

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

**Minutes of a Meeting of the Advisory Board
(Designated as the Annual Meeting of the Subscribers pursuant to
Section 5.13 of the Subscribers' Agreement)**

8:30 a.m.
Davies Ward Phillips & Vineberg LLP
44th Floor, 1 First Canadian Place
Toronto, Ontario

Tuesday, February 22, 2011

Present:

Nicholas Leblovic (Chairman)
Brian Mulroney
Glenn Leslie
Gordon Goodman
John Esvelt
Gale Rubenstein
Bill Scott
Carol Lyons
Julia Holland
Les O'Connor

Davies Ward Phillips & Vineberg LLP
Borden Ladner Gervais LLP
Blake Cassels & Graydon LLP
Cassels Brock & Blackwell LLP
Fraser Milner Casgrain LLP
Goodmans LLP
McCarthy Tétrault LLP
McMillan LLP
Torys LLP
WeirFoulds LLP

Patrick Mahoney
Norma Ibbetson
Joe Tontini

Office of the General Manager, CLLAS
Office of the General Manager, CLLAS
Dion, Durrell + Associates

1. Constitution of Meeting

The Chairman brought the meeting to order.

2. Appointment of Secretary

Norma Ibbetson acted as Secretary.

3. Approval of Minutes of the December 7, 2010 Meeting of the Advisory Board

It was moved by Gordon Goodman and seconded by Gale Rubinstein that the minutes of the December 7, 2010 meeting of the Advisory Board be approved. The motion was carried unanimously.

4. Business Arising Out of the Minutes

The Chair advised that the report on the potential amendment of CLLAS' \$15 million per claim retention has been put on hold until the discussions on the new marketing approach for the upcoming renewal have been completed.

The Chair reported that discussions with the Law Society of Upper Canada with respect to obtaining accreditation for the Bluedrop program for CPD purposes continue. The initial request was declined due to the requirement that programs allow some form of interaction (e.g. through multiple users taking the course at the same time).

All other items arising out of the minutes will be dealt with under the other agenda items.

5. Comments of the Chair

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

6. CLLAS Renewal Strategy Options

Mr. Tontini led the discussion on the upcoming renewal strategy options. Included was a hand out from Miller for consideration. July 1, 2011 marks the beginning of the final year of CLLAS' fifth five-year underwriting period. As of the end of December 31, 2010, CLLAS has surplus in the range of \$20 million.

CLLAS has traditionally approached markets with full disclosure of its actuarial analysis and layer pricing. However, the markets have been extremely competitive in recent years and some markets may be in a position to quote lower than actuarially determined rates.

Mr. Tontini suggested that the Board had three broad options for the up-coming renewal:

Status Quo – continue to disclose the actuarially calculated rates to underwriters and to negotiate on the basis of a reasonable markup for underwriters' expenses, risk and profit margin (15-25%), maintain the same CLLAS retention in each layer unless underwriters' mark-up is unreasonable (>25%) in which case consider increased retentions, and consider reducing the ultimate rate paid by CLLAS members by relying on the CLLAS surplus.

Aggressive – do not disclose actuarial pricing analysis and let market determine best rates based on raw claims data, place as much reinsurance as possible and consider reducing the ultimate rate paid by CLLAS members by relying on the CLLAS surplus.

Middle Ground – continue to disclose actuarial pricing analysis but ask underwriters to price more aggressively by trying to appeal to our long term relationship, overall profitability and potential for additional premium, reduce the CLLAS retention allowing more participation and premium for underwriters and consider reducing the ultimate rate paid by CLLAS members by relying on the CLLAS surplus.

The advantage of this middle ground approach is that CLLAS members would enjoy better rates in the market and would be positioned for similar or better rates for next year. Most of the existing underwriters would ideally be retained. This is a two-year strategy, given the end of the next five-year underwriting period.

Mr. Tontini stressed the importance of considering our long term relationships in light of the stability they provide regarding claims management/settlement authority, CLLAS' reputation in the market as long-term partners, and our criteria for selecting reinsurers based on their S&P and AM Best rating.

There was a lengthy discussion on the renewal strategy and the consensus was to disclose the actuarial information but to be firm with our broker in London as well as the domestic reinsurers with respect to market pressures and pricing.

On motion of Carol Lyons and seconded by Gordon Goodman, that subject to confirmation of CLLAS' actuary, an amount of \$1 million surplus be applied to CLLAS' premium at July 1, 2011.

7. Report of the General Manager's Office

Financial Statements Quarter Ending December 31, 2010

CLLAS finished 2010 in essentially the same surplus position as the previous year. One item of note is the higher than budgeted costs for services relating to the claim arbitration and premium tax issues.

Of note on the Balance Sheet is the reinsurance recoverable. \$13.1 million is being carried as a receivable of which \$9.7 million is the outstanding recovery on the arbitration ruling which CLLAS has won. Three of the four reinsurers involved in that arbitration have paid since the ruling. TRC Canada has yet to pay (approximately \$1.4 million) but is expected to do so shortly. Costs and interest payable to CLLAS have still to be settled but no provision for this has yet been made in the Financial Statements.

Also of note is that CLLAS was successful in the arbitration with an excess insurer, Great American, with respect to a related settlement made in March 2010. This had no impact on the financial statements as the decision was known prior to finalizing the year-end.

Under "Liabilities" on the Balance Sheet, it is expected now that the arbitration is completed that the swing commission will be paid out as at June 30, 2011.

The Board passed along their congratulations to both counsel for their successes.

Finally, on the Balance Sheet the "Premium Deficiency Liability" the \$548,000 reflects an accounting/actuarial calculation that reflects our policy period vs. the calendar year reporting and the requirement to disclose unearned premium or rather uncollected at December 31, 2010.

Actuarial Report

The actuaries attended the Audit Committee meeting last week and presented their year-end findings. The Actuary's presentation to the Audit Committee was included in the Board material.

2011 Operating Budget

Patrick Mahoney reviewed the Budget proposal for FY11, including a review of the operating expenses, both past and projected. There was a discussion of the management and professional services line items both a review of the FY10 expenses and the best estimate of FY11 expenses.

It was moved by Les O'Connor seconded by Gale Rubenstein it was moved to approve the FY11 budget subject to a review of the Professional Services – Reinsurance line and the Miller fees.

FSCO Business Plan Filing

The 2011 Business Plan was included as an information item. The Business Plan will be filed with the Ontario and Alberta regulators together with the P&C1.

Reinsurance Ratings/Security

The Audit Committee reviews this report as a part of their mandate. No issues or concerns were identified at the Audit Committee meeting. Appendix C identifies the ratings of the reinsurers. The only item of note is the downgrading of BRIT due in large part to the change in ownership. Additional information will be requested at renewal.

The combined report of reinsurers and insurers will be presented at the June meeting for consideration as part of the reinsurance placement.

8. Report of the Audit Committee

Carol Lyons reported on behalf of the Committee. A clean audit opinion was issued. Note #12 is a revised note regarding the arbitration and Note #13 is new.

Approval of December 31, 2010 Audited Financial Statements

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

It was moved by Carol Lyons and seconded by Gale Rubenstein that Julie-Linda Laforce of Dion Durrell + Associates Inc. be appointed the Actuary for 2011. The motion was carried unanimously.

It was moved by Carol Lyons and seconded by Gale Rubenstein that the Financial Statements at December 31, 2010 be adopted. The motion was carried unanimously.

It was moved by Carol Lyons and seconded by Julia Holland that Deloitte be appointed auditor for the 2011 fiscal year. The motion was carried unanimously.

9. Report of the Claims Committee

Patrick Mahoney reported that there has been some strengthening of reserves at December 31, 2010

10. Report of the Risk Management Committee

Bill Scott reported on behalf of the Risk Management Committee. Efforts continue to try to get accreditation of the Bluedrop program as a continuing legal education credit. The translation process is ongoing with four firms.

With respect to Risk Management Guidelines, a report will be forthcoming on the outcome of the meeting with Susan Zimmerman who is the co-point person for the Toronto Opinions Group as per the December discussion.

The Benchmarking Project is moving along and a report will be prepared for the June meeting.

The Chairman of the Advisory Board will negotiate with Mr. John Walker regarding a possible flat retainer.

11. Report of the Policy Committee

Gale Rubenstein explained that there was nothing to report.

12. Report of the Investment Manager

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

13. Committees for 2011

The Chair will circulate the list shortly.

14. Other Business

There was no other business.

The Chair advised that the date of the Annual Dinner is April 15, 2011

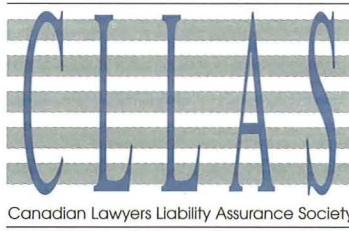
15. Next Meeting

The next regularly scheduled meeting of the Board will be on June 21, 2011.

There being no further business, the meeting was terminated.

Chairman

Secretary



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

Date: June 14, 2011

To: David Morritt
William Scott
Donald Milner
Gordon Goodman
Les O'Connor
Nicholas Leblovic

Barry Bresner
Daniel MacDonald
Chris Woodbury
Julia Holland
Glenn Leslie
Gale Rubenstein

Copy: Patrick Mahoney

From: Joe Tontini

**Re: Preliminary Report on CLLAS Rating and Reinsurance Placement
July 1, 2011/2012**

The purpose of this report is to provide the CLLAS Board with a preliminary look at the rating and reinsurance placement for July 1, 2011/2012. A more complete presentation will be made at the June 21, 2011 Advisory Board meeting.

Summary of February Advisory Board Meeting

At the February meeting of the CLLAS Advisory Board, a market analysis was presented and Board members were advised that the professional liability insurance market for lawyers in Canada continued to be extremely competitive notwithstanding the natural disasters that have taken place worldwide over the past six months. Since CLLAS will be entering the final year of its fifth Underwriting Period, the members uniformly agreed that CLLAS should break from the tradition of providing actuarial rates to the reinsurers and be as aggressive as possible in trying to achieve market rates. By way of illustration, the current CLLAS reinsurance rate for \$30MM excess of \$5MM is \$3,107 per lawyer while the market rate based on anecdotal information from Bob Wilson for a clean (no losses) large law firm was \$1,450 per lawyer. The actual difference was much less when we factored in the CLLAS retention, the CLLAS surplus contribution and the CLLAS net income for the year. On a net basis, taking all these factors into account, the difference was still significant, i.e. about \$600 per lawyer.

