200 BP	Investment portfolio	0	2	0.69%	0.75%
				Investment climate	0	1		
				Method of valuing assets	1	1		
				Matching of investments to claims payments patterns	1	1		

(1) Evaluation of Consideration:

Low Margin=0
Medium Margin=1
High Margin=2

(2) Consideration Weight:

Low Weight=0
Medium Weight=1
High Weight=2

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

PROVISION FOR ADVERSE DEVIATION

Gross Claims Liabilities

Interest Rate Component

(1) <i>Policy Year</i>	(2) <i>Gross Outstanding Liabilities</i>	(3) <i>Present Value of Gross Outstanding Liabilities</i>		(4)
		<i>1.85%</i>	<i>1.10%</i>	
1987/88	-	-	-	-
1988/89	-	-	-	-
1989/90	-	-	-	-
1990/91	-	-	-	-
1991/92	-	-	-	-
1992/93	-	-	-	-
1993/94	-	-	-	-
1994/95	-	-	-	-
1995/96	-	-	-	-
1996/97	-	-	-	-
1997/98	-	-	-	-
1998/99	-	-	-	-
1999/00	-	-	-	-
2000/01	139,010	132,612		135,148
2001/02	275,853	260,870		266,787
2002/03	3,908,485	3,663,796		3,760,079
2003/04	2,869,552	2,666,243		2,745,954
2004/05	1,969,813	1,818,931		1,877,888
2005/06	1,213,848	1,126,594		1,160,619
2006/07	9,984,799	9,255,339		9,539,319
2007/08	8,424,024	7,817,818		8,053,551
2008/09	9,016,776	8,343,335		8,604,889
2009/10	14,440,990	13,221,784		13,694,270
2010/11	16,119,636	14,566,551		15,166,642
2011/12	8,428,386	7,559,348		7,894,110
Total	76,791,174	70,433,222		72,899,256

Recommended Margin on Interest Rate Variable
[total column (4) less total column (3)]:

2,466,034

(1) Policy Year

(2) Exhibit V plus loss adjustment expense reserves at 3.25%

(3) Present Value of column (2) at a 1.85% discount factor.

(4) Present Value of column (2) at a 1.10% discount factor.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

PROVISION FOR ADVERSE DEVIATION
Gross Claims Liabilities
Calculation of Provision For Adverse Deviation

	<i>Discounted Liabilities</i>	<i>Recommended Margin</i>	
		<i>Percentage</i>	<i>Amount</i>
(1) Undiscounted Gross Outstanding Liabilities As at December 31, 2011			\$76,791,174
(2) Discounted Gross Outstanding Liabilities As at December 31, 2011			\$70,433,222
(3) Loss Development Recommended Margin	\$70,433,222	10.0%	\$7,043,322
			\$7,043,322
(4) Reinsurance Recovery Recommended Margin	\$0	0.0%	\$0
			\$0
(5) Recommended Margin on Interest Rate Variable			\$2,466,034
(6) Calculated Provision for Adverse Deviation			\$9,509,356
(7) Discounted Gross Outstanding Liabilities plus Calculated Provision for Adverse Deviation			\$79,942,578

- (1) From Exhibit XI - Page 2, column (2).
- (2) From Exhibit XI - Page 2, columns (3).
- (3) Equals (2) times 10% margin.
- (4) Nil, as liabilities are selected on a gross basis.
- (5) From Exhibit XI - Page 2, column (4) minus column (3).
- (6) Equals the sum of (3), (4) and (5).
- (7) Equals (2) plus (6).

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

PROVISION FOR ADVERSE DEVIATION

ULAE Liabilities

Interest Rate Component

(1) <i>Policy Year</i>	(2) <i>Gross Outstanding Liabilities</i>	(3) <i>Present Value of Gross Outstanding Liabilities</i>		(4)
		<i>1.85%</i>		<i>1.10%</i>
1987/88	-	-		-
1988/89	-	-		-
1989/90	-	-		-
1990/91	-	-		-
1991/92	-	-		-
1992/93	-	-		-
1993/94	-	-		-
1994/95	-	-		-
1995/96	-	-		-
1996/97	-	-		-
1997/98	-	-		-
1998/99	-	-		-
1999/00	-	-		-
2000/01	4,376	4,174		4,254
2001/02	8,683	8,211		8,398
2002/03	123,027	115,325		118,356
2003/04	90,325	83,925		86,434
2004/05	62,004	57,254		59,110
2005/06	38,208	35,462		36,533
2006/07	314,292	291,330		300,269
2007/08	265,163	246,081		253,502
2008/09	283,821	262,623		270,856
2009/10	454,559	416,182		431,055
2010/11	507,398	458,511		477,400
2011/12	265,300	237,946		248,483
Total	2,417,156	2,217,026		2,294,650

Recommended Margin on Interest Rate Variable
[total column (4) less total column (3)]:

77,623

(1) Policy Year

(2) Exhibit VII, loss adjustment expense reserves at 3.25%

(3) Present Value of column (2) at a 1.85% discount factor.

(4) Present Value of column (2) at a 1.10% discount factor.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

PROVISION FOR ADVERSE DEVIATION
ULAE Liabilities
Calculation of Provision For Adverse Deviation

	<u>Discounted Liabilities</u>	<u>Recommended Margin</u>	
		<u>Percentage</u>	<u>Amount</u>
(1) Undiscounted Gross Outstanding Liabilities As at December 31, 2011			\$2,417,156
(2) Discounted Gross Outstanding Liabilities As at December 31, 2011			\$2,217,026
(3) Loss Development Recommended Margin	\$2,217,026	10.0%	\$221,703
			\$221,703
(4) Reinsurance Recovery Recommended Margin	\$0	0.0%	\$0
			\$0
(5) Recommended Margin on Interest Rate Variable			\$77,623
(6) Calculated Provision for Adverse Deviation			<u>\$299,326</u>
(7) Discounted Gross Outstanding Liabilities plus Calculated Provision for Adverse Deviation			<u><u>\$2,516,352</u></u>

- (1) From Exhibit XI - Page 4, column (2).
- (2) From Exhibit XI - Page 4, columns (3).
- (3) Equals (2) times 10% margin.
- (4) Nil, as liabilities are selected on a gross basis.
- (5) From Exhibit XI - Page 4, column (4) minus column (3).
- (6) Equals the sum of (3), (4) and (5).
- (7) Equals (2) plus (6).

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

PROVISION FOR ADVERSE DEVIATION

Net Claims Liabilities

Interest Rate Component

(1) <i>Policy Year</i>	(2) <i>Gross Outstanding Liabilities</i>	(3) <i>Net Outstanding Liabilities</i>	(4) <i>Undiscounted Reinsurance Recovery</i>	(5) <i>Present Value of Net Outstanding Liabilities</i>		(7) <i>Discounted Reinsurance Recovery</i>
				1.85%	1.10%	
1987/88	-	-	-	-	-	-
1988/89	-	-	-	-	-	-
1989/90	-	-	-	-	-	-
1990/91	-	-	-	-	-	-
1991/92	-	-	-	-	-	-
1992/93	-	-	-	-	-	-
1993/94	-	-	-	-	-	-
1994/95	-	-	-	-	-	-
1995/96	-	-	-	-	-	-
1996/97	-	-	-	-	-	-
1997/98	-	-	-	-	-	-
1998/99	-	-	-	-	-	-
1999/00	-	-	-	-	-	-
2000/01	139,010	32,656	106,355	31,153	31,748	101,460
2001/02	275,853	8,683	267,170	8,211	8,398	252,659
2002/03	3,908,485	2,207,230	1,701,255	2,069,047	2,123,421	1,594,749
2003/04	2,869,552	1,470,306	1,399,246	1,366,134	1,406,976	1,300,109
2004/05	1,969,813	1,234,590	735,224	1,140,023	1,176,975	678,908
2005/06	1,213,848	366,214	847,634	339,890	350,155	786,704
2006/07	9,984,799	7,739,204	2,245,595	7,173,801	7,393,913	2,081,538
2007/08	8,424,024	4,439,572	3,984,452	4,120,094	4,244,328	3,697,724
2008/09	9,016,776	4,697,691	4,319,084	4,346,833	4,483,101	3,996,503
2009/10	14,440,990	8,733,887	5,707,103	7,996,513	8,282,272	5,225,271
2010/11	16,119,636	8,639,611	7,480,025	7,807,207	8,128,836	6,759,344
2011/12	8,428,386	2,587,953	5,840,434	2,321,113	2,423,902	5,238,235
Total	76,791,174	42,157,597	34,633,577	38,720,019	40,054,026	31,713,204

Recommended Margin on Interest Rate Variable

[total column (6) less total column (5)]:

1,334,007

(1) Policy Year

(2) Exhibit V plus loss adjustment expense reserves at 3.25%

(3) Exhibit VIII (Net CLLAS experience)

(4) Column (2) minus column (3).

(5) Present Value of column (3) at a 1.85% discount factor.

(6) Present Value of column (3) at a 1.10% discount factor.

(7) Present Value of column (4) at a 1.85% discount factor.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

PROVISION FOR ADVERSE DEVIATION
Net Claims Liabilities
Calculation of Provision For Adverse Deviation

	<u>Discounted Liabilities</u>	<u>Recommended Margin Percentage</u>	<u>Amount</u>
(1) Undiscounted Net Outstanding Liabilities As at December 31, 2011			\$42,157,597
(2) Discounted Net Outstanding Liabilities As at December 31, 2011			\$38,720,019
(3) Loss Development Recommended Margin	\$38,720,019	10.0%	\$3,872,002
			\$3,872,002
(4) Reinsurance Recovery Recommended Margin	\$31,713,204	5.0%	\$1,585,660
			\$1,585,660
(5) Recommended Margin on Interest Rate Variable			\$1,334,007
(6) Calculated Provision for Adverse Deviation			\$6,791,669
(7) Discounted Net Outstanding Liabilities plus Calculated Provision for Adverse Deviation			\$45,511,688

- (1) From Exhibit XI - Page 6, column (2).
- (2) From Exhibit XI - Page 6, column (5).
- (3) Equals (2) times 10% margin.
- (4) From Exhibit XI - Page 6, column (7) times 5% margin.
- (5) From Exhibit XI - Page 6, column (6) minus column (5).
- (6) Equals the sum of (2), (3) and (4).
- (7) Equals (2) plus (6).

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
PREMIUM LIABILITIES
As at December 31, 2011

	<u>\$ 000's</u>
GROSS	
(1) Gross Unearned Premiums Reported in Annual Return	8,457
(2) Expected Loss and ALAE Ratio /1	100%
(3) Expected Losses and ALAE, [(1) * (2)]	8,457
(4) Expected ULAE, (3) x 3.25% /2	275
(5) Undiscounted Expected Losses and Loss Adjustment Expenses, [(3) + (4)]	8,732
(6) Discounted Claims Liabilities in Connection with Unearned Premium plus Provision for Adverse Deviation, (Exhibit XII page 2)	8,961
(7) Policyholder Service Costs, (1) x 3.0% /3	254
(8) Due to Reinsurer	0
(9) Investment Income on Unearned Premiums @ 1.85%, (23)	8
(10) Gross Liabilities in Connection with Unearned Premium, [(6) + (7) + (8) - (9)]	9,207
RECOVERABLE FROM REINSURERS	
(11) Ceded Unearned Premiums, [(1) - (15)]	5,920
(12) Expected Claims Ceded, [(6) - (20)]	6,084
(13) Doubtful Account	0
(14) Recoverable [(12) - (13)]	6,084
NET	
(15) Net unearned premiums reported in Annual Return	2,537
(16) Expected Loss and ALAE Ratio /1	89%
(17) Expected Losses and ALAE [(15) * (16)]	2,258
(18) Expected ULAE, (4)	275
(19) Undiscounted Expected Losses and Loss Adjustment Expenses [(17) + (18)]	2,532
(20) Discounted Claims Liabilities in Connection with Unearned Premium plus Provision for Adverse Deviation (Exhibit XII page 3)	2,877
(21) Policyholder Service Costs, (7)	254
(22) Due to Reinsurer, (8)	0
(23) Investment Income on Net Unearned Premiums @ 1.85%, [(15) * (1.0185^(1/6) - 1)]	8
(24) Change in Reinsurance Costs	0
(25) Net liabilities in Connection with Unearned Premium, [(20) + (21) + (22) - (23) + (24)]	3,123
(26) Deferred Policy Acquisition Expense (DPAE) Reported in Annual Return	0
(27) Unearned Commissions Reported in Annual Return	0
(28) Other Net Liabilities Reported in Annual Return	0
(29) Net liabilities in Connection with Unearned Premium Reported in Annual Return, [(15) - (26) + (27) + (28)]	2,537
(30) Maximum Allowable DPAE Based on Claims Experience, Max[(15) - (25) + (27) + (28), 0]	0
(31) Excess of Maximum Allowable DPAE over Reported DPAE, Max[(30) - (26), 0]	0
(32) Premium Deficiency, Max[(25) + (26) - (15) - (27) - (28), 0]	586

/1 Based on expected losses from 2011/2012 rating and actual 2011/2012 premiums collected.

/2 ULAE Percentage Selected in Exhibit IV

/3 Selected from the ratio of Paid General Expenses to Earned Premiums * 1/3 subject to a maximum of 5% and minimum of 3%.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

PROVISION FOR ADVERSE DEVIATION
Gross Liabilities in Connection with Unearned Premium
Calculation of Provision For Adverse Deviation

	<u>Discounted Liabilities</u>	<u>Recommended Margin Percentage</u>	<u>Amount</u>
(1) Expected Gross Liabilities in Connection with Unearned Premium			\$8,731,755
(2) Discounted Gross Expected Losses			
(a) Discounted at 1.85%			\$7,831,436
(a) Discounted at 1.10%			\$8,178,248
(3) Loss Development	\$7,831,436	10.0%	\$783,144
Recommended Margin			\$783,144
(4) Reinsurance Recovery	\$0	0.0%	\$0
Recommended Margin			\$0
(5) Recommended Margin on Interest Rate Variable			\$346,811
(6) Calculated Provision for Adverse Deviation			<u>\$1,129,955</u>
(7) Discounted Gross Claims Liabilities in Connection with Unearned Premium plus Calculated Provision for Adverse Deviation			<u><u>\$8,961,392</u></u>

- (1) Gross Undiscounted Expected Losses and Loss Adjustment Expenses, (Page 1 - (5))
(2) (1) discounted based on selected payout pattern.
(3) Equals (2)(a) times 10% margin.
(4) Nil, as liabilities are selected on a gross basis.
(5) (2)(b) - (2)(a)
(6) Equals the sum of (3), (4) and (5).
(7) Equals (2)(a) plus (6).

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

PROVISION FOR ADVERSE DEVIATION
Net Liabilities in Connection with Unearned Premium
Calculation of Provision For Adverse Deviation

	<u><i>Discounted Liabilities</i></u>	<u><i>Recommended Margin Percentage</i></u>	<u><i>Amount</i></u>
(1) Expected Net Liabilities in Connection with Unearned Premium			\$2,532,394
(2) Discounted Net Expected Losses			
(a) Discounted at 1.85%			\$2,271,283
(a) Discounted at 1.10%			\$2,371,865
(3) Loss Development	\$2,271,283	10.0%	\$227,128
Recommended Margin			\$227,128
(4) Reinsurance Recovery	\$5,560,154	5.0%	\$278,008
Recommended Margin			\$278,008
(5) Recommended Margin on Interest Rate Variable			\$100,583
(6) Calculated Provision for Adverse Deviation			<u>\$605,719</u>
(7) Discounted Net Claims Liabilities in Connection with Unearned Premium plus Calculated Provision for Adverse Deviation			<u><u>\$2,877,001</u></u>

- (1) Net Undiscounted Expected Losses and Loss Adjustment Expenses, (Page 1 - (19))
- (2) (1) discounted based on selected payout pattern.
- (3) Equals (2)(a) times 10% margin.
- (4) Page-2 - (2)(a) - Page-3 - (2)(a) times 5% margin.
- (5) (2)(b) - (2)(a)
- (6) Equals the sum of (3), (4) and (5).
- (7) Equals (2)(a) plus (6).

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
SUMMARY OF NET UNDISCOUNTED AND NET DISCOUNTED CLAIMS LIABILITIES
As at December 31, 2011

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	<i>Net Undiscounted Claims Liabilities</i>			<i>Net Discounted Claims Liabilities</i>				
<i>Insurance Classes</i>	<i>Unpaid Claims (case basis)</i>	<i>IBNR</i>	<i>Subtotal</i>	<i>Present Value of (4)</i>	<i>Provision for Adverse Deviation</i>			<i>Actuarial Liabilities</i>
					<i>Development</i>	<i>Reinsurance</i>	<i>Interest Rate</i>	
Professional Liability	\$13,501,880	\$26,238,561	\$39,740,441	\$36,502,992	\$3,650,299	\$1,585,660	\$1,256,384	\$42,995,335
Unpaid internal adjustment expenses - Total	\$559,131	\$1,858,024	\$2,417,156	\$2,217,026	\$221,703	\$0	\$77,623	\$2,516,352
Total	\$14,061,011	\$28,096,586	\$42,157,597	\$38,720,019	\$3,872,002	\$1,585,660	\$1,334,007	\$45,511,688

- (2) From Exhibit VII.
(3) From Exhibit VII.
(4) Column (2) plus column (3).
(5) From Exhibit X.
(6) From Exhibit X.
(7) From Exhibit X.
(8) From Exhibit X.
(9) Sum of (5), (6), (7) and (8).

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

SUMMARY OF NET OUTSTANDING LIABILITIES
AND PROVISION FOR ADVERSE DEVIATION BY YEAR

As at December 31, 2011

NET (Policy Year)

<i>Policy Period*</i>	<i>Policy Period</i>	<u>UNDISCOUNTED</u>			<u>DISCOUNTED + PFAD</u>		
		<i>CASE</i>	<i>IBNR</i>	<i>TOTAL</i>	<i>CASE</i>	<i>IBNR</i>	<i>TOTAL</i>
1989/1990	1990	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
1990/1991	1991	0	0	0	0	0	0
1991/1992	1992	0	0	0	0	0	0
1992/1993	1993	0	0	0	0	0	0
1993/1994	1994	0	0	0	0	0	0
1994/1995	1995	0	0	0	0	0	0
1995/1996	1996	0	0	0	0	0	0
1996/1997	1997	0	0	0	0	0	0
1997/1998	1998	0	0	0	0	0	0
1998/1999	1999	0	0	0	0	0	0
1999/2000	2000	0	0	0	0	0	0
2000/2001	2001	0	32,656	32,656	0	40,000	40,000
2001/2002	2002	(0)	8,683	8,683	0	22,000	22,000
2002/2003	2003	2,084,202	123,027	2,207,230	2,084,000	326,000	2,410,000
2003/2004	2004	891,608	578,697	1,470,306	892,000	717,000	1,609,000
2004/2005	2005	811,662	422,927	1,234,590	812,000	513,000	1,325,000
2005/2006	2006	0	366,214	366,214	0	423,000	423,000
2006/2007	2007	6,150,000	1,589,204	7,739,204	6,150,000	2,065,000	8,215,000
2007/2008	2008	1,263,091	3,176,481	4,439,572	1,263,000	3,578,000	4,841,000
2008/2009	2009	0	4,697,691	4,697,691	0	5,118,000	5,118,000
2009/2010	2010	2,280,304	6,453,583	8,733,887	2,280,000	7,063,000	9,343,000
2010/2011	2011	364,766	8,274,845	8,639,611	365,000	8,883,000	9,248,000
2011/2012	2012	215,377	2,372,575	2,587,953	215,000	2,703,000	2,918,000
Total	Total	\$ 14,061,011	\$ 28,096,586	\$ 42,157,597	\$ 14,061,000	\$ 31,451,000	\$ 45,512,000

* The Policy Period runs from July 1 to June 30.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

SUMMARY OF NET OUTSTANDING LIABILITIES
AND PROVISION FOR ADVERSE DEVIATION BY YEAR

As at December 31, 2011

NET (Calendar Year)

<i>Calendar Year*</i>	<i>CASE</i>	<u><i>UNDISCOUNTED</i></u>			<i>TOTAL</i>	<i>CASE</i>	<u><i>DISCOUNTED + PFAD</i></u>			<i>TOTAL</i>
		<i>IBNR</i>					<i>IBNR</i>			
1989	\$	0	\$	0	\$	0	\$	0	\$	0
1990		0		0		0		0		0
1991		0		0		0		0		0
1992		0		0		0		0		0
1993		0		0		0		0		0
1994		0		0		0		0		0
1995		0		0		0		0		0
1996		0		0		0		0		0
1997		0		0		0		0		0
1998		0		0		0		0		0
1999		0		0		0		0		0
2000		0		16,328		16,328		0		20,000
2001		(0)		20,669		20,669		0		31,000
2002		1,042,101		65,855		1,107,956		1,042,000		174,000
2003		1,487,905		350,862		1,838,768		1,488,000		521,000
2004		851,635		500,812		1,352,448		852,000		615,000
2005		405,831		394,571		800,402		406,000		468,000
2006		3,075,000		977,709		4,052,709		3,075,000		1,244,000
2007		3,706,546		2,382,843		6,089,388		3,707,000		2,821,000
2008		631,546		3,937,086		4,568,632		632,000		4,347,000
2009		1,140,152		5,575,637		6,715,789		1,140,000		6,090,000
2010		1,322,535		7,364,214		8,686,749		1,323,000		7,972,000
2011		397,760		6,509,998		6,907,758		398,000		7,146,000
Total	\$	14,061,011	\$	28,096,586	\$	42,157,597	\$	14,063,000	\$	31,449,000
										\$ 45,512,000

* January 1 to December 31.

** IBNR Includes the full impact of discounting and PFAD.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

SUMMARY OF GROSS OUTSTANDING LIABILITIES
AND PROVISION FOR ADVERSE DEVIATION BY YEAR

As at December 31, 2011

GROSS (Policy Year)

<i>Policy Period*</i>	<i>Policy Period</i>	<u>UNDISCOUNTED</u>			<u>DISCOUNTED +PFAD</u>		
		<i>CASE</i>	<i>IBNR</i>	<i>TOTAL</i>	<i>CASE</i>	<i>IBNR</i>	<i>TOTAL</i>
1989/1990	1990	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
1990/1991	1991	0	0	0	0	0	0
1991/1992	1992	0	0	0	0	0	0
1992/1993	1993	0	0	0	0	0	0
1993/1994	1994	0	0	0	0	0	0
1994/1995	1995	0	0	0	0	0	0
1995/1996	1996	0	0	0	0	0	0
1996/1997	1997	0	0	0	0	0	0
1997/1998	1998	0	0	0	0	0	0
1998/1999	1999	0	0	0	0	0	0
1999/2000	2000	0	0	0	0	0	0
2000/2001	2001	0	139,010	139,010	0	148,000	148,000
2001/2002	2002	0	275,853	275,853	0	293,000	293,000
2002/2003	2003	3,105,347	803,138	3,908,485	3,105,000	1,021,000	4,126,000
2003/2004	2004	1,750,000	1,119,552	2,869,552	1,750,000	1,263,000	3,013,000
2004/2005	2005	811,662	1,158,151	1,969,813	812,000	1,248,000	2,060,000
2005/2006	2006	0	1,213,848	1,213,848	0	1,273,000	1,273,000
2006/2007	2007	6,750,000	3,234,799	9,984,799	6,750,000	3,715,000	10,465,000
2007/2008	2008	1,926,585	6,497,439	8,424,024	1,927,000	6,908,000	8,835,000
2008/2009	2009	0	9,016,776	9,016,776	0	9,439,000	9,439,000
2009/2010	2010	2,280,304	12,160,686	14,440,990	2,280,000	12,736,000	15,016,000
2010/2011	2011	364,766	15,754,870	16,119,636	365,000	16,259,000	16,624,000
2011/2012	2012	215,377	8,213,009	8,428,386	215,000	8,436,000	8,651,000
Total	Total	\$ 17,204,041	\$ 59,587,132	\$ 76,791,174	\$ 17,204,000	\$ 62,739,000	\$ 79,943,000

* The Policy Period runs from July 1 to June 30.

** IBNR Includes the full impact of discounting and PFAD.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

SUMMARY OF GROSS OUTSTANDING LIABILITIES
AND PROVISION FOR ADVERSE DEVIATION BY YEAR

As at December 31, 2011

GROSS (Calendar Year)

<i>Calendar Year*</i>	<i>CASE</i>	<u><i>UNDISCOUNTED</i></u>			<i>TOTAL</i>	<i>CASE</i>	<u><i>DISCOUNTED +PFAD</i></u>			<i>TOTAL</i>
			<i>IBNR</i>					<i>IBNR</i>		
1989	\$	0	\$	0	\$	0	\$	0	\$	0
1990		0		0		0		0		0
1991		0		0		0		0		0
1992		0		0		0		0		0
1993		0		0		0		0		0
1994		0		0		0		0		0
1995		0		0		0		0		0
1996		0		0		0		0		0
1997		0		0		0		0		0
1998		0		0		0		0		0
1999		0		0		0		0		0
2000		0		69,505		69,505		0		74,000
2001		0		207,432		207,432		0		221,000
2002		1,552,673		539,496		2,092,169		1,553,000		657,000
2003		2,427,673		961,345		3,389,018		2,428,000		1,142,000
2004		1,280,831		1,138,852		2,419,683		1,281,000		1,255,000
2005		405,831		1,186,000		1,591,831		406,000		1,261,000
2006		3,375,000		2,224,324		5,599,324		3,375,000		2,494,000
2007		4,338,293		4,866,119		9,204,412		4,338,000		5,312,000
2008		963,293		7,757,107		8,720,400		963,000		8,174,000
2009		1,140,152		10,588,731		11,728,883		1,140,000		11,088,000
2010		1,322,535		13,957,778		15,280,313		1,323,000		14,497,000
2011		397,760		16,090,444		16,488,204		398,000		16,563,000
Total	\$	17,204,041	\$	59,587,132	\$	76,791,174	\$	17,205,000	\$	62,738,000
										\$ 79,943,000

* January 1 to December 31.

** IBNR Includes the full impact of discounting and PFAD.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
COMPARISON OF NET ACTUAL EXPERIENCE WITH NET EXPECTED EXPERIENCE
FROM THE DECEMBER 31, 2002 THROUGH DECEMBER 31, 2011 VALUATIONS

<i>Policy Period ⁽¹⁾</i>	<i>Selected Ultimate ⁽³⁾</i>									
	<i>as at Dec. 31, 2002</i>	<i>as at Dec. 31, 2003</i>	<i>as at Dec. 31, 2004</i>	<i>as at Dec. 31, 2005</i>	<i>as at Dec. 31, 2006</i>	<i>as at Dec. 31, 2007</i>	<i>as at Dec. 31, 2008</i>	<i>as at Dec. 31, 2009</i>	<i>as at Dec. 31, 2010</i>	<i>as at Dec. 31, 2011</i>
1987/1988	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1988/1989	0	0	0	0	0	0	0	0	0	0
1989/1990	0	0	0	0	0	0	0	0	0	0
1990/1991	897,000	897,000	897,000	897,000	897,000	897,000	897,000	897,000	897,000	897,000
1991/1992	2,481,000	2,470,000	2,470,000	2,470,000	2,470,000	2,470,000	2,470,000	2,470,000	2,470,000	2,470,000
1992/1993	1,000	0	0	0	0	0	0	0	0	0
1993/1994	5,879,000	5,869,000	6,148,000	6,135,000	5,638,000	5,638,000	5,638,000	5,638,000	5,638,000	5,638,000
1994/1995	1,919,000	1,899,000	1,931,000	1,898,000	1,883,000	1,883,000	1,883,000	1,883,000	1,883,000	1,883,000
1995/1996	1,920,000	1,900,000	1,936,000	1,910,000	1,889,000	1,871,000	1,871,000	1,871,000	1,871,000	1,871,000
1996/1997	94,000	56,000	97,000	73,000	36,000	20,000	0	0	0	0
1997/1998	169,000	96,000	134,000	97,000	58,000	37,000	18,000	0	0	0
1998/1999	3,300,000	3,300,000	3,300,000	3,300,000	3,300,000	3,300,000	3,300,000	3,300,000	3,300,000	3,300,000
1999/2000	695,000	356,000	3,173,000	3,058,000	3,300,000	3,300,000	3,300,000	3,300,000	3,300,000	3,300,000
2000/2001	1,483,000	914,000	737,000	897,000	777,000	893,000	747,000	625,000	553,000	28,000
2001/2002	2,503,000	3,300,000	3,300,000	3,300,000	3,300,000	3,300,000	3,300,000	3,300,000	3,300,000	3,300,000
2002/2003	5,625,000 ⁽²⁾	5,500,000	4,111,000	2,985,000	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000
2003/2004	n/a	6,261,000 ⁽²⁾	5,500,000	10,058,000	7,915,000	6,068,000	5,500,000	5,500,000	6,654,000	7,242,000
2004/2005	n/a	n/a	8,824,000 ⁽²⁾	5,500,000	5,500,000	4,948,000	3,797,000	2,841,000	2,376,000	2,435,000
2005/2006	n/a	n/a	n/a	6,326,000 ⁽²⁾	5,500,000	3,877,000	3,801,000	2,763,000	1,471,000	1,040,000
2006/2007	n/a	n/a	n/a	n/a	10,917,000 ⁽²⁾	10,888,000	8,556,000	8,180,000	6,561,000	7,425,000
2007/2008	n/a	n/a	n/a	n/a	n/a	8,441,000 ⁽²⁾	7,819,000	10,237,000	11,100,000	12,535,000
2008/2009	n/a	n/a	n/a	n/a	n/a	n/a	8,150,000 ⁽²⁾	7,626,000	5,524,000	4,419,000
2009/2010	n/a	n/a	n/a	n/a	n/a	n/a	n/a	8,797,000 ⁽²⁾	9,329,000	8,299,000
2010/2011	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	8,322,000 ⁽²⁾	9,795,000
2011/2012	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4,665,000 ⁽²⁾
TOTAL	\$26,966,000	\$32,818,000	\$42,558,000	\$48,904,000	\$58,880,000	\$63,331,000	\$66,547,000	\$74,728,000	\$80,049,000	\$86,042,000

(1) July 1 to June 30.

(2) Annualized figure based on six months result.

(3) Excludes unallocated loss adjustment expenses.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
COMPARISON OF NET ACTUAL EXPERIENCE WITH NET EXPECTED EXPERIENCE
FROM THE DECEMBER 31, 2002 THROUGH DECEMBER 31, 2011 VALUATIONS

<i>Policy Period ⁽¹⁾</i>	<i>Changes in Ultimate ⁽³⁾</i>								
	<i>From 2002 to 2011</i>	<i>From 2003 to 2011</i>	<i>From 2004 to 2011</i>	<i>From 2005 to 2011</i>	<i>From 2006 to 2011</i>	<i>From 2007 to 2011</i>	<i>From 2008 to 2011</i>	<i>From 2009 to 2011</i>	<i>From 2010 to 2011</i>
1987/1988	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1988/1989	0	0	0	0	0	0	0	0	0
1989/1990	0	0	0	0	0	0	0	0	0
1990/1991	0	0	0	0	0	0	0	0	0
1991/1992	(11,000)	0	0	0	0	0	0	0	0
1992/1993	(1,000)	0	0	0	0	0	0	0	0
1993/1994	(241,000)	(231,000)	(510,000)	(497,000)	0	0	0	0	0
1994/1995	(36,000)	(16,000)	(48,000)	(15,000)	0	0	0	0	0
1995/1996	(49,000)	(29,000)	(65,000)	(39,000)	(18,000)	0	0	0	0
1996/1997	(94,000)	(56,000)	(97,000)	(73,000)	(36,000)	(20,000)	0	0	0
1997/1998	(169,000)	(96,000)	(134,000)	(97,000)	(58,000)	(37,000)	(18,000)	0	0
1998/1999	0	0	0	0	0	0	0	0	0
1999/2000	2,605,000	2,944,000	127,000	242,000	0	0	0	0	0
2000/2001	(1,455,000)	(886,000)	(709,000)	(869,000)	(749,000)	(865,000)	(719,000)	(597,000)	(525,000)
2001/2002	797,000	0	0	0	0	0	0	0	0
2002/2003	(125,000)	0	1,389,000	2,515,000	0	0	0	0	0
2003/2004	n/a	981,000	1,742,000	(2,816,000)	(673,000)	1,174,000	1,742,000	1,742,000	588,000
2004/2005	n/a	n/a	(6,389,000)	(3,065,000)	(3,065,000)	(2,513,000)	(1,362,000)	(406,000)	59,000
2005/2006	n/a	n/a	n/a	(5,286,000)	(4,460,000)	(2,837,000)	(2,761,000)	(1,723,000)	(431,000)
2006/2007	n/a	n/a	n/a	n/a	(3,492,000)	(3,463,000)	(1,131,000)	(755,000)	864,000
2007/2008	n/a	n/a	n/a	n/a	n/a	4,094,000	4,716,000	2,298,000	1,435,000
2008/2009	n/a	n/a	n/a	n/a	n/a	n/a	(3,731,000)	(3,207,000)	(1,105,000)
2009/2010	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(498,000)	(1,030,000)
2010/2011	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,473,000
2011/2012	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
TOTAL	\$1,221,000	\$2,611,000	(\$4,694,000)	(\$10,000,000)	(\$12,551,000)	(\$4,467,000)	(\$3,264,000)	(\$3,146,000)	\$1,328,000

(1) July 1 to June 30.