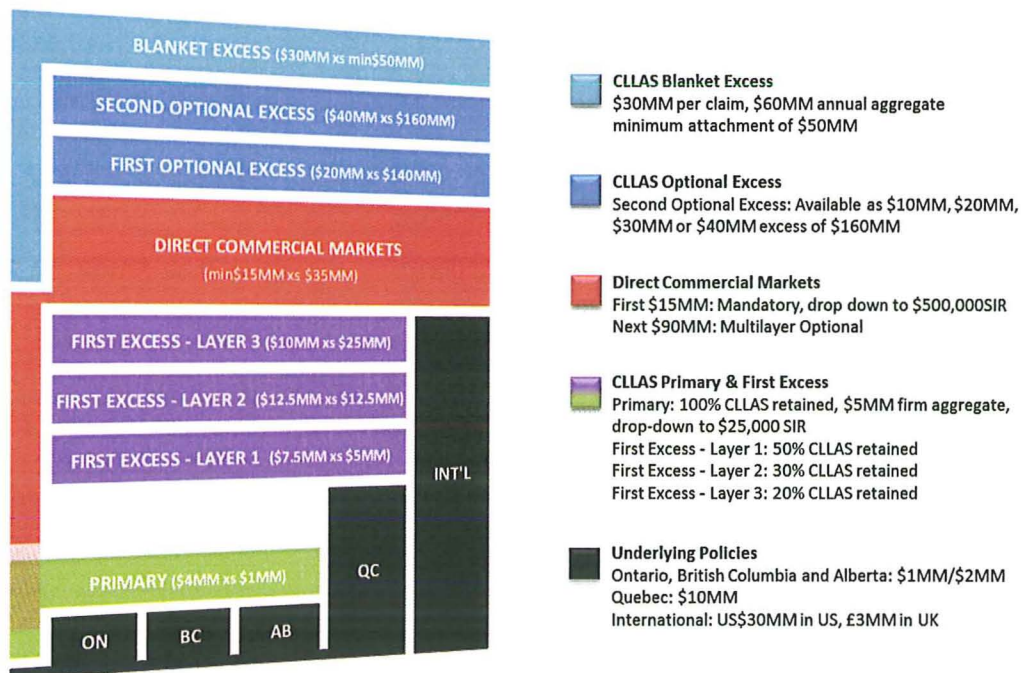
The difference stems from two factors: the CLLAS actuarially derived expected loss cost, which due to the CLLAS loss experience is higher than the market rate; and the reinsurance rate, which begins with our actuarially derived expected loss cost and then is loaded to allow for reinsurers' operating costs, profit margin and risk margin. In a normal market, the reinsurance rates would be considered reasonable given the CLLAS loss experience but in a highly competitive market, the difference was too great to ignore.

The CLLAS Board is concerned that competitive market forces will attempt to create a division among the CLLAS members. As a result, a clear mandate was given to Dion Durrell and Miller to move away from the traditional actuarial approach to the market and to secure the most competitive terms possible for the final year of this Underwriting Period. We therefore approached the market with a report which summarized the loss data on an incurred basis and provided an analysis of the historical losses on a developed basis. We did not trend losses going forward nor did we provide underwriters with our actuarially derived rates. Instead, we proposed rates that were market driven and approached all existing underwriters as well as a significant number of new underwriters.

Existing CLLAS Structure

The existing CLLAS insurance and reinsurance structure is set forth in Figure 1 below.

Figure 1
Existing CLLAS Structure



The current structure has served CLLAS very well over the years for a number of reasons, including:

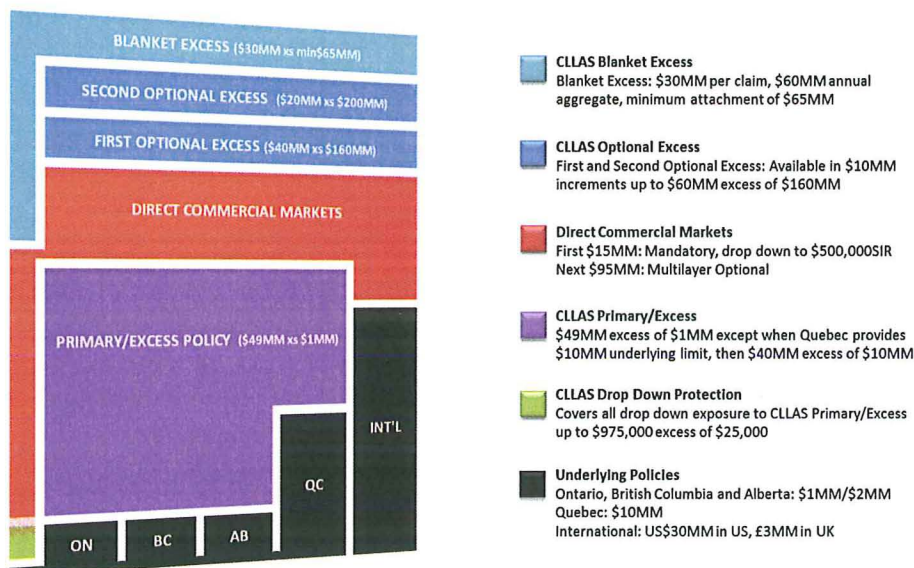
1. By retaining the first \$5MM inclusive of the underlying coverage, CLLAS was able to reduce costs (i.e. in a normal market but not now in this highly competitive market) because it would price the layer by using the actuarially derived loss costs loaded with costs that would be significantly less than the loaded rates that reinsurers would normally charge;
2. Also, by retaining the first \$5MM, CLLAS managed claims under \$5MM in a very efficient manner without interference from the reinsurance market;
3. By participating in the next three layers, CLLAS was able to demonstrate that it had “skin in the game” and was able to propose rates for these layers that reinsurers generally accepted except for their specific loadings for costs, risk and profit margins.

Notwithstanding the above, it became clear that the gap between existing and market rates was so great that a new structure had to be conceived.

Proposed CLLAS Structure

It was important to market the renewal on a new basis. Most, if not all, underwriters have their own actuarial departments and the excellent loss data that CLLAS has accumulated over the past 24 years lends itself well to actuarial analysis. This means that the actuarially derived loss costs that the CLLAS actuaries have calculated would very likely be replicated by the underwriters’ actuaries. Layering the limits as expiring or close to expiring would not help CLLAS achieve market rates. A bold new structure had to be conceived. Figure 2 below sets forth the new structure.

Figure 2
Proposed CLLAS Structure



The key features of the proposed structure are as follows:

1. It eliminates the CLLAS first \$5MM policy which is currently 100% retained by CLLAS;
2. It eliminates the CLLAS \$30MM policy and three layers of reinsurance coverage;
3. It pushes the \$15MM excess of \$35MM placed by Bob Wilson up to \$15MM excess of \$50MM;
4. It replaces the above with a \$50MM (inclusive of underlying limits) CLLAS policy;
5. Reinsurance would be purchased (ideally from a price standpoint) for 80% of \$49MM excess of \$1MM (\$40MM excess of \$10MM for Quebec lawyers who have \$10MM of underlying coverage);
6. CLLAS would (ideally from a price standpoint) retain 20% of \$49MM excess of \$1MM as well as the entire drop down exposure for a total maximum single loss retention of \$10,775,000 compared to the existing CLLAS retention of \$14,475,000;
7. Bob Wilson's layers would be pushed up to the \$50MM attachment point and he would provide total limits of \$110MM instead of \$105MM;
8. The commercial market layers would continue to drop down to US\$30MM for CLLAS International exposures;
9. The CLLAS optional excess layers would attach at \$160MM and provide options in increments of \$10MM up to \$220MM (previously to \$200MM);
10. The Umbrella Policy of \$30MM per claim/\$60MM aggregate would continue to sit on top of all limits subject to a minimum of \$65MM (previously \$50MM);
11. Most importantly, if CLLAS was able to fully place the 80% reinsurance at the proposed market price of \$2,950 per lawyer (\$1,650 in Quebec), the savings could be in excess of \$4MM or \$800+ per lawyer.

Current Support for the New Structure

The proposed structure was conceived because it combined the lower layers (under \$25MM) which clearly attracted a significant amount of premium with the upper layers (between \$25MM and \$50MM) which have relatively low actuarially derived expected loss costs. Notwithstanding these advantages, the proposed reinsurance/market rate is still considerably lower than the actuarially derived cost for the entire layer as calculated by many of the underwriters' actuaries. By way of illustration, the total proposed reinsurance premium for 100% of \$49MM excess of \$1MM (allowing for a lower rate in Quebec) was \$13,140,000 compared to a reinsurance premium of over \$20,000,000 calculated by many of the underwriters' actuaries. As a result, most of the incumbent markets could not support the proposed rate and/or preferred to participate excess of a minimum of \$5MM or \$10MM.

As of the date of this report, we have support for 50% of the structure at our proposed rate. The support came from new and existing Lloyd's syndicates as well as a new domestic company market. While we are hopeful that we will complete the 80% by the time the Board meets on Tuesday, we do have a contingency plan, as discussed below. We recommend that the contingency plan be considered even if the 80% line is complete.

CLLAS Retention

As mentioned above, the ideal scenario, from a price standpoint, is for CLLAS to retain 20% of the proposed new structure (plus the drop down exposure under \$1MM) for a total retention per loss of \$10,775,000. The 20% is the minimum participation CLLAS would need to retain to meet the "25% rule", i.e. the regulatory guideline established by FSCO (given that the optional excess layers would still be fully reinsured). The other boundary we face is the \$15,000,000 maximum retention specified in the Subscribers' Agreement. The maximum retention that CLLAS could take under this structure, and still stay within that retention, is 28.5%. This means that we could proceed with the new structure if 71.5% of the reinsurance slip placed.

Contingency Plan

If we were asked to bind coverage today, we would bind the 50% reinsurance as per the proposed structure and have CLLAS take the other 50% with some excess of loss protection. In other words, 50% of the structure would be as proposed and 50% would be layered in a way that would ensure that CLLAS did not exceed its \$15,000,000 maximum retention as prescribed by the Subscribers' Agreement.

We have a number of the incumbent underwriters, including Swiss Re, Hanover Re, Beazley and Scor Re, who are very interested in maintaining a relationship with CLLAS but cannot support the price and structure as proposed. These four underwriters, in particular, have supported CLLAS for many years and serious consideration should be given to a contingency plan that allows them to continue on the program. These incumbents and other underwriters have indicated that they would be interested in participating on a layered basis.

It would be relatively simple to split the structure in half and accommodate some of these underwriters. While the additional cost would be around \$200 per lawyer, CLLAS would still realize \$600+ per lawyer in savings. The advantages of the contingency plan, even if 80% were to be achieved under the proposed structure, would be that we keep some of the key relationships with underwriters that have been strong supporters of CLLAS in the past and we have a layered structure in place in case the proposed structure becomes too expensive at some point in the future (due to a downturn in the market and/or poor CLLAS loss experience).

Colchester's Participation

Colchester has been as stop-loss reinsurer for CLLAS for many years. Under the new structure, with CLLAS taking a vertical participation of \$49MM excess of \$1MM, the need for stop-loss protection is reduced. While Colchester can still provide stop-loss protection, the value of the retrocession protection (which Colchester arranges through Swiss Re and others) is lessened considerably. Part of the overall savings that CLLAS would realize comes from dropping the retrocession protection purchased by Colchester.

Colchester can play a role in the contingency plan referred to above. From an optics point of view, it may be advantageous to use Colchester on part of the layered structure.

Conclusions

The reinsurance placement this year has been extra challenging because of a new structure designed to provide an overall price for CLLAS members that is very close to market prices for law firms with excellent loss experience. While this new structure may not be sustainable in the long run, it does provide CLLAS with significant savings and introduces some new underwriters to the program. The new structure will have its challenges from a claims management point of view especially since CLLAS will have to interact with underwriters on claims payments between \$1MM and \$5MM. In order to preserve part of the status quo from a relationship standpoint and from a layered structure standpoint, CLLAS members should give serious consideration to the contingency plan outline above.



Dion Durrell

CLLAS

Board Presentation - Reinsurance Overview

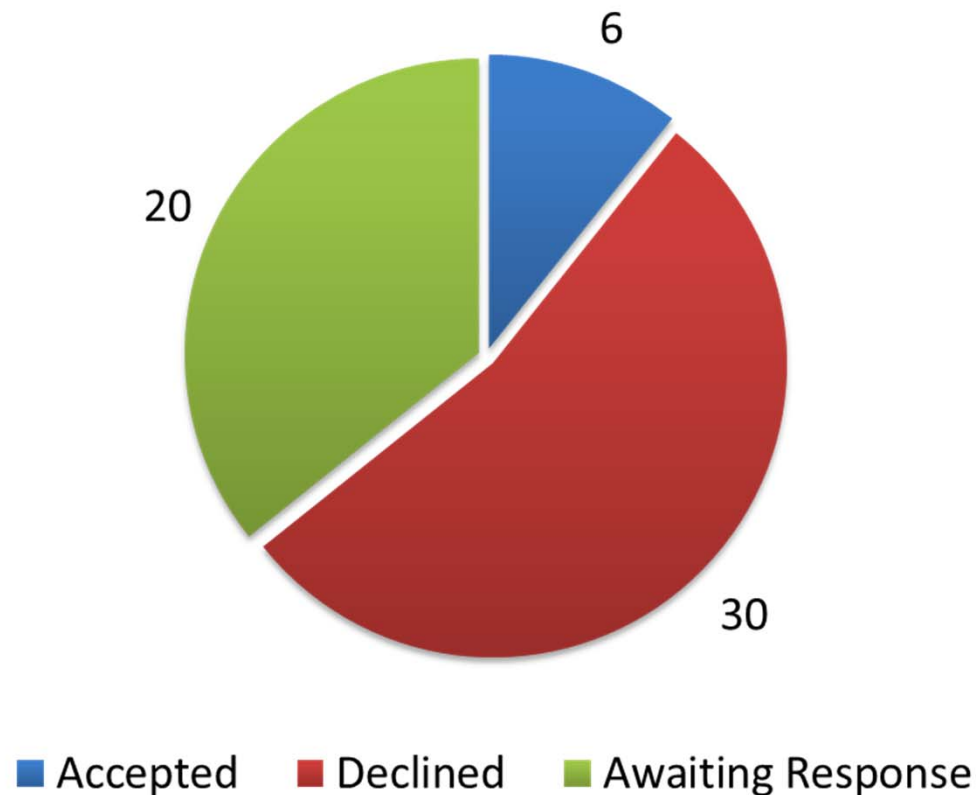
June 21, 2011

Renewal Overview

- Mandate from board to achieve market rates
 - Required out-of-the-box re-thinking of CLLAS placement
 - Market rates provided by Bob Wilson/Pro-Form
 - Scaled-back actuarial support
 - Layers consolidated into single “super” layer
 - Increased former reinsurance layer top and bottom
- Maintain prior year return of surplus
- Operating within regulatory constraints
 - Max 75% reinsurance
 - Max 25% unregistered reinsurance (e.g. Colchester)
- Keep within \$15MM maximum CLLAS retention

Renewal Overview (cont'd)

- Support for market rates not widespread
 - 56 markets approached:



Renewal Overview (cont'd)

Markets in detail:

Accepted	Lloyd's Declined	Waiting
Amlin 2001	Advent 780	Alterra 1400
Argo 1200	Barbican 1955	Antares 1274
Dore 2526	Beazley 623/2623	Antares 1700
Pembroke 4000	Brit 2987	Ark 4020
	Catlin 1003/2003	Faraday 435
	Chaucer 1084	Meacock 727
	Hiscox 33	Novae 2007
	Liberty 4472	QBE 386/2999
	MAP 2791	Sagicor 1206
	Markel 3000	
	Marketform 2468	
	Mitsui 3210	
	Newline 1218	
	Ren Re 1458	

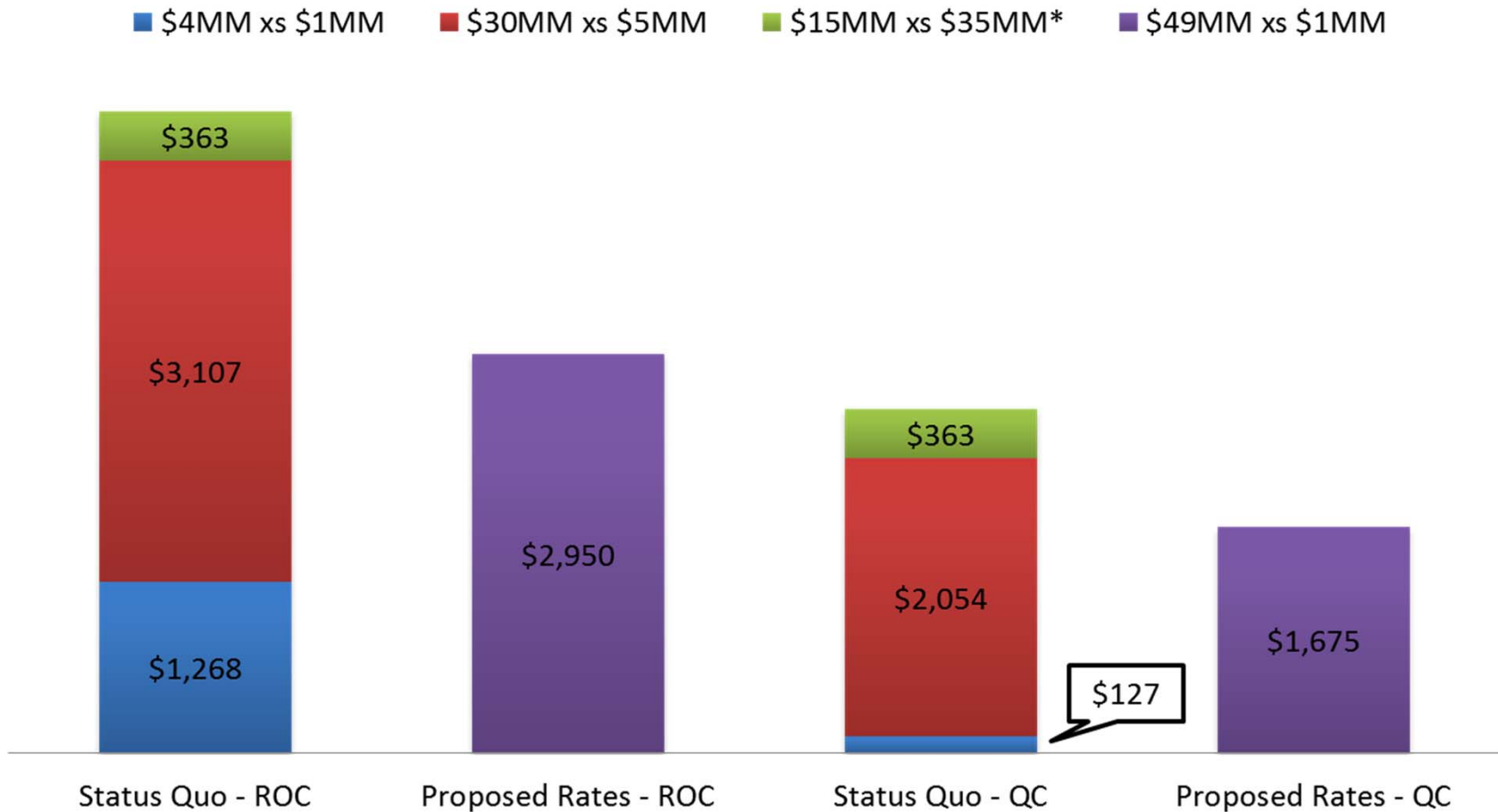
Accepted	Companies Declined	Waiting
CNA	Ace Tempest Re	Allianz
Transatlantic	Arch Canada	Arch UK
	Aviva	Aspen Re
	AWAC	Axis Canada
	CRC	Axis UK
	Everest	Catlin
	GCAN	Chubb
	Hannover Re	Max Re
	HCC Global	Travelers
	Munich Re	W R Berkley
	Odyssey	XL
	Partner Re	
	SCOR	
	Swiss Re	
	TOA	
	Zurich	

 Incumbent Markets
  New Markets

Structure Change



“As Expiring” vs. Proposed Rates/Loss Costs



* This layer includes a drop-down component not included in the proposed rates (commercial market)

Assumptions

4,800 lawyers

- 4,000 ROC

- 800 QC

Status Quo

- Rates and retentions as expiring

- Updated lawyer counts, expenses, surplus return, etc.