(2) Annualized figure based on six months result.

(3) Excludes unallocated loss adjustment expenses.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Unpaid Claims and Loss Ratio Analysis Exhibit

As at December 31, 2011

(All amounts are on a Net basis and in 000\$)

Actuary's Category :

Professional Liability - Total

Exhibit Category :

Liability

Line	Accident Year	Paid Losses		Unpaid Claim Analysis									Loss Ratio Analysis				
		Current Year (2011)	Cumulative (2011 and prior)	Undiscounted Unpaid Claims and Adjustment Expenses			Present Value of Unpaid Claims and Adjustment Expenses - Total	Provision and Margin for Adverse Deviation (PfAD and MfAD)				Discounted Reserves including PfAD	Income		Cumulative Investment Income from Unpaid Claim Reserves	Loss Ratio (%)	
				Case Reserves	IBNR	Total		PfAD: Claims (000\$)	MfAD: Claims (%)	PfAD: Reinsurance (000\$)	PfAD: Interest Rate		Earned Premiums	Invest. Income from UPR		Undiscounted	Discounted
	(01)	(02)	(03)	(04)	(05)	(06)	(07)	(08)	(09)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
1	2001 and Prior	-	21,010	-	28	28	26	2	10%	12	-	40					
2	2002	9	3,358	1,042	-	1,042	977	98	10%	46	26	1,147	5,276	44	821	83.40%	69.25%
3	2003	87	4,639	1,488	244	1,732	1,618	162	10%	72	45	1,897	5,626	99	938	113.24%	97.78%
4	2004	216	3,562	852	425	1,277	1,182	118	10%	49	37	1,386	6,726	110	788	71.94%	60.85%
5	2005	137	987	406	344	750	694	69	10%	37	22	822	6,546	157	769	26.54%	15.52%
6	2006	-	356	3,075	801	3,876	3,593	359	10%	72	110	4,134	9,293	171	1,173	45.54%	35.05%
7	2007	3,088	4,180	3,707	2,093	5,800	5,378	538	10%	144	164	6,224	11,224	241	1,324	88.92%	79.20%
8	2008	3,088	4,183	632	3,663	4,295	3,979	398	10%	192	122	4,691	9,967	342	793	85.06%	78.39%
9	2009	-	12	1,140	5,206	6,346	5,832	583	10%	231	199	6,845	9,831	118	549	64.67%	63.40%
10	2010	831	841	1,323	6,883	8,206	7,465	746	10%	300	287	8,798	8,945	118	459	101.14%	101.29%
11	2011	841	841	398	5,991	6,389	5,758	576	10%	431	244	7,009	6,552	156	138	110.35%	114.97%
12	Total	8,297	43,969	14,063	25,678	39,741	36,502	3,649	10%	1,586	1,256	42,993	79,986	1,556	7,752	72.85%	67.21%
13	ULAE - Total											2,519					
14	"Facility Association" and "Plan"											-					
15	Other reserves											-					
16	Grand Total											45,512					



Dion Durrell

Canadian Lawyers Liability Assurance Society

Report on the Valuation of Policyholder Liabilities as at December 31, 2011

February 15, 2012

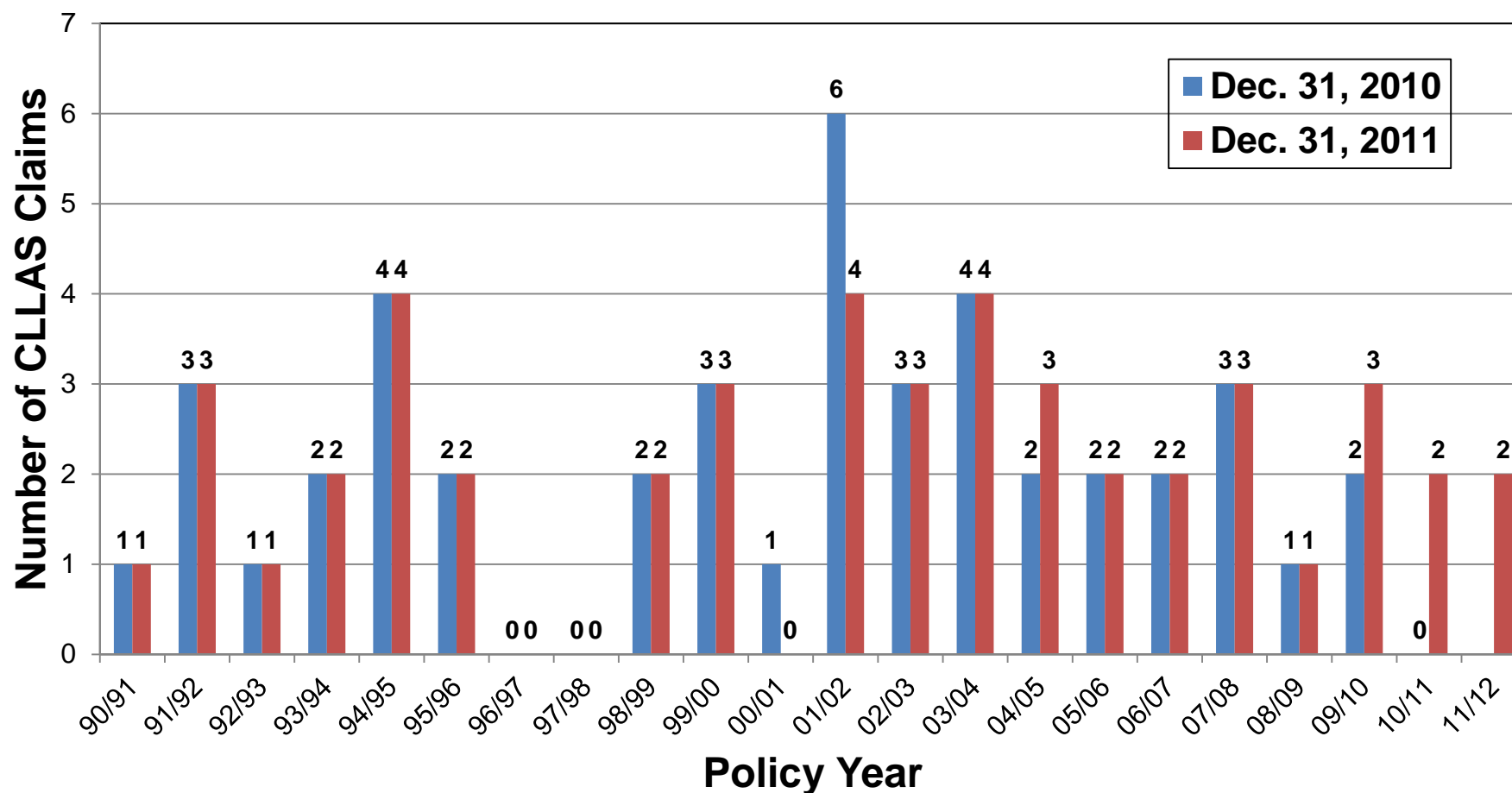
Canadian Lawyers Liability Assurance Society

Case Reserves versus Actuarial Reserves

- Case Reserves
 - Individual Estimates
 - Based on known facts at time reserves are established
- Actuarial Reserves
 - Aggregate Estimates
 - Recognize reserving/settlement patterns and project unknown events
- IBNR is difference between actuarial reserves and case reserves
- Can result from 2 sources:
 - Pure IBNR: Unknown Claims
 - Loss Development: Change in values of known claims

Canadian Lawyers Liability Assurance Society

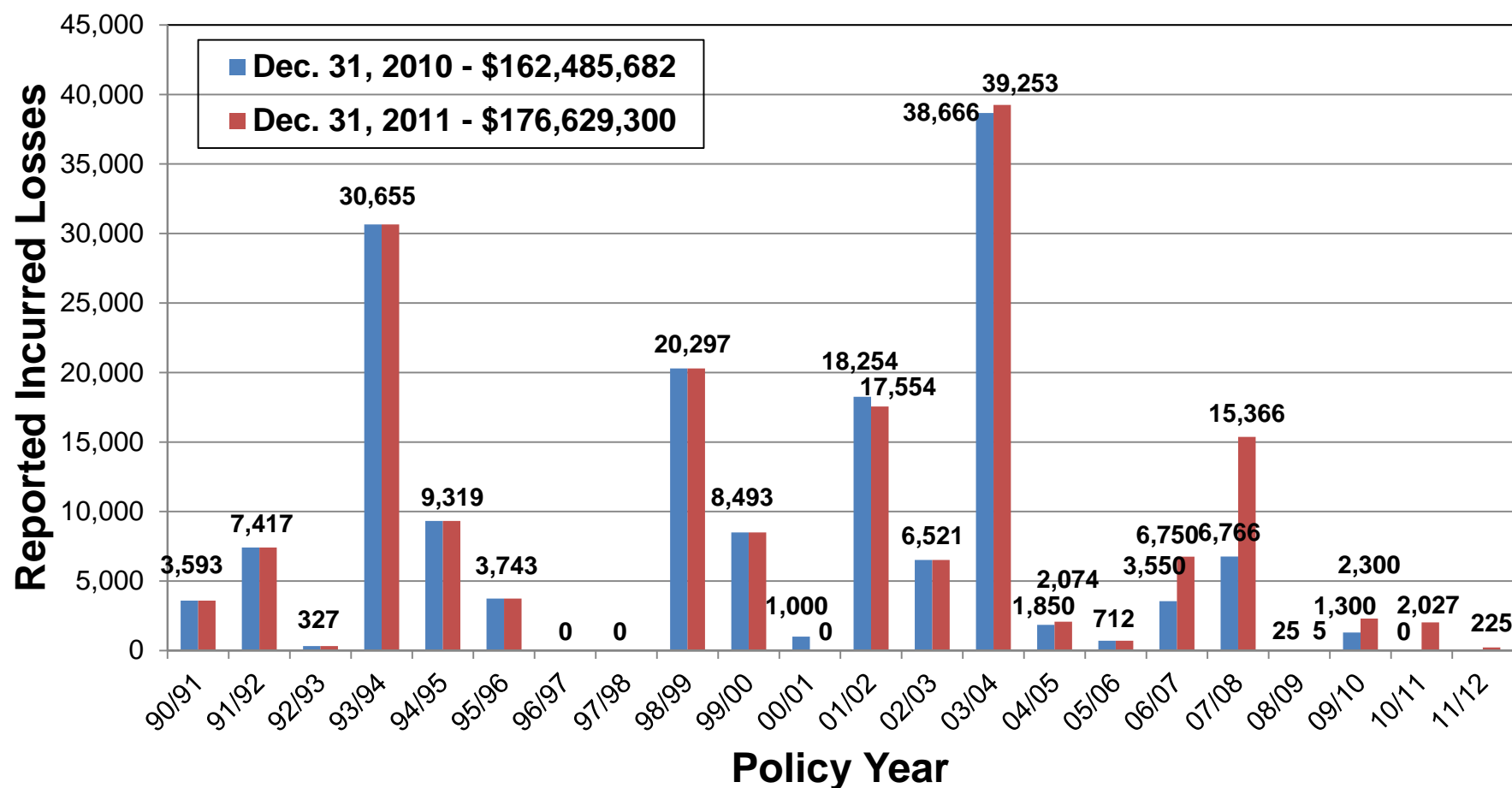
Reported Incurred Loss Activity – Counts *



* Includes non-zero claims only.

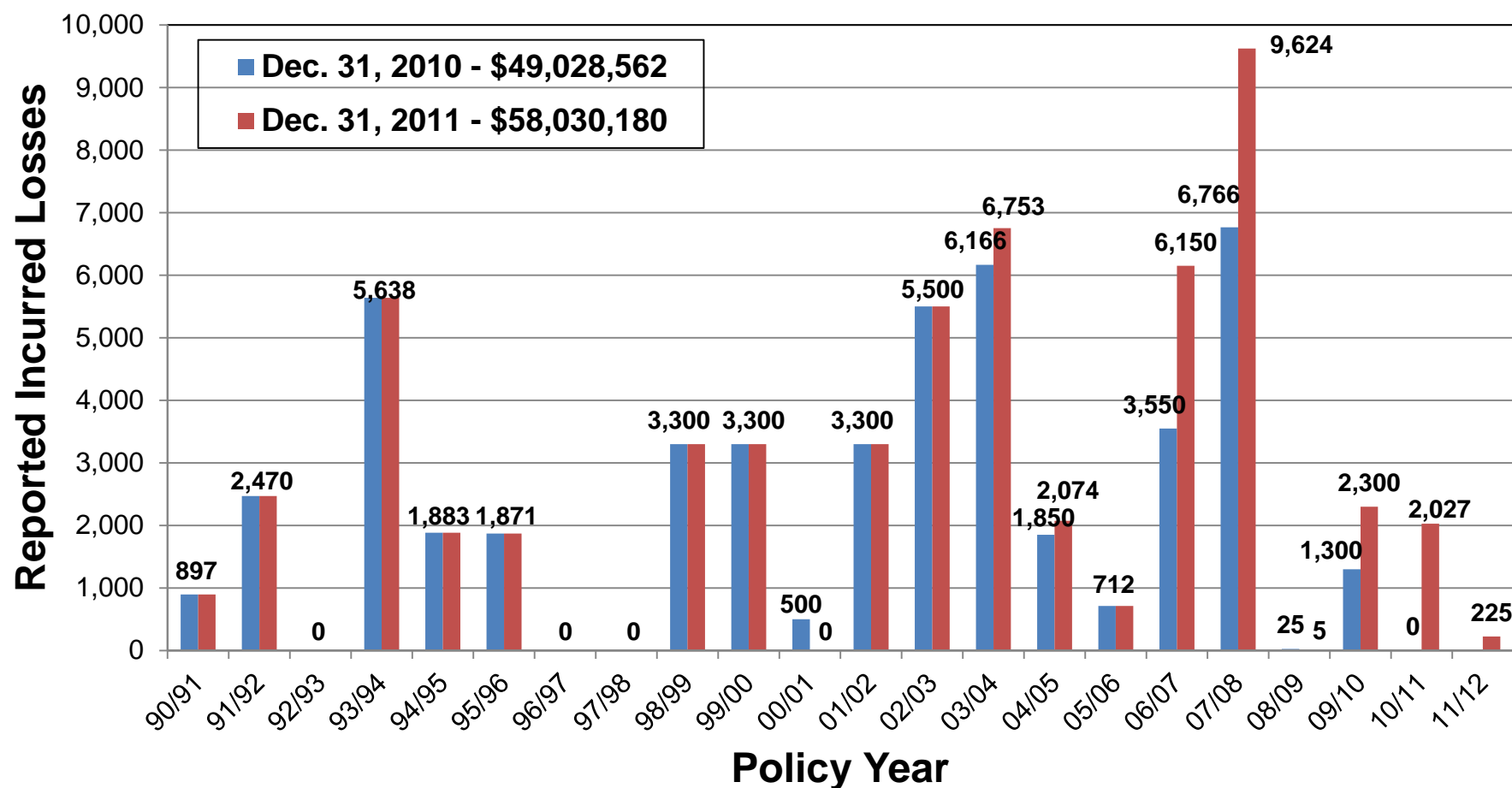
Canadian Lawyers Liability Assurance Society

Gross Reported Incurred Losses Incurred (in \$000s)



Canadian Lawyers Liability Assurance Society

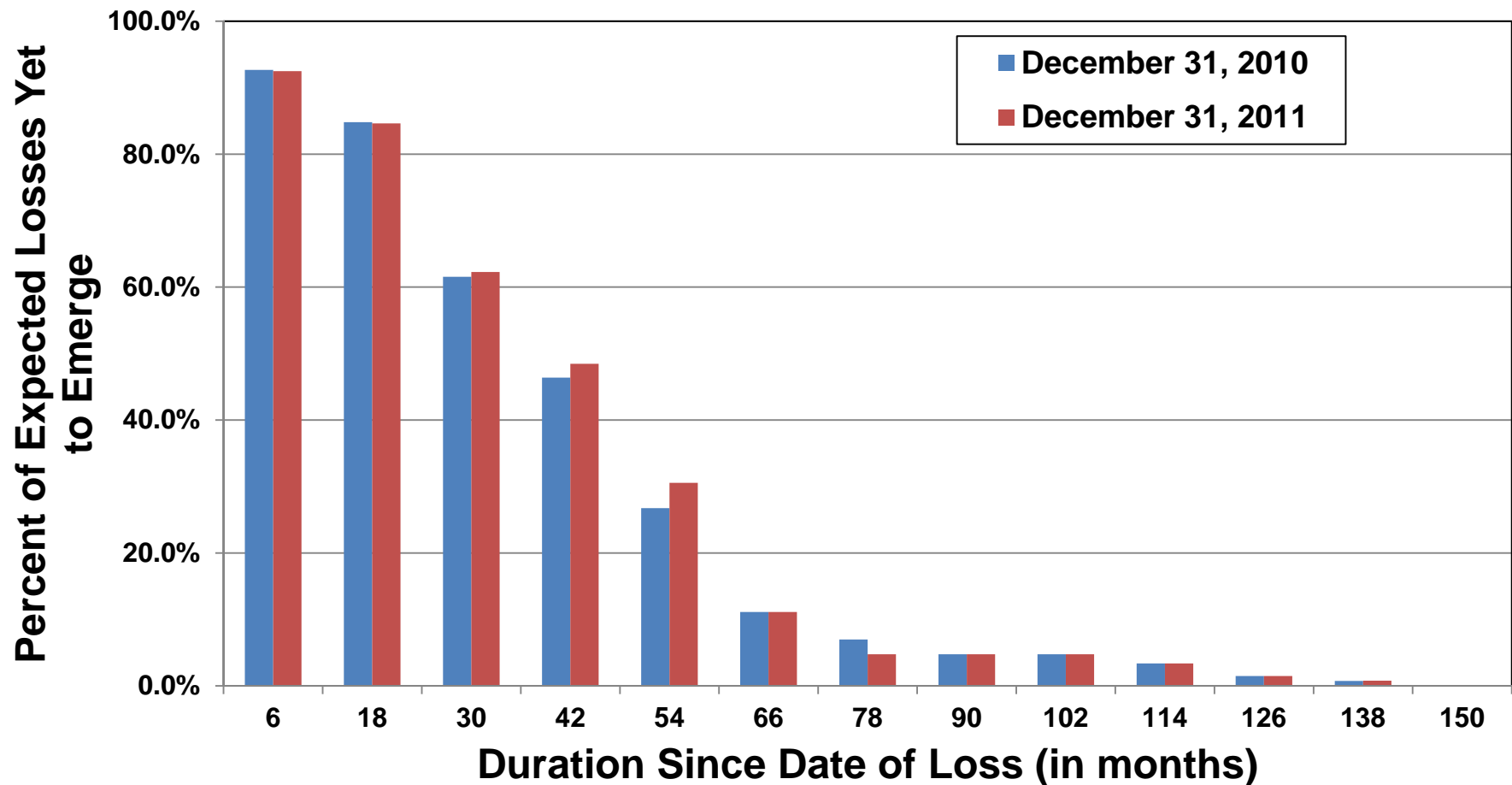
Net Reported Incurred Losses Incurred (in \$000s)



Canadian Lawyers Liability Assurance Society

Loss Development Factors

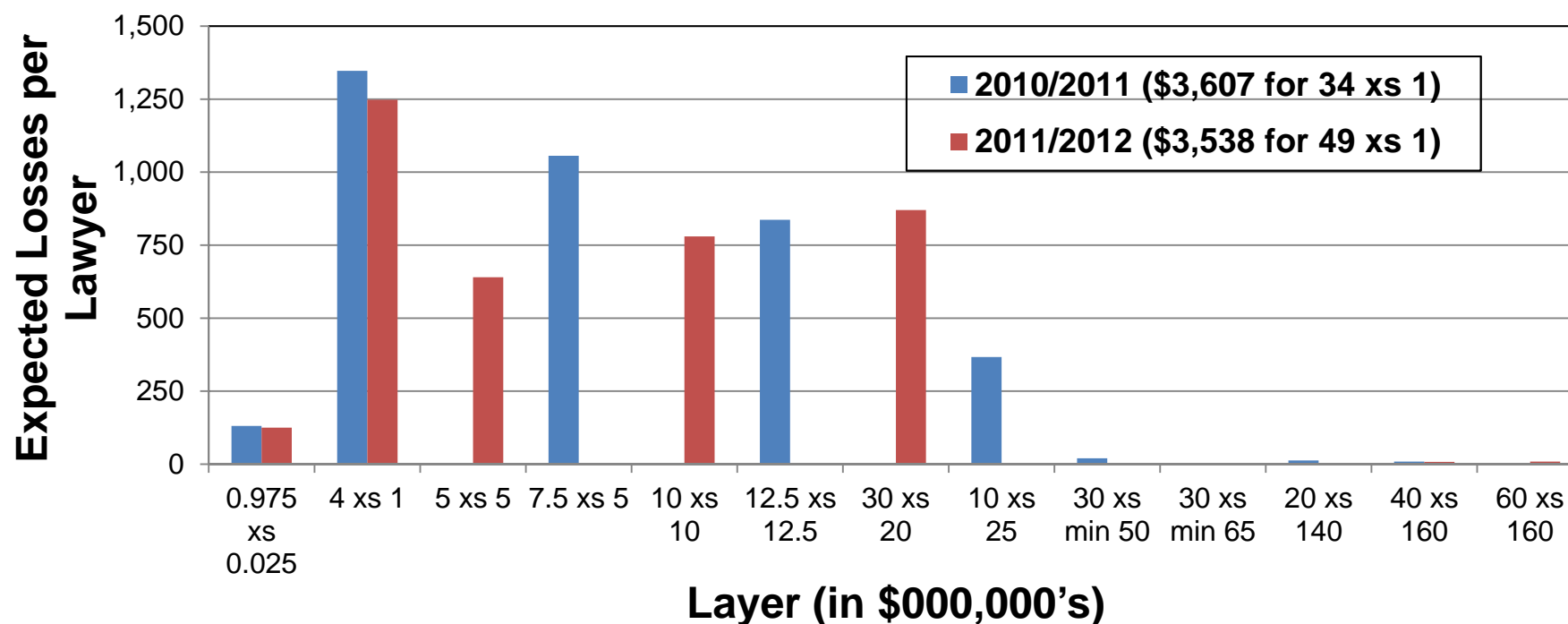
- Revision of Loss Development Factors for IBNR projection



Canadian Lawyers Liability Assurance Society

2011/2012 Expected Loss Costs

- Revision of expected loss costs for 2011/2012 reflects emerging expectations of expected losses in each layer, and the revised reinsurance structure in place in 2011/2012. The \$49 xs \$1 layer is broken down into smaller layers for valuation purposes, as follows: \$4 xs \$1, \$5 xs \$5, \$10 xs \$10 and \$30 xs \$20.



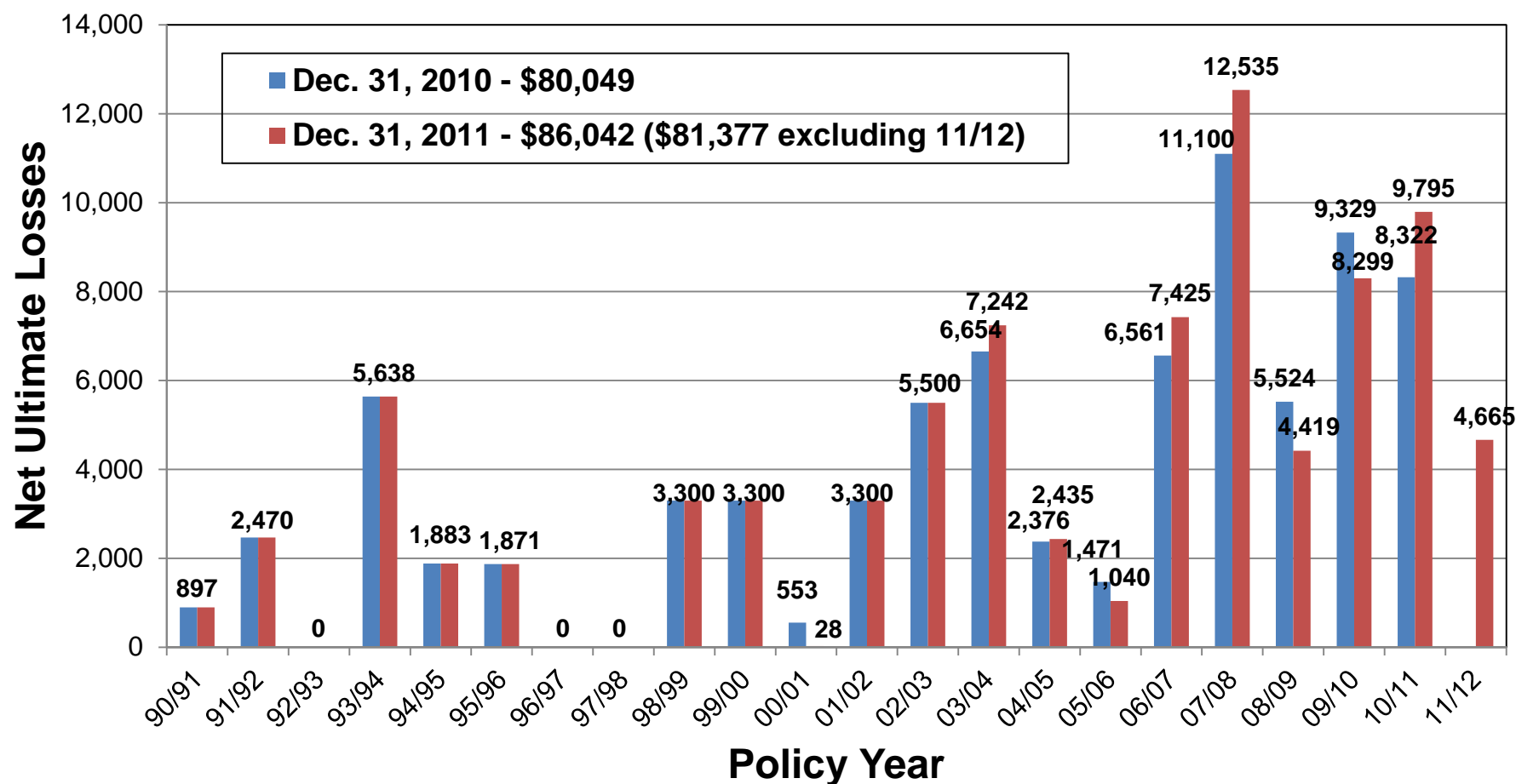
Canadian Lawyers Liability Assurance Society

Arrangement between CLLAS and Colchester for 2011/2012

- Colchester retains 25% of the layer \$49 million excess of \$1 million.
- The per claim retention for CLLAS subject to the aggregate limit includes:
 - 100% of the layer \$0.925 million excess of \$25,000 and 25% of the layer \$49 million excess of \$1 million.
 - The per claim retention for Colchester subject to the aggregate limit includes 25% of the layer \$4 million excess of \$1 million.
- The aggregate coverage provides reinsurance of \$22,500,000 in excess of a \$17,500,000 limit on the combined basis. CLLAS' recoveries from Colchester will be for its share of the combined losses in the layer.