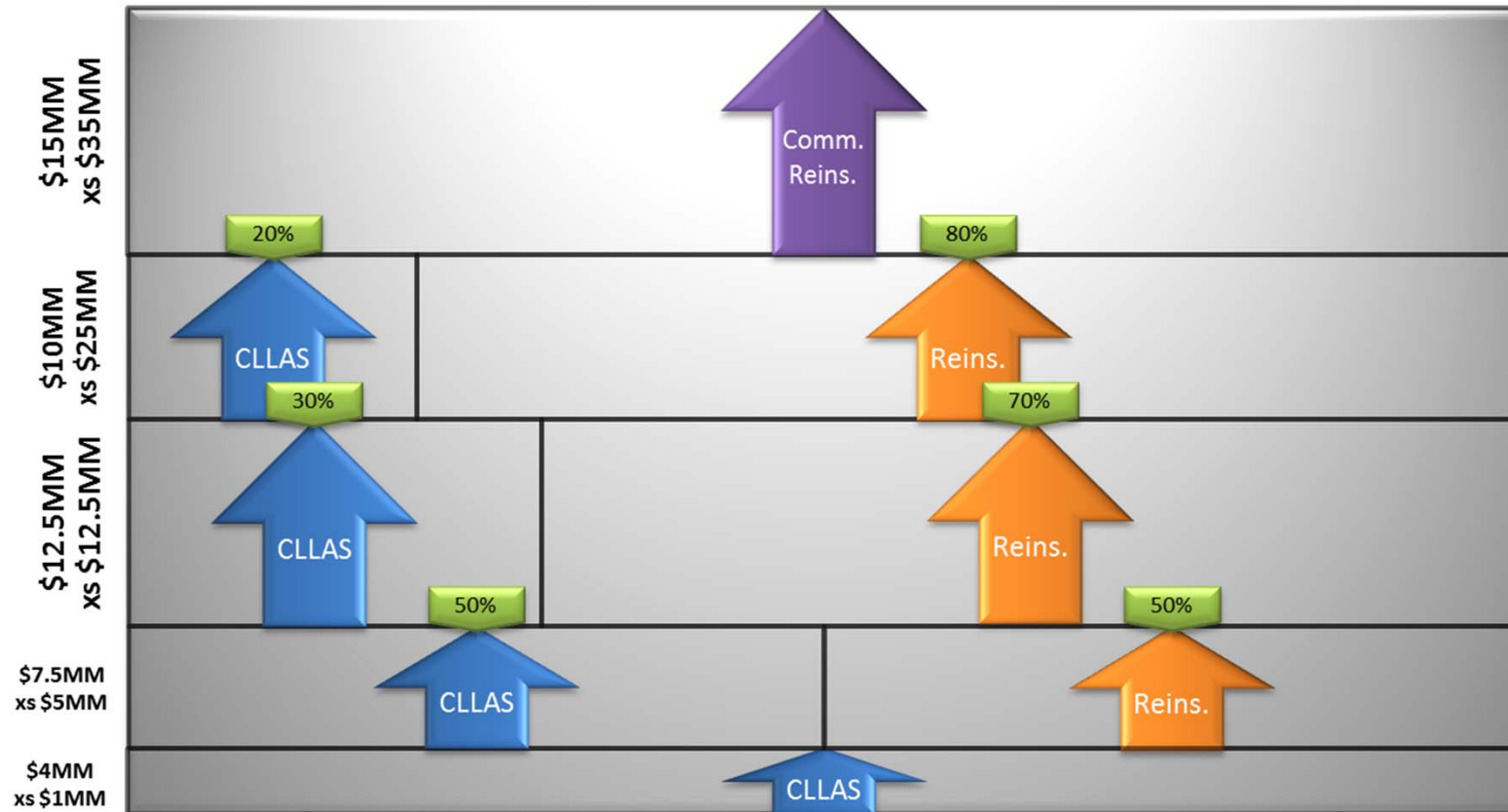
Return of Surplus

Return of surplus for 2011/2012 is arrived at using the following three sources:

➤ CLLAS Investment Income on Surplus:	\$582,000
➤ Colchester Investment Income on Surplus:	\$618,000
➤ Board Directed Surplus Disbursement:	<u>\$1,000,000</u>
➤ Total	\$2,200,000

For accounting and audit purposes this is a surplus distribution solely from CLLAS

Status Quo



CLLAS Total Premium:
 Premium per lawyer:
 CLLAS Retention:
 Percent Reinsurance:
 Percent Unlicensed:

\$22,766,544
 \$4,743
 \$14,475,000 ✓
 62% ✓
 14% (incl. Colchester aggregate protection) ✓

Assumptions

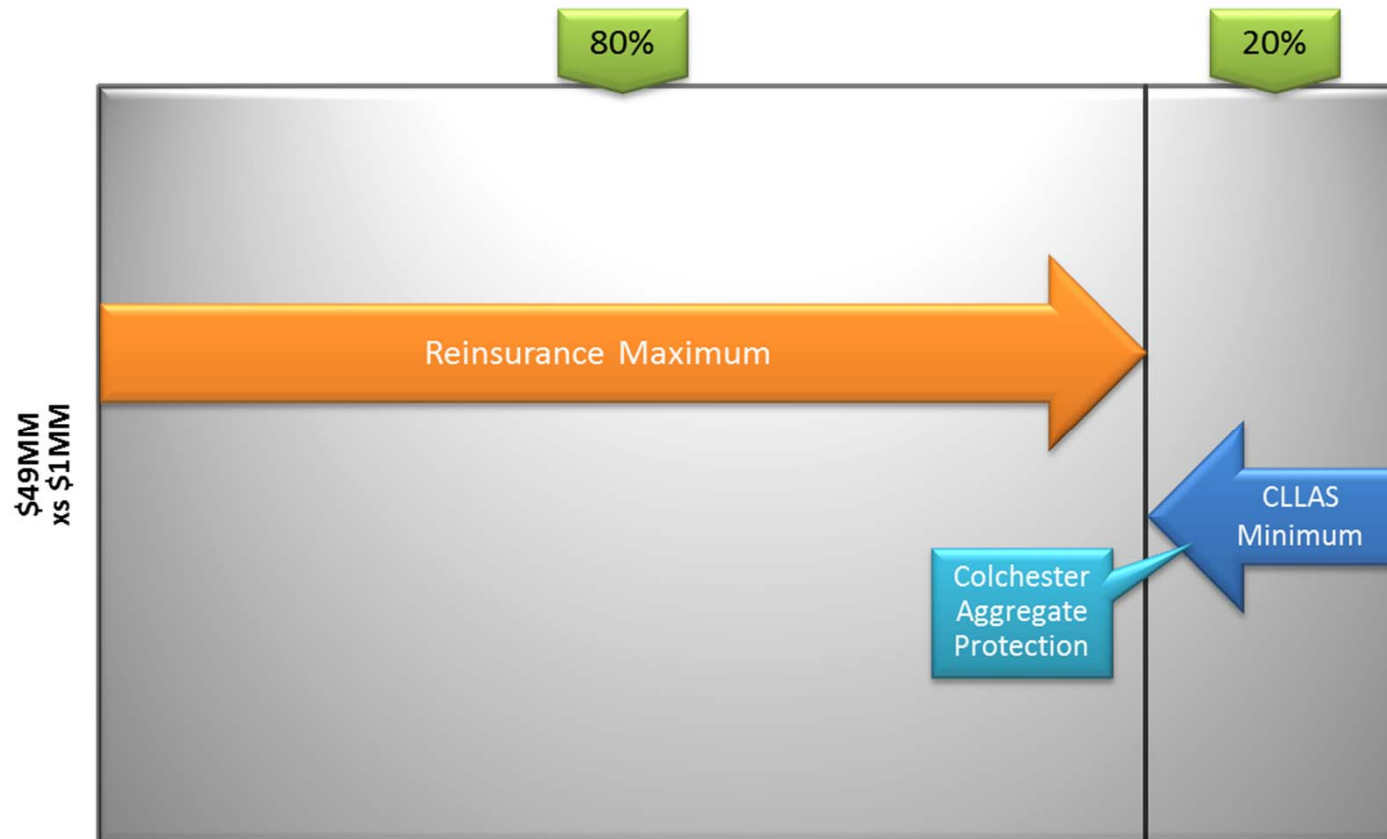
Option 1A – Lowest guaranteed cost

- \$49MM xs \$1MM
- CLLAS Retention 20%
- Reinsurance 80%
- 20% remaining to place

Option 1B

- \$49MM xs \$1MM
- CLLAS Retention 28%
- Reinsurance 72%
- 12% remaining to place

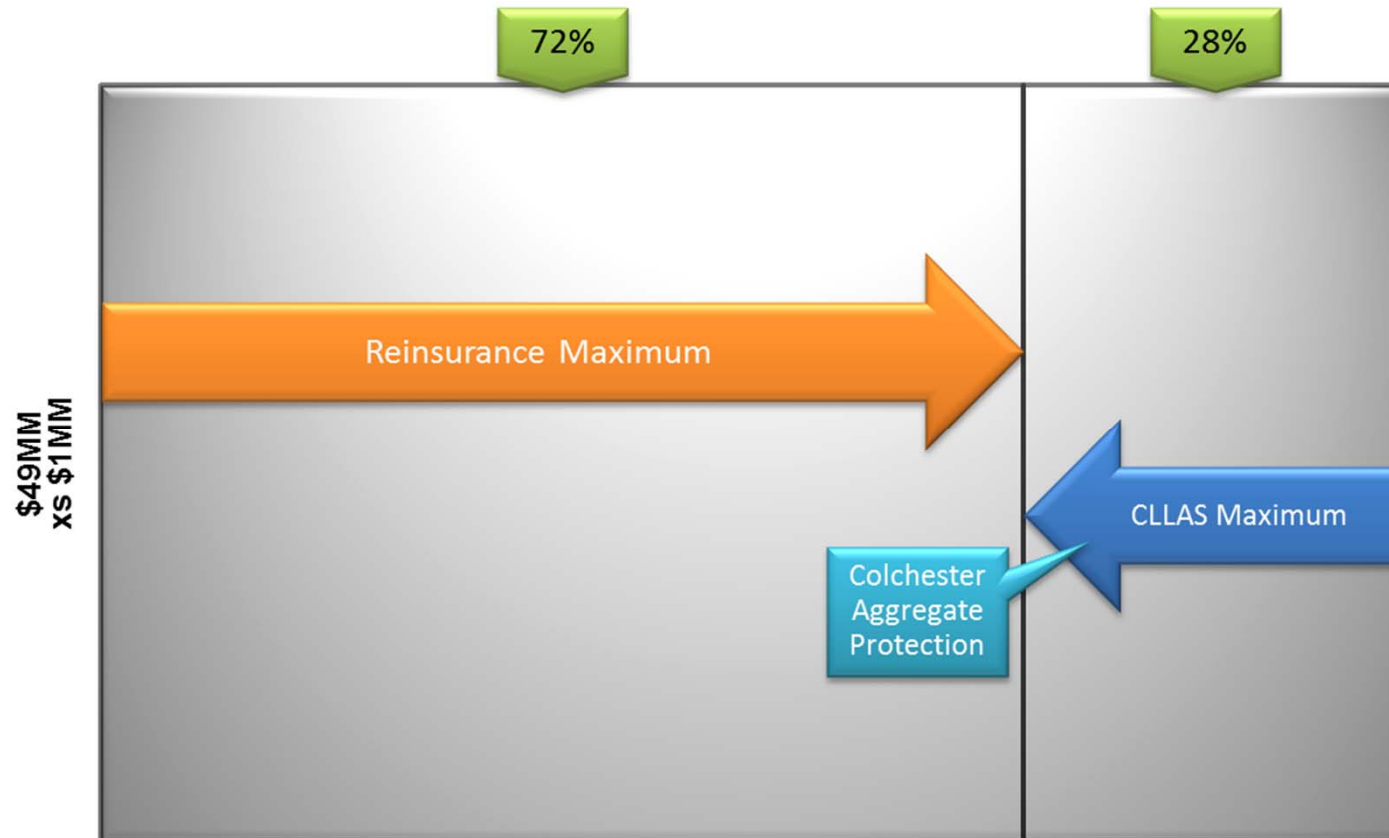
Option 1A



CLLAS Total Premium:
Premium per lawyer:
CLLAS Retention:
Percent Reinsurance:
Percent Unlicensed:

\$16,229,522 (\$6,537,022 savings)
\$3,381 (\$1,362 savings)
\$10,775,000 ✓
74% ✓
1% (excl. Colchester aggregate protection) ✓

Option 1B



CLLAS Total Premium:
Premium per lawyer:
CLLAS Retention:
Percent Reinsurance:
Percent Unlicensed:

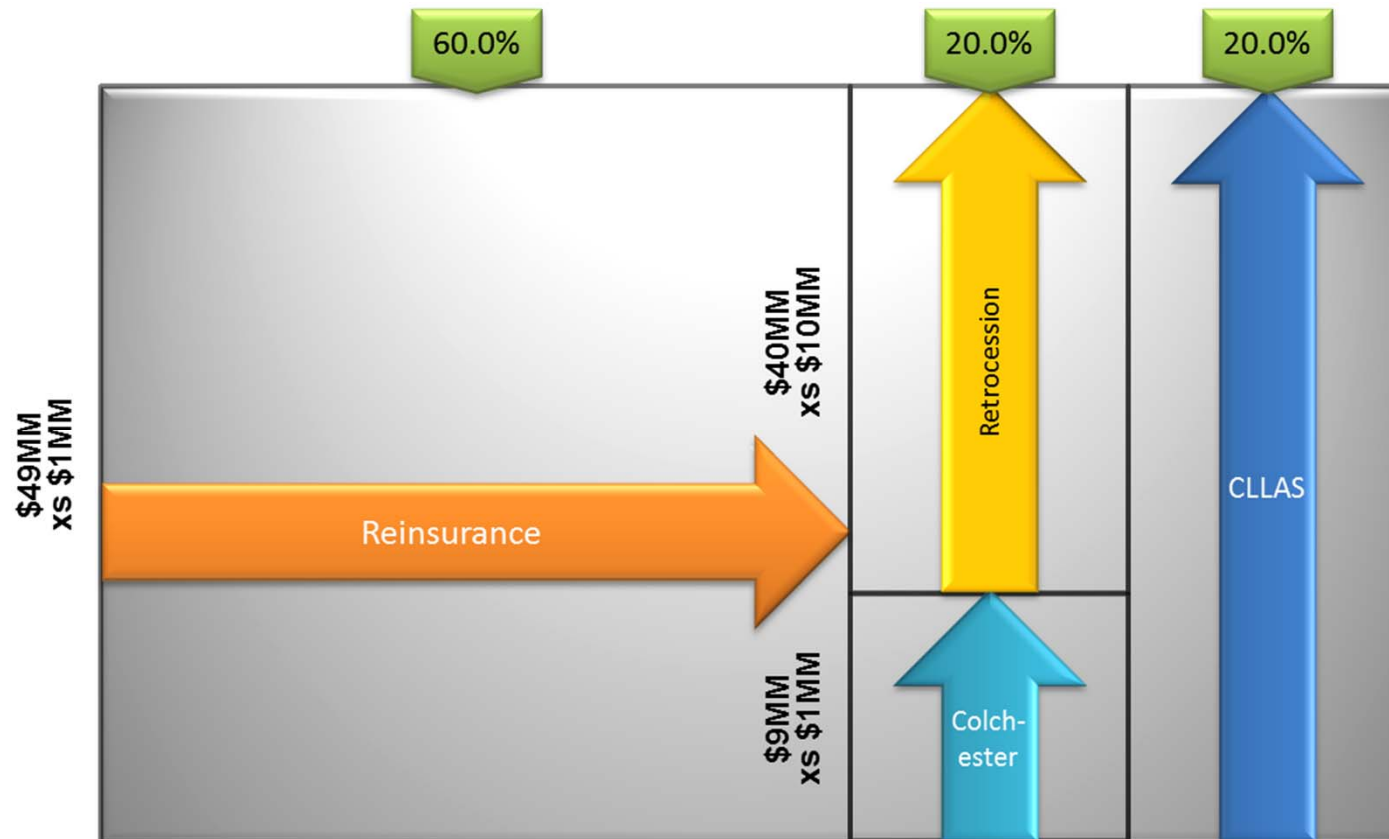
\$16,349,694 (\$6,416,850 savings)
\$3,406 (\$1,337 savings)
\$14,695,000 ✓
67% ✓
1% (excl. Colchester aggregate protection) ✓

Assumptions

Option 2 – Colchester Participation

- \$49MM xs \$1MM
- CLLAS Retention 20%
- Colchester Retention 20%
 - Colchester Retrocession excess of \$10MM
- 0% remaining to place

Option 2



CLLAS Total Premium:
 Premium per lawyer:
 CLLAS/Colchester Retention:
 Percent Reinsurance:
 Percent Unlicensed:

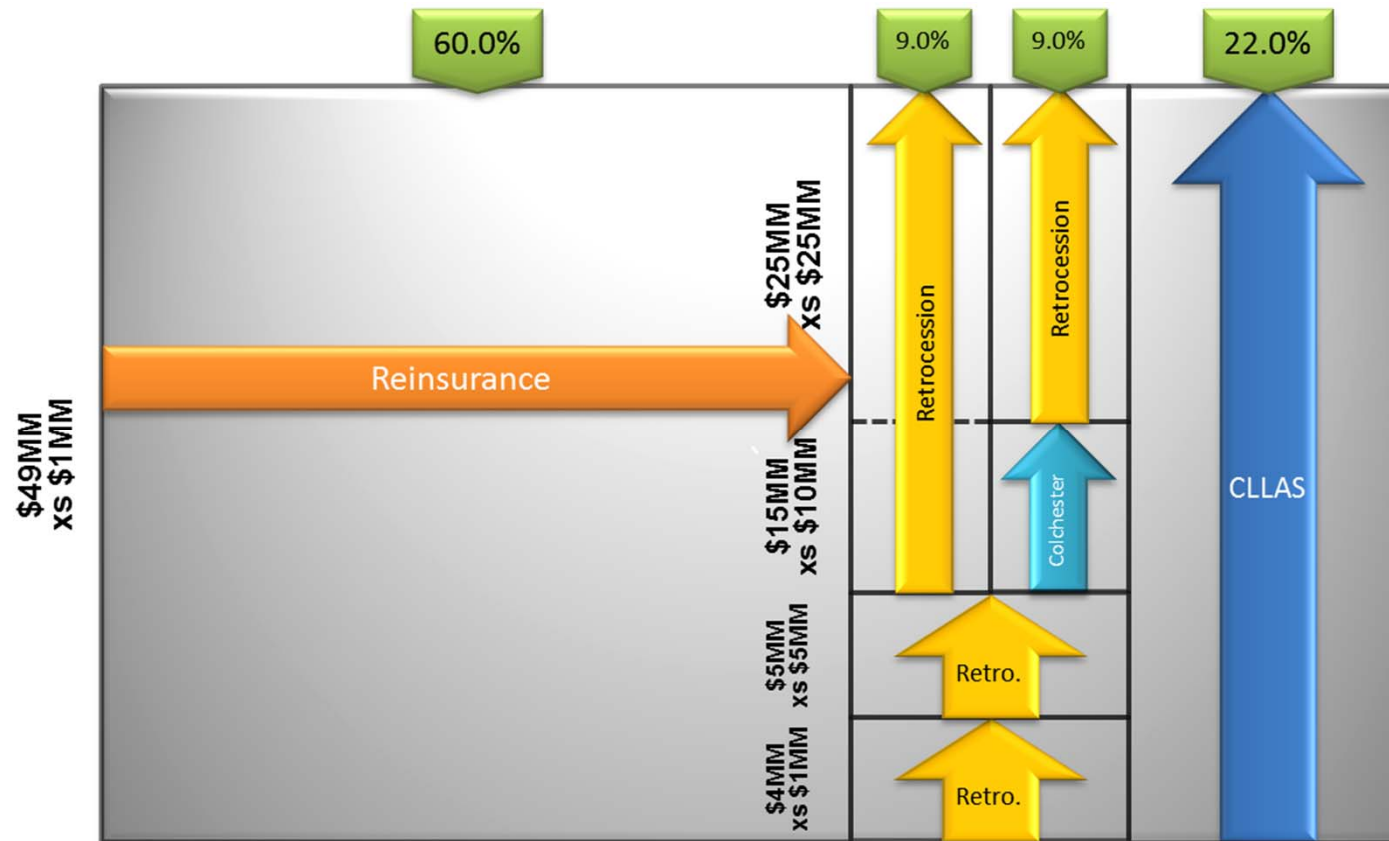
\$16,370,756 (\$6,395,788 savings)
 \$3,411 (\$1,332 savings)
 \$12,575,000 ✓
 74% ✓
 18% ✓

Assumptions

Option 3 – Key reinsurers in play

- \$49MM xs \$1MM
- CLLAS Retention 22%
- Colchester Retention 18%
 - Colchester retrocedes all but 9% of \$15MM xs \$10MM layer
- 0% remaining to place

Option 3



CLLAS Total Premium:
 Premium per lawyer:
 CLLAS/Colchester Retention:
 Percent Reinsurance:
 Percent Unlicensed:

\$17,201,175 (\$5,565,369 savings)
 \$3,584 (\$1,159 savings)
 \$13,105,000 ✓
 74% ✓
 20% ✓

Important Considerations

Price

- Options 1A, 1B, and 2 are very close in price - \$60 maximum difference per lawyer
- Option 3 is about \$200 per lawyer higher or \$1MM higher but still over \$5MM in savings

Relationships

- Key relationships which we would like to preserve: Beazley, Hanover Re, Scor Re, Swiss Re
- Trying to accommodate them all at their terms is complex but does provide CLLAS with a contingency plan in the event of a turn in the market or poor loss experience

Important Considerations (cont'd)

Long Term Stability

- Hanover Re terms are for three years subject to a provisional premium adjusted based on loss experience
- The maximum is not unreasonable (close to our expected loss costs) and is more attractive in years 2 and 3 because of trend factors

Colchester

- The need for stop-loss reinsurance is reduced and retrocession cover could be eliminated

Important Considerations (cont'd)

Minimum Capital Test

- Each option improves the MCT situation for CLLAS

Claims Management

- New structure will be quite different from the status quo – CLLAS will have to collect from several parties for even the smallest of claims settlements

2011 Renewal
Submission

Canadian Lawyers Liability Assurance Society



Pro-Form Insurance Services
Robert S. Wilson

2011 Renewal Submission

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Section 1

Introduction

I am pleased to advise you that, as a group, you did meet the claims criteria to allow the further extension of the excess program and rate guarantee; we did advise all of the Insurers that the rate will not change and that you may be taking advantage of the guaranteed rate for July 1, 2011.

In addition, the Insurers have agreed to a further rate guarantee for the group as long as the claims criteria is met again in 2012, if so the rate guarantee will continue for the renewal on July 1, 2012.

I am extremely pleased that we were able to continue the rate guarantee for the CLLAS group and as far as we know there are no other multi year policies in place for lawyers at the current time. We believe the Insurers are willing to provide this guarantee primarily because they continue to be very pleased with the results of the group.

As I previously indicated to you, we did see continued softening of the rating in the primary \$20M programs excess of the Law Society and this is mainly driven by additional Insurers who are attempting to enter the marketplace and compete for the business. This is why we have been working with Dion Durrell to look at the alternatives available to CLLAS this year.

We have presented two options to you, since we did not know what the final direction of the CLLAS program would be. You will see one option as per the expiring limits and one option in excess of \$50,000,000.

I can also confirm that the Excess wording is not changing this year and will remain as per the expiring form.

Further in the report we are also confirming that the Insurer line up will not change for July 1, 2011, as all of the current Insurers have met the financial criteria and have re-confirmed their desire to continue on the CLLAS program.

We have provided you with some financial information in the attached submission.

As in the past we are continuing to monitor some of the firms in the group who are increasing their out of country exposures and please keep in mind that once the exposure does go beyond approximately 10 lawyers, we may need to approach you with respect to a separate CLLAS International insurance policy. We are having these discussions on an ongoing basis with the member firms and if you would like to discuss this further with me, please do not hesitate to me know.

Introduction (Cont'd)

I trust you will find the attached renewal program to be satisfactory to you and I am extremely pleased with the outcome of the renewal, which quite frankly is still providing an excess insurance program over the CLLAS program which I believe is more competitive than any other program available in the current Canadian market, either excess of \$35,000,000 or \$50,000,000.

I look forward to working with you.

Section 2

Policy Wordings

There are no changes to the Canadian excess policy wordings except we are adding a clause to the two year rate guarantee to allow an “out” for any firm who does not renew it’s five year commitment to CLLAS in July 2012.

Section 3

Renewal Quotations (Existing Program)

<i>Insurer</i>	<i>Layer</i>	<i>2010 - 2011</i>	<i>Renewal 2011 - 2012</i>
Liberty International Canada (66%) ACE INA Insurance (34%)	15,000,000 each claim and aggregate excess of 35,000,000 total underlying limit	363	363
Travelers Guarantee Company of Canada	10,000,000 each claim and aggregate excess of 50,000,000 total underlying limit	143	143
GCAN Insurance Company	5,000,000 each claim and aggregate excess of 60,000,000 total underlying limit	100	100
Chartis Insurance Company of Canada	15,000,000 each claim and aggregate excess of 65,000,000 total underlying limit	152	152
Chubb Insurance Company (75%) Liberty International Canada (25%)	20,000,000 each claim and aggregate excess of 80,000,000 total underlying limit	246	246
ACE INA Insurance (50%) ENCON (50%)	20,000,000 each claim and aggregate excess of 100,000,000 total underlying limit	242	242
Travelers Guarantee Company of Canada	10,000,000 each claim and aggregate excess of 120,000,000 total underlying limit	109	109
Lombard Insurance Company	5,000,000 each claim and aggregate excess of 130,000,000 total underlying limit	56	56
GCAN Insurance Company	5,000,000 each claim and aggregate excess of 135,000,000 total underlying limit	47	47
		1458	1458

All quotations are subject to the underlying CLLAS coverage being renewed.

The above premiums/rates are indications at this time and will be confirmed shortly

Renewal Quotations (Proposed)

<i>Insurer</i>	<i>Layer</i>	<i>Proposed Renewal 2011 - 2012</i>
Liberty International Canada (66%) ACE INA Insurance (34%)	15,000,000 each claim and aggregate excess of 50,000,000 total underlying limit	326
Travelers Guarantee Company of Canada	10,000,000 each claim and aggregate excess of 65,000,000 total underlying limit	128
GCAN Insurance Company	5,000,000 each claim and aggregate excess of 75,000,000 total underlying limit	60
Chartis Insurance Company of Canada	15,000,000 each claim and aggregate excess of 80,000,000 total underlying limit	136
Chubb Insurance Company (75%) Liberty International Canada (25%)	20,000,000 each claim and aggregate excess of 95,000,000 total underlying limit	221
ACE INA Insurance (50%) ENCON (50%)	20,000,000 each claim and aggregate excess of 115,000,000 total underlying limit	217
Travelers Guarantee Company of Canada	10,000,000 each claim and aggregate excess of 135,000,000 total underlying limit	98
Lombard Insurance Company (33%) GCAN Insurance Company (67%)	15,000,000 each claim and aggregate excess of 145,000,000 total underlying limit	115
		1301

All quotations are subject to the underlying CLLAS coverage being renewed at \$49,000,000 xs \$1,000,000.

The above premiums/rates are indications at this time and will be confirmed shortly

2011 Extension Criteria (Existing)

CLLAS EXCESS PROGRAM

If during the period of July 1st, 2011 to May 15th, 2012, a reserve or a payment or a combination of both, of equal to or greater than 65% of the underlying limit of liability, such underlying limit of liability being \$34,000,000, issued by Canadian Lawyers Liability Assurance Society ("CLLAS") is established or made against any claim covered under this policy or any like policy issued to any member firm of "CLLAS" or,

If during the period of July 1st, 2011 to May 15th, 2012, a reserve or a payment or a combination of both, of equal to or greater than 65% of the underlying limit of liability, such underlying limit of liability being US\$30,000,000 of any International insurance program providing coverage, is established or made against any claim covered under this policy or any like policy issued to any member firm of 'CLLAS"or,

If during the period of July 1st, 2011 to May 15th, 2012, a reserve or a payment or a combination of both, of equal to or greater than \$500,000 excess of the Retentions stated in Items 9 a) 1 or 9 b) 1 of the Declarations is established or made against any claim which is not covered under the "CLLAS" policy or any International insurance program, but is covered under this policy or any like policy issued to any member firm of 'CLLAS".

CLLAS INTERNATIONAL

a **Claim** payment is made under this policy that is equal to or greater than \$5,000,000, or,

a **Claim** reserve or a combination of a payment and a reserve, under this policy or under any of the policies issued to those law firms insured by the Company otherwise known as CLLAS International member firms equal to or greater than 65% of the **LIMIT OF LIABILITY** is established or made by the Company or,

a **Claim** payment or an aggregate of **Claim** payments is made under this policy or under any of the policies issued to those law firms insured by the Company otherwise known as CLLAS International member firms that is equal to or greater than \$10,000,000.

2011 Extension Criteria (Proposed Program)

CLLAS EXCESS PROGRAM

If during the period of July 1st, 2011 to May 15th, 2012, a reserve or a payment or a combination of both, of equal to or greater than 65% of the underlying limit of liability, such underlying limit of liability being \$49,000,000, issued by Canadian Lawyers Liability Assurance Society ("CLLAS") is established or made against any claim covered under this policy or any like policy issued to any member firm of "CLLAS" or,

If during the period of July 1st, 2011 to May 15th, 2012, a reserve or a payment or a combination of both, of equal to or greater than 65% of the underlying limit of liability, such underlying limit of liability being US\$30,000,000 of any International insurance program providing coverage, is established or made against any claim covered under this policy or any like policy issued to any member firm of 'CLLAS"or,

If during the period of July 1st, 2011 to May 15th, 2012, a reserve or a payment or a combination of both, of equal to or greater than \$500,000 excess of the Retentions stated in Items 9 a) 1 or 9 b) 1 of the Declarations is established or made against any claim which is not covered under the "CLLAS" policy or any International insurance program, but is covered under this policy or any like policy issued to any member firm of 'CLLAS".

CLLAS INTERNATIONAL

a **Claim** payment is made under this policy that is equal to or greater than \$5,000,000, or,

a **Claim** reserve or a combination of a payment and a reserve, under this policy or under any of the policies issued to those law firms insured by the Company otherwise known as CLLAS International member firms equal to or greater than 65% of the **LIMIT OF LIABILITY** is established or made by the Company or,

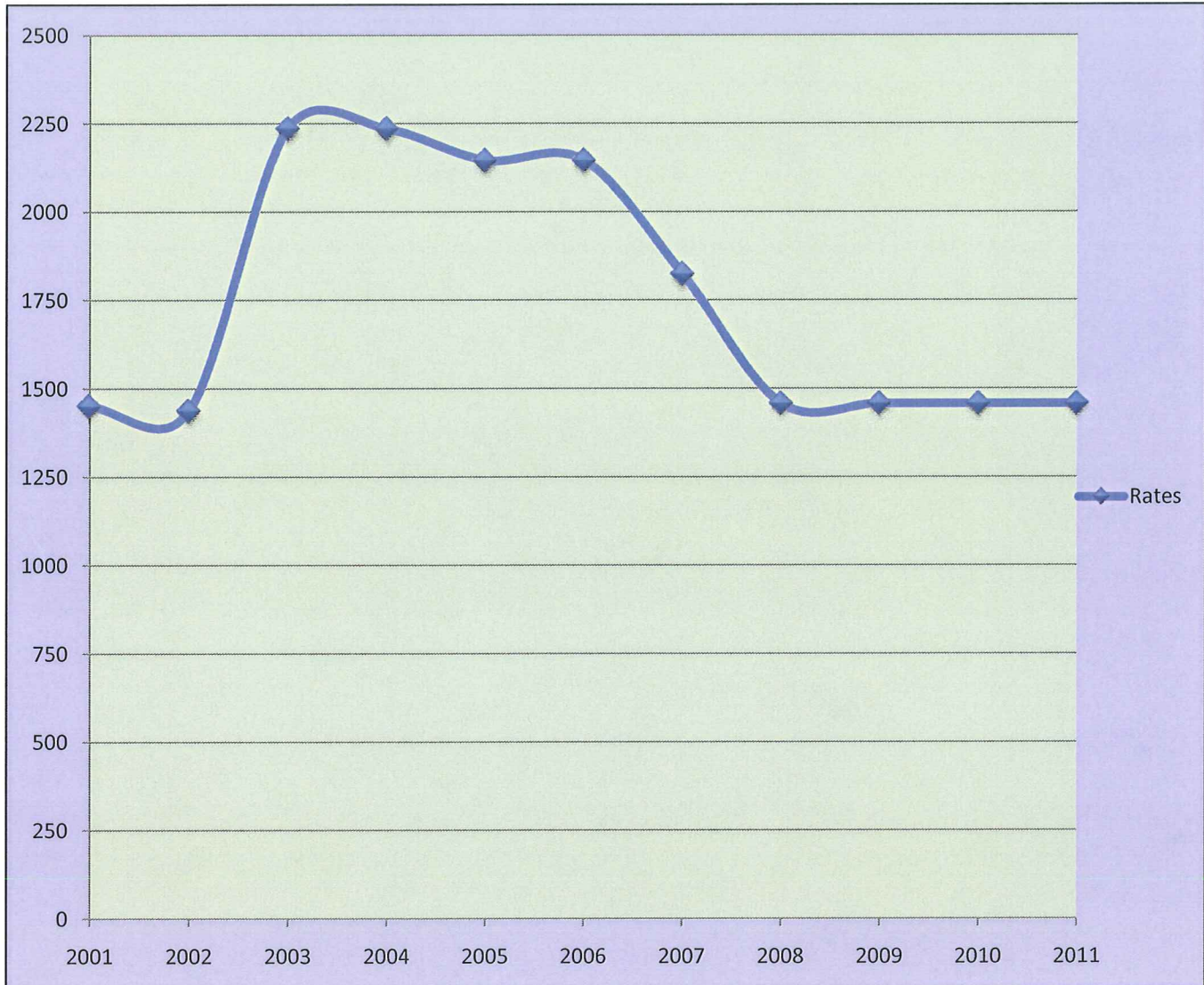
a **Claim** payment or an aggregate of **Claim** payments is made under this policy or under any of the policies issued to those law firms insured by the Company otherwise known as CLLAS International member firms that is equal to or greater than \$10,000,000.