Canadian Lawyers Liability Assurance Society

Net Ultimate Losses (in \$000s)



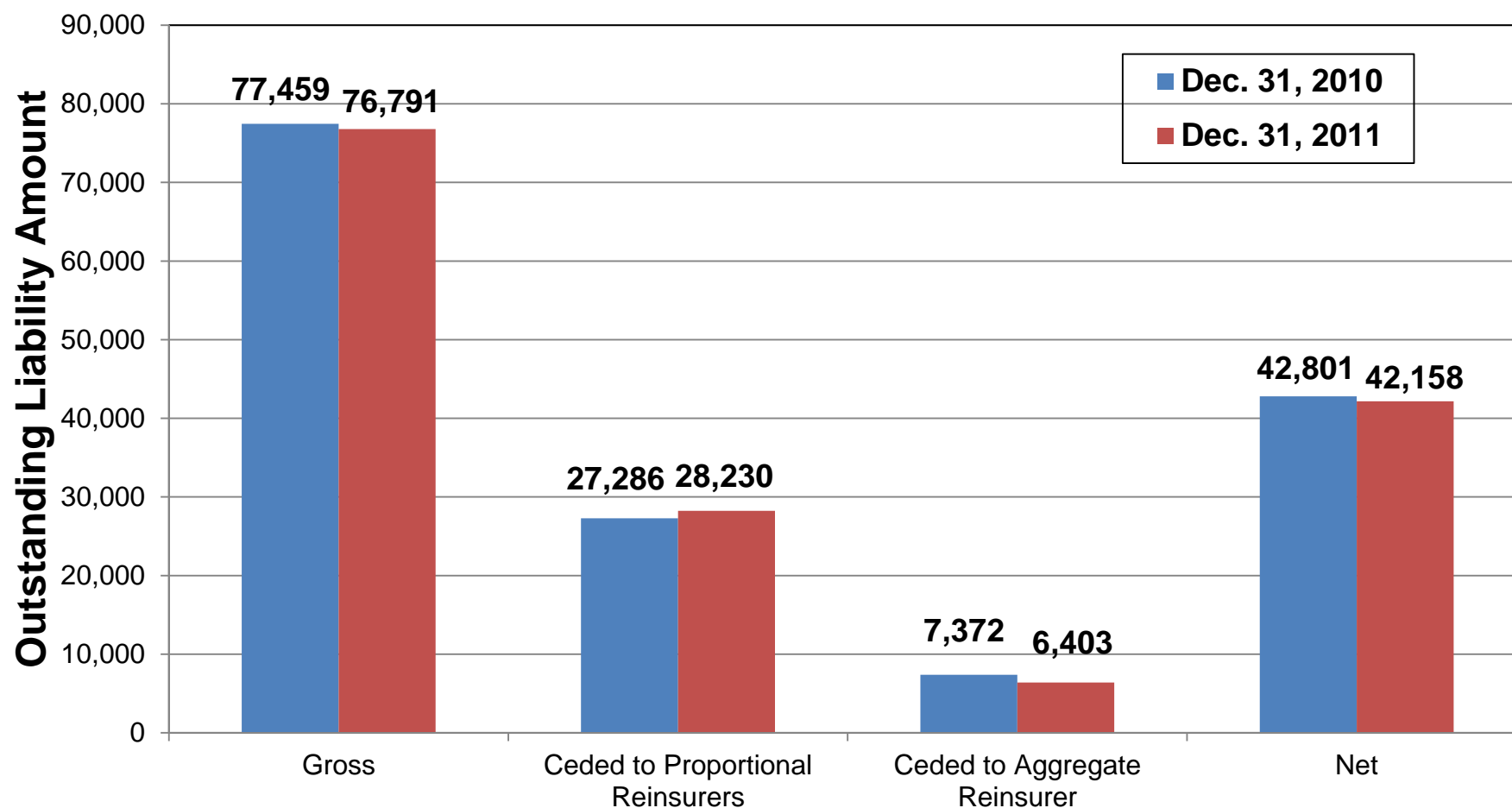
Canadian Lawyers Liability Assurance Society

Unallocated Loss Adjustment Expenses (“ULAE”)

- Represents the provision for the claims management function to service existing obligations if CLLAS were to cease writing business on December 31, 2011
- Loading of 3.25% applied to gross case reserves and gross IBNR (versus 3.45% used in December 31, 2010 valuation)

Canadian Lawyers Liability Assurance Society

Breakdown of Outstanding Claims Liabilities



Canadian Lawyers Liability Assurance Society

Impact of Changes in Assumptions

- The impact of the change in loss development factors and ULAE load represents an increase of \$342,000 in the net undiscounted liabilities

Discount Rate

- The discount rate is used for the discounting of future claims payments and related PfAD margin
- A discount rate of 1.85% was selected based on the market yield of CLLAS' bond portfolio as at December 31, 2011 since CLLAS has classified its bond portfolio as available-for-sale per CICA 3855
- The interest rate used in the last valuation was 2.70%
- The PfAD margin on interest rate was maintained at 0.75%
- The impact of the change in discount rate is an increase of \$1,709,000 in the net December 31, 2011 claims liabilities (discounted + PfAD)

Canadian Lawyers Liability Assurance Society

Valuation Basis

- Statutory Purposes and Professional Requirements:

Discounted Liabilities

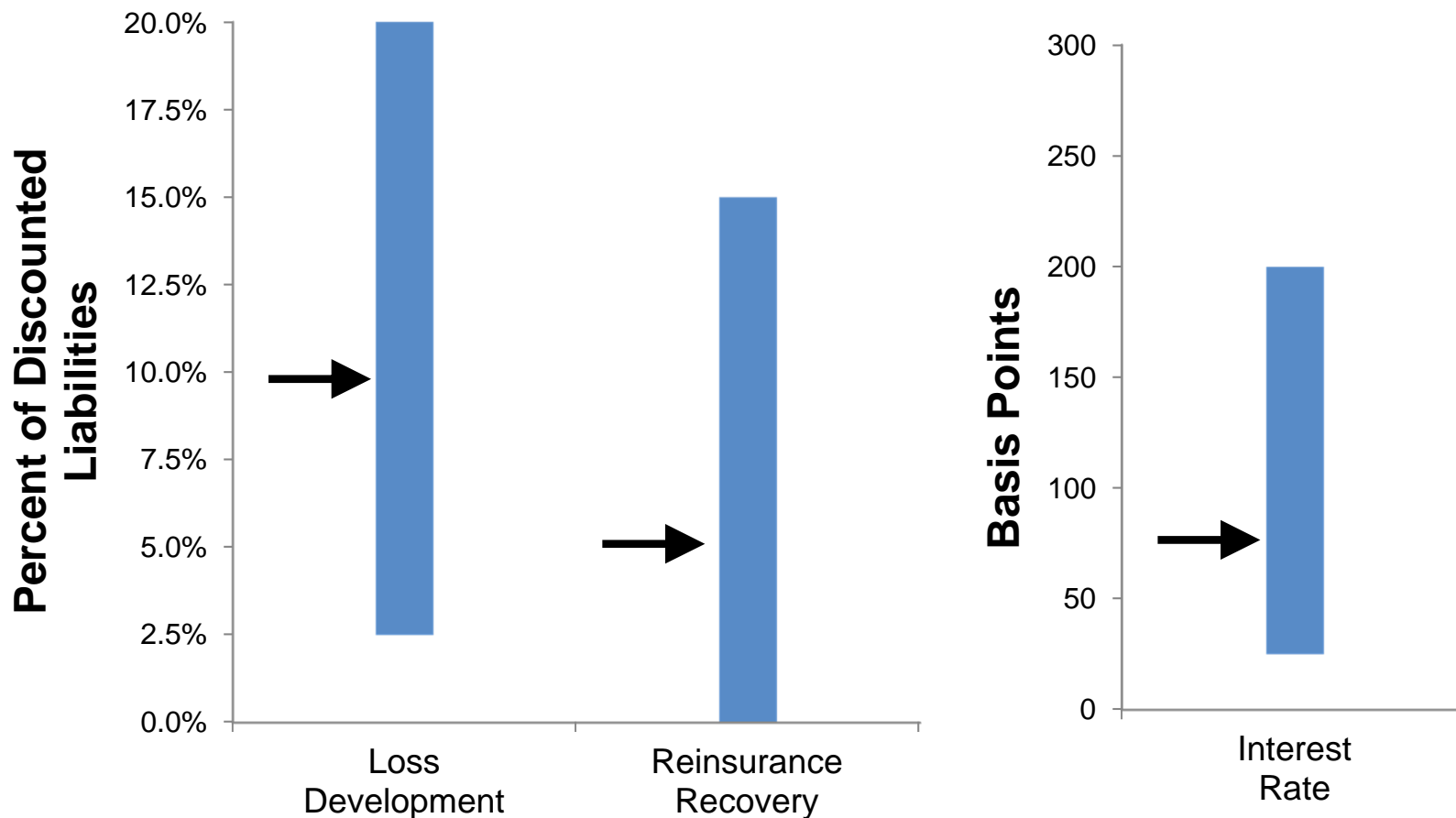
+

Provision for Adverse Deviation (PFAD)

- PFAD reflects three variables:
 - Claims Development: Claims experience worse than expected
 - Reinsurance Recoveries: Reinsurers default on their obligations
 - Interest Rate: Investment yield below expectation

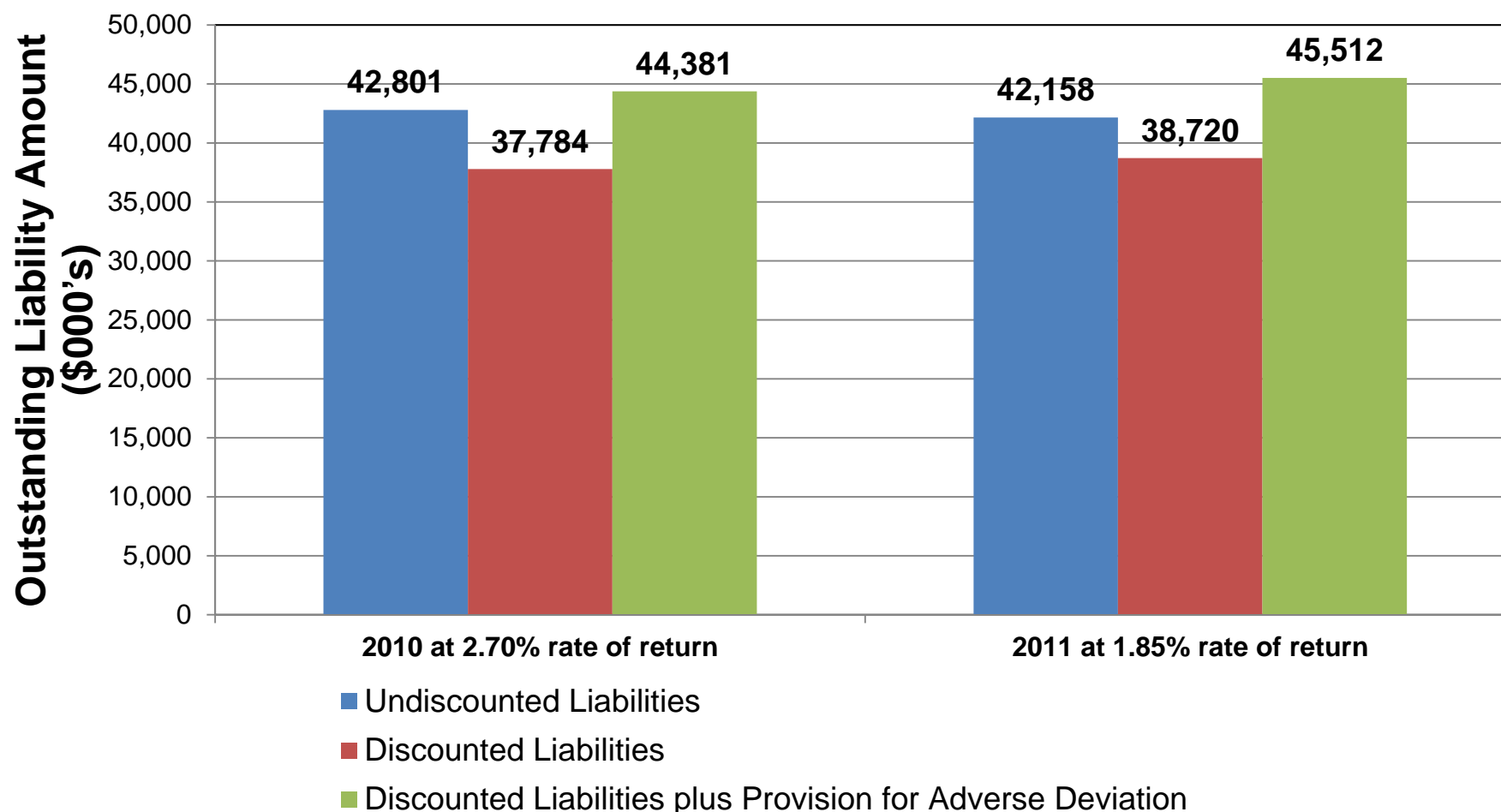
Canadian Lawyers Liability Assurance Society

Valuation of Claims Liabilities, Margins for Adverse Deviation



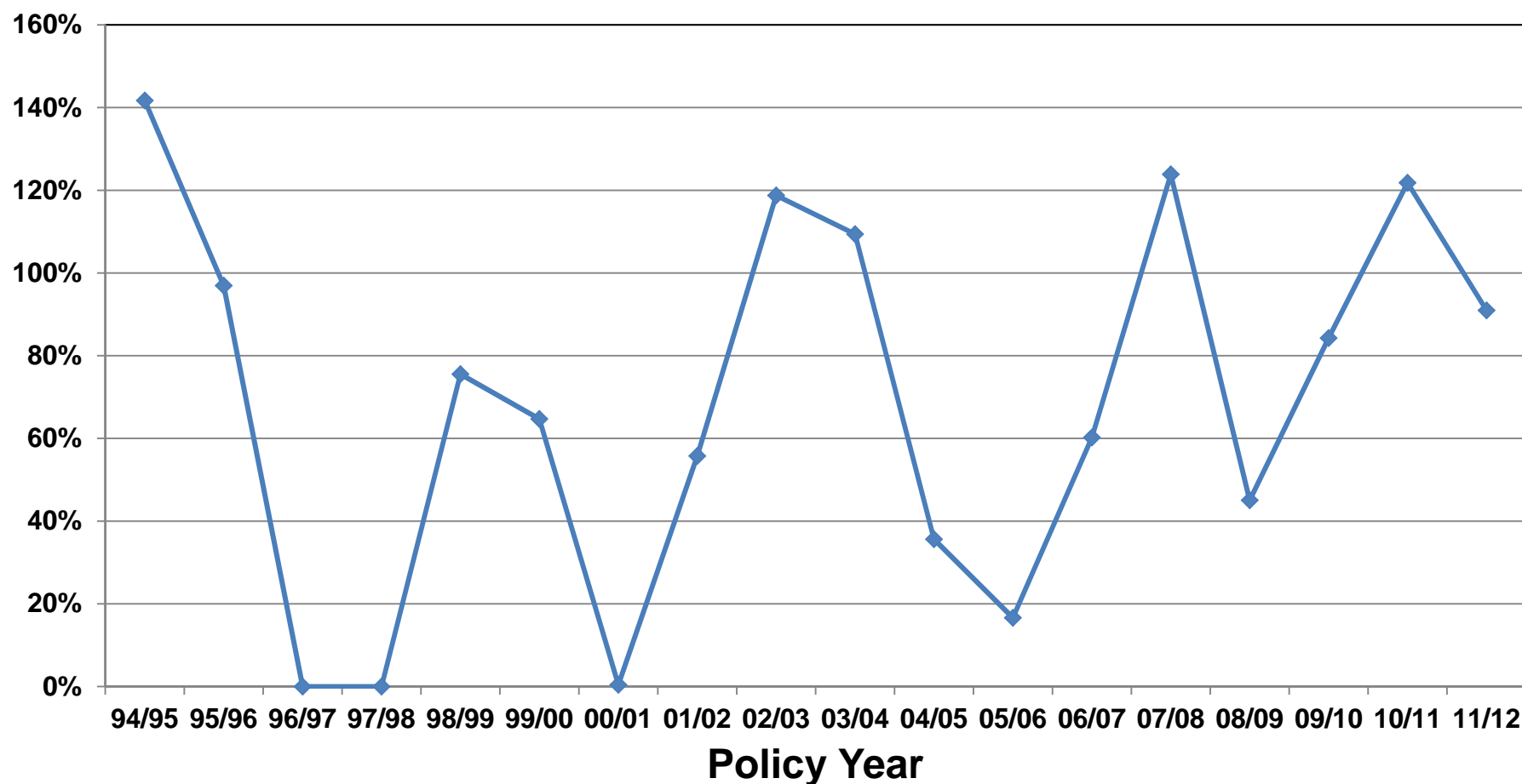
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Impact of Provision for Adverse Deviation on Net Outstanding Liabilities



Canadian Lawyers Liability Assurance Society

Net Ultimate Loss Ratio By Policy Year



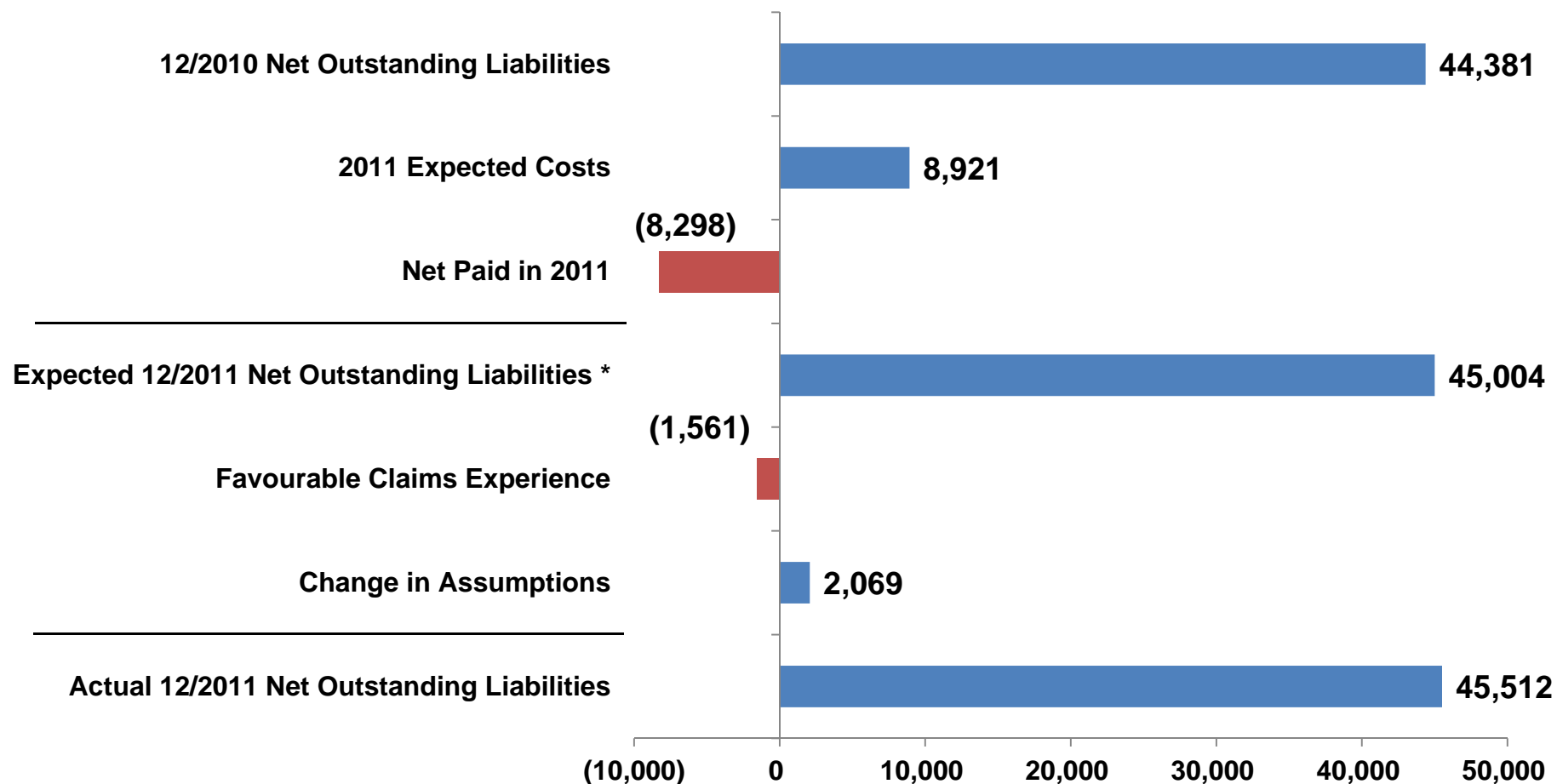
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Premium Liabilities

- There is a premium deficiency at December 31, 2011
- This means that the premiums yet to be earned are not expected to sustain the expected expenses associated with earning them
- A deficiency is generated if:
 - Net Unearned Premiums
 - Net Liabilities in connection with Unearned Premiums
 - The company's stated Deferred Policy Acquisition Expenses
 - = Less than zero
- To reflect the premium deficiency on the balance sheet, the deferred policy acquisition expense asset was reduced from \$238,000 to \$0, and a premium deficiency liability of \$586,000 was posted

Canadian Lawyers Liability Assurance Society

Gain (Loss) Analysis at December 31, 2011 (in \$000's)



* Reflects the impact of discounting and provision for adverse deviation

February 15, 2012

Private & Confidential

Mr. Nicholas Leblovic
Davies, Ward, Philips & Vineberg LLP
44TH Floor
1 First Canadian Place
Toronto, Ontario
M5X 1B1

Dear Nick,

The purpose of this letter is to set out the proposed operating budget for CLLAS for 2012, including the proposed budget for the provision of Management and Professional Services.

TOTAL OPERATING BUDGET FOR 2012

The draft total operating budget for 2012 is presented in Attachment A to this letter, together with the budget and actual figures for 2011. A discussion of the "Other Expense" lines is immediately below.

- Premium taxes finished the year well under budget and in fact were a "negative expense" due to the reversal of a \$600,000 provision that we had been carrying for Quebec premium taxes. We received a ruling from the authorities in Quebec confirming that CLLAS does not owe premium taxes. Partially offsetting this was the \$350,000 booked for interest on the premium taxes paid on prior years to BC and Alberta.
- Office Expenses were higher than budgeted primarily due to travel expenses incurred in connection with a mediation in New York (with Executive Risk to resolve an allocation dispute between CLLAS and US insurers) and travel expenses associated with the March 2011 trip to London (a trip not normally undertaken, but necessary last year to discuss the viability of restructuring CLLAS' reinsurance program).
- The Special Services line for 2011 finished under budget. We incurred external legal costs of about \$120,000 associated with managing various issues like the restructuring and premium tax audits but also the final legal accounts on the ACE arbitration. Applied against this is the recovery of legal fees on the ACE arbitration, leading again to a "negative expense". We propose to reduce this budget to \$100,000 for 2012 and to budget separately for legal fees associated with the restructuring of CLLAS. That line item, which is intended to account for costs incurred by Walker Sorenson, Davies, and counsel retained to assist with the reinsurance security agreement, is estimated to be \$75,000. Note that this budget includes \$25,000 for independent actuarial advice in

connection with the loss portfolio transfer. This step was not included in the original budget estimates.

- Miller fees for the 2012/13 policy year have not been confirmed as yet. Fees for 2011/12 were \$273,000 and were unchanged from the prior year. For budget purposes, we have included an estimate of \$300,000 for fees for 2012, which includes an estimated amount for Miller's involvement in the loss portfolio transfer.
- The budgets for investment counsel fees and custodial fees have been adjusted to reflect our best estimate of these fees, which are driven by the size of the portfolio under management.
- The Risk Management/Loss Prevention line finished the year over budget. Costs of about \$131,000 were incurred for the e-learning course (development of new modules, French translation, implementation of French version, etc.) and Walker Sorenson received about \$37,000 for on-going risk management activities including the risk management benchmarking exercise which was approved by the Board (without adjustment to the budget number).
- The "Insurance Sundry" line represents foreign exchange losses in the year (due to the resolution of the Executive Risk dispute) and the recording of an adjustment for interest paid to Hannover Re that was recognized in closing down the old swing premium arrangements after the conclusion of the ACE arbitration.

PROFESSIONAL AND MANAGEMENT SERVICES OVERVIEW OF 2011

1. Management Services

Management Services are provided on a fixed fee basis, with the exception of Claims Analysis, which is a variable line item related to management of CLLAS' active large loss files. Management Services finished the year \$37,097 over its budget of \$495,000, with the details by line presented on the following page.

Activity	2011 Budget	2011 Actual	Fav/(Unfav) Variance
Financial	\$135,000	\$135,000	\$ 0
General Admin.	\$ 70,000	\$ 70,000	\$ 0
Claims Admin.	\$230,000	\$230,000	\$ 0
Claims Analysis*	\$ 60,000	\$ 97,097	(\$37,097)
Total	\$495,000	\$532,097	(\$37,097)

* Variable

The overage on the Claims Analysis line was due to claims management activity on a relatively limited number of complicated claims in the year, including a number of class actions. There were four claim settlements in the year (including one large claim and one payment of a “drop down” claim) and we participated in numerous mediations. Given the nature of the currently active claims, it is likely that we will continue to see a heightened level of activity on this line in the foreseeable future.

An increased level of activity has also been experienced on the Claims Administration line which tracks the “routine and recurring” claims management work. This is largely attributable to the additional monitoring required on a large number of routine files where, for a variety of reasons, no consent has been provided by the individual insured lawyer, which means that LawPRO will not release paid/reserve information to CLLAS, on a quarterly basis. With the expansion of CLLAS’ coverage, i.e. P&T work, we have also seen an increase in the number of drop-down claims (i.e. claims where there is no underlying law society coverage and CLLAS must respond excess of the firm’s \$25,000 retention. These files require more hands-on management by CLLAS given the absence of the underlying program and the gap coverage is not reinsured.

Activity on the Financial line tracked marginally higher than the budgeted level due primarily to IFRS transition issues. In general, we have been able to incorporate the incremental reporting requirements of the regulators in BC and Alberta without disruption. Activity on the General Administration line was in line with expectations.

See Attachment B to this letter for a brief summary of the activity associated with each of the above line items.

2. Professional Services

On an aggregate basis, fees for Professional Services finished the year well over budget, due entirely to the increased activity involved with developing, marketing and documenting the new reinsurance structure. Details by line are as follows:

	2011 Budget	2011 Actual	Fav/(Unfav) Variance
Actuarial	\$100,000	\$102,791	(\$ 2,791)
Reinsurance	\$400,000	\$605,577	(\$205,577)
Strategic	\$120,000	\$106,078	\$ 13,922
Total	\$620,000	\$814,446	(\$194,446)

- (a) **Actuarial Services.** Actuarial Services finished the year essentially on budget, as activity in the year fell within expectations.
- (b) **Reinsurance Services.** Activity on the Reinsurance Services line was well in excess of the budget for the year. As everyone is aware, there was a significant

amount of effort expended to redesign, negotiate and implement a new reinsurance structure for July 2011. As a result, activity on this line was considerably heavier than usual but the structural changes and introduction of new reinsurers resulted in material cost savings for CLLAS that are expected to continue into the future. The one-time additional costs are offset by the annual premium savings which are in excess of \$4 million.

- (c) **Strategic Services.** The Strategic Services line ended the year under budget. Activity was extremely light on this line through the first three quarters of the year, with activity primarily relating to BC licencing, finalizing the premium tax issue in Alberta, participation in John Walker's risk management benchmarking initiative, etc. There was considerable activity in the fourth quarter related to the restructuring study presented at the December Board meeting.

PROPOSED BUDGET FOR 2011

The proposed budget for 2012 for Management Services and Professional Services is presented in Attachment A, together with 2011 figures for ease of comparison. Two themes will emerge in 2012, i.e. (1) the need to further enhance reinsurance communications in light of the new structure in which reinsurers participate on all claims excess of the Law Society coverage, and (2) implementation of the restructuring initiative with a target date of June 30, 2012. Further details by line follow.

1. Management Services

For 2012, we are proposing an increase to \$588,000 from \$495,000. This increase (\$93,000, or 19%) is significant, but it is almost entirely attributable to increased claims management activities flowing from the new reinsurance structure. Details by line are presented below:

	2011	2012	
Activity	Budget	Budget	Change
Financial	\$135,000	\$142,000	\$ 7,000
General Admin.	\$ 70,000	\$ 74,000	\$ 4,000
Claims Admin.	\$230,000	\$300,000	\$ 70,000
Claims Analysis*	\$ 60,000	\$ 72,000	\$ 12,000
Total	\$495,000	\$588,000	\$ 93,000

* Variable

Demands on the Financial Reporting line continue to increase due to changes in accounting standards, including IFRS. These changes result not only in increased activity but also the requirement for more senior level oversight in this area including the preparation of an annual business plan filing and oversight of regulatory audits (e.g. provincial retail sales tax branch). CLLAS is now licensed in three jurisdictions. While

we do not expect the activity required to track premiums, claims etc. by jurisdiction to be significant, we can anticipate regulatory interaction to increase given our experience with regulators in BC and Alberta.

We are proposing to adjust the General Administration line to reflect the on-going activity associated with the policy and risk management lines.

With respect to Claims Administration, in order to prudently manage the claims given the new reinsurance structure (with the reinsurers attaching excess of \$1 million rather than \$5 million), we have implemented additional up-front work, diary dates on files are shorter and we have implemented additional follow ups to ensure the receipt of the CLLAS claim reporting form with both the firm signature and the individual member signature. We monitor the level of reserving established on claim files by the underlying program but also the change reserves from quarter to quarter. There has been a fairly extensive restructuring at LawPRO and ALIA (the Law Society of Alberta's insurance program) and CLLAS has had to increase its level of diligence in monitoring claims in the underlying programs. We have also seen more work on the coverage side, particularly in Ontario. Two recent cases come to mind where LawPRO has merged a new report with an old file, and CLLAS has taken a different view. This requires an additional layer of communication with the firms.

We have also implemented two additional quarterly calls with the two groups of reinsurers on the new program and we anticipate a higher level of interaction with reinsurers given that they will have a financial interest in all CLLAS claims, not just those that may exceed \$5 million, and those claims will develop into their layer faster, given the lower attachment point. We have also agreed to additional reporting requirements in the case of one reinsurer which requested claim bordereaux on a monthly, rather than quarterly, basis. The intake and acknowledgment process by the General Manager's office has been streamlined to reflect a 24 hours turn around. As previously discussed, we have added an additional claims resource on our team, Tim Clarke, formerly with LawPRO. He is not solely focused on CLLAS, but he provides us the ability to efficiently manage the increased demands that we see are necessary to prudently manage the book.

Given the nature of the open claims on CLLAS' books, we propose to increase the budget for the Claims Analysis line from \$60,000 to \$72,000. This line is billed monthly and adjusted based on actual activity on a quarterly basis.

We are proposing no change to the fixed fee structure, i.e. the services will be provided on a fixed fee basis, with the exception of the variable line for Claims Analysis.

2. Professional Services

The proposed budget for Professional Services is as set out below:

	2011 Budget	2011 Actual	2012 Proposed
Actuarial	\$ 100,000	\$102,791	\$102,000
Reinsurance	\$ 400,000	\$605,577	\$375,000
Strategic	\$ 120,000	\$106,078	\$120,000
Restructuring	\$ 0	\$ 0	\$225,000
Total	\$ 620,000	\$814,446	\$822,000

Activity on the Actuarial line in 2011 fell within expectations and we expect activity in 2012 to be in keeping with the recent past. The Reinsurance budget was substantially exceeded in 2011 due to the development, negotiation and implementation of the new reinsurance structure implemented at July 1, 2011. For 2012, the budget is premised on renewing the program with the same basis reinsurance structure, and the budget should be conservative unless there is a need to introduce new markets to the program. We are proposing to leave the Strategic line unchanged from 2011 and to track costs associated with the restructuring initiative separately.

The \$225,000 budget for this initiative is roughly broken out into three elements, all of which are one-time costs:

1. Change in Jurisdiction (including business case for regulators and amendments to Subscribers Agreement) – \$110,000
2. Loss portfolio transfer – \$75,000
3. Reinsurance documentation security agreement – \$40,000

As noted previously, a budget amount of \$75,000 for the fees of external legal advisors has been established in the “Special Services” line of the operation budget.

The foregoing are budget estimates only and to the extent that the level of activity on a particular line proves to be less than anticipated, the budget will of course not be fully expended.

We look forward to discussing this proposed budget with you and the CLLAS Advisory Board at the upcoming meeting. Please do not hesitate to call us to discuss this matter in the meantime.

Yours truly,



Patrick Mahoney

PMM/nji

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CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY (CLLAS)
OPERATING BUDGET - EXPENSES
January 1, 2012 - December 31, 2012

Attachment A
DRAFT

	FY 11 Budget	FY 11 Actual	Fav/ (Unfav) Variance	Proposed FY 2012 Budget	% Change from FY11Bdgt
MANAGEMENT SERVICES					
Financial	135,000	135,000	0	142,000	5.19%
General Administration	70,000	70,000	0	74,000	5.71%
Claims Administration	230,000	230,000	0	300,000	30.43%
Claims Analysis	60,000	97,097	(37,097)	72,000	20.00%
Sub-Total Management Services	495,000	532,097	(37,097)	588,000	18.79%
PROFESSIONAL SERVICES					
Actuarial Services	100,000	102,791	(2,791)	102,000	2.00%
Reinsurance Matters	400,000	605,577	(205,577)	375,000	-6.25%
Strategic Matters	120,000	106,078	13,922	120,000	0.00%
Restructuring	0	0	0	225,000	100.00%
Sub-Total Professional Services	620,000	814,446	(194,446)	822,000	32.58%
Total Management & Professional Services	1,115,000	1,346,543	(231,543)	1,410,000	26.46%
G/HST on Consulting Fees	144,950	175,051	(30,101)	183,300	26.46%
Total Consulting Services	1,259,950	1,521,594	(261,644)	1,593,300	26.46%
OTHER EXPENSES					
Audit Expenses	75,000	86,487	(11,487)	84,000	12.00%
Annual Dinner	5,500	6,014	(514)	7,000	27.27%
Premium Taxes	745,000	(117,787)	862,787	545,000	-26.85%
Premium Taxes: Interest	0	352,905	(352,905)	0	0.00%
Chairman's Expenses	2,000	0	2,000	2,000	0.00%
Chairman's Honourium	75,000	75,000	0	75,000	0.00%
Reinsurance Expense	10,000	5,831	4,169	10,000	0.00%
Office Expenses	20,000	34,767	(14,767)	25,000	25.00%
Office Expenses - Website management software	1,000	1,162	(162)	1,000	0.00%
Claims: Borderaux (LPIC/LSBC)	16,000	8,870	7,130	15,000	-6.25%
Special Services	165,000	(114,586)	279,586	100,000	-39.39%
Special Services - Restructuring	0	0	0	75,000	0.00%
Miller Insurance Fees (Reins. Comm.) (See Note 2)	273,000	273,000	0	300,000	9.89%
I.B.C Statistical Plan Fees	15,000	15,710	(710)	16,000	6.67%
FSCO Assessment Fees	15,000	5,106	9,894	10,000	-33.33%
Investment counsel fees	142,000	144,468	(2,468)	167,000	17.61%
Investment - Custodial	45,000	44,338	662	47,000	4.44%
Risk Management/Loss Prevention	80,000	168,106	(88,106)	100,000	25.00%
Licensing Fee	5,000	852	4,148	5,000	0.00%
Insurance Sundry	0	22,834	(22,834)	0	0.00%
Sub-total	1,689,500	1,013,078	676,422	1,584,000	-6.24%
TOTAL	\$2,949,450	\$2,534,672	\$414,778	\$3,177,300	7.73%

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**Management Services - Overview of Activity by Budget Line**

Presented below is a brief summary of the activity associated with each of the Management Services budget lines, as well as a discussion of the guidelines for determining whether a claim falls within the “Claims Analysis” line, which operates on a fee for service basis.

1. Financial Reporting

The Financial Reporting area involves all financial functions including:

- compliance with regulatory/reporting requirements (including IBC reporting, P&C1 filings, province-specific filings)
- preparation of financial statements (quarterly and annual)
- facilitating FSCO audit and managing relationship with FSCO Examiner
- managing year-end audit (Deloitte) and liaising with auditors
- interaction with the Audit Committee
- maintenance of cashbooks
- bank statement reconciliations
- accounts payable/receivable
- cheque preparation and deposit
- premium collection/remittance
- claims reimbursements from reinsurers
- liaison with investment manager
- budget variance analysis
- subscribers accounts

2. General Administration

The General Administration line covers work relating to:

- preparation for/attendance at Advisory Board meetings
- preparation for/attendance at standing committee meetings (e.g. policy, risk management - all meetings other than claims and audit)
- renewal applications
- premium invoices
- policy preparation and issuance
- policy inquiries
- miscellaneous inquiries from Subscribers
- general administrative matters
- website maintenance

3. Claims Administration

The Claims Administration line covers all claims activity except for senior consultant time spent on the claims that meet the criteria set out in Section 4 below. Activity on this line includes:

- maintenance of claims database
- maintenance of physical files
- initial file review
- acknowledgment and follow-up letters
- correspondence with insured firms
- interaction with underlying insurers (e.g. bordereaux updates)
- preparation for/attendance at Claims Committee meetings
- interaction with Claims Committee members
- liaison with reinsurers on claims (preparation of large loss reports, answering specific inquiries, managing reinsurer audits)
- preparation of claims activity schedule for Advisory Board meeting
- attendance at LawPRO to review files
- co-ordination of instructions to counsel

4. Claims Analysis

Pursuant to the agreement between CLLAS and Dion Durrell, routine and recurring claims management/analysis work is provided by Dion Durrell for a fixed fee to be agreed upon by the parties. Certain files require significant additional claims management work by Dion Durrell on a claim by claim basis. Work on these claims will be accounted for as a separate budget line item.

The following guidelines dictate when a claim will move from the fixed fee to the variable fee category.

1. The underlying insurer (e.g. LawPRO, LSBC) has tendered the defence of the matter to CLLAS;
2. Settlement involving a potential contribution from CLLAS is being actively pursued; or
3. The Claims Committee agrees that (due to, for example, the potential of the claim) the Office of the General Manager has become very active in the management of the claim.

CANADIAN LAWYERS' LIABILITY ASSURANCE SOCIETY

BUSINESS PLAN PROJECTED FOR CALENDAR YEAR 2012

FINAL – February 13, 2012

INTRODUCTION

This report summarizes the methodology and assumptions underlying the business plan for the Canadian Lawyers Liability Assurance Society (“CLLAS”) for calendar year 2012, a copy of which is to be submitted to the Financial Services Commission of Ontario (“FSCO”), the regulatory authority responsible for the supervision of CLLAS under the Ontario Insurance Act.

The report and the plan was prepared by Dion Durrell + Associates Inc. (“DDA”), a non-affiliated company of CLLAS providing actuarial and general management services to CLLAS under a general management service level agreement in effect since 1995.

CLLAS was formed on December 22nd, 1986 under the Reciprocal Insurance Exchange Agreement for Select Canadian Law Firms (the “Subscription Agreement”). CLLAS is licensed by FSCO to provide professional liability insurance to its subscribers and started its insurance underwriting operations in June 1987.

In the fiscal year ending December 31st, 2011, CLLAS underwrote 24 insurance policies issued to 12 Canadian law firms providing a combined maximum limit of liability insurance per occurrence of \$139.975M to cover the cost of damages that an insured is legally obligated to pay as a result of single or related act, error, omission or negligent act in the performance of or failure to perform professional services by the insured or by any person for whose acts, errors, or omissions the insured is legally responsible.

The insurance provided by CLLAS to each of the firms is provided on a claims made basis meaning that a claim first made during the policy period is covered provided that the act, error or omission resulting in a claim happened during the policy period or prior to the policy period (as long as the insured had not given notice to any prior insurer or under any prior insurance, had no prior insurance for the liability arising from such claim and had no reasonable expectation that such act, error or omission was a breach of professional duty or might be the basis for a claim).

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

- A \$50M limit inclusive of a minimum \$25,000 retention over the basic liability coverage available to each practicing lawyer of the firm under the basic professional liability coverage provided by the law society governing the professional activities of such lawyer;
- A limit of \$10M/20M/30M/40M/50M/60M in excess of \$160M of professional liability limit purchased by any firm; and
- A \$30M umbrella limit provided on the overall exposure of all subscribers.

To provide such limit to any insured, CLLAS purchases reinsurance coverage from registered and unregistered insurance companies to reduce its net maximum loss exposure for any one loss occurrence to \$13.225M. In addition, for its treaty underwriting year from July 1st, 2011 to June 30th, 2012 CLLAS also purchased an annual stop-loss coverage that provides \$22.5M of coverage in excess of \$17.5M. Annual stop-loss coverage limiting CLLAS' overall annual net retained losses in any one treaty year was also purchased in prior treaty years.

The reinsurance purchased for the maximum occurrence limit provided by CLLAS is purchased on a proportional basis with the following net exposure retained by CLLAS:

Table 1.0
CLLAS exposure by layer

Coverage limit issued by CLLAS	Reinsurance purchased	Net retained % exposure by CLLAS	Net retained CLLAS exposure
\$49M xs underlying	\$49M	25.0%	\$13.225M
\$10M/\$20M/\$30M/\$40M/\$50M/\$60M xs \$160M	\$60M	0.0%	\$0.000M
\$30M xs Umbrella	\$30M	0.0%	\$0.000M
Total			\$13.225M

In 2011, CLLAS generated written premium volumes of \$17.0M and \$5.1M on gross and net bases respectively, with \$11.9M ceded to proportional and aggregate stop loss reinsurers. In 2011 CLLAS had a net operating loss of \$2.2M and closed the year with net subscribers' equity of \$20.1M inclusive of accumulated other comprehensive income (loss). From a balance sheet standpoint, its main liability is for unpaid claims where it has estimated a net provision of \$45.5M at December 31st, 2011. At December 31st, 2011 it held \$61.0M in cash and invested assets, which are held in fixed income securities.

Any questions regarding this report should be addressed to Mr. Patrick M. Mahoney, General Manager for CLLAS at the following address and phone number:

Mr. Patrick M. Mahoney
General Manager
Canadian Lawyers Liability Assurance Society
250 Yonge Street
Suite 2900
Toronto, ON M5V 2L7
Phone: 416-408-5293
Fax: 416-408-3721

SCOPE

This report provides a financial estimate of the expected financial performance of CLLAS for the 2012 fiscal year ending December 31st, 2012. The estimated experience was developed on a gross and net of reinsurance bases per generally accepted accounting and actuarial practice.

The expected financial performance is presented in the proforma Statements of Assets and Liabilities, Statement of Income and Minimum Capital Test (“MCT”) included in Exhibit I and presented on a basis consistent with the completion of such statements in accordance with the directives of FSCO issued for the completion of the 2011 P&C-1 Annual Return filed by CLLAS with FSCO. The MCT is not applicable to reciprocal insurance exchanges which are able to rely on the creditworthiness of their subscribers as opposed to capital, but the MCT provides a meaningful information tool for management and the Board.

METHODOLOGY AND ASSUMPTIONS

To develop the expected financial performance we relied on the following information developed by CLLAS at December 31st, 2011:

- The 2011 P&C-1 Annual Return filed by CLLAS with FSCO;
- The 2011 Auditor’s Report issued by Deloitte & Touche LLP; and
- The Report on the Valuation of the Policy Liabilities as at December 31st, 2011 issued by Ms. Julie-Linda Laforce, the Appointed Actuary for CLLAS.

To estimate the gross and net incurred losses projected for 2012 we divided our approach between:

- First, the settlement of claims liabilities incurred on or prior to December 31st, 2011; and
- Second, the projected claims incurred after December 31st, 2011 on policies in-force at December 31st, 2011 and on policies expected to be renewed on July 1st, 2012 under the new 2012/2013 treaty year.

These projections assume, to a large extent, that the current reinsurance structure in effect at December 31st, 2011 is maintained on renewal.

Based on this approach we made the following assumptions:

Settlement of claims incurred on or prior December 31st, 2011

The methodology focused first on the expected settlement of the claims liabilities estimated at December 31st, 2011 during calendar year 2012 where we essentially projected paid claims during 2012, gross of reinsurance, based on the estimates established at December 31st, 2011. At December 31st, 2011, CLLAS held \$76.8M for the nominal outstanding value of claims liabilities, gross of reinsurance, incurred on or prior December 31st, 2011. Based on the historical claims settlement history of this portfolio, we estimated that \$9.6M would be paid in 2012, thus reducing the gross nominal value of those liabilities to \$67.2M at December 31st, 2012. Under accepted actuarial practice and using the same assumptions as the ones used at year-end 2011, this gross nominal value of liabilities would be recorded on a discounted value basis at December 31st, 2012. The discounted value must include an explicit provision for adverse deviation (“PfAD”).

Based on this approach the estimated residual provision, gross of reinsurance, for claims liabilities to be carried at December 31st, 2012 is \$70.2M on a discounted value basis.

To determine the paid claims net of reinsurance, a similar approach was used on the estimated nominal value of claims liabilities established at December 31st, 2011. At that time, the net of all applicable reinsurance claims liabilities was \$42.2M of which \$5.7M is expected to be paid in 2012. The residual claims liabilities at December 31st, 2012 are \$39.7M to be carried on a discounted value basis in the financial statements at December 31st, 2012.

Expected claims incurred for the in-force policies at December 31st, 2011 and renewed business at July 1st, 2012

To estimate ultimate gross and net incurred claims for those policies, we relied on the projected loss cost per layer estimated by the Appointed Actuary at December 31st, 2011 and applied those loss costs to the estimated in-force lawyers of 4,679 estimated at year-end 2011. At renewal, we assumed no growth in the underlying number of insured lawyers.

The expected projected loss costs per layer for the first and second half of 2012 are as listed in the following table.

Table 2.0
Projected Loss Costs by Reinsured Layer for Calendar Year 2012

Reinsurance Layers	Estimated loss cost for 1st Half of 2012	Estimated loss cost for 2nd Half of 2012
\$0.975M xs \$0.025M	\$125	\$134
\$49M xs \$1M	3,537	3,803
\$30 xs Umbrella	1	1
\$40M xs \$160M	8	8
\$60M xs \$160M	9	10

Based on those assumptions we estimated gross outstanding incurred losses on a nominal value of respectively \$7.5M for the first 6 months of 2012 and \$8.8M for the last 6 months of 2012, at December 31st, 2012. Those estimated losses gross of reinsurance on a discounted basis total \$15.8M and are expected to be held in liabilities at December 31st, 2012.

From this estimate, we then applied the recoverable reinsurance per layer as well as the applicable annual stop loss to obtain the net liabilities. The estimated liabilities for each 6 month period on a nominal value are respectively \$2.0M and \$2.6M after recoveries for the applicable proportional reinsurance and \$1.9M and \$2.5M after additional recoveries under the annual aggregate stop-loss with a \$17.5M attachment point applicable for claims made in 2012.

From those estimates the net liabilities estimated at nominal value at December 31st, 2012 are \$4.4M and the same liabilities estimated on a discounted value basis plus provision for adverse deviation are \$5.0M, which is the basis used to record the financial performance in 2011. We also projected net payments of \$0.3M for claims incurred in 2012.

Total claims liabilities

In total, we projected a decrease in net claims liabilities of \$0.9M and net paid losses on claims incurred prior to December 31, 2012 of \$6.0M.

The results of this analysis can be summarized as follows:

Table 3.0
Summary of Outstanding Claims Liability Projections for December 31, 2012

Amounts in Millions	Occurrences on or prior to December 31, 2011		Occurrences after December 31, 2011		Total	
	Gross	Net	Gross	Net	Gross	Net
Liabilities as at December 31, 2011	\$76.8	\$42.2	n/a	n/a	n/a	n/a
Payments during 2012	(9.6)	(5.7)	(0.9)	(0.3)	(10.5)	(6.0)
Liabilities as at December 31, 2012	67.2	36.5	15.4	4.4	82.6	40.9
Discounted liabilities reported in financials	\$70.2	\$39.7	\$15.8	\$5.0	\$86.0	\$44.7

Other assumptions used in the projection of the 2012 balance sheet and income statement

With respect to premium revenues, we assumed that renewal premiums would increase by \$2.4M based on a trending of retained premiums and ceded premiums, based on expected renewal terms with CLLAS' reinsurers. We also projected a decrease in the premium deficiency reserve of \$0.56M.

For operating expenses, we assumed \$2.3M in general management fees as per the 2012 budget. Premium taxes are expected to vary by province and average 2.80% of direct written premiums.

The investment income is expected to decrease from \$1.7M to \$1.2M for 2012 based on an investment yield of 1.85%.

CANADIAN LAWYERS' LIABILITY ASSURANCE SOCIETY
PROFORMA BALANCE SHEET
As at December 31, 2012

Exhibit I
Sheet 1

	As at <u>December 31, 2012</u> PROJECTED	As at <u>December 31, 2011</u> ACTUAL
ASSETS		
Cash	\$6,020,000	\$4,538,284
Investments		
Short Term	13,770,000	12,216,563
Bonds	48,591,000	44,248,315
Interest income due and accrued	340,000	308,227
Premiums receivable	5,710,000	5,003,937
Unearned reinsurance premium ceded	6,360,000	5,920,338
Prepaid Expenses	150,000	136,500
Deferred policy acquisition costs	0	0
Reinsurance recoverable	0	5,739,425
Other receivable	0	1,733,852
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	41,450,000	34,431,000
Total Assets	\$122,391,000	\$114,276,441
LIABILITIES		
Provision for unpaid claims and adjustment expenses	\$86,050,000	\$79,943,000
Provision for unpaid premium liabilities	0	0
Premium Deficiency Liability	30,000	586,000
Unearned premium	9,630,000	8,456,905
Due to reinsurers	6,360,000	4,506,997
Accounts payable & accrued charges	860,000	515,807
Premium taxes payable	0	141,850
Total Liabilities	102,930,000	94,150,559
SUBSCRIBERS' EQUITY		
Surplus	17,161,000	17,823,450
Accumulated Other Comprehensive Income (Loss)	2,300,000	2,302,432
	19,461,000	20,125,881
TOTAL LIABILITIES AND SUBSCRIBERS' EQUITY	\$122,391,000	\$114,276,441

CANADIAN LAWYERS' LIABILITY ASSURANCE SOCIETY
PROFORMA STATEMENT OF INCOME
For the period ended December 31, 2011

Exhibit I
Sheet 2

	Year to date Jan. 2012 to Dec. 2012 PROJECTED	Previous year Jan. 2011 to Dec. 2011 ACTUAL
Direct written premiums *	\$19,360,000	17,006,743
Gross Written Premiums	19,360,000	17,006,743
Less: Reinsurance Ceded **	12,800,000	11,905,735
Net Written Premiums	6,560,000	5,101,008
Change in Unearned Premiums	(730,000)	1,450,866
Earned Premiums	5,830,000	6,551,875
Claims Paid	5,980,000	8,297,638
Change in Reserves	(920,000)	1,131,000
Premium Deficiency Expense	(556,000)	38,000
Paid on Premium liability	0	0
Change in provision for Unpaid Premium liability	0	0
Incurred Claims	4,504,000	9,466,638
Management and Operating Expenses	2,334,000	2,379,459
Reinsurance Fees	300,000	273,000
Premium Taxes	543,000	(117,787)
Total Operating Expenses	3,177,000	2,534,672
Underwriting Gain (Loss)	(1,851,000)	(5,449,435)
Investment Income	1,192,000	1,694,950
Other Income - Claims Related Matters	0	1,559,658
Net Income (Loss) for the year	(\$659,000)	(\$2,194,828)
Subscribers' Equity - Beginning of Period	\$17,820,000	\$20,018,274
Less: Prior period adjustment	0	0
Subscribers' Equity - End of Period	\$17,161,000	\$17,823,446

Notes:

* Assumes 7.5% rate increase on renewal on July 1st, 2012 (Equal to Expected Trend In Severity of Claim)

** Based on current reinsurance structure

CANADIAN LAWYERS' LIABILITY ASSURANCE SOCIETY
PROFORMA CALCULATION OF THE MINIMUM CAPITAL TEST MARGIN
As at December 31st, 2012

(\$'000)

MINIMUM CAPITAL TEST (per P&C-1)

		Projected	Actual		
		Year	2011	2010	2009
		2012			
Capital Available					
Total Equity less Accumulated Other Comprehensive Income	02	17,161	17,824	20,019	20,432
Add:					
Subordinated Indebtedness and Redeemable Preferred Shares	03	0	0	0	0
Accumulated Other Comprehensive Income (Loss) on:					
Available for Sale Equity Securities	04	0	0		0
Available for Sale Debt Securities	06	2,300	2,302	1,198	1,210
Foreign Currency (Net of Hedging Activities)	08	0	0	0	0
Included in Capital Available of Regulated FI Subsidiaries	10	0	0	0	0
	30	0	0	0	0
Capital Available reported by Regulated FI Subsidiaries	11	0	0	0	0
Less:					
Accumulated net after-tax fair value gains (losses) arising from					
changes in the company's own credit risk	12	0	0	0	0
	13	0	0	0	0
Balance Sheet Value of Investments in Regulated FI Subsidiaries	14	0	0	0	0
Assets with a Capital Requirement of 100% *	17	1,441	1,441	1,435	3,057
Total Capital Available	19	18,020	18,685	19,782	18,585
Capital Required					
Balance Sheet Assets	20	864	807	836	875
Unearned Premiums/Unpaid Claims/Premium Deficiencies	22	6,955	7,078	7,022	6,120
Catastrophes	24	0	0	0	0
Reinsurance Ceded to Unregistered Insurers *	26	148	123	174	317
Capital Required reported by Regulated FI Subsidiaries	27				
Structured Settlements, Letters of Credit, Derivatives and					
Other Exposures	28	0	0	0	0
Minimum Capital Required	29	7,967	8,008	8,032	7,312
Excess of Capital Available over Capital Required					
(line 19 minus line 29)	89	10,053	10,677	11,750	11,273
Line 19 as a % of line 29	90	226.2%	233.3%	246.3%	254.2%

Notes:

* Assumes similar level of short fall in vested assets held in trust

**CANADIAN LAWYERS LIABILITY
ASSURANCE SOCIETY**

(CLLAS)

REPORT ON REINSURANCE

FEBRUARY 15, 2012

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B	Miller Services Ltd. Letter on its Reinsurance Security Practices
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K	A.M. Best Credit Report – Lloyd's of London
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M	A.M. Best Credit Report – Transatlantic Reinsurance Company
N	A.M. Best Credit Report – Argo Group International Holdings, Ltd.

1. REINSURANCE SECURITY CONSIDERATIONS

1.1 Status Update

The purpose of this report is to provide the CLLAS Audit Committee with a status review of the current CLLAS reinsurance security.

As mentioned in last year's report, effective July 1, 2011, The Office of the Superintendent of Financial Institutions (OSFI), which regulates federally licensed insurers, changed the requirements for Reinsurance Trust Agreements (RTAs) in place with unregistered reinsurers. Effective July 1, 2011, these arrangements were converted to what are referred to as Reinsurance Security Agreements (RSAs) with different requirements. OSFI does not regulate CLLAS, and CLLAS' custodial arrangement with Colchester Reinsurance Limited meets the current requirements of the Financial Services Commission of Ontario (FSCO), which does regulate CLLAS. There are currently no plans to adopt the federal rules in Ontario.

1.2 Reinsurance Security

One of the responsibilities of the Audit Committee is to monitor CLLAS reinsurers and to recommend changes to the Board based on any number of factors including, but not limited to:

- Downgrading of the security rating;
- A rating agency placing a reinsurer on a "watch" list;
- Exposure to any one reinsurer exceeding an agreed percentage;
- Difficulties collecting reinsurance proceeds after a claim is settled;
- Use of unregistered (in Canada) security; and
- Any other matters that may threaten the security of a reinsurer.

The Committee acknowledges that reinsurance intermediaries cannot guarantee the solvency of any reinsurer and that they rely on the rating agencies to determine reinsurers' financial strength. The Audit Committee is not meant to substitute the expert advice provided by CLLAS' intermediaries. Its purpose is to use this advice to assist the Advisory Board in its due diligence process. Included in Appendices A and B are letters from Dion, Durrell + Associates Inc. and Miller Insurance Services Ltd. respectively which provide information on the reinsurance security practices of these firms.

1.3 Level I Monitoring

Level I monitoring of CLLAS reinsurance consists of the following:

- Current Best and S&P ratings compared to the previous year – see Appendix C;
- Current total liability exposure (i.e. case reserves and IBNR) from each reinsurer for all years – see Appendix D;
- Expected loss exposure from each reinsurer for the current year – see Appendix E;
- Expected limit exposure to each reinsurer for the current year – see Appendix F.

CLLAS reinsurance security should be rated A- or better by Best and S&P except for special circumstances agreed to by the Board.

1.4 Level II Monitoring Triggers

Should any of the following events happen, then a Level II monitoring would take place:

- Downgrading of the security rating;
- A rating agency placing a reinsurer on a “watch” list;
- Difficulties collecting reinsurance proceeds after a claim is settled;
- Case reserves and IBNR exposure to any one reinsurer exceeding 10% of total liabilities for all years;
- Expected losses of any one reinsurer exceeding 10% of all expected losses for the current year;
- Total limits of any one reinsurer exceeding 10% of the total limits provided by CLLAS;
- Use of a reinsurer that is unregistered in Canada;
- Any other events deemed material by the Audit Committee or its advisors.

1.5 Level II Monitoring

The following Level II monitoring should take place for any reinsurer that requires it due to events identified above:

- Additional information should be reviewed by the Audit Committee, including a review of:
 - ❖ Stock performance relative to the remainder of the market;
 - ❖ Early warning signals/ratios (as provided by A.M. Best or equivalent agency);
 - ❖ Balance sheet and income statement highlights (as provided by A.M. Best or equivalent agency);
- Meetings or direct correspondence with such reinsurers as necessary to discuss the financial health of the reinsurer.

The Audit Committee should make recommendations to the Board based on such reviews.

1.6 Commercial Layers Limit Exposure

Appendix G combines the CLLAS limit exposure with the exposure from the commercial layers placed with Pro-Form Insurance Services Inc. The inclusion of the commercial layers increases the total limits, and effectively reduces the limit exposure metric resulting in only Lloyds’s with over 10%.

Liabilities associated with insurer default were not provided and are therefore not included in the current liability-based exhibits. Based on rough estimates of the expected loss costs in these layers, liability is unlikely to reach 10% of the total. However, it is worth noting that commercial insurance placements do not benefit from the risk-spreading effect of CLLAS and therefore an insurer default is likely to affect a single firm for a claim’s full value. The result is that the financial impact of a default of a commercial insurer would be visited entirely upon that particular firm. Further discussion and analysis is required if we are to further integrate the commercial market layers into CLLAS’ reinsurance security analysis.

2. *LEVEL II MONITORING*

2.1 Reinsurers Requiring Level II Monitoring

As the first step in our reinsurance security monitoring process, Level I tests were performed on all CLLAS reinsurers. The following identifies the reinsurers that were placed on the Level II monitoring list and the reasons why such monitoring was deemed necessary:

Allied World Assurance Company Limited (AWAC)

- AWAC is a Bermuda reinsurer, unregistered in Canada, and has a significant participation in one of the CLLAS optional layers;
- AWAC's participation represents 10.3% of the overall CLLAS per loss limit, exceeding the 10% threshold.

Colchester Reinsurance Limited (Colchester)

- Colchester is a reinsurer domiciled in Barbados, unregistered in Canada, and is the aggregate stop loss reinsurer for CLLAS;
- Colchester's current claims liabilities for the current year are 23.4% of the overall CLLAS liabilities, exceeding the 10% threshold.

CRC Reinsurance Limited (CRC)

- CRC is a Bermuda reinsurer and is unregistered in Canada.
- CRC had been on the CLLAS Reinsurance Program since 2004. However, they opted to non-renew their participation in 2011 and, therefore, CRC no longer participates on the program. Their decision was due to changes in structure and pricing.

Lloyd's of London (Lloyd's)

- Lloyd's, as a group, participates on a number of CLLAS layers and represents 15.7% of the all time CLLAS claims liabilities, exceeding the 10% threshold;
- Lloyd's also represents 37.6% of the CLLAS current liability or expected loss cost for the current year, exceeding the 10% threshold;
- Lloyd's participation represents 38.6% of the overall CLLAS per loss limit, exceeding the 10% threshold;

Swiss Reinsurance Company (Swiss Re)

- Swiss Re's participation represents 19.1% of the overall CLLAS per loss limit, exceeding the 10% threshold;
 - It should be noted that Swiss Re actually had their rating upgraded by A.M. Best from A (Excellent) Positive to A+ (Superior) Stable.

Transatlantic Reinsurance Company (Transatlantic)

- CLLAS experienced a reinsurance recoverable problem with Transatlantic;
- In 2009, Transatlantic was downgraded by both Best and S&P as a result of their AIG connection. However, their rating has remained stable since that time, with an A.M. Best rating of A (Excellent)/Stable and an S&P rating of A+ (Strong)/Stable.

2.2 Reinsurers Removed from Level II Monitoring

The following reinsurer was on the Level II monitoring list in 2011 but has subsequently been removed:

Brit Insurance Holdings PLC (Brit)

- Last year, Brit's participation represented 11.4% of the overall CLLAS per loss limit exceeding the 10% threshold. Brit's participation now represents 9.8% of the overall per loss limit, which falls below the 10% threshold.

2.3 Allied World Assurance Company Limited

General

Allied World Assurance Company Limited is a global specialty insurance and reinsurance company with offices in Bermuda, Europe and the United States.

Launched in 2001, AWAC originally consisted of four employees located in a small office in Bermuda. Today, AWAC has offices in Atlanta, Bermuda, Boston, Chicago, Dublin, Farmington (CT), London, New York, San Francisco and Zug, and is listed on the New York Stock Exchange under the ticker symbol of "AWH".

AWAC has been a participant in the CLLAS Reinsurance Program since 2002. Currently, AWAC participates at the high levels of the CLLAS Program, in the \$60M xs \$160M range. The CLLAS-AWAC reinsurance agreement includes a provision for outstanding claims advances by AWAC in favour of CLLAS.

Stock Performance

The following is the 2-year stock performance of AWAC.

Allied World Assurance Company

■ AWH



Highlights of A.M. Best Report

The complete A.M. Best report is set forth in Appendix H.

- Current rating is A (Excellent) Positive from A.M. Best;
- Overall financial performance has been strong since inception in 2001, with the exception of 2005;
- Underwrites a diversified portfolio of property and casualty insurance and reinsurance lines of business;
- The Reinsurance segment includes the company's operations in the United States, Bermuda, Europe and Singapore.
- Capitalization: AWAC maintains strong capitalization for its current rating level:
 - ❖ Based on Best's Capital Adequacy Ratio (BCAR), Allied World maintains excellent capitalization for its current rating level
 - ❖ \$300 million of common shares have been repurchased through March 31, 2011 with this plan being effective through May 3, 2012.
- Gross premiums written: \$1,740,376,000 in 2010 and \$1,696,345,000 in 2009;
- Net income: \$735,923,000 in 2008 and \$652,987,000 in 2009;

- Liquidity: AWAC has provided solid operating cash flows since inception due to both its casualty orientation and its strong underwriting performance:
 - ❖ Conservative investment strategy specifically focused on preserving the value of invested assets and providing sufficient liquidity to pay claims promptly;
 - ❖ The investment portfolio is comprised of high quality corporate and government bonds;

2.4 Colchester Reinsurance Limited

Please see Appendix I for a copy of the most recent financial statements (as of June 30, 2011). The following are some of the highlights from these financials:

- Cash and cash equivalents increased from \$203,967 in 2010 to \$388,800 in 2011;
- Retained earnings increased from \$16,215,230 in 2010 to \$18,398,132 in 2011;
- Income for the year after taxation decreased from \$3,903,873 in 2010 to \$2,182,902 in 2011:
 - ❖ Although reinsurance premiums written and earned increased slightly from \$2,469,724 in 2010 to \$2,558,813 in 2011, retrocession premiums ceded also increased slightly from \$950,000 in 2010 to \$1,050,000 in 2011;
 - ❖ Net investment income decreased from \$1,115,892 in 2010 to \$893,731 in 2011, acting to decrease income for the year;
 - ❖ Cumulative result of the above two factors was a decrease in revenue from \$2,635,616 in 2010 to \$2,402,544 in 2011.
- All the assets of Colchester are held in trust in a custodial account in favour of CLLAS.

2.5 CRC Reinsurance Limited

General

CRC is a direct, wholly owned subsidiary of Fairfax Financial Holdings Limited. The majority of CRC's premium writings are assumed reinsurance from the four operating subsidiaries of Northbridge Financial Corporation (Northbridge) which is a wholly owned subsidiary of Fairfax Financial Holdings Limited. The four Northbridge companies are domiciled in Canada.

The CLLAS-CRC reinsurance agreement includes a provision for outstanding claims advances by CRC in favour of CLLAS.

Stock Performance

CRC is a direct, wholly owned subsidiary of Fairfax Financial Holdings Limited. CRC is not publicly traded, so we have included the stock performance of their ultimate parent company, Fairfax Financial.

The following is the 2-year stock performance of Fairfax Financial Holdings.



Highlights of A.M. Best Report

The complete A.M. Best report is set forth in Appendix J. Current rating is A (Excellent)/Stable from A.M. Best.

- CRC's financial results (expressed in Canadian dollars and reported utilizing Canadian GAAP) for 2010 produced an underwriting loss of \$19.2 million, down from an underwriting loss of \$35.9 million in 2009;
- The 2010 combined ratio of 109.6 compares favorably with a combined ratio of 115.7 produced in 2009 and is also better than the 2008 combined ratio of 112.8;
- The results in both 2008 and 2009 reflect the soft market conditions for Lombard General which is the vast majority of CRC premium;
- CRC maintains an adequate level of risk-adjusted capital, as calculated using Best's Capital Adequacy Ratio and with consideration of the explicit and implicit support of its ultimate parent, Fairfax.;
- Shareholders' equity increased to \$231 million at year-end 2010 from \$206.2 at year-end 2009, but still has not returned to its year-end 2008 level.
- Gross premiums written: \$192,212,000 in 2010 and \$232,851,000 in 2009;
- Net income: \$16,925,000 in 2010 and -\$37,319,000 in 2009;
- Liquidity: CRC maintains an excellent liquidity position with 28% of the company's total investment portfolio in cash, short-term investments and equities. An additional 51% of assets are allocated to long-term Canadian government bonds.