Section 4

11 – Year Rate Summary (Chart)

Limits	2001 - 2002	2002 - 2003	2003 - 2004	2004 - 2005	2005 - 2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
\$5M xs \$35M	83	116	203	203	203	534	454	363	363	363	363
\$10M xs \$40M	118	153	268	268	268						
\$20M xs \$50M	211	274	0	0	0						
\$10M xs \$50M	0	0	212	212	201	211	179	143	143	143	143
\$5M xs \$60M									100	100	100
\$15M xs \$65M	0	0	411	411	390	371	315	252	152	152	152
\$10M xs \$70M	102	133	0	0	0						
\$10M xs \$80M	102	133	200	200	190	362	308	246	246	246	246
\$10M xs \$90M	102	133	200	200	190						
\$20M xs \$100M	203	264	396	396	376	357	303	242	242	242	242
\$10M xs \$120M	91	118	177	177	168	160	136	109	109	109	109
\$10M xs \$130M	86	0	0	0	0						
\$5M xs \$130M	0	60	90	90	86	82	70	56	56	56	56
\$5M xs \$135M	0	52	78	78	74	69	59	47	47	47	47
Total	*1098	1436	2235	2235	2146	2146	1824	1458	1458	1458	1458

11 – Year Rate Summary (Graph)



This does not include the "Proposed Program"

Section 5

Competition

We have been reviewing the renewal programs for Canadian law firms across the country during 2010 and quite frankly the excess programs (excess of \$35,000,000 or \$50,000,000) generally have remained very stable in terms of rating. This indicates to me that the CLLAS excess is still very competitive.

We did see further deterioration of the rates into June 2011; however, again we can confirm to you that it is our opinion that this excess program is currently still very competitive in comparison to firms outside of the CLLAS group.

With respect to the comparison of US firms, we are extremely competitive at the current time.

I do believe that we do ultimately approach the entire insurance market between ourselves, Dion Durrell and your U.K. broker and if any new capacity does become available, we are aware of it; This year between ourselves, Dion Durrell and your U.K. Broker we did an extensive search of the market and this was done to ensure the CLLAS primary program is competitive.

Section 6

Insurer Financial Ratings – CDN Excess Program

MARKET SECURITY SUMMARY: CILAS CANADIAN EXCESS PROGRAM

INSURANCE COMPANY	COUNTRY	BEST'S RATING	S&P RATING	CAPITAL & SURPLUS \$ MILLIONS	GROUP AFFILIATION
LIBERTY INTERNATIONAL UNDERWRITERS CANADA, A DIVISION OF LIBERTY MUTUAL INSURANCE COMPANY	U.S.A.	A	A-	595 million	Liberty Mutual
ACE INA INSURANCE	Bermuda	A+	A+	339 Million	Ace Limited
TRAVELERS GUARANTEE COMPANY OF CANADA	U.S.A.	A+	AA-	260 Million	Travelers Group
CHARTIS INSURANCE COMPANY OF CANADA	U.S.A.	A	A	1,362 Million	A.I.G.
CHUBB INSURANCE COMPANY	U.S.A.	A++	AA	454 Million	Chubb Corp
LOMBARD INSURANCE COMPANY	Canada	A-	A-	112 million	Fairfax Corp.
GICAN INSURANCE COMPANY	Canada	A	Not rated	164 million	None
ENCON GROUP INC. - Participants					Marsh
Continental Casualty Company	U.S.A.	A	A-	298 Million	CNA Corp.
XL Reinsurance America Inc.	Bermuda	A	A	228 Million	XL Insurance
Temple Insurance Company	Germany	A+	AA-	140 Million	Munich Re
Aviva Insurance Company of Canada	Scotland	A-	A+	690 Million	Aviva PLC

Ratings reflect the most recent issue, update or change communicated by the rating agency. Effective dates on S&P interactive ratings above do not reflect affirmations. Ratings do not necessarily correspond to a specific data year. "Secure" scales are described below. Refer to A.M. Best's (Best's) and Standard and Poor's (S&P) definitions for details. Conversions to U.S. Dollars are subject to exchange rate differences. Sources of financial data (company account or regulatory returns) for non-US companies are indicated on the individual company reports

Best's Ratings	Best's rating modifiers may be assigned based on group affiliation: (1=Reinsured, 2=Pooled, or 3=Group) FPR ratings range from 1-9, where 1=1-P and 9=9-Vary Strong	S&P Ratings	S & P Financial Strength ratings may be modified by use of a "+" or "-" sign to show relative standing within a category. The "po" indicates a "public information" rating. A "pos", "neg", or "dev" indicates a positive, negative, or deviating CreditWatch implication
A++	Superior	AAA	Extremely Strong
A+	Excellent	AA	Very Strong
A	Good	A	Strong
B++	Very Good	BBB	Good
B+	Under review		

Insurer Financial Ratings – CLLAS International Program

MARKET SECURITY SUMMARY: CLLAS INTERNATIONAL PROGRAM

INSURANCE COMPANY	COUNTRY	BEST'S RATING	S&P RATING	CAPITAL & SURPLUS US\$ MILLIONS	GROUP AFFILIATION
LEXINGTON INSURANCE COMPANY	U.S.A.	A	A+	4,262	American International Group Inc.
INTERSTATE FIRE & CASUALTY COMPANY	U.S.A.	A	AA-	354	Allianz of America

Ratings reflect the most recent issue, update or change communicated by the rating agency. Effective dates on S&P interactive ratings above do not reflect affirmations. Ratings do not necessarily correspond to a specific data year. "Secure" scales are described below. Refer to A.M. Best's (Best's) and Standard and Poor's (S&P) definitions for details. Conversions to U.S. Dollars are subject to exchange rate differences. Sources of financial data (company accounts or regulatory returns) for non-US companies are indicated on the individual company reports

Section 7

Final Renewal Process

In conclusion, we believe the renewal quotations provided are very competitive based on the current market conditions.

As in past years we will now proceed to renew the coverage for your firm based on the limits you currently purchase and based on the final headcount provided by you. We understand that you will be providing the final headcounts as soon as possible to Dion Durrell who in turn will provide this information to us.

We would also recommend to those firms who do not currently purchase all of the layers of coverage offered that they should consider increasing the limits purchased.

If you would like to change the limits you purchase it would be appreciated if you could advise me as soon as possible.

In closing, I look forward to our continued association and working with each of you.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

FINANCIAL MANAGEMENT REPORT

For the Period Ending March 31, 2011

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

FINANCIAL MANAGEMENT REPORT

March 31, 2011

CONTENTS

Exhibit I	Statement of Financial Position
Exhibit II	Statement of Comprehensive Income
Exhibit III	Statement of Changes in Equity
Exhibit IV	Operating Budget Variance Analysis

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

	As at 31/ 03/2011	As at 31/03/2010
ASSETS		
Cash	4,177,010	5,759,899
Short term investments	19,026,351	10,759,056
Premium receivable	0	0
Other receivable	1,733,853	0
Prepaid expenses	68,250	362,035
Deferred policy acquisition costs	0	130,000
Unearned reinsurance premium ceded	3,194,005	3,436,322
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	33,412,000	41,958,000
Reinsurance recoverable	4,227,365	12,559,346
Interest income due and accrued	342,971	321,851
Bonds	43,820,164	36,907,985
	<u>110,001,967</u>	<u>112,194,494</u>
LIABILITIES		
Accounts payable & accrued charges	2,926,756	77,400
Premium taxes payable	1,159,699	0
Unearned premium	5,198,736	5,892,000
Due to reinsurers	0	0
Provision for unpaid claims and adjustment expenses	78,850,000	79,689,000
Provision for unpaid premium liabilities	0	2,629,821
Premium deficiency liability	286,000	0
	<u>88,421,191</u>	<u>88,288,221</u>
SUBSCRIBERS' EQUITY		
Surplus	20,723,386	22,869,747
Accumulated Other Comprehensive Income (Loss),	857,390	1,036,526
	<u>21,580,776</u>	<u>23,906,273</u>
	<u>110,001,967</u>	<u>112,194,494</u>

Exhibit II

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED March 31, 2011

	Current Year		Prior Year	
	Quarter March 31, 2011	Year to Date March 31, 2011	Quarter March 31, 2010	Year to Date March 31, 2010
Written Premium	0	0	(16,568)	(16,568)
Gross Written Premiums	0	0	(16,568)	(16,568)
Less: Reinsurance Ceded	0	0	0	0
Net Written Premiums	0	0	(16,568)	(16,568)
Change in Unearned Premiums	1,982,702	1,982,702	2,436,909	2,436,909
Earned Premiums	1,982,702	1,982,702	2,420,341	2,420,341
Claims Paid	125,147	125,147	19,267	19,267
Change in IBNR	952,000	952,000	(3,836,000)	(3,836,000)
Change in Case Reserve	105,000	105,000	3,399,000	3,399,000
Premium Deficiency Expense	(262,000)	(262,000)	0	0
Change in provision for unpaid premium liability	0	0	0	0
Incurred Claims	920,147	920,147	(417,733)	(417,733)
Management and operating expenses	678,770	678,770	539,177	539,177
Reinsurance fees	68,250	68,250	68,250	68,250
Premium taxes	1,722	1,722	153,123	153,123
Total Operating Expenses	748,742	748,742	760,550	760,550
Underwriting Gain (Loss)	313,813	313,813	2,077,524	2,077,524
Investment Income	391,296	391,296	360,880	360,880
NET GAIN/(LOSS)	705,109	705,109	2,438,404	2,438,404
Other comprehensive income (loss)				
Unrealized gains (losses) on available for sale financial assets arising during the year	(340,663)	(340,663)	(173,958)	(173,958)
Recognition of realized gain (loss) included in income	0	0	0	0
Other comprehensive income (loss) for the year	(340,663)	(340,663)	(173,958)	(173,958)
Total comprehensive income (loss)	364,446	364,446	2,264,446	2,264,446