- ❖ CRC benefits from its position as a wholly owned subsidiary of Fairfax Financial Holdings Limited, which maintains substantial cash and liquid assets
- ❖ CRC generated a steady stream of investment income totaling \$19.99 million in 2010;

2.6 Lloyd's of London

General

Lloyd's of London is the world's leading insurance market, housed in Lime Street in the City of London.

The Corporation of Lloyd's oversees the market, establishing standards and providing services to support its activities.

It also manages Lloyd's worldwide licences. The Corporation's Executive Team exercises the day-to-day powers and functions of the Council and the Franchise Board.

As well as providing cost-effective services to aid the smooth running of the market, the Corporation strives to raise the standards and improve the performance. The Corporation's work is split into two main areas:

1. Overall risk and performance management of the market;
2. Maintaining and developing the attractiveness of the market's capital providers, distributors and clients while preserving Lloyd's diversity and London based business model.

Lloyd's is regulated by the UK Financial Services Authority (FSA) under the Financial Services and Markets Act 2000. The FSA also regulates Lloyd's managing agents, members' agents and Lloyd's brokers.

The FSA and Lloyd's have common objectives in ensuring that Lloyd's market is appropriately regulated and, to minimize duplication, the FSA has made arrangements with Lloyd's for the co-operation on supervision and enforcement.

Lloyd's has been a participant on the CLLAS Reinsurance Program since 1987 and remains the largest participant.

Stock Performance

Not applicable.

Highlights of A.M. Best Report

The complete A.M. Best report is set forth in Appendix K. Current rating is A (Excellent)/Stable from A.M. Best.

- A.M. Best's rating of Lloyd's of London reflects its strong capitalization, good financial flexibility, good prospective financial performance and excellent global business profile;
- Financial Flexibility due to the diversity of Capital providers (corporate and non-corporate)
- Earnings in 2011 are expected to deteriorate from those reported in 2010 due to the above-average catastrophe losses
- Lloyd's underwriting performance is expected to be supported by reserve releases for a seventh successive year in 2011, although the size of the surplus is likely to be lower than in 2010.

- Lloyd's has an excellent business profile, particularly in the U.S. and London market, and continues to expand its global reach through extension of its licence network and local trading platforms;
- Capitalization: A.M. Best believes Lloyd's will maintain a solid capital base through 2010 and 2011:
 - ❖ Lloyd's capitalization is expected to remain strong into 2012, underpinned by a stable central capital base.
 - ❖ Central assets for solvency purposes rose 8% in 2010
- Liquidity: In A.M. Best's opinion, Lloyd's is likely to maintain good overall liquidity in 2010:
 - ❖ Managing agents are responsible for the investment of syndicate premium trust funds;
 - ❖ Overall, these funds exhibit a high level of liquidity, as most syndicate investment portfolios tend to consist primarily of cash and high-quality, fixed-income securities of relatively short duration;
 - ❖ Lloyd's monitors liquidity levels at individual syndicates as part of its capital adequacy review;
 - ❖ Lloyd's also monitors projected liquidity for its central assets, which are tailored to meet the disbursement requirements of the Central Fund and the Corporation of Lloyd's (including its debt obligations).

2.7 Swiss Reinsurance Company

General

Founded in Zurich, Switzerland, in 1863, Swiss Re operates in more than 25 countries and provides its expertise and services to clients throughout the world. Swiss Re's traditional reinsurance products and related services for property and casualty as well as for life and health business are complemented by insurance-based corporate finance solutions and supplementary services for comprehensive risk management. The Canadian operation of Swiss Reinsurance Company is a branch of Swiss Reinsurance Company Ltd.

Swiss Re (UK) joined the CLLAS Reinsurance Program in 1992 and Swiss Re (Canada) joined the Program in 1995. Swiss Re (Canada) has taken over all of the CLLAS business and Swiss Re (UK) no longer participates. Swiss Re currently participates on the \$60M xs \$160M and \$30M xs \$220M layers.

Stock Performance

The following is the 3-year stock performance for Swiss Re (shown in CHF). The stock is up +178.1% over the last 3 years.

Share Price and Volume Graph for Swiss Re from 10/02/2009 to 10/02/2012



Exchange	Peer group	Indices
ISwiss Re		

Highlights of A.M. Best Report

The complete A.M. Best report is set forth in Appendix L. Current rating is A +(Superior)/Stable from A.M. Best. The financial information below is denominated in CHF.

- Swiss Re had its A.M. Best had its rating upgraded from A(Excellent)/Positive to A +(Superior)/Stable;
- Through September 30, 2011, core underwriting results have been enhanced with investment related gains as the group continues to generate an overall level of profitability;
- This is in contrast to 2008 when the group experienced significant losses primarily due to unprecedented investment losses and further write-downs in its structured credit default swap portfolio. As a result, net loss after tax for 2008 was CHF 864 million, compared to net income of CHF 4.16 billion in 2007;
- Swiss Re's underwriting results have been solid over the past three years:
 - ❖ Property/casualty combined ratios measured 93.9%, 88.3% and 97.9% in years 2010, 2009 and 2008, respectively.

- ❖ Through September 30, 2011 Swiss Re reported a 104.6% non life combined ratio driven by catastrophe losses including the Japan quake, New Zealand quake and Australian floods.

➤ Gross premiums: \$15,541,000 in 2010 and \$17,167,000 in 2009;

➤ Key ratios:

- ❖ Total debtors to total assets: 12.4% in 2010 and 21.1% in 2009
- ❖ Liquid assets to total liabilities: 37.5% in 2010 and 35.8% in 2009
- ❖ Return on net premiums written: 3.2% in 2010 and 10.5% in 2009
- ❖ Return on total assets: .4% in 2010 and 1% in 2009

2.8 Transatlantic Reinsurance Company

General

Transatlantic Holdings, Inc. (TRH) is an international reinsurance organization headquartered in New York, with operations worldwide. TRH's subsidiaries, Transatlantic Reinsurance Company (TRC), Trans Re Zurich (TRZ) and Putnam Reinsurance Company (Putnam), offer reinsurance capacity on both a treaty and facultative basis – structuring programs for a full range of property and casualty products, with an emphasis on specialty risks.

Transatlantic has been on the CLLAS Reinsurance Program since 1990. Transatlantic currently takes 5% of the \$49M xs \$1M layer. Transatlantic's participation was reduced by CLLAS in 2008/09 due to a reinsurance recoverable issue.

Stock Performance

The following is the 2-year stock performance of Transatlantic Holdings, Inc.

Transatlantic Holdings, Inc. Co



Highlights of A.M. Best Report

The complete A.M. Best report is set forth in Appendix M. Current rating is A (Excellent)/Stable from A.M. Best.

- The rating reflects Transatlantic's excellent business profile as a leading international reinsurance organization, with a book of business that is diversified by product line and geography;
- Partially offsetting these positive rating attributes are A.M. Best's concerns regarding the soft casualty market, from which Transatlantic derives a significant portion of its premiums as well as reserve adequacy on casualty-oriented business;
- The group has generated positive operating results that compare favorably with the reinsurance industry over the recent 5-year period, reflecting strong underwriting capability and net investment income growth;
- Capitalization: The group maintains adequate risk-adjusted capital based on its Best's Capital Adequacy Ratio (BCAR). The BCAR score remains adequate given the overall diversification of its book of business and increasing capital base;
- Net Premiums written: \$2,557,623,000 at 09/30/2011 and \$2,485,096,000 at 09/30/2010;
- Net income: \$51,608,000 at 09/30/2011 and \$ 254,327,000 at 09/30/2010;
- Liquidity: Liquidity measures are reflective of Transatlantic's conservative investment strategy which provides for laddered maturities to respond to both its short and long-term obligations. The group's continued solid operating cash flows provide an additional funding source to meet these obligations. Based on Transatlantic's historically solid operating experience and modest catastrophe exposure, Best expects that the group's overall liquidity profile is more than adequate to support its current operations.
- Adverse development related to accident years 1997-2002 has acted as a drag on earnings over the years although the reserving issues associated with those years appear to be largely behind the company.

Transatlantic Merger with Alleghany

On February 6, 2012 Alleghany Corporation announced that its stockholders had approved the previously announced merger with Transatlantic Holdings, Inc. The end result is Transatlantic Holdings, Inc. merging with Shoreline Merger Sub, Inc., a wholly-owned subsidiary of Alleghany. Transatlantic's stockholders also voted in favor of the merger.

Transatlantic stockholders are to receive aggregate consideration currently valued at \$59.79 per share in stock and cash, or approximately \$3.4 billion. Transatlantic common shares will be exchanged for per-share consideration consisting of 0.145 Alleghany common shares and \$14.22 in cash. Transatlantic stockholders may elect to receive cash or stock consideration, subject to proration in the event of oversubscription. The stock consideration is expected to be tax free to Transatlantic stockholders.

At the special meeting of Alleghany stockholders approximately 7.3 million of Alleghany's 8.6 million shares of common stock outstanding as of the January 4, 2012 record date were voted. Approximately 99.75% of the votes cast were in favor of the proposal to issue shares of Alleghany common stock to Transatlantic stockholders in connection with the merger.

Approximately 99.85% of the total votes cast, which represents approximately 92.53% of the total outstanding shares of Transatlantic as of the January 4, 2012 record date, adopted the merger agreement.

As noted, the deal has been valued at approximately \$3.4 billion, and the transaction, which is subject to regulatory approvals and customary closing conditions, is expected to close in the first quarter of 2012.

About Alleghany

Alleghany creates stockholder value through the ownership and management of operating subsidiaries and investments, anchored by a core position in property and casualty insurance.

Alleghany's current operating subsidiaries include: RSUI Group, Inc., a national underwriter of property and liability specialty insurance coverages; Capitol Transamerica Corporation, an underwriter of property and casualty insurance coverages with a focus on the Midwest and Plains states and a national underwriter of specialty property and casualty and surety insurance coverages; Pacific Compensation Corporation, an underwriter of workers' compensation insurance primarily in California; and Alleghany Properties LLC, a significant landowner in Sacramento, California.

2.9 Argo Group International Holdings, Ltd.

General

Argo Group's operating companies provide primary and excess insurance, high-quality reinsurance products and tailored risk solutions for the managing general agency market. They are industry leaders in many of the markets we serve with proven results and top professionals who have deep expertise about their specialty clients' unique needs. Argo Group underwrites on an international platform and organizes their reporting into four segments:

Excess & Surplus Lines serves clients who cannot be insured in the standard markets because of the nature of their businesses, their particular risk exposures or their loss histories.

Commercial Specialty provides standard-market property and casualty insurance to highly specialized commercial markets and public entities.

Reinsurance writes reinsurance business worldwide through the broker market, with offerings that include specialty property catastrophe reinsurance and excess casualty and professional insurance.

International Specialty operates through Lloyd's of London syndicates offering property and liability coverage.

Argo Group's insurance subsidiaries are A. M. Best-rated 'A' (Excellent)/Stable (third highest rating out of 16 rating classifications) with a stable outlook, and Standard and Poor's-rated 'A-' (Strong) with a stable outlook.

Stock Performance

The following is the Argo Group International Holdings 2-year stock performance



Highlights of A.M. Best Report

The complete A.M. Best report is set forth in Appendix N.

Argo Group International Holdings, Ltd. (Argo Group), through its subsidiaries, is an international underwriter of specialty insurance and reinsurance products in the property and casualty market. Argo Group offers a full line of products and services designed to meet the unique coverage and claims handling needs of businesses in four primary segments: Excess and Surplus Lines, Commercial Specialty, International Specialty (formerly Reinsurance) and Syndicate 1200 (formerly International Specialty). Argo Group is the combined international holding company resulting from the August 7, 2007 merger of Argonaut Group, Inc., and PXRE Group, Ltd. In connection with the merger, Argo Group's common shares were approved for listing on the NASDAQ Global Select Market and trade under the symbol "AGII". The company was founded in 1986 and is headquartered in Pembroke, Bermuda

The **Syndicate 1200** (formerly International Specialty) segment is focused on underwriting worldwide property and non-U.S. liability insurance on behalf of underwriting syndicates, under the Lloyd's of London global franchise. The segment's business platform, Argo Underwriting Agency Limited (formerly known as Heritage Underwriting Agency plc), based in London, is comprised of

three primary components: Argo Managing Agency, which manages the syndicate; Syndicate 1200 and Argo Corporate Member Companies, which participates with other capital providers on syndicates. The combined underwriting activities have been carried out by two divisions within Syndicate 1200: worldwide property and non-U.S. liability business. Argo International's worldwide property division concentrates mainly on underwriting short-tail risks with an emphasis on commercial property which are also exposed to catastrophes and other man-made or natural disasters. Argo International's liability division underwrites non-U.S. professional indemnity, international general liability and directors and officers insurance. In 2011, Argo's International Specialty added two more divisions: Aerospace and Energy, which are supported by experienced underwriting teams. In addition, a small portion of the syndicate premium is written on a range of U.S. general liability risks. Going forward, the Syndicate 1200 segment will be principally managed and evaluated as a Lloyd's market syndicate business and will focus on the management and profitable growth of this business.

The following are some of the financial highlights from the A.M. Best report. Please note that the following financial figures are stated in USD:

- Stable Gross Premiums Written since 2006: \$1,155,600,000 in 2006, \$1,180,900,000 in 2007, \$1,601,500,000 in 2008, \$1,988,900,000 in 2009 and \$1,527,100,000 in 2010.
- Stable Net Premiums Written since 2006: \$847,000,000 in 2006, \$854,200,000 in 2007, \$1,151,000,000 in 2008, \$1,421,400,000 in 2009 and \$1,095,700,000 in 2010.
- Positive Net income since 2006: \$106,000,000 in 2006, \$143,800,000 in 2007, \$62,900,000 in 2008, \$117,500,000 in 2009 and \$82,600,000 in 2010.
- Total investments to total reserves have exceeded 100% since 2006: 100.5% in 2006, 122.7% in 2007, 105.2% in 2008, 108.6% in 2009 and 112.9% in 2010.
- Interest Coverage ratio has been good since 2006: 11.9 in 2006, 5.5 in 2007, 4.9 in 2008, 7.2 in 2009 and 4.4 in 2010.
- Argo Group has shown underwriting stability since 2006, with loss ratios less than 65% in each of the last five years: 58.8% in 2006, 61.3% in 2007, 64.3% in 2008, 60.3% in 2009 and 64.2% in 2010.

APPENDIX B
CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
REINSURERS' SECURITY RATING

Reinsurer	Registered Status	A.M. Best				S&P			
		February 8, 2012 Rating		July 27, 2011 Rating	February 7, 2011 Rating	February 8, 2012 Rating		July 27, 2011 Rating	February 7, 2011 Rating
		Rating	Change from Last Rating			Rating	Change from Last Rating		
Lloyd's	Registered	A (Excellent)/Stable	Unchanged	A (Excellent)/Stable	A (Excellent)/Stable	A+ (Strong)/Stable	Unchanged	A+ (Strong)/Stable	A+ (Strong)/Stable
Aspen Re	Registered	A (Excellent)/Stable	Unchanged	A (Excellent)/Stable	A (Excellent)/Stable	A (Strong)/Stable	Unchanged	A (Strong)/Stable	A (Strong)/Stable
Hannover Ruck	Registered	A (Excellent)/Positive	Unchanged	A (Excellent)/Positive	A (Excellent)/Positive	AA- (Very Strong)/Stable	Unchanged	AA- (Very Strong)/Stable	AA- (Very Strong)/Stable
Brit Insurance Limited	Registered	A (Excellent)/Stable	Unchanged	A (Excellent)/Stable	A (Excellent)/Negative	Not Available	Not Available	Not Available	Not Available
Transatlantic Reinsurance Company (UK)	Registered	A (Excellent)/Stable	Unchanged	A (Excellent)/Stable	A (Excellent)/Stable	A+ (Strong)/Stable	Unchanged	A+ (Strong)/Stable	A+ (Strong)/Stable
Arch Insurance Company (Canada Branch)	Registered	A+ (Superior)/Stable	Rating Upgraded	A (Excellent)/Positive	A (Excellent)/Positive	A+ (Strong)/Stable	Unchanged	A+ (Strong)/Stable	A+ (Strong)/Stable
Allied World Assurance Company Ltd.	Unregistered	A (Excellent)/Positive	Outlook Upgraded	A (Excellent)/Stable	A (Excellent)/Stable	A (Strong)/Stable	Credit Watch removed	A (Strong)/Credit Watch-Positive	A- (Strong)/positive
CRC (Bermuda) Reinsurance Ltd.	Unregistered	A (Excellent)/Stable	Unchanged	A (Excellent)/Stable	A (Excellent)/Stable	Not Available	Not Available	Not Available	Not Available
GCAN Insurance Company	Registered	A (Excellent)/Stable	Unchanged	A (Excellent)/Stable	A (Excellent)/Stable	Not Available	Not Available	Not Available	Not Available
SCOR Canada Reinsurance Company	Registered	A (Excellent)/Stable	Unchanged	A (Excellent)/Stable	A (Excellent)/Stable	A (Strong)/Positive	Unchanged	A (Strong)/Positive	A (Strong)/Positive
Swiss Reinsurance Company Ltd. (Canada Branch)	Registered	A+ (Superior)/Stable	Rating Upgraded	A (Excellent)/Positive	A (Excellent)/Positive	AA- (Strong)/Stable	Rating Upgraded	A+ (Strong)/Stable	A+ (Strong)/Stable
Toa Reinsurance Company of America	Registered	A+ (Superior)/Negative	Rating Upgraded, Outlook Downgraded (under review)	A (Excellent)/Stable	A (Excellent)/Stable	A+ (Strong)/Negative	Negative Outlook	A+ (Strong)/Stable	A+ (Strong)/Stable
Transatlantic Reinsurance Company (Parent)	Registered	A (Excellent)/Stable	Unchanged	A (Excellent)/Stable	A (Excellent)/Stable	A+ (Strong)/Stable	Unchanged	A+ (Strong)/Stable	A+ (Strong)/Stable
Transatlantic Reinsurance Company (Canada)	Registered	A (Excellent)/Stable	Unchanged	A (Excellent)/Stable	A (Excellent)/Stable	A+ (Strong)/Stable	Unchanged	A+ (Strong)/Stable	A+ (Strong)/Stable
Colchester Reinsurance Ltd.	Unregistered	Not Available	Unchanged	Not Available	Not Available	Not Available	Unchanged	Not Available	Not Available
Munich Re	Registered	A+ (Superior)/Stable	Unchanged	A+ (Superior)/Stable	A+ (Superior)/Stable	AA-(Very Strong) Stable	Unchanged	AA-(Very Strong) Stable	N/A
Antares 1274	Registered	A (Excellent)/Stable	Unchanged	A (Excellent)/Stable	N/A	A+ (Strong)/Stable	Unchanged	A+ (Strong)/Stable	N/A
Argo 1200	Registered	A (Excellent)/Stable	Unchanged	A (Excellent)/Stable	N/A	A- (Strong)/Stable	Unchanged	A- (Strong)/Stable	N/A
Axis Reinsurance Company	Registered	A (Excellent)/Positive	Outlook Upgraded	A (Excellent)/Stable	N/A	A+ (Strong)/Stable	Unchanged	A+ (Strong)/Stable	N/A
Continental Casualty Company (CNA)	Registered	A (Excellent)/Stable	Unchanged	A (Excellent)/Stable	N/A	A- (Strong)/Positive	Outlook Upgraded	A- (Strong)/Stable	N/A

Financial statements of

Canadian Lawyers Liability Assurance Society

December 31, 2011

Canadian Lawyers Liability Assurance Society

December 31, 2011

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Independent Auditor's Report

To the Advisory Board of the
Canadian Lawyers Liability Assurance Society

We have audited the accompanying financial statements of Canadian Lawyers Liability Assurance Society, which comprise the statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, and the statements of comprehensive income (loss), changes in equity, and cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Lawyers Liability Assurance Society as at December 31, 2011, December 31, 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Chartered Accountants
Licensed Public Accountants
February 21, 2012

Canadian Lawyers Liability Assurance Society

Statements of financial position as at

	December 31, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
Assets			
Cash at bank	4,538,284	3,409,868	8,118,634
Short term investments (Note 4)	12,216,563	14,757,472	10,446,379
Bonds (Note 4)	44,248,315	39,807,585	37,106,852
Interest income due and accrued	308,227	299,500	290,528
Premiums receivable (Note 6)	5,003,937	7,664,379	5,302,471
Premium taxes receivable	1,733,853	1,733,853	-
Prepaid expenses	136,500	136,500	235,898
Deferred policy acquisition costs	-	-	283,123
Unearned reinsurance premiums ceded	5,920,338	6,352,910	6,834,882
Reinsurance recoverable	5,739,425	13,132,896	11,828,558
Provision for unpaid claims and adjustment expenses recoverable from reinsurers (Note 5)	34,431,000	33,176,000	40,904,000
Total assets	114,276,442	120,470,963	121,351,325
Liabilities			
Accounts payable and accrued charges	657,657	2,999,690	745,909
Unearned premiums	8,456,905	10,340,344	11,727,469
Due to reinsurers	4,506,997	7,809,604	8,164,121
Provision for unpaid claims and adjustment expenses (Note 5)	79,943,000	77,557,000	79,072,000
Premium deficiency liability	586,000	548,000	-
Total liabilities	94,150,559	99,254,638	99,709,499
Equity			
Minimum surplus (Note 12)	50,000	50,000	50,000
Additional surplus (Note 12)	17,773,451	19,968,272	20,381,341
Accumulated other comprehensive income	2,302,432	1,198,053	1,210,485
	20,125,883	21,216,325	21,641,826
Total liabilities and equity	114,276,442	120,470,963	121,351,325

Canadian Lawyers Liability Assurance Society

Statements of comprehensive income (loss)
years ended December 31

	2011	2010
	\$	\$
Premiums		
Written premiums	17,006,743	20,835,506
Reinsurance ceded	11,905,735	12,811,117
Net written premiums	5,101,008	8,024,389
Change in unearned premiums	1,450,867	905,153
Earned premiums	6,551,875	8,929,542
Expenses		
Claims (Note 5)	9,428,638	6,466,594
Premium deficiency adjustment	38,000	548,000
Operating expenses (Note 7)	2,652,454	2,603,762
Premium taxes	(117,788)	1,211,856
	12,001,304	10,830,212
Underwriting loss for the year	(5,449,429)	(1,900,670)
Investment income (Note 4)	1,694,950	1,487,601
Income on claim related matters (Note 14)	1,559,658	-
Net income (loss) for the year	(2,194,821)	(413,069)
Unrealized gains (losses) on available-for-sale financial assets arising during the year	1,104,379	(12,432)
Other comprehensive income (loss)	1,104,379	(12,432)
Comprehensive income (loss)	(1,090,442)	(425,501)

Canadian Lawyers Liability Assurance Society

Statements of changes in equity
years ended December 31

	Minimum surplus	Additional surplus	Accumulated other comprehensive income	Total equity
	\$	\$	\$	\$
Balance at January 1, 2010	50,000	20,381,341	1,210,485	21,641,826
Net income (loss)	-	(413,069)	-	(413,069)
Other comprehensive income (loss)	-	-	(12,432)	(12,432)
Balance December 31, 2010	50,000	19,968,272	1,198,053	21,216,325
Net income (loss)	-	(2,194,821)	-	(2,194,821)
Other comprehensive income (loss)	-	-	1,104,379	1,104,379
Balance December 31, 2011	50,000	17,773,451	2,302,432	20,125,883

Canadian Lawyers Liability Assurance Society

Statements of cash flows
years ended December 31

	2011	2010
	\$	\$
Operating activities		
Net income (loss) for the year	(2,194,821)	(413,069)
Changes in non-cash:		
Interest income due and accrued	(8,727)	(8,972)
Premiums receivable	2,660,442	(2,361,908)
Unearned reinsurance premiums ceded	432,572	481,972
Prepaid expenses	-	99,398
Deferred policy acquisition costs	-	283,123
Reinsurance recoverable	7,393,471	(1,304,338)
Premium taxes receivable	-	(1,733,853)
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	(1,255,000)	7,728,000
Provision for unpaid claims and adjustment expenses	2,386,000	(1,515,000)
Premium deficiency liability	38,000	548,000
Unearned premiums	(1,883,439)	(1,387,125)
Due to reinsurers	(3,302,607)	(354,517)
Accounts payable and accrued charges	(2,342,033)	2,253,781
	1,923,858	2,315,492
Investing activities		
Purchase of bonds	(9,820,287)	(5,047,958)
Maturities and disposal of bonds	6,370,749	2,250,608
Purchase of short term investments	(104,299,562)	(61,304,800)
Disposal of short term investments	106,910,848	57,022,129
Amortization of bond premium	108,563	89,492
Amortization of bond discount	(65,753)	(33,729)
	(795,442)	(7,024,258)
Net (decrease) increase in cash	1,128,416	(4,708,766)
Cash balance, beginning of year	3,409,868	8,118,634
Cash balance, end of year	4,538,284	3,409,868
Cash balance comprises		
Cash at bank	4,538,284	3,409,868
Interest received	1,729,033	1,533,933

Canadian Lawyers Liability Assurance Society

Notes to the financial statements

For the year ended December 31, 2011

1. Description of business

The Canadian Lawyers Liability Assurance Society (the "Society") was formed under the Reciprocal Insurance Exchange Agreement for select Canadian Law Firms dated December 22, 1986 ("Subscription Agreement"). The Society is licensed by the Financial Services Commission of Ontario ("FSCO") to provide lawyers professional liability insurance to its subscribers in accordance with Part XIII of the Insurance Act of Ontario, R.S.O. 1990. The Society commenced operations on June 30, 1987.

The address and registered office is First Canadian Place, 100 King St. West, 44th Floor, Toronto, Ontario, M5X 1B1.

The Society does not have any employees and is managed by an independent third party that reports to the Advisory Board. The Advisory Board has the authority and responsibility for planning, directing and controlling the activities of the entity. The Chair of the Advisory Board receives an annual honorarium of \$75,000 (2010 - \$60,000) and the other members of the Advisory Board receive no compensation.

2. Basis of preparation

Statement of compliance

These financial statements are the Society's first published financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as defined by the International Accounting Standards Board ("IASB"). The transition from previous Canadian generally accepted accounting principles ("CGAAP") to IFRS did not result in any adjustments to amounts previously reported, except for reclassifications of prior period amounts to conform with current presentation; as such, no reconciliation of equity is presented.

These financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments which are measured at fair value.

IFRS 1 first-time adoption of International Financial Reporting Standards ("IFRS 1")

The Society is required to determine its IFRS accounting policies and apply these accounting policies retrospectively to determine its opening balances for January 1, 2010 (transition date) under IFRS. The accounting policies in Note 3 have been applied in preparing the financial statements for the year ended December 31, 2011, the comparative information presented for December 31, 2010 and the opening IFRS statement of financial position at January 1, 2010.

IFRS 1 permits a number of exemptions from full retrospective application during the transition period. The Society has taken advantage of a number for these exemptions as set out below:

Insurance contracts

The Society has elected under IFRS 1.D4 to apply the transitional provision of IFRS 4 'Insurance Contracts' ("IFRS 4") which leaves accounting for insurance contracts unchanged. The Society will continue its current practice for measuring and recording insurance contracts. The Society also elected to not disclose claims development for more than 5 years.

Designation of investments as available-for-sale

The Society has maintained the classification of all its investments as available-for-sale, and records all unrealized gains or losses in accumulated other comprehensive income ("AOCI").

The Society has applied the following mandatory exemptions from retrospective application:

Accounting estimates

The transition date estimates recorded in these financial statements are consistent with estimates made in accordance with CGAAP.

Canadian Lawyers Liability Assurance Society

Notes to the financial statements

For the year ended December 31, 2011

3. Significant accounting policies

These financial statements reflect the following policies:

Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about the reported amounts of revenues, expenses, assets, and liabilities and the disclosure of contingent liabilities, at the reporting date. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and any future periods affected. Information about judgments, estimates and assumptions that have the most significant effect on the amounts reflected in the financial statements are reflected in the following notes:

Note 3: Reinsurance (regarding insurance contract premium related to additional premium liability)

Note 3 and 5: Provision for unpaid claims and adjustment expenses

Insurance premiums and deferred acquisition costs

Insurance premiums are recorded as written at the inception date of the policies and deferred as unearned premiums to be taken into income as earned on a pro-rata basis over the terms of the underlying policies. Retro-assessment calls are recorded as written and earned at the date of approval by the Society's Advisory Board. Premium taxes are recorded as deferred policy acquisition costs and expensed in the periods in which related premiums are earned.

At each reporting period, liability adequacy tests are performed to ensure that the unearned premiums are sufficient to pay expected claims and expenses. If not, a premium deficiency will occur. Premium deficiencies are recognized initially by reducing the deferred acquisition cost asset and, if necessary, establishing an additional provision.

Reinsurance

The Society participates in, and enters into, reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Reinsurance premiums are recognized in the same period as the related insurance premiums what are earned as described above.

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses. Amounts recoverable from reinsurers are estimated and recognized in a manner consistent with the reserve of losses associated with the related reinsurance contract. The Society reflects reinsurance balances on a gross basis in the statement of financial position to reflect the credit risk related to reinsurance.

Certain of the Society's reinsurance contracts contain additional premium liability clauses which require that the Society pay additional premiums if paid claims and case reserves exceed certain pre-determined levels. The Society accrues such additional premiums based upon current actuarial estimates of ultimate loss experience.

Provision for unpaid claims and adjustment expenses

The provision for unpaid claims and adjustment expenses represents an estimate of the ultimate gross amounts payable for all claims, including investigation costs and the projected final settlement of claims incurred prior to the statement of financial position date. The provision for unpaid claims and adjustment expenses is calculated in accordance with accepted actuarial practice in Canada taking into consideration the time value of money and explicit provisions for adverse deviation ("PFAD"). The estimates of loss activity are, by necessity, subject to uncertainty and are derived from a wide range of possible outcomes. These estimates are continually reviewed as additional information affecting the estimated quantum of claims settlement is obtained. All changes in estimated claim amounts are recorded as incurred claims in the period in which the change in estimate is determined.

Canadian Lawyers Liability Assurance Society

Notes to the financial statements

For the year ended December 31, 2011

3. Significant accounting policies (continued)

The amounts recoverable from reinsurers are calculated based upon the same principles as the gross liability and are reflected as an asset in the statement of financial position.

Investments

The investment portfolio comprised of bonds and short term investments which are classified as available-for-sale ("AFS") and their fair value is determined using quoted market bid prices. The Society does not have investments in bonds or other investments for which the fair value is determined using a valuation technique based on assumptions that are not supported by observable market prices or rates.

AFS investments are recorded at fair value with changes in the fair value recorded as unrealized gains and losses, which is included in other comprehensive income ("OCI"). Realized gains and losses on sale, as well as losses from impairment are recorded in net investment income in the statement of comprehensive income.

The Society accounts for the purchase and sale of investments using trade date accounting. Realized gains or losses on sale of investments are determined on a first in first out basis. Transaction costs related to the purchase of these bonds are recorded as part of the carrying value of the bond at the date of purchase. Discounts or premiums on the purchase of bonds are deferred and amortized over the remaining term of the bonds.

Impairments

AFS bonds are assessed for impairment at least on a quarterly basis. Objective evidence of impairment includes financial difficulty of the issuer, bankruptcy or defaults and delinquency in payments of interest or principal. When an investment is impaired it is written down to its fair value and associated unrealized gains or losses accumulated in OCI are reclassified to net investment income in the statement of comprehensive income. Once an impairment loss is recorded to income, the loss can only be reversed for fixed income securities to the extent a subsequent increase in fair value can be objectively correlated to an event occurring after the loss was recognized. Recovery in the fair value of a previously impaired AFS fixed income security up to the original amortized cost is recognized in the statement of comprehensive income; recovery above original amortized cost for AFS fixed income securities is recognized in OCI. Following the impairment loss recognition, these assets will continue to be recorded at fair value with changes in fair value recorded to OCI, and tested for further impairment quarterly.

Insurance and reinsurance assets are reviewed for impairment on quarterly basis. If objective evidence arises indicating a receivable from a policyholder or reinsurer is uncollectible, the carrying amount of the asset is reduced to its expected recoverable amount. The impairment loss is recognized as an expense in the statement of comprehensive income.

Future accounting changes

Future changes in accounting policies

In November 2009, the International Accounting Standards Board (IASB) issued IFRS 9 – Financial Instruments which modifies the previous standard IAS 39. The new standard changes the classification and measurement of financial instruments and includes the elimination of the AFS category. Since the Society currently uses that classification, a change will be required when the standard becomes effective. IFRS 9 is currently effective for annual periods beginning on or after January 1, 2015.

In May 2011, the IASB issued IFRS 13, 'Fair Value Measurement,' that defined the term "fair value" and prescribed a framework for measuring and disclosing the fair value measurements of eligible financial assets and liabilities. The standard emphasizes that fair value is a market-based, not an entity-specific measurement and sets out a fair value hierarchy with the highest priority given to quoted prices in active markets. The standard is effective for fiscal periods beginning on or after January 1, 2013, with early adoption permitted. Management is evaluating the effect, if any, that the adoption of IFRS 13 will have on the financial statements.

Canadian Lawyers Liability Assurance Society

Notes to the financial statements

For the year ended December 31, 2011

3. Significant accounting policies (continued)

Future accounting changes (continued)

Future changes in accounting policies (continued)

At the date of authorization of the financial statements, there were a number of other standards and interpretations which were in issue but not yet effective including IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities", IAS 24 "Related Party Disclosures", IAS 32 "Financial Instruments: Presentation – Classification of Rights Issues", IFRIC 14 Prepayments of a minimum funding requirement and IFRIC 19 "Extinguishing financial liabilities with equity instruments". The management anticipates that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Society.

4 Investments

a) The Society's investments consist of the following:

	December 31, 2011		December 31, 2010		January 1, 2010	
	Fair value and carrying value	Amortized cost	Fair value and carrying value	Amortized cost	Fair value and carrying value	Amortized cost
	\$	\$	\$	\$	\$	\$
Bonds	44,248,315	41,937,442	39,807,585	38,596,467	37,106,852	35,888,609
Short term investments	12,216,563	12,225,004	14,757,472	14,770,537	10,446,379	10,454,137
	56,464,878	54,162,446	54,565,057	53,367,004	47,553,231	46,342,746

The difference between amortized cost and market value of the AFS investments in bonds and short term investments consists of gross unrealized gains of \$2,313,184 (2010 - \$1,278,842) and gross unrealized losses of (\$10,752) (2010 - (\$80,789)).

Bonds have an average effective interest market yield of 1.85% (2010 - 2.69%). The Society limits its long term investments to securities issued or guaranteed by the Government of Canada, any province of Canada or Canadian corporations having a rating of A or better.

Short term investments are invested in securities issued by the Government of Canada or a Canadian Province having a rating of A or better, or a Canadian Chartered Bank having a rating of R-1 or better. These securities have a maturity of less than 1 year from the purchase date.

b) Maturity profile of bonds as at December 31:

	December 31, 2011	December 31, 2010	January 1, 2010
	Fair value	Fair value	Fair value
	\$	\$	\$
Under 1 year	5,510,936	6,459,534	2,320,734
1 to 5 years	28,370,596	24,649,386	28,858,682
Over 5 years	10,366,783	8,698,665	5,927,436
	44,248,315	39,807,585	37,106,852

The maturity profile of short term investments is 100% under 1 year for December 31, 2011, December 31, 2010 and January 1, 2010.

Canadian Lawyers Liability Assurance Society

Notes to the financial statements

For the year ended December 31, 2011

4. Investments (continued)

c) Net investment income has the following components:

	2011	2010
	\$	\$
Interest income		
Bonds	1,555,137	1,474,858
Cash, cash equivalents and short term investments	182,623	68,047
	1,737,760	1,542,905
Amortization of discount (premium) on investments	(42,810)	(55,763)
	1,694,950	1,487,142
Miscellaneous investment income	-	459
Total net investment income	1,694,950	1,487,601

d) Fair value measurements

The Society measures certain assets and liabilities using fair value. Fair value is a market-based measurement and not an entity-specific measurement, and requires the use of a fair value hierarchy with the highest priority given to quoted prices in active markets. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Canadian Lawyers Liability Assurance Society

Notes to the financial statements

For the year ended December 31, 2011

4. Investments (continued)

d) Fair value measurements (continued)

The following table presents the Society's financial instruments that have been measured at fair value, on a recurring basis, as at December 31.

December 31, 2011	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash at bank	4,538,284	-	-	4,538,284
Investments - available-for-sale				
Short term investments	-	12,216,563	-	12,216,563
Bonds	-	44,248,315	-	44,248,315
	-	56,464,878	-	56,464,878
	4,538,284	56,464,878		61,003,162

December 31, 2010	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash at bank	3,409,868	-	-	3,409,868
Investments - available-for-sale				
Short term investments	-	14,757,472	-	14,757,472
Bonds	-	39,807,585	-	39,807,585
	-	54,565,057	-	54,565,057
	3,409,868	54,565,057		57,974,925

January 1, 2010	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash at bank	8,118,634	-	-	8,118,634
Investments - available-for-sale				
Short term investments	-	10,446,379	-	10,446,379
Bonds	-	37,106,852	-	37,106,852
	-	47,553,231	-	47,553,231
	8,118,634	47,553,231		55,671,865

The Society did not have any transfers between any levels during the year.

Canadian Lawyers Liability Assurance Society

Notes to the financial statements

For the year ended December 31, 2011

5. Unpaid claims and adjustment expenses

a) Nature of unpaid claims and adjustments expenses

The establishment of the provision for unpaid claims and adjustment expenses is based on known facts and interpretation of circumstances and is therefore a complex and dynamic process influenced by a large variety of factors. These factors include the Society's experience with similar cases and historical trends involving claim payment patterns, loss payments, pending levels of unpaid claims, claims severity and claim frequency patterns.

Other factors include the continually evolving and changing regulatory and legal environment, actuarial studies, professional experience and expertise of the Society's consultants retained to handle individual claims, the quality of the data used for projection purposes, existing claims management practices including claims handling and settlement practices, the effect of inflationary trends on future claims settlement costs, court decisions, economic conditions and public attitudes. In addition, time can be a critical part of the provision determination. The longer the span between the incidence of a loss and the payment or settlement of the claims, the more variable the ultimate settlement amount can be.

Consequently, the establishment of the provision for unpaid claims and adjustment expenses process relies on the judgment and opinions of a large number of individuals, on historical precedent and trends, on prevailing legal, economic, social and regulatory trends and on expectations as to future developments. The process of determining the provisions necessarily involves risks that the actual results will deviate, perhaps materially, from the best estimates made.

b) Activity in the provision for unpaid claims and adjustment expenses is summarized as follows:

	Gross \$	Ceded \$	Net \$
Provision for unpaid claims and adjustment expenses, January 1, 2010	79,072,000	40,904,000	38,168,000
Incurring claims and claim adjustment expenses			
Provision for current year claims	8,198,000	3,732,000	4,466,000
Increase (decrease) in provision for claims of prior years	(1,142,628)	(2,745,222)	1,602,594
Increase (decrease) in provision due to discount rate change	696,000	298,000	398,000
Total incurred	7,751,372	1,284,778	6,466,594
Payments and recoveries attributable to			
Current year claims	-	-	-
Prior years claims	(9,266,372)	(9,012,778)	(253,594)
	(9,266,372)	(9,012,778)	(253,594)
Provision for unpaid claims and adjustment expenses, December 31, 2010	77,557,000	33,176,000	44,381,000
Incurring claims and claim adjustment expenses			
Provision for current year claims	8,237,000	5,458,000	2,779,000
Increase (decrease) in provision for claims of prior years	4,524,215	(417,423)	4,941,638
Increase (decrease) in provision due to discount rate change	3,046,000	1,338,000	1,708,000
Total incurred	15,807,215	6,378,577	9,428,638
Payments and recoveries attributable to			
Current year claims	(9,623)	-	(9,623)
Prior years claims	(13,411,592)	(5,123,577)	(8,288,015)
	(13,421,215)	(5,123,577)	(8,297,638)
Provision for unpaid claims and adjustment expenses, December 31, 2011	79,943,000	34,431,000	45,512,000

Canadian Lawyers Liability Assurance Society

Notes to the financial statements

For the year ended December 31, 2011

5. Unpaid claims and adjustment expenses (continued)

c) Provision for unpaid claims and adjustment expenses

Under accepted actuarial practice in Canada, the appropriate value of the claims liabilities is the discounted value of such liabilities plus the provision for adverse deviation ("PFAD").

December 31, 2011

	Undiscounted	Discounted at 1.85%	Provisions for adverse deviation	Value per accepted actuarial practice
	\$	\$	\$	\$
Provision for unpaid claims and adjustment expenses				
Gross	76,791,000	70,434,000	9,509,000	79,943,000
Recoverable from reinsurers	34,634,000	31,713,000	2,718,000	34,431,000
Net	42,157,000	38,721,000	6,791,000	45,512,000

December 31, 2010

	Undiscounted	Discounted at 2.70%	Provisions for adverse deviation	Value per accepted actuarial practice
	\$	\$	\$	\$
Provision for unpaid claims and adjustment expenses				
Gross	77,459,000	68,387,000	9,170,000	77,557,000
Recoverable from reinsurers	34,658,000	30,603,000	2,573,000	33,176,000
Net	42,801,000	37,784,000	6,597,000	44,381,000

January 1, 2010

	Undiscounted	Discounted at 2.9%	Provisions for adverse deviation	Value per accepted actuarial practice
	\$	\$	\$	\$
Provision for unpaid claims and adjustment expenses				
Gross	79,707,000	69,731,000	9,341,000	79,072,000
Recoverable from reinsurers	43,054,000	37,757,000	3,147,000	40,904,000
Net	36,653,000	31,974,000	6,194,000	38,168,000

Canadian Lawyers Liability Assurance Society

Notes to the financial statements

For the year ended December 31, 2011

5. Unpaid claims and adjustment expenses (continued)

d) Key assumptions

The best estimate of the provision for unpaid claims and adjustment expenses as reported in these financial statements has been determined by the Society's appointed actuary in accordance with accepted actuarial practice as determined by the Standards of Practice of the Canadian Institute of Actuaries ("CIA"), including the selection of appropriate assumptions and methods.

The Incurred But Not Reported ("IBNR") liabilities have been estimated for each coverage period using the Bornhuetter-Ferguson Method which is based on expected claims development patterns and expected losses.

The estimated undiscounted outstanding liabilities are discounted to reflect the time value of money using a selected discount rate of 1.85% (2010 – 2.70%) which is based on the expected market yield of the Society's investment portfolio of bonds and short term assets.

Based on the recommended margin for adverse deviation ranges prescribed by the CIA, a provision for adverse deviation is selected for the following variables: claims development, reinsurance recovery and interest rate.

Changes in the assumptions used in the December 31, 2011 actuarial valuation resulted in a total increase in net liabilities of \$342,000 (2010 - \$9,000), which is due to the change in loss development factors used in the Bornhuetter-Ferguson method and change in unallocated loss adjustment expense load from 3.45% to 3.25%. The change in the discount rate assumption led to a further increase in the net liabilities of \$1,708,000 (2010 - \$398,000).

Sensitivities regarding these assumptions are provided in Note 11 Insurance Risk Management.

6. Premiums receivable

All subscribers are large reputable Canadian law firms, and no significant credit risk is expected. All amounts are due by January 1, 2012.

7. Expenses by nature

The following table presents the Society's expenses by nature:

	2011	2010
	\$	\$
Management services	1,232,344	1,099,839
Legal and professional	1,014,546	724,146
Other expenses	405,564	779,777
Total	2,652,454	2,603,762

Canadian Lawyers Liability Assurance Society

Notes to the financial statements

For the year ended December 31, 2011

8. Reinsurance program

- a) The Society has obtained proportional reinsurance coverage which limits its net liability to a maximum amount of \$13,225,000 effective for the annual coverage period beginning on July 1, 2011 (July 1, 2010: \$14,475,000) on any one loss.

- b) Colchester Reinsurance Limited is an off-shore captive reinsurer domiciled in Barbados. The shareholders of Colchester are twelve Toronto based legal firms or their related service corporations. Those twelve shareholders are unrelated to each other. However, each of Colchester's shareholders is, or is related to certain of the Society's subscribers. For the annual coverage period beginning on July 1, 2011, Colchester received from the Society premiums of \$3,726,427 (July 1, 2010: \$2,558,813).

On July 1, 2011 Colchester provided proportional reinsurance to the Society to a maximum amount of \$12,250,000. Colchester has not previously reinsured the Society on a proportional basis.

Colchester provides aggregate stop-loss reinsurance protection for a portion of the Society's retained risk. On July 1, 2011 this reinsurance had an attachment point of \$17,500,000 (July 1, 2010: \$15,000,000), and an annual aggregate limit of \$22,500,000 (July 1, 2010: \$25,000,000). From July 1, 2011, the attachment point and limit are determined with reference to the combined net liabilities of the Society and Colchester, where the net liabilities for the Society are for that portion of each loss which is in excess of \$25,000 (July 1, 2010: \$250,000) and the net liabilities for Colchester are for each loss which is in excess of \$1,000,000 to a maximum of \$5,000,000.

- c) Reinsurance does not discharge the primary liability of the Society.

9. Income taxes

The Society is a reciprocal as defined under Part XIII of the Insurance Act of Ontario. Accordingly, no provision for income taxes is made in these financial statements.

10. Equity

In accordance with the Reciprocal Insurance Exchange Agreement, subscribers were not obliged to contribute any amounts to the Society in the form of a capital contribution. The subscribers' surplus therefore represents cumulative surplus and may be used to cover potential future catastrophe claims or reduce future premiums, if appropriate. The Agreement provides that additional assessments may be made to cover the actual loss, claims and costs experienced by the Society.

11. Risk management

Insurance risk management

The Society accepts insurance risks through its insurance contracts where it assumes the risk of loss from persons or organizations subject to the underlying loss. The Society is exposed to uncertainty surrounding the timing, frequency and severity of claims under these contracts and the principal risk that the actual claims payments exceed the carrying amount of the insurance liabilities or that claims are under-reserved.

The Society manages insurance risk via its underwriting and reinsurance strategy within an overall risk management framework. Pricing is based on assumptions which have regard to trends and past experience. Exposures are managed by having documented underwriting limits and rating criteria. Reinsurance is purchased to mitigate the effect of potential loss to the Society from individual large events. Reinsurance policies are written with approved reinsurers (two of the current reinsurers are unlicensed) on either a proportional, aggregate or excess of loss treaty basis.

There is some concentration of risk since all coverage is related to professional liability and the underlying insured's are a homogeneous group since all are engaged in the practice of law in Canada. There is some risk of increased claim activity due to the occurrence of events that could increase the number of or value of legal actions against lawyers. Examples could be changes in legislation or a severe economic downturn. This risk is mitigated to some extent by the use of aggregate and excess of loss reinsurance. Concentration risk regarding reinsurance is mitigated by the use of multiple reinsurers with varying participations and an annual assessment of the financial strength of all reinsurers.

Canadian Lawyers Liability Assurance Society

Notes to the financial statements

For the year ended December 31, 2011

11. Risk management (continued)

Claim development

Uncertainty exists on reported claims in that all information may not be available at the reporting date; therefore, the claim cost may rise or fall at some date in the future when the information is obtained. In addition, claims may not be reported to the Society immediately; therefore, estimates are made as to the value of claims incurred but not yet reported, a value which may take some months to finally determine. In order to determine the liability, assumptions are developed considering the characteristics of the line of business, the historical pattern of payments, the amount of data available and any other pertinent factors. In general, the longer the term required for the settlement of a group of claims, the more variable the estimates. Short settlement term claims are those which are expected to be substantially paid within a year of being reported. The following table shows the development of claims over a 5 year period, on both a gross and net of reinsurance basis:

Analysis of claims development - net and gross

	2007	2008	2009	2010	2011	Total
	\$	\$	\$	\$	\$	\$
Estimate of ultimate (by underwriting year):						
End of year	8,441,000	8,150,000	8,797,000	8,322,000	4,665,000	
One year later	7,819,000	7,626,000	9,329,000	9,795,000	-	
Two years later	10,237,000	5,524,000	8,299,000	-	-	
Three years later	11,100,000	4,419,000	-	-	-	
Four years later	12,535,000	-	-	-	-	
Current estimate of ultimate	12,535,000	4,419,000	8,299,000	9,795,000	4,665,000	39,713,000
Cumulative payments	(8,361,000)	(5,000)	(20,000)	(1,663,000)	(10,000)	(10,059,000)
Net liability	4,174,000	4,414,000	8,279,000	8,132,000	4,655,000	29,654,000
Total all years						
Five years net liability						29,654,000
Liability in respect of prior years						9,988,000
Effect of discounting and PFAD						3,354,000
Unallocated loss adjustment expense						2,516,000
Liability recoverable from reinsurers						34,431,000
Gross liability in statement of financial position						79,943,000

Canadian Lawyers Liability Assurance Society

Notes to the financial statements

For the year ended December 31, 2011

11. Risk management (continued)

Sensitivities

The insurance claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The table below shows the effect on net income and equity of a +/- 5% change in the expected losses and the effect of a +/- 1% change in the discount rate applied to claims provisions for the year ended 31 December 2011.

	2011		2010	
	Net income for the year	Equity	Net income for the year	Equity
5% increase in expected losses	(1,502,770)	(1,502,770)	(1,507,927)	(1,507,927)
5% decrease in expected losses	1,502,770	1,502,770	1,507,927	1,507,927
1% increase in discount rate	1,998,772	1,998,772	1,927,996	1,927,996
1% decrease in discount rate	(2,160,513)	(2,160,513)	(2,083,330)	(2,083,330)

Financial risk management

The Society has policies related to the identification, monitoring and mitigation of risks associated with financial instruments. The key risks related to financial instruments are credit risk, liquidity risk and market risk (interest rate, equity and currency). The following describes how the Society manages each of these risks.

a) Credit risk

Credit risk is the risk of loss due to the failure of debtors to make payments when due. Credit risks are primarily associated with invested assets and amounts due from policyholders and reinsurance counterparties. The investment portfolio's exposure to credit risk is managed through policies and procedures including a credit evaluation by the investment manager and investment guidelines which specify investment quality and exposure limits. The portfolio is monitored and reviewed regularly by the Board. Premiums due from policyholders present minimal risk due to the short term nature of the receivable and the historic/financial relationship with the Society as a Reciprocal Insurance Exchange. The Society evaluates the financial condition of its reinsurers and monitors concentrations of credit risk of the reinsurers to minimize its exposure to significant losses from their insolvency. The Society believes that it has taken appropriate steps to manage credit risk and has made appropriate provision for any such exposures. One of the primary reinsurers is Colchester Reinsurance Limited as discussed in Note 8. The credit risk related to Colchester is managed by maintaining a trust account and a quarterly review of its financial condition.

Canadian Lawyers Liability Assurance Society

Notes to the financial statements

For the year ended December 31, 2011

11. Risk management (continued)

a) Credit risk (continued)

i) Exposure to credit risk

The following table summarizes the exposure to credit risk related to financial instruments and certain insurance assets at carrying value.

	December 31, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
Short term investments	12,216,563	14,757,472	10,446,379
Bonds	44,248,315	39,807,585	37,106,852
Interest income due and accrued	308,227	299,500	290,528
Premiums receivable	5,003,937	7,664,379	5,302,471
Reinsurance recoverable	5,739,425	13,132,896	11,828,558
Premium taxes receivable	1,733,853	1,733,853	-
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	34,431,000	33,176,000	40,904,000
Total credit exposure	103,681,320	110,571,685	105,878,788

ii) Concentration of credit risk

The Society utilizes an investment policy to minimize the concentration of credit risk by ensuring diversification across asset classes. The following table summarizes the distribution of investments by credit risk:

	December 31, 2011	December 31, 2010	January 1, 2010
	%	%	%
Bonds, treasury bills and cash (< 1 year)	12.0	16.2	6.2
Government of Canada (> 1 year)	36.0	36.1	45.0
Canadian provincials (> 1 year)	36.0	35.1	36.6
Corporates (> 1 year)	16.0	12.6	12.2
Total portfolio	100.0	100.0	100.0

b) Liquidity risk

Liquidity risk is the risk that the Society will not be able to meet all cash outflow obligations as they come due. The primary potential cash outflow is the payment of insurance claims and is represented by the provision for unpaid claims and adjustment expenses liability on the statement of financial position. In order to manage the liquidity risk associated with this liability, an investment policy is in place which requires that a material portion of the investment portfolio be maintained in short term investments. A summary of the invested assets by term to maturity is provided at Note 4. The following table summarizes the exposure to liquidity risk:

Canadian Lawyers Liability Assurance Society

Notes to the financial statements

For the year ended December 31, 2011

11. Risk management (continued)

b) Liquidity risk (continued)

	December 31, 2011			
	Due within 1 year	1 to 5 years	Over 5 years	Total
	\$	\$	\$	\$
Provision for unpaid claims and adjustment expenses (net)	6,134,000	26,296,000	13,082,000	45,512,000
Due to reinsurers	4,506,997	-	-	4,506,997
Accounts payable and accrued charges	657,657	-	-	657,657
Total	11,298,654	26,296,000	13,082,000	50,676,654

	December 31, 2010			
	Due within 1 year	1 to 5 years	Over 5 years	Total
	\$	\$	\$	\$
Provision for unpaid claims and adjustment expenses (net)	5,244,000	22,208,000	16,929,000	44,381,000
Due to reinsurers	7,809,604	-	-	7,809,604
Accounts payable and accrued charges	2,999,690	-	-	2,999,690
Total	16,053,294	22,208,000	16,929,000	55,190,294

	January 1, 2010			
	Due within 1 year	1 to 5 years	Over 5 years	Total
	\$	\$	\$	\$
Provision for unpaid claims and adjustment expenses (net)	4,118,000	19,022,000	15,028,000	38,168,000
Due to reinsurers	8,164,121	-	-	8,164,121
Accounts payable and accrued charges	745,909	-	-	745,909
Total	13,028,030	19,022,000	15,028,000	47,078,030

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, equity markets and foreign currency rates. The primary market risk exposures are discussed below.

i) Interest rate risk

Interest rate risk is the risk of financial loss arising from changes in interest rates. Fluctuations in interest rates will impact the market value of the fixed income portion of the investment portfolio. Interest rate fluctuations may create unrealized gains or losses which are recorded as OCI, however, these assets are ordinarily held until maturity which would result in a recovery of par value. A portion of these assets support the net provision for unpaid claims and adjustment expenses which is calculated, in part, using a discount factor based on the market rate of return of the investment portfolio.

The Society is exposed to interest rate risk if the cash flows from the investments are not matched to the liabilities that they support. This risk is partially mitigated by the investment policy which specifies that the timing of the settlement of unpaid claims be considered when selecting the duration of invested assets.

Canadian Lawyers Liability Assurance Society

Notes to the financial statements

For the year ended December 31, 2011

11. Risk management (continued)

c) Market risk (continued)

i) Interest rate risk (continued)

The estimated impact of a 1% increase in interest rates would decrease the market value of the fixed income portion of the investment portfolio by \$1,341,500 (2010 - \$1,162,807) which would be recorded in OCI. This impact would be more than offset on an economic basis by a decrease in the estimated unpaid claims and adjustment expense of \$1,998,772 (2010 - \$1,927,996) recorded through income. Conversely, a 1% decrease in interest rates would increase the market value of the fixed income portion of the investment portfolio by \$1,751,885 (2010 - \$1,447,013) which would be recorded in OCI. This impact would be more than offset on an economic basis by an increase in the estimated unpaid claims and adjustment expense of \$2,160,513 (2010 - \$2,083,331) recorded through net income.

ii) Equity risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. To mitigate this risk, the Society's investment policy does not allow exposure to equity markets.

i) Currency risk

The Society does not have any material exposure to foreign currency.

12. Surplus management and adequacy

Equity is comprised of minimum and additional surplus and AOCI. At December 31, 2011 the equity was \$20,125,883 (2010 - \$21,216,325). The Society's objectives for the management of surplus are for the prudent operation of the reciprocal and to provide relatively predictable premium costs for its members over time. A surplus management policy is approved by the Advisory Board which oversees the surplus management process.

As a reciprocal insurance exchange, the requirement for surplus is lower than that of an incorporated insurance company. A reciprocal may rely on the contractual agreement among its members to contribute to the losses incurred by other members and to make assessments for additional contributions to surplus if required and accordingly, can rely on the credit worthiness of its subscribers.

The Society is regulated by the FSCO which expects incorporated insurance companies to meet a Minimum Capital Test ("MCT") ratio of capital available to capital required of at least 150%. However, the minimum regulatory standard for reciprocals in Ontario is adjusted equity exceeding \$50,000. The Society's practice is to maintain a surplus level which is significantly higher than the regulatory minimum and as at December 31, 2011 exceeded the MCT requirement. The Society's surplus adequacy is evaluated regularly and this evaluation takes into account the gross exposure to risk, the level and nature of reinsurance purchased and the resulting net exposure to members. Input from the appointed actuary, which includes an assessment of loss volatility, is factored into this evaluation.

13. Fair value disclosure

The fair value of the following classes of financial instruments is deemed to approximate carrying value due to the immediate or short term maturity of the financial instruments.

- a) Cash at bank
- b) Interest income due and accrued
- c) Premiums receivable
- d) Premium taxes receivable
- e) Reinsurance recoverable
- f) Due to reinsurers
- g) Accounts payable and accrued charges

Canadian Lawyers Liability Assurance Society

Notes to the financial statements

For the year ended December 31, 2011

14. Income on claim related matter

A previous dispute with certain reinsurers regarding a large claim was resolved in favor of the Society. As per the arbitration award the Society has also collected interest in the amount of \$1,559,658 during the year ended December 31, 2011.

15. Date of authorization for issue

The financial statements were authorized for issue by the Board of Directors on February 21, 2012.



Canadian Lawyers Liability Assurance Society

Year-end Communication of 2011 Audit



For the year ended December 31, 2011
To be presented to the Audit Committee
at the meeting on February 15, 2012

Private and confidential

February 14, 2012

To the Chair and members of the Audit Committee of Canadian Lawyers Liability Assurance Society

Dear Audit Committee Members:

Report on audited annual financial statements

We have performed our audit of the financial statements of Canadian Lawyers Liability Assurance Society ("CLLAS" or "Society") as of and for the years ended December 31, 2011, December 31, 2010, and statement of financial position as at January 1, 2010 (the date of transition to International Financial Reporting Standards ("IFRS")), in accordance with Canadian generally accepted auditing standards and expect to issue our Independent Auditor's Report thereon dated February 21, 2012, following approval of the financial statements by the Advisory Board.

This report summarizes our findings during the audit. Our audit has been conducted in accordance with the Audit Plan presented to the Audit Committee members at the meeting on November 17, 2011.

The results of our audit are explained in further detail in this report.

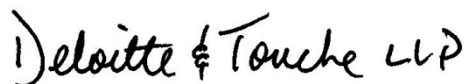
Use of our report

This report is intended solely for the information and use of the Audit Committee, management and others within CLLAS and is not intended to be, and should not be, used by anyone other than these specified parties. Accordingly, we disclaim any responsibility to any other party who may rely on it.

We would like to express our appreciation for the cooperation we received from the management of CLLAS with whom we worked to discharge our responsibilities.

We look forward to discussing this report with you and answering any questions you may have.

Yours truly,



Chartered Accountants
Licensed Public Accountants

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Executive summary

This report summarizes the main findings arising from our audit.

Audit findings and other matters	
Audit results	<p>Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance as to whether the financial statements are free of material misstatement.</p> <p>There were no significant departures from the audit plan we presented to the Audit Committee on November 17, 2011. We confirm that no limitations were placed on the scope of our work and there have been no significant amendments to the audit scope and approach communicated in the audit plan.</p> <p>Our initial estimates of materiality as presented to the Audit Committee on November 17, 2011 was \$1,780,000, and was based on the Q3'11 internal financial statements. This materiality amount was revised to \$1,590,000 based on the year-end financial statements of the Society.</p> <p>A description of our audit results has been included in Appendix A of this report.</p>
Audit risks	<p>In accordance with our audit plan, our procedures focused on the following areas that we identified as being subject to risk of material misstatement in the current year:</p> <ul style="list-style-type: none"> • Provision for unpaid claims and adjustment expenses (valuation); • Impairment of available-for-sale securities (valuation); and • IFRS conversion and expanded IFRS disclosures. <p>There were no changes in the risks identified in our audit plan.</p> <p>We satisfactorily addressed these significant risks in our audit and have summarized the results of our audit procedures for these risk areas in Appendix B of this report.</p>
Internal control over financial reporting	<p>Our audit was not designed to provide a high degree of assurance that significant deficiencies, if any, would be detected. Accordingly, we are unable to and do not provide any assurance on the design or effective operation of internal control over financial reporting.</p> <p>No matters have come to our attention which indicates a significant deficiency in internal control over financial reporting.</p> <p>Internal control matters are discussed in further detail on page 4 of this report.</p>
Fraud and illegal acts	<p>Based on the procedures we performed as recommended by Canadian Auditing Standard 240, <i>The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements</i>, we are not aware of any illegal acts or fraudulent events with respect to the Society during the year.</p>
Management judgment and accounting estimates	<p>Accounting estimates and interpretations are an integral part of the financial statements prepared by management. They reflect management's current judgments, based on knowledge and experience about past and current events, assumptions about future events and interpretations of the financial reporting standards.</p> <p>During the year ended December 31, 2011 management advised us that there were no significant changes in the relative degree of conservatism applied and the approach taken in concluding on accounting estimates and interpretations.</p> <p>Our views on the significant quantitative and qualitative aspects of the judgments and estimates made by management are presented in Appendix C of this report.</p>
Significant accounting policies	<p>The Society's significant accounting policies are set forth in Note 3 to the December 31, 2011 financial statements.</p> <p>We believe management's selection of accounting policies to be appropriate under IFRS.</p> <p>In our judgment, the significant accounting practices, selected and applied by management are, in all material respects, acceptable under IFRS and are appropriate to the particular circumstances of the Society.</p>

Audit findings and other matters	
Audit adjustments and uncorrected misstatements	<p>All uncorrected misstatements were reviewed with management and were determined by management, individually and in the aggregate, to be immaterial to the financial statements taken as a whole. In accordance with Canadian GAAS, we request that all misstatements be corrected.</p> <p>Additional misstatements, if any, noted during the course of completion of our audit will be presented at the Audit Committee meeting.</p>
Disclosure deficiencies	<p>We made recommendations to management regarding certain financial statement disclosures, many of which have been reflected in the financial statements.</p> <p>To date there are no disclosure deficiencies. Disclosure deficiencies that are more than inconsequential, if any, noted during the course of completion of our audit will be presented at the Audit Committee meeting.</p>
Formal reporting responsibilities	<p>We are required by professional standards to report to you on certain matters to the extent we become aware of them during the performance of our audit.</p> <p>We have summarized the matters that are reportable to the Audit Committee in Appendix D and confirm to you that, as of the date of this report, there are no material matters included in Appendix D requiring your attention.</p>
Representation letters	<p>Management is responsible for the fair presentation of the financial statements of the Society in accordance with IFRS.</p> <p>We expect to receive a representation letter from management, dated February 21, 2012, acknowledging this responsibility. The draft representation letters will be presented at the Audit Committee meeting.</p>
Conclusion	<p>We intend to issue unmodified audit reports on the financial statements and on the Annual Return Forms P&C-1 of the Society for the years ended December 31, 2011, December 31, 2010 and statement of financial position as of January 1, 2010 once the outstanding items referred to in the section below are satisfactorily completed and the financial statements are approved by the Advisory Board. A draft of our Independent Auditor's Report on the financial statements is included in Appendix E.</p>
Independence	<p>We have developed appropriate safeguards and procedures to eliminate threats to our independence or to reduce them to an acceptable level.</p> <p>As required under Canadian GAAS, we have reported all relationships and other relevant matters that, in our professional judgment, may reasonably be thought to bear on our independence and confirmed our independence to the Audit Committee for the year ended December 31, 2011.</p> <p>Our independence letter is included in Appendix F.</p>
Compliance with IFRS	<p>We have performed audit procedures and based on our audit we conclude that the financial statements present fairly, in all material respects in accordance with IFRS. See further discussion on page 5.</p>
Outstanding items	<p>As of the date of writing, certain aspects of our audit and file documentation are outstanding including:</p> <ul style="list-style-type: none"> • Receipt of signed management's representations letter • Signed Appointed Actuary report • Performance of subsequent event procedures up to February 21, 2012 • Completion of the Engagement Quality Control review • Audit of certain financial statements disclosure amounts <p>We plan to issue our audit opinion dated February 21, 2012, following completion of the above procedures and approval of the financial statements by the Advisory Board.</p> <p>The status of each of the deliverables is included on page 3 of this report.</p>

In conclusion

We would like to thank management for their contribution towards creating a constructive relationship between our respective teams and in helping us discharge our duties and responsibilities in a comprehensive and efficient manner.

We also thank you for the interest you have continuously shown in the scope and results of our audit. We regard your interest as a critical component in positioning the audit to provide the maximum benefit to you and your stakeholders.

Appendix A – Audit results

Status of deliverables

In our audit plan document, we identified a number of deliverables to be provided to you throughout the course of our audit. The status, as of February 13, 2012, of these items for the Society is as follows:

Deliverables	Status
1. 2011 Audit scope and plan	Complete
2. Confirmation of our independence and reporting on non-audit services and relationships	Complete
3. Audit results	Complete
4. Auditor's report on the following statements: <ul style="list-style-type: none">• Annual financial statements• FSCO Annual Return Form P&C-1 (pages 20.10 to 20.60)	(a)
5. Letter of significant recommendations for management	No items of significance noted
6. Other requests the Audit Committee may have	No such requests

(a) Subject to Advisory Board approval and completion of items referred to on page 2 of this report.

Use of the work of expert

The following expert assisted in our audit:

Provision for claims and adjustment expenses	Our actuarial expert assisted in assessing the adequacy of the valuation of the provision for claims and adjustment expenses.
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Internal control matters

An audit is planned and performed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud.

We obtained an understanding of internal control relevant to the audit; however, not all controls are relevant to every audit. We evaluated the design of controls relevant to the audit and determined whether they have been implemented. We are not, however, required to determine whether all relevant controls are operating effectively. Although not required by Canadian GAAS, we may decide that, for a particular engagement, it makes sense to rely on the effective operation of some controls to determine our planned substantive procedures we will perform. In such cases, we would go beyond evaluating the design of relevant controls and determining whether they have been implemented to also test whether the controls on which we intend to rely are operating effectively.

During the course of our audit, we did not identify any significant deficiencies in the internal control over financial reporting. Our audit was not designed to provide a high degree of assurance that significant deficiencies, if any, would be detected. Accordingly, we are unable to and do not provide any assurance on the design or effective operation of internal control over financial reporting.

Because of the inherent limitations of internal controls, including the possibility of collusion or management override of controls, material misstatements due to fraud may occur and not be detected. Also, projections of any evaluation of the internal controls to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Related party transactions

Related party transactions are disclosed in Note 8 of CLLAS's financial statements. During the course of our audit of CLLAS's financial statements, we have not identified any related party transactions that are not in the normal course of operations and that involve significant judgments by management concerning measurement or disclosure.

Legal and regulatory compliance

Management is responsible for ensuring that CLLAS's operations are conducted in accordance with applicable laws and regulations. The responsibility for preventing and detecting non-compliance rests with management. The auditor is not and cannot be held responsible for preventing non-compliance with laws and regulations. In the course of our audit, we did not identify any illegal or possibly illegal acts or any areas of material non-compliance with laws and regulations by CLLAS.

Post-balance sheet events

Management is responsible for assessing subsequent events up to the date of release of the financial statements.

At the date of finalizing this report, we are not aware of any significant post balance sheet events that require disclosure or adjustment to the financial statements.

It should be noted that under Canadian Auditing Standard 560, *Subsequent Events*, the auditor is not obligated to perform any audit procedures regarding the financial statements after the date of the auditor's report. However, if, after the date of our reports but before the date the financial statements are released, a fact becomes known which could impact our auditor's reports, we will discuss the matter with management and, where appropriate, the Audit Committee to determine whether the financial statements need amendment and our auditor's reports need updating.

Compliance with IFRS

The audit allows us to express an opinion on whether the financial statements were prepared, in all material respects, in accordance with IFRS. The audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by management, and evaluating the overall presentation of the financial statements. Our report on the financial statements and communications required by Canadian GAAS is in accordance with our findings.

Additional procedures were performed during the audit of the IFRS financial statements of CLLAS in the first year of adoption. These included procedures related to:

- The opening statement of financial position at the date of transition to IFRS
- The financial statements and disclosures for all comparative periods and dates presented
- The initial selection and appropriate application of the new accounting policies selected by CLLAS on transition to IFRS
- The selection and application of the IFRS 1 exemptions and exceptions at the date of transition to IFRS
- The reconciliations between IFRS and Canadian GAAP required in the preparation of the financial statements
- An assessment of the adequacy of the note disclosures under IFRS, including descriptions of CLLAS's accounting policies and explanatory notes that are required, and
- An assessment of CLLAS's re-evaluation of all uncorrected financial statement misstatements identified in prior years in accordance with Canadian GAAP for their comparable effects in accordance with IFRS.

The results of our audit indicate that the final financial statements of CLLAS are prepared in all material respects in accordance with IFRS.

Appendix B – Significant audit risks

Significant audit risks

Our audit plan identified certain areas of significant audit risk. The results of our audit work on these areas are set out below:

Areas of significant audit risk	Our audit response	Our findings
<p>Provision for Unpaid Claims and Adjustment Expenses (valuation)</p> <p>Risk of measurement uncertainty due to a significant amount of judgment required by the Appointed Actuary and Management with respect to the assumptions and methodologies underlying the reserves.</p> <p>We assessed whether the reserves are appropriately established, carried and released.</p>	<p>This is an area subject to a significant amount of management judgment with respect to the assumptions and methodologies underlying the reserves. The actuarial reserving process utilizes a multitude of data sources and complex models to develop the estimate of policy liabilities. We performed the following audit procedures:</p> <ul style="list-style-type: none"> • Utilized actuarial experts in the planning and execution of our audit procedures • Tested internal controls over the actuarial and claims processes • Reviewed and assessed claims handling and monitoring procedures • Selected and tested a representative sample of claims to ensure reserved amounts were properly supported and payments were properly authorized and accurately recorded • Tested underlying data used in the valuation including claims reserves, claims paid and premium data • Tested the reconciliation of the reserves, with focus on the reconciliation between the administrative and valuation systems • Performed analytical review on the loss ratios by line of business and investigated any unusual trends • Reviewed the draft opinion of the Appointed Actuary • Updated our understanding of the methods, models and key assumptions used in the valuation including any changes thereon • Assessed the reasonableness of key assumptions and methodologies • Independent recomputations of the actuarial reserves. • Reviewed the discount factor used and the application of discounting • Tested the consistency of reserve margins over time • Performed analytical procedures on reserve movements • Reviewed trends in the development of prior years' ultimate and performed a retrospective assessment (a look back test) to determine whether management judgments and assumptions relating to the estimates indicated a possible bias on the part of management 	<ul style="list-style-type: none"> • We believe that, in general, controls are adequately designed and implemented • Claims data appear complete and accurate and related reserve amounts appear appropriate, based on our audit testing • Our Actuarial specialist reviewed actuarial methodologies and assumptions and has conducted various recomputation tests. The results of conducting these procedures were satisfactory and differences in computed amounts were within a range of acceptable amounts. The net difference between the Appointed Actuary (AA) and Deloitte is -1.6% (2010: -0.9%) (Deloitte \$44.7 million compared to AA \$45.5 million). <p>Subject to the completion of the outstanding items referred to on page 2 of this report, the results of our audit procedures to date have been satisfactory.</p>

Areas of significant audit risk	Our audit response	Our findings
Impairment of Available-for-Sale (AFS) securities CLLAS only holds fixed income securities in its AFS portfolio. Management is required to consider loss events that trigger impairment of AFS fixed income securities.	We have addressed these risks by completing the following procedures: <ul style="list-style-type: none"> • Evaluated management's assessment of declines in the fair value of AFS equity securities • Evaluated loss events, if any, that may have an impact on impairment of securities • Tested the fair value of securities by comparing them to independent third party sources 	The results of our audit procedures were satisfactory.
IFRS conversion Risk of noncompliance with accounting standards including new note disclosures.	We have addressed these risks by completing the following procedures: <ul style="list-style-type: none"> • Reviewed the completeness and accuracy of changes including IFRS 1 exemptions and elections • Benchmarked accounting standards, adjustments and notes to our internal IFRS accounting and disclosure checklists including insurance risk disclosure and the five year loss development table 	We have not noted any difference between the previous GAAP and IFRS that requires adjustment on the date of transition The results of our audit procedures were satisfactory.
Other area of audit focus		
Reinsurance program: During the year 2011, the Society has made various changes to its reinsurance program. In relation to these changes we have: <ul style="list-style-type: none"> • obtained an understanding of the business rationale for these changes; • reviewed and understood the new reinsurance agreements and key terms; • confirmed the outstanding balances; • obtained information such as credit ratings of counterparties and assessed any collectability issues; • updated our audit documentation related to the new reinsurance agreements; and • reviewed and tested the related financial statement disclosures. 		

Appendix C – Management judgments and accounting estimates

Management judgments and accounting estimates

The financial statements of the Society are prepared by management who are responsible for the integrity and fairness of the data presented. The preparation of the financial statements requires management to exercise judgment in the selection and application of accounting policies including the determination of related amounts that must of necessity be based on estimates and judgments. These estimates and judgments are normally based on knowledge and experience about past and current events and on assumptions about future events.

Accounting policies involving significant management judgments and accounting estimates include those for valuation of the provision for unpaid claims and adjustment expenses and fair value measurements of investments.

We have set out in the table below our comments with respect to these significant management judgments and accounting estimates as at December 31, 2011 (with December 31, 2010 comparatives).

Management judgments and accounting estimates	2011 (in thousands)	2010 (in thousands)	Comments
Provision for unpaid claims – Gross	\$79,943	\$77,557	<p>Management's estimate of actuarial liabilities is the most significant area of measurement uncertainty which utilizes complex models and significant management judgment for assumptions.</p> <p>Our actuarial experts reviewed the assumptions and methodologies used to estimate the actuarial liabilities.</p> <p>The recalculation of the policy liabilities did not produce materially different results and the differences between our estimates of the policy liabilities and CLLAS's Appointed Actuary's estimates were found to be within the range of accepted actuarial practice.</p>
Provision for unpaid claims - Net	\$45,512	\$44,381	
Fair value measurements of investments	(Level 2: \$56,465)	(Level 2: \$54,565)	<p>Measurement of Level 2 securities requires judgement in interpreting market data used to develop the estimates of fair value. The Society does not have any Level 3 securities that require significant unobservable market inputs.</p> <p>We have tested the fair values of securities by comparing them with the independent third party sources in assessing the reasonability of fair value amounts derived by management using market inputs.</p>
Reinsurance recoverable	\$5,739	\$13,133	<p>Reinsurance recoverable balance requires management to make judgments about the recoverability from the reinsurers due to potential for disputes or inability to pay.</p> <p>We did not identify any significant reinsurance disputes, Our tests also did not identify any concerns related to the collectability of reinsurer recoverable.</p>

Management judgments and accounting estimates	2011 (in thousands)	2010 (in thousands)	Comments
Premium tax receivable	\$1,734	\$1,734	CLLAS settled the premium tax liability with various provincial jurisdictions during the year. The excess premium taxes paid to the Province of Ontario was recorded as a receivable in the prior year and is yet to be received. The recoverability of the balance requires management judgment. We have discussed with management the recoverability of the amount. We have also discussed this matter with the auditor at Ontario Ministry of Revenue. No issues were noted.

In our judgment, the significant accounting estimates made by management are in all material respects, free of possible management bias and of material misstatement. The disclosure in the financial statements around estimation uncertainty is in accordance with IFRS and is appropriate to the particular circumstances of CLLAS.

Appendix D – Reportable matters to the Audit Committee

We are required by professional standards and regulatory requirements to report to you any of the following matters to the extent we become aware of them during the course of the audit. Our findings are based on the audit work considered necessary by us to render our opinion on the Society's financial statements.

Reportable matters	Comments
1. Fraud or possible fraud identified through the audit process	None noted
2. Illegal or possibly illegal acts	None noted
3. Related party transactions that are not in the normal course of business	None noted
4. Responsibility assumed by Deloitte	As per our Audit Plan presented to the Audit Committee on November 17, 2011
5. Our Audit Strategy and Scope	
6. Management judgments and accounting estimates	See management judgements and accounting estimates in Appendix C
7. Audit adjustments (non-trivial adjustments whether or not corrected)	None noted
8. Uncorrected misstatements determined by Management to be immaterial	None noted
9. Significant accounting policies and unusual transactions	See significant accounting policies on page 1. No unusual transactions were noted
10. Critical accounting policies and practices	
11. Alternative treatments under IFRS for accounting policies and practices related to material items (including specific transactions) that have been discussed with Management during the current audit period, including: <ul style="list-style-type: none"> a. Ramifications of the use of such alternative disclosures and treatments b. The treatment preferred by Deloitte. 	No material items noted
12. Deloitte's judgments about the quality, not just the acceptability, of the CLLAS's accounting principles as applied in its financial reporting	See management judgements and accounting estimates in Appendix C
13. Disagreements with Management	None
14. Consultation with other accountants	None noted
15. Major issues discussed with Management prior to retention	None

Reportable matters	Comments
16. Problems or difficulties encountered in performing the audit and Management's response	None
17. Significant deficiencies in internal control, if any, identified by us during the year, in the conduct of the audit of the financial statements.	None noted. See internal control matters in Appendix A
18. Material written communications between Deloitte and Management	See status of deliverables in Appendix A
19. All relationships between Deloitte and the Society that, in our professional judgment, may reasonably be thought to bear on independence.	See Independence Letter in Appendix F
20. A confirmation that Deloitte is independent with respect to the Society within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.	
21. Discuss the results of the procedures performed to identify fraud/illegal acts.	None noted
22. Discuss the Society's annual audited financial statements with the Audit Committee.	To be discussed at the meeting of the Audit Committee on February 15, 2012

Appendix E – Draft Independent Auditor's Report

Our report on the financial statements is expected to be in the following form. However, the final form may need to be adjusted to reflect the final results of our audit.

Independent Auditor's Report

To the Members of Canadian Lawyers Liability Assurance Society

We have audited the accompanying financial statements of Canadian Lawyers Liability Assurance Society, which comprise the statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, and the statements of income, comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Lawyers Liability Assurance Society as at December 31, 2011, December 31, 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Chartered Accountants
Licensed Public Accountants
February 21, 2012

Appendix F – Independence letter



Deloitte & Touche LLP
Brookfield Place
181 Bay Street
Suite 1400
Toronto ON M5J 2V1
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

February 14, 2012

To the Chair and Members of the Audit Committee of CLLAS

Dear Audit Committee Members:

We have been engaged to audit the financial statements of CLLAS for the year ended December 31, 2011.

We communicate in writing with you regarding our compliance with relevant ethical requirements regarding independence as well as all relationships and other matters between CLLAS, our Firm and network firms that, in our professional judgment, may reasonably be thought to bear on our independence. We communicate the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by the appropriate provincial institute / ordre and applicable legislation, covering such matters as:

- (a) holding a financial interest, either directly or indirectly, in a client;
- (b) holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- (c) personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- (d) economic dependence on a client; and
- (e) provision of services in addition to the audit engagement.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since February 16, 2011, the date of our last letter.

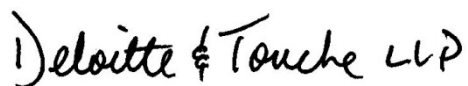
We are aware of the following relationships between the Society and our Firm and network firms that, in our professional judgment, may reasonably be thought to bear on our independence. The following relationships represent matters that have occurred from February 16, 2011 to February 14, 2012.

- The fees chargeable to the Society for audit services are \$78,500, for the period February 16, 2011 to February 14, 2012.

This report is intended solely for the use of the audit committee, the Advisory Board, management, and others within the Society and should not be used for any other purposes.

We look forward to discussing the matters addressed in this letter with you at our upcoming meeting on February 15, 2012.

Yours truly,

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

Chartered Accountants
Licensed Public Accountants

www.deloitte.ca

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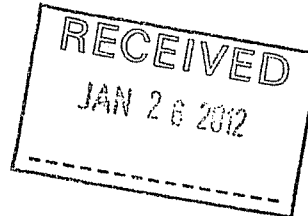
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MARTIN, LUCAS & SEAGRAM LTD.
INDEPENDENT INVESTMENT COUNSEL
SUITE 620, 48 YONGE STREET
TORONTO
M5E 1G9

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

January 24, 2012



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

Dear Mr. Mahoney:

Re: Canadian Lawyers Liability Assurance Society

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

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

After a setback early in the quarter, bond prices resumed their climb and issues beyond one year ended the quarter moderately higher. As a result, the Long Term Investment Fund recorded a net capital gain of \$29,370.

In terms of activity, it was a busy period in the Short Term Fund in order to provide for the \$13 million withdrawal. A new Canada guaranteed issue was also added to the Long Term Fund.

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

With best regards,

Yours sincerely,

A handwritten signature in cursive script, appearing to read "Andrew Bell".

RWB/mab
Enclosures

Copy

MARTIN, LUCAS & SEAGRAM LTD.
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January 24, 2012.

In account with

Canadian Lawyers Liability Assurance Society
- Long Term Investment Fund

Valuation of Long Term Investment Fund at December 31, 2011	\$44,254,465
Investment Counsel Fee for the period October 1 to December 31, 2011 at .0625% (1/4 of .25% per annum)	\$27,659.04
Harmonized Sales Tax (HST) at 13%	<u>3,595.68</u>
	<u><u>\$31,254.72</u></u>

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

HST Registration No. R103546115

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January 24, 2012.

In account with

Canadian Lawyers Liability Assurance Society
- Short Term Investment Fund

Valuation of Short Term Investment Fund at December 31, 2011	\$12,236,548
---	--------------

Investment Counsel Fee for the period October 1 to December 31, 2011 at .025% (1/4 of .10% per annum)	\$3,059.14
---	------------

Harmonized Sales Tax (HST) at 13%	397.69
	<u>\$3,456.83</u>

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

HST Registration No. R103546115

CLLAS
CANADIAN LAWYERS LIABILITY
ASSURANCE SOCIETY

INVESTMENT REPORT
FOR QUARTER ENDING DECEMBER 31, 2011

MARTIN, LUCAS & SEAGRAM LTD.
INDEPENDENT INVESTMENT COUNSEL

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M5E 1G9

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CLLAS

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

COMMENTARY FOR THE QUARTER ENDING DECEMBER 31, 2011

Review of Market Yields

Bond yields crept higher early in the fourth quarter. However, after peaking late in October, yields across all maturities moved in a gradual downward trend until the close of the quarter. The most significant shift occurred at the longer end of the curve, where the yield on 10-year Canadas declined 21 basis points, compared to a drop of 12 basis points for the 5-year Canadas. Meanwhile, 3-month Treasury Bills ended the fourth quarter nearly unchanged at .82%, which is just 2 basis points above their level on September 30 last.

As a result of these shifts, the yield curve continued to flatten as the yield advantage of the 10-year issues over Treasury Bills fell to 1.12%, compared to 1.35% three months earlier.

	Jan. 1/95	June 30/11	Sept. 30/11	Dec. 31/11
3-Month Treasury Bills	6.80%	0.93%	0.80%	0.82%
5-year Canadas	8.99%	2.33%	1.39%	1.27%
10-year Canadas	9.09%	3.11%	2.15%	1.94%

During the fourth quarter, the valuation of the Long Term Investment Fund rose \$29,370 or 0.1% on a capital basis.

At December 31, 2011, the average term to maturity of the Long Term Investment Fund stood at 3.6 years, compared to 3.7% three months earlier.

During the quarter, in the Long Term Investment Fund, a mid-term Canada guaranteed issue was purchased with funds transferred from the Short Term Investment Fund. The balance of activity involved the roll-over of maturities in the Short Term Fund and raising funds through sales and maturities to cover the \$13 million withdrawal from the Short Term Fund.

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

<i>Distribution at December 31, 2011</i>	<i>Valuation</i>	<i>%</i>
Short Term Investment Fund	\$12,236,548	21.7%
Long Term Investment Fund	44,254,465	78.3%
TOTAL COMBINED VALUATION	\$56,491,013	100.0%

CLLAS

CANADIAN LAWYERS LIABILITY **ASSURANCE SOCIETY**

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

- Investment Performance: Summary of Capital Performance and Total Returns for the Long Term Investment Fund
- (Returns Exclude Investment Counsel Fees)
- Total Returns vs. Benchmarks - Gross and Net of Fees
- Distribution of Securities in the Long Term Investment Fund
by Credit Risk and by Maturity
- Compliance Statement
- Quarterly Performance Report - Gross of Fees: Long Term Investment Fund
- Bond Market Commentary and Future Policy
- Security Holdings in the Short and Long Term Investment Funds
Listed and Valued Separately as at December 31, 2011
- Security Purchases and Sales
- Cash Reconciliations

CLLAS

LONG TERM INVESTMENT FUND

SUMMARY OF CAPITAL PERFORMANCE SINCE THE STARTING DATE OF JANUARY 1, 1995

	Jan. 1/95	June 30/11	Sept. 30/11	Dec. 31/11
<i>Valuation of Long Term Investment Fund</i>	\$3,466,369	\$44,235,457	\$43,178,685	\$44,254,465
Cumulative Capital Added (Net) since January 1, 1995		\$38,796,778	\$36,812,187	\$37,858,597

Quarterly Capital Change		+\$ 403,639	+\$ 927,820	+\$ 29,370
Quarterly Capital % Change		+ 0.9%	+ 2.1%	+ 0.1%

LONG TERM INVESTMENT FUND

TIME-WEIGHTED RATES OF TOTAL RETURN FOR PERIODS ENDING DECEMBER 31, 2011 (ANNUALIZED)

	Five Years	Four Years	Three Years	Two Years	One Year	Last 3 Months
<i>Long Term Investment Fund</i>	5.3	5.7	4.6	5.0	6.1	1.0
DEX Canada Short Bond Index	4.8	4.9	3.0	3.8	4.5	0.4
DEX Provincial Short Bond Index	5.2	5.4	4.2	4.4	5.1	0.6

CLLAS

LONG TERM INVESTMENT FUND

TIME-WEIGHTED RATES OF TOTAL RETURN FOR PERIOD ENDING DECEMBER 31, 2011

	Since Inception Oct. 1/08 *	Three Years*	Two Years *	One Year	Last 3 Months
<i>Long Term Investment Fund – Gross of Fees</i>	5.81	4.56	5.01	6.11	0.96
<i>Long Term Investment Fund – Net of Fees</i>	5.53	4.27	4.72	5.81	0.89
Benchmark Portfolio **	6.43	4.94	6.26	7.45	1.17

* Annualized

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

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

SHORT TERM INVESTMENT FUND

TIME-WEIGHTED RATES OF TOTAL RETURN FOR PERIOD ENDING DECEMBER 31, 2011

	Since Inception Oct. 1/08 *	Three Years*	Two Years *	One Year	Last 3 Months
<i>Short Term Investment Fund – Gross of Fees</i>	0.78	0.65	0.75	0.92	0.23
<i>Short Term Investment Fund – Net of Fees</i>	0.63	0.50	0.64	0.82	0.21
Benchmark Portfolio **	0.69	0.56	0.67	0.90	0.21

* Annualized

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

CLLAS**LONG TERM INVESTMENT FUND****DISTRIBUTION OF SECURITIES BY CREDIT RISK**

(Based on Market Values)

SINCE THE JANUARY 1, 1995, STARTING DATE

	Jan. 1/95	June 30/11	Sept. 30/11	Dec. 31/11
Bonds, Treasury Bills & Cash Less than 1 year term	29.0%	12.4%	7.1%	12.4%
Canadas Greater than 1 year term	54.7%	34.3%	36.2%	36.0%
Provincials Greater than 1 year term	16.3%	37.8%	39.6%	35.9%
Corporates Greater than 1 year term	-	15.5%	17.1%	15.7%
TOTAL PORTFOLIO	100.0%	100.0%	100.0%	100.0%

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

(Based on Market Values)

SINCE THE JANUARY 1, 1995, STARTING DATE

	Jan. 1/95	June 30/11	Sept. 30/11	Dec. 31/11
Under 1 year	29.0%	12.4%	7.1%	12.4%
1 - 3 years	19.8%	31.2%	36.2%	35.2%
3 - 5 years	29.3%	34.9%	35.4%	28.9%
5 - 7 years	11.4%	11.6%	10.5%	12.3%
7 - 10 years	10.5%	9.9%	10.8%	11.2%
TOTAL	100.0%	100.0%	100.0%	100.0%
Average Maturity (yrs)	2.6	3.7	3.7	3.6
Average Duration	2.3	3.3	3.4	3.3

CLLAS

COMPLIANCE WITH INVESTMENT POLICY STATEMENT

AT DECEMBER 31, 2011

	Investment Limits	Investment Funds	Compliance
<i>Short Term Investment Fund</i>			
Maximum Term of Any Issue	1 year	0.2 years	Yes
Minimum Size	20% of Total	21.7%	Yes
Minimum Canada & Provincial Percentage	50%	50.6%	Yes
Minimum Provincial Quality	A	A Hi	Yes
Minimum Bank CD & BA Quality	R1	R1	Yes
<i>Long Term Investment Fund</i>			
Maximum Term of Any Issue	10 years	9.0 years	Yes
Minimum Cda and Cda Guarantee Percentage	40%	43.9%	Yes
Maximum Provincial Percentage	40%	38.8%	Yes
Minimum Provincial Quality *	A	A	Yes
Maximum Corporate Percentage	20%	17.3%	Yes
Minimum Corporate Quality *	A	A	Yes

** At time of purchase*

This will confirm that during the quarter the portfolio and its components were managed in compliance with the Investment Policy Statement dated October 2008.

At December 31, the Short Term Investment Fund represented 21.7% of the two Funds combined, which is above the 20% minimum required. At December 31, none of the bond holdings' current credit ratings was below the minimum requirement.

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

Provincial Bonds: Quebec and Manitoba @ A Hi

Corporate Bonds: Canadian Utilities Inc. @ A
Enbridge Gas Distribution @ A

CLLAS

Martin, Lucas & Seagram Ltd. PERFORMANCE REPORT

GROSS OF FEES

CLLAS - LONG TERM INVESTMENT FUND

From 09-30-11 to 12-31-11

Portfolio Value on 09-30-11	43,178,685
Accrued Interest	319,396
Contributions	1,057,974
Withdrawals	-422,009
Realized Gains	0
Unrealized Gains	29,370
Interest	410,444
Dividends	0
Change in Accrued Interest	-12,074
Portfolio Value on 12-31-11	44,254,465
Accrued Interest	307,322
Average Capital	44,227,053
Total Gain before Fees	427,740
IRR for 0.25 Years	0.97%

CLLAS

BOND MARKET COMMENTARY AND FUTURE POLICY

Over the past year the global economy remained in expansion mode, despite a torrent of negative events. These included a significant escalation in the European sovereign debt crises, the fallout from Japan's earthquake and resulting international supply chain disruptions, an oil price spike stemming from social unrest in the Middle East, as well as near political gridlock in the U.S., which almost resulted in a technical default. While these events caused the global equity markets to become increasingly unstable last year, they bolstered the demand for high quality bonds as investors sought refuge from the cloudy outlook for riskier assets.

Developments in Europe have accounted for much of the equity markets' volatility as investors responded to the authorities' repeated efforts to contain the crises. Over the past year, a pattern has developed, where investors initially reacted favourably to new major policy announcements, only to be subsequently disappointed when these moves proved inadequate to prevent contagion across the whole region.

In the closing months of 2011, security markets became increasingly impatient for more aggressive action to arrest the deepening European credit squeeze and avert a possible breakup of the currency union. Last month, at yet another emergency summit meeting, the 17 euro-zone governments agreed to adopt a tighter fiscal union. This would require treaty changes and result in greater centralization of sovereign budgets as well as automatic sanctions to promote budget discipline. The agreement also put the European Stability mechanism bailout fund, totalling 500 billion euros, into operation this year instead of in 2013. In addition, Central bank reserves would now be used to contribute another 200 billion euros to the International Monetary Fund, in order to boost the Fund's ability to support Europe.

While investor reaction to these latest measures has been mixed, better than expected news on the U.S. economic front has buoyed North American equity markets over the past two months. Despite the preponderance of negative headlines offshore, recent data shows overall growth in the U.S. gained upward momentum during the fourth quarter and economic indicators released since year-end have continued to surpass expectations. Positive surprises include rising employment, higher earnings and hours worked, an acceleration in manufacturing activity and better than expected retail sales. Consumer confidence has also climbed to its highest level in 5 months. Meanwhile, the economic news offshore has been more downbeat on balance. Signs of recession are growing throughout the euro-zone and China's rate of growth has been moderating as a result of a slowdown in trade, particularly with Europe, and a cooling housing market.

There has been a muted reaction by the fixed income markets to these latest developments and the yield curve has shifted slightly lower, despite the improving tone of the North American economic data. For the time being offshore factors, including deflationary pressures from deleveraging and growing fiscal austerity, have negated the conflicting forces of U.S. monetary reflation and an apparent pickup in U.S. growth.

CLLAS

Looking ahead, we expect the global economic expansion will remain intact, although activity is most likely to moderate again this year. While the North American economy proved to be quite resilient over the past year and the U.S. has become better positioned for further recovery, considerable headwinds will make it difficult for the economy to build much upward momentum. The likelihood of tighter fiscal policies later this year, ongoing deleveraging and the drag from a probable European recession, along with political paralysis in the lead up to the presidential election, are expected to weigh on growth. The eventual course of China's slowdown could present another serious headwind to the global expansion. However, the Chinese authorities have acknowledged the potential risks and have considerable monetary and fiscal latitude to address further weakness in external demand.

The subdued outlook for the economy is not expected to disrupt the pressures that have kept yields at historically low levels since the recovery began. These pressures include the private sector's muted demand for credit and ongoing deleveraging, the banking sectors demand for government bonds to rebuild their capital ratios, the monetary authorities' commitment to keep administered rates near zero and the willingness of central banks to purchase bonds in order to keep long term interest rates depressed. These factors, together with muted inflation expectations and investors' concerns surrounding the macro outlook, are expected to remain supportive of high quality bond prices over the near term. While the poor fiscal backdrop, particularly in the U.S. and the inflationary implications of expansionary monetary policies pose a downward risk to bond prices, these remain longer term concerns. In the period ahead, we expect bonds will continue to drift in a sideways trading range, with price swings mainly driven by investors' shifting attitudes toward risk assets.

With the substantial withdrawal made during the fourth quarter, the size of the Short Term Investment Fund was reduced to 21.7% of the total Fund at year-end. As this is just above the 20% minimum that must be held in the Short Term Fund, there is little room left to improve yield by shifting assets to the Long Term Fund. Meanwhile, the duration of the Long Term Fund declined slightly during the fourth quarter. Given the uncertain outlook and potential for positive and negative surprises on both the financial and economic fronts, we will be looking for favourable opportunities to maintain or moderately increase the duration of the Long Term Fund.

RWB/mab
January 24, 2012

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

CLLAS - SHORT TERM INVESTMENT FUND**Portfolio Holdings at December 31, 2011**

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
CASH					
	Cash Account			21,669	0
MONEY MARKET ISSUES					
1,050,000	Royal Bank BA .95% due January 6, 2012	99.92	99.98	1,049,781	9,967
870,000	Toronto Dominion Bank BA .97% due January 6, 2012	99.94	99.98	869,821	8,434
1,040,000	CIBC BA 1.00% due January 19, 2012	99.75	99.94	1,039,379	10,374
565,000	Toronto Dominion Bank BA 1.00% due January 20, 2012	99.92	99.94	564,651	5,646
500,000	Toronto Dominion Bank BA 1.00% due January 26, 2012	99.77	99.92	499,598	4,988
700,000	CIBC BA .98% due January 31, 2012	99.84	99.89	699,254	6,849
1,000,000	Canada Treasury Bill .73% due February 2, 2012	99.88	99.93	999,310	7,291
300,000	CIBC BA 1.00% due February 14, 2012	99.79	99.84	299,527	2,994
1,800,000	Canada Treasury Bill .69% due February 16, 2012	99.89	99.90	1,798,218	12,407
500,000	Canada Treasury Bill .75% due March 1, 2012	99.82	99.87	499,340	3,743
900,000	Canada Treasury Bill .78% due March 1, 2012	99.64	99.87	898,812	6,995
1,000,000	CIBC BA 1.00% due March 12, 2012	99.76	99.78	997,790	9,976
				<u>10,215,479</u>	<u>89,664</u>
PROVINCIAL BONDS					
2,000,000	British Columbia Residue due January 9, 2012	99.73	99.97	1,999,400	0
TOTAL PORTFOLIO				12,236,548	89,664

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
From 10-01-11 To 12-31-11

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
10-12-11	10-13-11	225,000	Bank of Nova Scotia BA .95% due November 7, 2011	99.94	224,853.75
10-12-11	10-13-11	1,000,000	Ontario Coupon due December 2, 2011	99.88	998,837.00
10-14-11	10-17-11	500,000	Royal Bank BA .95% due November 2, 2011	99.96	499,792.00
10-19-11	10-20-11	1,850,000	FirstBank BA 1.00% due December 15, 2011	99.85	1,847,165.80
10-20-11	10-21-11	1,040,000	CIBC BA 1.00% due January 19, 2012	99.75	1,037,441.60
10-21-11	10-24-11	280,000	Royal Bank BA 1.00% due December 22, 2011	99.85	279,580.00
10-24-11	10-25-11	2,000,000	Bank of Nova Scotia BA .95% due November 22, 2011	99.93	1,998,544.00
10-26-11	10-27-11	705,000	Toronto Dominion Bank BA .95% due November 25, 2011	99.92	704,468.43
11-01-11	11-02-11	500,000	Toronto Dominion Bank BA 1.00% due January 26, 2012	99.77	498,838.50
11-03-11	11-04-11	1,160,000	Royal Bank BA .95% due November 25, 2011	99.95	1,159,366.64
11-04-11	11-07-11	675,000	Royal Bank BA .95% due November 28, 2011	99.95	674,631.45
11-04-11	11-07-11	525,000	Toronto Dominion Bank BA .95% due November 25, 2011	99.95	524,754.39
11-07-11	11-08-11	747,000	CIBC BA .96% due November 22, 2011	99.96	746,728.09
11-07-11	11-08-11	1,383,000	CIBC BA .96% due November 25, 2011	99.96	1,382,388.71
11-09-11	11-10-11	955,000	CIBC BA .96% due November 28, 2011	99.95	954,553.07
11-22-11	11-23-11	2,750,000	CIBC BA .90% due November 25, 2011	100.00	2,749,865.25
11-30-11	12-01-11	300,000	CIBC BA 1.00% due February 14, 2012	99.79	299,384.70
12-01-11	12-02-11	700,000	CIBC BA .98% due January 31, 2012	99.84	698,874.40
12-01-11	12-02-11	1,000,000	Canada Treasury Bill .73% due February 2, 2012	99.88	998,762.00
12-01-11	12-02-11	500,000	Canada Treasury Bill .75% due March 1, 2012	99.82	499,077.00
12-02-11	12-05-11	1,050,000	Royal Bank BA .95% due January 6, 2012	99.92	1,049,126.40

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
From 10-01-11 To 12-31-11

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
12-14-11	12-15-11	1,000,000	CIBC BA 1.00% due March 12, 2012	99.76	997,595.00
12-14-11	12-15-11	870,000	Toronto Dominion Bank BA .97% due January 6, 2012	99.94	869,491.92
12-21-11	12-22-11	1,800,000	Canada Treasury Bill .69% due February 16, 2012	99.89	1,798,095.60
12-21-11	12-22-11	565,000	Toronto Dominion Bank BA 1.00% due January 20, 2012	99.92	564,551.39
					24,056,767.09
SALES					
10-13-11	10-13-11	1,200,000	Canada Treasury Bill .81% due October 13, 2011	100.00	1,200,000.00
10-17-11	10-17-11	500,000	Bank of Nova Scotia BA 1.00% due October 17, 2011	100.00	500,000.00
10-19-11	10-19-11	500,000	Bank of Nova Scotia BA .95% due October 19, 2011	100.00	500,000.00
10-19-11	10-19-11	600,000	CIBC BA .95% due October 19, 2011	100.00	600,000.00
10-20-11	10-20-11	1,850,000	CIBC BA 1.10% due October 20, 2011	100.00	1,850,000.00
10-21-11	10-21-11	1,000,000	FirstBank BA .95% due October 21, 2011	100.00	1,000,000.00
10-24-11	10-24-11	280,000	CIBC BA 1.00% due October 24, 2011	100.00	280,000.00
10-25-11	10-25-11	1,000,000	Royal Bank BA .95% due October 25, 2011	100.00	1,000,000.00
10-25-11	10-25-11	560,000	Toronto Dominion Bank BA .95% due October 25, 2011	100.00	560,000.00
10-25-11	10-25-11	440,000	Toronto Dominion Bank BA .95% due October 25, 2011	100.00	440,000.00
10-27-11	10-27-11	740,000	Canada Treasury Bill .79% due October 27, 2011	100.00	740,000.00
11-02-11	11-02-11	500,000	Royal Bank BA .95% due November 2, 2011	100.00	500,000.00
11-04-11	11-04-11	1,150,000	CIBC BA 1.07% due November 4, 2011	100.00	1,150,000.00
11-07-11	11-07-11	225,000	Bank of Nova Scotia BA .95% due November 7, 2011	100.00	225,000.00
11-07-11	11-07-11	800,000	CIBC BA 1.00% due November 7, 2011	100.00	800,000.00
11-07-11	11-07-11	170,000	CIBC BA 1.00% due November 7, 2011	100.00	170,000.00
11-08-11	11-08-11	980,000	FirstBank BA 1.00% due November 8, 2011	100.00	980,000.00

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
From 10-01-11 To 12-31-11

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
11-08-11	11-08-11	849,000	FirstBank BA 1.00% due November 8, 2011	100.00	849,000.00
11-08-11	11-08-11	300,000	Toronto Dominion Bank BA 1.00% due November 8, 2011	100.00	300,000.00
11-10-11	11-10-11	955,000	Canada Treasury Bill .80% due November 10, 2011	100.00	955,000.00
11-22-11	11-22-11	2,000,000	Bank of Nova Scotia BA .95% due November 22, 2011	100.00	2,000,000.00
11-22-11	11-22-11	747,000	CIBC BA .96% due November 22, 2011	100.00	747,000.00
11-24-11	11-28-11	700,000	Canada Coupon due December 1, 2011	99.99	699,930.00
11-24-11	11-24-11	1,500,000	Canada Treasury Bill .73% due November 24, 2011	100.00	1,500,000.00
11-24-11	11-24-11	650,000	Canada Treasury Bill 0.71% due November 24, 2011	100.00	650,000.00
11-25-11	11-25-11	2,750,000	CIBC BA .90% due November 25, 2011	100.00	2,750,000.00
11-25-11	11-25-11	1,383,000	CIBC BA .96% due November 25, 2011	100.00	1,383,000.00
11-25-11	11-25-11	1,160,000	Royal Bank BA .95% due November 25, 2011	100.00	1,160,000.00
11-25-11	11-25-11	705,000	Toronto Dominion Bank BA .95% due November 25, 2011	100.00	705,000.00
11-25-11	11-25-11	525,000	Toronto Dominion Bank BA .95% due November 25, 2011	100.00	525,000.00
11-28-11	11-28-11	955,000	CIBC BA .96% due November 28, 2011	100.00	955,000.00
11-28-11	11-28-11	675,000	Royal Bank BA .95% due November 28, 2011	100.00	675,000.00
12-01-11	12-01-11	300,000	Canada Coupon due December 1, 2011	100.00	300,000.00
12-02-11	12-02-11	1,200,000	Ontario 4.4% due December 2, 2011	100.00	1,200,000.00
12-02-11	12-02-11	1,000,000	Ontario Coupon due December 2, 2011	100.00	1,000,000.00
12-05-11	12-05-11	1,000,000	Bank of Nova Scotia BA 1.00% due December 5, 2011	100.00	1,000,000.00
12-07-11	12-08-11	115,000	Canada Treasury Bill 0.72% due December 22, 2011	99.97	114,961.59
12-08-11	12-08-11	1,750,000	Canada Treasury Bill .74% due December 8, 2011	100.00	1,750,000.00
12-15-11	12-15-11	1,850,000	FirstBank BA 1.00% due December 15, 2011	100.00	1,850,000.00

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
From 10-01-11 To 12-31-11

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
12-22-11	12-22-11	1,885,000	Canada Treasury Bill 0.72% due December 22, 2011	100.00	1,885,000.00
12-22-11	12-22-11	280,000	Royal Bank BA 1.00% due December 22, 2011	100.00	280,000.00
					37,728,891.59

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - SHORT TERM INVESTMENT FUND
From 10-01-11 To 12-31-11

Cash Balance at October 1, 2011			6,158.90
ADD:	Proceeds from Sales	37,728,891.59	
	Interest on Balance	1,615.84	
	Bond Interest Credited (from Long Term Investment Fund)	422,008.75	
	Bond Interest Credited (from Short Term Investment Fund)	<u>26,400.00</u>	<u>38,178,916.18</u>
			38,185,075.08
LESS:	Cost of Purchases	24,056,767.09	
	Capital Withdrawn	13,000,000.00	
	Transfer to Long Term Investment Fund	1,057,974.38	
	Investment Counsel Fees - Short Term Investment Fund	6,173.79	
	Investment Counsel Fees - Long Term Investment Fund	30,494.95	
	Trust Company Charges	<u>11,996.19</u>	<u>38,163,406.40</u>
Cash Balance at December 31, 2011			21,668.68

CLLAS - LONG TERM INVESTMENT FUND

Portfolio Holdings at December 31, 2011

<u>Quantity</u>	<u>Security</u>	<u>Unit Cost</u>	<u>Price</u>	<u>Market Value</u>	<u>Annual Income</u>
GOVERNMENT BONDS					
500,000	Farm Credit Canada 4.20% due February 15, 2012	101.20	100.34	501,710	21,000
2,200,000	Canada Housing Trust Sr. 16 4.00% due June 15, 2012	100.57	101.31	2,228,798	88,000
750,000	Canada Housing Trust Sr. 18 4.55% due December 15, 2012	102.72	103.27	774,548	34,125
900,000	Canada Housing Trust Sr. 19 3.60% due June 15, 2013	99.87	103.62	932,562	32,400
900,000	Canada Housing Trust Sr. 22 3.55% due September 15, 2013	105.12	104.17	937,512	31,950
1,650,000	Canada Housing Trust Sr. 24 2.70% due December 15, 2013	100.25	103.12	1,701,414	44,550
1,500,000	Canada Housing Trust Sr. 26 2.20% due March 15, 2014	99.80	102.40	1,535,985	33,000
1,000,000	Canada Housing Trust Sr. 28 3.15% due June 15, 2014	99.95	104.88	1,048,840	31,500
1,500,000	Canada Housing Trust Sr. 29 2.75% due September 15, 2014	101.82	104.22	1,563,345	41,250
600,000	Canada Mtge & Housing 4.30% due April 1, 2015	100.95	109.68	658,062	25,800
650,000	Canada Mtge & Housing Corp. 4.10% due October 1, 2015	98.39	110.01	715,052	26,650
1,000,000	Canada 3.00% due December 1, 2015	102.41	106.95	1,069,460	30,000
1,000,000	Canada Housing Trust 2.75% Series 39 due December 15, 2015	99.35	105.12	1,051,230	27,500
1,000,000	Canada 4% due June 1, 2016	99.58	111.80	1,118,000	40,000
750,000	Canada Housing Trust Sr. 23 4.10% due December 15, 2018	104.51	113.54	851,550	30,750
1,500,000	Canada Housing Trust No. 1 Sr. 30 3.75% due March 15, 2020	103.99	111.32	1,669,770	56,250
1,000,000	Canada Housing Trust 3.35% due December 15, 2020	104.64	108.10	1,081,020	33,500
				<u>19,438,858</u>	<u>628,225</u>
PROVINCIAL BONDS					
1,250,000	Ontario 4.50% due December 2, 2012	103.37	103.06	1,288,300	56,250
1,275,000	Ontario 4-3/4% due June 2, 2013	102.35	105.01	1,338,878	60,563
1,000,000	Manitoba 5.05% due December 3, 2013	101.61	107.27	1,072,730	50,500

Martin, Lucas & Seagram Ltd.

CLLAS - LONG TERM INVESTMENT FUND

Portfolio Holdings at December 31, 2011

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
750,000	Ontario 5% due March 8, 2014	102.63	108.08	810,593	37,500
500,000	Ontario 3.25% due September 8, 2014	99.84	105.11	525,530	16,250
800,000	Alberta 2.75% due December 1, 2014	101.64	104.33	834,616	22,000
750,000	Manitoba 4.80% due December 3, 2014	104.46	109.93	824,505	36,000
1,350,000	Ontario 4.5% due March 8, 2015	101.62	109.64	1,480,140	60,750
900,000	Ontario 3.15% due September 8, 2015	102.69	105.89	952,983	28,350
1,750,000	Ontario 4.4% due March 8, 2016	102.25	111.24	1,946,665	77,000
750,000	Ontario 3.20% due September 8, 2016	99.95	106.67	800,025	24,000
1,750,000	Ontario 4.30% due March 8, 2017	101.49	111.93	1,958,845	75,250
1,000,000	Ontario 4.20% due March 8, 2018	100.33	111.99	1,119,880	42,000
1,000,000	British Columbia 4.10% due December 18, 2019	103.60	111.60	1,115,980	41,000
1,000,000	British Columbia 3.70% due December 18, 2020	99.83	108.07	1,080,740	37,000
				<hr/> 17,150,409	<hr/> 664,413
CORPORATE BONDS					
300,000	CIBC 5.00% Senior Dep Nts due September 10, 2012	100.23	102.43	307,296	15,000
400,000	Wells Fargo Financial Canada MTN 4.40% due December 12, 2012	99.78	102.47	409,876	17,600
750,000	Toronto Dominion Bank Dep. Note 4.854% due February 13, 2013	101.35	103.75	778,095	36,405
250,000	Bank of Nova Scotia 4.56% due October 30, 2013	100.07	105.36	263,410	11,400
300,000	Wells Fargo Financial Canada MTN 4.33% due December 6, 2013	99.97	104.25	312,741	12,990
250,000	Enbridge Gas Distribution 5.570% due January 29, 2014	107.04	107.57	268,933	13,925
250,000	Canadian Utilities Inc. 5.096% due November 18, 2014	105.56	109.07	272,680	12,740
500,000	CIBC 4.75% due December 22, 2014	101.80	108.22	541,090	23,750

CLLAS - LONG TERM INVESTMENT FUND

Portfolio Holdings at December 31, 2011

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
300,000	GE Capital Cda Fndg 4.65% due February 11, 2015	102.20	105.89	317,679	13,950
500,000	Royal Bank 3.18% due March 16, 2015	102.15	103.73	518,650	15,900
300,000	Royal Bank 3.36% due January 11, 2016	100.54	103.91	311,727	10,080
300,000	CIBC Dep Nts 3.40% due January 14, 2016	100.67	104.06	312,183	10,200
400,000	Bank of Nova Scotia Dep. Note 3.61% due February 22, 2016	101.65	104.83	419,324	14,440
600,000	Bank of Montreal 3.103% due March 10, 2016	100.79	102.92	617,520	18,618
500,000	Bank of Montreal Dep. Note 3.49% due June 10, 2016	104.92	104.37	521,850	17,450
500,000	Royal Bank 3.66% Sr. Dep. Note due January 25, 2017	101.46	105.26	526,315	18,300
700,000	CIBC Dep Note 3.95% due July 14, 2017	102.93	106.65	746,564	27,650
200,000	Bank of Montreal 4.55% due August 1, 2017	99.94	109.63	219,266	9,100
				<hr/> 7,665,199	<hr/> 299,498
TOTAL PORTFOLIO				44,254,465	1,592,136

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - LONG TERM INVESTMENT FUND
From 10-01-11 To 12-31-11

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
10-14-11	10-19-11	1,000,000	Canada Housing Trust 3.35% due December 15, 2020	104.64	1,046,410.00
					1,046,410.00

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - LONG TERM INVESTMENT FUND
From 10-01-11 To 12-31-11

Cash Balance at October 1, 2011			0.00
ADD: Transfer from Short Term Investment Fund			<u>1,057,974.38</u>
			1,057,974.38
LESS: Cost of Purchase	1,046,410.00		
Accrued Bond Interest on Purchase	<u>11,564.38</u>		1,057,974.38
Cash Balance at December 31, 2011			0.00

Martin, Lucas & Seagram Ltd.
DATE TO DATE GAINS AND LOSSES
CLLAS - LONG TERM INVESTMENT FUND
From 09-30-11 to 12-31-11

Security	09-30-11 Market Value	Additions Withdrawals	12-31-11 Market Value	12-31-11 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
CASH								
Cash Account	0	0	0	0				
GOVERNMENT BONDS								
Farm Credit Canada 4.20% due February 15, 2012	505,775	0	501,710	506,006	0	0	-4,296	-4,065
Canada Housing Trust Sr. 16 4.00% due June 15, 2012	2,246,750	-44,000	2,228,798	2,212,456	0	0	16,342	-17,952
Canada Housing Trust Sr. 18 4.55% due December 15, 2012	782,085	-17,063	774,548	770,425	0	0	4,123	-7,538
Canada Housing Trust Sr. 19 3.60% due June 15, 2013	939,636	-16,200	932,562	898,840	0	0	33,722	-7,074
Canada Housing Trust Sr. 22 3.55% due September 15, 2013	943,911	0	937,512	946,117	0	0	-8,605	-6,399
Canada Housing Trust Sr. 24 2.70% due December 15, 2013	1,708,278	-22,275	1,701,414	1,654,203	0	0	47,211	-6,864
Canada Housing Trust Sr. 26 2.20% due March 15, 2014	1,538,685	0	1,535,985	1,497,053	0	0	38,933	-2,700
Canada Housing Trust Sr. 28 3.15% due June 15, 2014	1,051,450	-15,750	1,048,840	999,460	0	0	49,380	-2,610
Canada Housing Trust Sr. 29 2.75% due September 15, 2014	1,564,035	0	1,563,345	1,527,285	0	0	36,060	-690
Canada Mtge & Housing 4.30% due April 1, 2015	660,120	-12,900	658,062	605,700	0	0	52,362	-2,058
Canada Mtge & Housing Corp. 4.10% due October 1, 2015	716,554	-13,325	715,052	639,525	0	0	75,527	-1,502
Canada 3.00% due December 1, 2015	1,069,770	-15,000	1,069,460	1,024,060	0	0	45,400	-310
Canada Housing Trust 2.75% Series 39 due December 15, 2015	1,048,090	-13,750	1,051,230	993,510	0	0	57,720	3,140
Canada 4% due June 1, 2016	1,119,770	-20,000	1,118,000	995,820	0	0	122,180	-1,770
Canada Housing Trust Sr. 23 4.10% due December 15, 2018	843,450	-15,375	851,550	783,840	0	0	67,710	8,100
Canada Housing Trust No. 1 Sr. 30 3.75% due March 15, 2020	1,645,785	0	1,669,770	1,559,825	0	0	109,946	23,985
Canada Housing Trust 3.35% due December 15, 2020	0	1,041,224	1,081,020	1,046,410	0	0	34,610	34,610
GOVERNMENT BONDS Total	18,384,144		19,438,858	18,660,534	0	0	778,324	8,304
PROVINCIAL BONDS								
Ontario 4.50% due December 2, 2012	1,299,875	-28,125	1,288,300	1,292,133	0	0	-3,833	-11,575
Ontario 4-3/4% due June 2, 2013	1,351,347	-30,281	1,338,878	1,304,990	0	0	33,887	-12,470
Manitoba 5.05% due December 3, 2013	1,082,110	-25,250	1,072,730	1,016,075	0	0	56,655	-9,380
Ontario 5% due March 8, 2014	816,923	0	810,593	769,700	0	0	40,893	-6,330

Martin, Lucas & Seagram Ltd.
DATE TO DATE GAINS AND LOSSES
CLLAS - LONG TERM INVESTMENT FUND
From 09-30-11 to 12-31-11

Security	09-30-11 Market Value	Additions Withdrawals	12-31-11 Market Value	12-31-11 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
Ontario 3.25% due September 8, 2014	526,650	0	525,530	499,180	0	0	26,350	-1,120
Alberta 2.75% due December 1, 2014	834,488	-11,000	834,616	813,148	0	0	21,468	128
Manitoba 4.80% due December 3, 2014	828,255	-18,000	824,505	783,425	0	0	41,080	-3,750
Ontario 4.5% due March 8, 2015	1,483,326	0	1,480,140	1,371,933	0	0	108,208	-3,186
Ontario 3.15% due September 8, 2015	951,084	0	952,983	924,198	0	0	28,785	1,899
Ontario 4.4% due March 8, 2016	1,944,233	0	1,946,665	1,789,410	0	0	157,255	2,433
Ontario 3.20% due September 8, 2016	795,135	0	800,025	749,618	0	0	50,408	4,890
Ontario 4.30% due March 8, 2017	1,947,505	0	1,958,845	1,776,025	0	0	182,820	11,340
Ontario 4.20% due March 8, 2018	1,107,540	0	1,119,880	1,003,315	0	0	116,565	12,340
British Columbia 4.10% due December 18, 2019	1,095,240	-20,500	1,115,980	1,036,047	0	0	79,933	20,740
British Columbia 3.70% due December 18, 2020	1,057,670	-18,500	1,080,740	998,345	0	0	82,395	23,070
PROVINCIAL BONDS Total	17,121,380		17,150,409	16,127,542	0	0	1,022,868	29,029
CORPORATE BONDS								
CIBC 5.00% Senior Dep Nts due September 10, 2012	309,924	0	307,296	300,690	0	0	6,606	-2,628
Wells Fargo Financial Canada MTN 4.40% due December 12, 2012	412,328	-8,800	409,876	399,120	0	0	10,756	-2,452
Toronto Dominion Bank Dep. Note 4.854% due February 13, 2013	785,018	0	778,095	760,125	0	0	17,970	-6,923
Bank of Nova Scotia 4.56% due October 30, 2013	264,718	-5,700	263,410	250,175	0	0	13,235	-1,308
Wells Fargo Financial Canada MTN 4.33% due December 6, 2013	312,966	-6,495	312,741	299,920	0	0	12,821	-225
Enbridge Gas Distribution 5.570% due January 29, 2014	271,398	0	268,933	267,610	0	0	1,323	-2,465
Canadian Utilities Inc. 5.096% due November 18, 2014	273,690	-6,370	272,680	263,910	0	0	8,770	-1,010
CIBC 4.75% due December 22, 2014	541,760	-11,875	541,090	508,980	0	0	32,110	-670
GE Capital Cda Fndg 4.65% due February 11, 2015	316,875	0	317,679	306,600	0	0	11,079	804
Royal Bank 3.18% due March 16, 2015	519,260	0	518,650	510,755	0	0	7,895	-610
Royal Bank 3.36% due January 11, 2016	311,226	0	311,727	301,620	0	0	10,107	501
CIBC Dep Nts 3.40% due January 14, 2016	311,841	0	312,183	301,998	0	0	10,185	342
Bank of Nova Scotia Dep. Note 3.61% due February 22, 2016	419,140	0	419,324	406,596	0	0	12,728	184
Bank of Montreal 3.103% due March 10, 2016	617,094	0	617,520	604,762	0	0	12,758	426
Bank of Montreal Dep. Note 3.49% due June 10, 2016	521,840	-8,725	521,850	524,575	0	0	-2,725	10

Martin, Lucas & Seagram Ltd.
DATE TO DATE GAINS AND LOSSES
CLLAS - LONG TERM INVESTMENT FUND
From 09-30-11 to 12-31-11

Security	09-30-11 Market Value	Additions Withdrawals	12-31-11 Market Value	12-31-11 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
Royal Bank 3.66% Sr. Dep. Note	523,695	0	526,315	507,323	0	0	18,993	2,620
due January 25, 2017								
CIBC Dep Note 3.95% due July 14, 2017	741,482	0	746,564	720,496	0	0	26,068	5,082
Bank of Montreal 4.55% due August 1, 2017	218,908	0	219,266	199,882	0	0	19,384	358
CORPORATE BONDS Total	7,673,162		7,665,199	7,435,136	0	0	230,062	-7,963
TOTAL PORTFOLIO	43,178,685		44,254,465	42,223,211	0	0	2,031,254	29,370
TOTAL DATE TO DATE GAIN OR LOSS								29,370
% CHANGE DURING PERIOD								0.07

INVESTMENT POLICY
FOR THE
CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Effective May 2012~~October, 2008~~

INVESTMENT POLICY
FOR THE
CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

1. PURPOSE

- 1.1. This investment policy ("Policy") sets forth the investment objectives and guidelines for the management of the surplus funds 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 Dion Durrell + Associates Inc. (the "General Manager") directly engaged in providing services to CLLAS and the employees of Martin Lucas & Seagram Ltd. (the "Investment Manager") directly engaged in providing investment services to CLLAS (collectively, the "CLLAS Agents").
- 1.2. This Policy has been adopted by the Board on the recommendation of the Executive Committee, which functions at the Investment Committee of CLLAS and is responsible to the Board of the administration of this Policy.
- 1.3. This Policy is considered to reflect the financial needs of CLLAS and the risk tolerance of its members and to set investment standards which a reasonably prudent person would apply to avoid undue risk of loss and obtain a reasonable return.

2. INVESTMENT ACTIVITIES

- 2.1. The investment Manager shall invest and reinvest, with full discretion but in accordance with the provisions of this Policy, the funds of CLLAS not required for operational purposes. The Board may, at any time, terminate the appointment of Martin Lucas & Seagram Ltd. as an investment manager and appoint one or more investment counsel to act as an investment manager in its place. The Chairman or, in his absence, the Vice Chairman shall be responsible, in consultation with the General Manager, for the supervision of the Investment Manager.
- 2.2. The Investment Manager shall maintain two Funds (the "Funds") for investment purposes: the Short Term Investment Fund and the Long term Investment Fund. Moneys provided to the Investment Manager for investment shall be allocated to one or both of the Funds, as directed by CLLAS, or in the absence of such direction, as determined by the Investment Manager. 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 moneys are received by the Investment Manager, after giving effect to such allocation. Transfers between the Funds may also be made at the direction of CLLAS 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.
- 2.3. Investments in the two Funds shall be denominated in Canadian dollars and shall be made and restricted as follows:
 - 2.3.1. Shortw Term Investment Fund is restricted to investments which mature within one year. Such investments may consist of the following instruments: Treasury Bills issued by the Government of Canada or by a Canadian province 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. Not less than 50% of short term investments shall be invested in qualifying Government of Canada or provincial securities.

- 2.3.2. Long Term Investment Fund consists of all investments which are not designated as being part of the Short Term Investment Fund. Such investments are restricted to securities issued or guaranteed by the Government of Canada or any province of Canada and to bonds issued by corporations incorporated under the laws of Canada or any province of Canada as follows:

2.3.2.1 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 2.3.1

2.3.2.2 Not less than 40% of the market value of this Fund shall be invested in securities issued or guaranteed by the Government of Canada.

2.3.2.3. Not more than 40% of the market value of this Fund may be invested in securities issued or guaranteed by the government of any province of Canada and all such securities must, at the time of purchase, be rated A or better.

2.3.2.4. Not more than 20% 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 must, at the time of purchase, be rated A or better.

2.3.3 Regulatory Requirements: The investment portfolio, in aggregate, will at all times comply with the applicable regulatory requirements and restrictions.

- 2.4. Unless otherwise required by the Board, the Investment Manager shall report to CLLAS quarter-yearly on the status of the Funds and shall compare the performance of the Long Term Investment Fund with a composite benchmark comprised of: 60% DEX Short Term Bond Indices (equal portions of the Federal and Provincial Indexes); and 40% DEX Mid Term Bond Indices (equal portions of the Federal and Provincial Indexes) for the period covered by the report. Each report shall also provide such additional information as CLLAS may reasonably require.

- 2.5 Investments which do not meet the criteria in section 2.3 are ineligible for inclusion in the investment portfolio.

- 2.6 The Investment Committee will re-examine the asset mix policy periodically in light of significant changes in any of the following:

2.6.1 the Board becoming aware of any significant liability with respect to any claim;

2.6.2 capital market prospects;

2.6.3 the risk tolerance of the members of CLLAS; and

~~2.6.3~~2.6.4 any changes in regulatory requirements, and

~~2.6.4~~2.6.5 any other factors considered relevant by the Board.

- 2.7 Nothing in this Section 2 will preclude the Chairman or, in his absence, the Vice Chairman 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 2.3.1 and having maturities not exceeding 90 days.
- 2.8 The Board, in conjunction with the Investment Committee, will review and, if necessary, update this Policy at least annually.

3. CONFLICTS OF INTEREST

- 3.1. No CLLAS Agent shall knowingly permit his or her interest to conflict with his or her duties and powers in respect of CLLAS.
- 3.2. 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:
- 3.2.1. his or her spouse;
- 3.2.2. any person with whom the CLLAS Agent is living in a relationship outside marriage;
- 3.2.3. any member of the CLLAS Agent's family who shares his or her home; and
- 3.2.4. any corporation or trust controlled by the CLLAS Agent or in which he or she has a substantial beneficial interest;
- 3.3. CLLAS Agents shall not:
- 3.3.1. 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;
- 3.3.2. use material information derived from is or her status as a CLLAS Agent that has not been generally disclosed, to further the CLLAS Agent's interests; or
- 3.3.3. accept, in connection with his or her status as a CLLAS Agent, ay any gift or personal benefit except those of a minor nature or as permitted by law.
- 3.4. At the earliest opportunity, each CLLAS Agent shall fully disclose in writing, if practical, any conflict of interest or potential conflict of interest to the Chairman or Vice Chairman. The Chairman or Vice Chairman shall record such declarations of conflict and report them to the Board at the earliest opportunity.

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- 3.5. In the case of Board members in attendance at any meeting of the Board or its Committees, they shall also declare to the Chairman 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 shall refrain from participating in the discussion of or voting on such matter.
- 3.6. 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 Chairman or Vice Chairman and request that the Board determine whether or not a conflict exists. He Chairman or Vice Chairman shall record such requests and include them on the agenda for the next Board meeting for determination.
- 3.7. 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.
- 3.8. The Chairman shall 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.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

COMMITTEES FOR 2012

A. Executive Committee

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

B. Sub-Committees

1. Audit*

Gordon Goodman (**Chair**)
David Morritt
Les O'Connor/Mike Swartz

2. Claims

Barry Bresner (**Chair**)
Dan McDonald
William Scott
Ken Crofoot

3. Policy

Donald Milner (**Chair**)
Susan Grundy
David Morritt

4. Risk Management

William Scott (**Chair**)
Julia Holland
John Esvelt

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

February 2012