Exhibit III

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

	Minimum Surplus	Additional Surplus	Unrealized gains and losses on AFS financial assets	Total Equity
Balance, beginning of year	50,000	19,968,277	1,198,053	21,216,330
Comprehensive income for the year				
Net gain (loss) for the year		705,109		705,109
Other comprehensive income				
Unrealized gains and losses on available-for-sale financial assets arising during the year			(340,663)	(340,663)
Recognition of realized gain included in income			-	-
Total other comprehensive income (loss)			(340,663)	(340,663)
Total comprehensive income (loss) for the year		705,109	(340,663)	364,446
Balance at March 31, 2011	50,000	20,673,386	857,390	21,580,776

Exhibit IV

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS FOR THE PERIOD ENDED March 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	25%	123,750	136,757	(13,007)
PROFESSIONAL SERVICES					
Actuarial Services	100,000	26%	26,000	41,243	(15,243)
Reinsurance Matters (Note 1)	400,000	26%	104,000	151,211	(47,211)
Strategic Matters	120,000	26%	31,200	5,664	25,536
Sub-Total Professional Services	620,000		161,200	198,118	(36,918)
GST/HST on Consulting Fees	144,950		37,044	43,534	(6,490)
Total Management & Professional Services * (See Note 2)	1,259,950		321,994	378,409	(56,415)
OTHER EXPENSES					
Audit Expenses	75,000	25%	18,750	28,654	(9,904)
Annual Dinner	5,500	25%	1,375	-	1,375
Premium Taxes	745,000	25%	186,250	1,722	184,528
Premium Taxes: Interest	-		-	122,736	(122,736)
Chairman's Expenses	2,000	25%	500	-	500
Chairman's Honourium	75,000	100%	75,000	75,000	-
Reinsurance Expense	10,000	25%	2,500	-	2,500
Office Expenses	20,000	25%	5,000	1,493	3,507
Office Expenses - Website management software license	1,000	25%	250	-	250
Claims: Borderaux (LSUC)	16,000	25%	4,000	500	3,500
Special Services	165,000	25%	41,250	1,786	39,464
Miller Insurance Fees (Reins. Comm.) (See Note 3)	280,000	25%	70,000	68,250	1,750
I.B.C Statistical Plan Fees	15,000	25%	3,750	2,208	1,542
FSCO Assessment Fees	15,000	25%	3,750	2,011	1,739
Investment counsel fees	142,000	25%	35,500	36,343	(843)
Investment - Custodial	45,000	25%	11,250	9,861	1,389
Risk Management/Loss Prevention	80,000	25%	20,000	17,643	2,357
License Fee	5,000	25%	1,250	-	1,250
Insurance: Sundry	-		-	2,125	(2,125)
Sub-total	1,696,500		480,375	370,333	110,042
TOTAL	2,956,450		802,368	748,742	53,627

* 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>

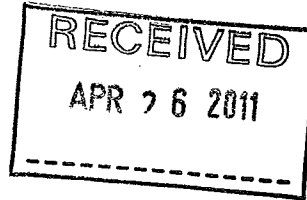
* NOTE 3: MILLER INSURANCE FEES (Reins. Comm.)

The annual budget is based upon the annual fee estimated for the policy period 2010/2011.
The year to date actual includes the fees billed for the first 3 months of 2011

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

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

April 20, 2011.



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

Dear Mr. Mahoney:

Re: Canadian Lawyers Liability Assurance Society

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

Following an upward shift in the domestic yield curve during the previous quarter, yields on bonds in the 2 to 10-year range continued to move gradually higher through most of the first quarter. As a result, bond prices continued to lose ground, and reflecting these trends the Long Term Investment Fund's holdings experienced a net capital decrease of \$347,643. However, this decline was more than offset by income, and the Long Term Investment Fund recorded a small increase on a total return basis.

In terms of transactions, it was a busy period with much of the activity centered on the investment of the \$9 million capital addition. Close to 60% of these funds were invested in the Long Term Investment Fund and the balance was added to the Short Term Investment Fund.

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

With best regards,

Yours sincerely,

RWB: sc
Enclosures

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

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

April 20, 2011.

In account with

Canadian Lawyers Liability Assurance Society
- Short Term Investment Fund

Valuation of Short Term Investment Fund
at March 31, 2011

\$19,037,499

Investment Counsel Fee for the period
January 1 to March 31, 2011
at .025% (1/4 of .10% per annum)

\$4,759.37

Harmonized Sales Tax (HST) at 13%

618.72

\$5,378.09

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

HST Registration No. R103546115

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E-MAIL: INFO@MLSINVEST.COM

April 20, 2011.

In account with

Canadian Lawyers Liability Assurance Society
- Long Term Investment Fund

Valuation of Long Term Investment Fund
at March 31, 2011

\$43,844,010

Investment Counsel Fee for the period
January 1 to March 31, 2011
at .0625% (1/4 of .25% per annum)

\$27,402.51

Harmonized Sales Tax (HST) at 13%

3,562.33

\$30,964.84

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

HST Registration No. R103546115

Martin, Lucas & Seagram Ltd.
DATE TO DATE GAINS AND LOSSES
CLLAS - LONG TERM INVESTMENT FUND
From 12-31-10 to 03-31-11

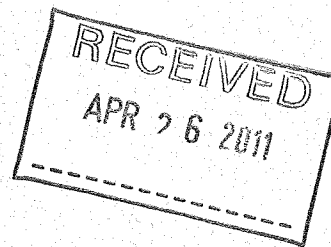
Security	12-31-10 Market Value	Additions Withdrawals	03-31-11 Market Value	03-31-11 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
CASH								
Cash Account	0	0	0	0				
GOVERNMENT BONDS								
Canada Housing Trust Sr. 13 4.05% due March 15, 2011	1,005,800	-1,020,250	0	0	9,850	-5,800	0	0
Canada 6% due June 1, 2011	1,019,640	0	1,008,060	1,037,325	0	0	-29,265	-11,580
Canada Housing Trust Sr. 14 4.60% due September 15, 2011	1,533,405	-34,500	1,523,250	1,526,100	0	0	-2,850	-10,155
Farm Credit Canada 4.20% due February 15, 2012	514,695	-10,500	512,470	506,006	0	0	6,465	-2,225
Canada Housing Trust Sr. 16 4.00% due June 15, 2012	2,273,700	0	2,263,624	2,212,456	0	0	51,168	-10,076
Canada Housing Trust Sr. 18 4.55% due December 15, 2012	789,210	0	784,380	770,425	0	0	13,955	-4,830
Canada Housing Trust Sr. 19 3.60% due June 15, 2013	935,145	0	931,122	898,840	0	0	32,282	-4,023
Canada Housing Trust Sr. 22 3.55% due September 15, 2013	935,226	-15,975	930,870	946,117	0	0	-15,247	-4,356
Canada Housing Trust Sr. 24 2.70% due December 15, 2013	1,677,077	0	1,671,764	1,654,203	0	0	17,561	-5,313
Canada Housing Trust Sr. 26 2.20% due March 15, 2014	1,501,005	-16,500	1,495,515	1,497,053	0	0	-1,538	-5,490
Canada Housing Trust Sr. 28 3.15% due June 15, 2014	1,029,200	0	1,023,220	999,460	0	0	23,760	-5,980
Canada Housing Trust Sr. 29 2.75% due September 15, 2014	1,014,230	493,910	1,513,020	1,527,285	0	0	-14,265	-8,795
Canada Mtge & Housing 4.30% due April 1, 2015	643,080	0	635,832	605,700	0	0	30,132	-7,248
Canada Mtge & Housing Corp. 4.10% due October 1, 2015	692,582	0	684,385	639,525	0	0	44,860	-8,197
Canada 3.00% due December 1, 2015	0	1,032,772	1,014,860	1,024,060	0	0	-9,200	-9,200
Canada Housing Trust 2.75% Series 39 due December 15, 2015	0	999,387	993,730	993,510	0	0	220	220
Canada 4% due June 1, 2016	1,073,830	0	1,060,420	995,820	0	0	64,600	-13,410
Canada Housing Trust Sr. 23 4.10% due December 15, 2018	795,675	0	782,550	783,840	0	0	-1,290	-13,125
Canada Housing Trust No. 1 Sr. 30 3.75% due March 15, 2020	1,027,850	485,902	1,517,490	1,559,825	0	0	-42,335	-15,295
GOVERNMENT BONDS	18,461,349		20,346,562	20,177,549	9,850	-5,800	169,013	-139,078
Total								

Martin, Lucas & Seagram Ltd.
DATE TO DATE GAINS AND LOSSES
CLLAS - LONG TERM INVESTMENT FUND
From 12-31-10 to 03-31-11

Security	12-31-10 Market Value	Additions Withdrawals	03-31-11 Market Value	03-31-11 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
PROVINCIAL BONDS								
Ontario 4.4% due December 2, 2011	1,231,308	0	1,224,564	1,212,190	0	0	12,374	-6,744
Ontario 4.50% due December 2, 2012	1,312,188	0	1,303,900	1,292,133	0	0	11,767	-8,288
Ontario 4-3/4% due June 2, 2013	1,356,269	0	1,346,375	1,304,990	0	0	41,384	-9,894
Manitoba 5.05% due December 3, 2013	1,080,950	0	1,071,810	1,016,075	0	0	55,735	-9,140
Ontario 5% due March 8, 2014	811,650	-18,750	804,668	769,700	0	0	34,968	-6,983
Ontario 3.25% due September 8, 2014	513,805	-8,125	510,690	499,180	0	0	11,510	-3,115
Alberta 2.75% due December 1, 2014	810,520	0	804,832	813,148	0	0	-8,316	-5,688
Manitoba 4.80% due December 3, 2014	814,133	0	806,205	783,425	0	0	22,780	-7,928
Ontario 4.5% due March 8, 2015	1,450,143	-30,375	1,435,982	1,371,933	0	0	64,049	-14,162
Ontario 3.15% due September 8, 2015	509,080	399,298	907,470	924,198	0	0	-16,728	-8,058
Ontario 4.4% due March 8, 2016	1,876,700	-38,500	1,854,073	1,789,410	0	0	64,663	-22,628
Ontario 3.20% due September 8, 2016	0	749,815	749,385	749,618	0	0	-233	-233
Ontario 4.30% due March 8, 2017	1,862,613	-37,625	1,838,988	1,776,025	0	0	62,963	-23,625
Ontario 4.20% due March 8, 2018	1,051,220	-21,000	1,037,690	1,003,315	0	0	34,375	-13,530
British Columbia 4.10% due December 18, 2019	0	359,822	356,304	357,935	0	0	-1,631	-1,631
British Columbia 3.70% due December 18, 2020	498,330	492,252	977,760	998,345	0	0	-20,585	-8,615
PROVINCIAL BONDS Total	15,178,907		17,030,693	16,661,619	0	0	369,074	-150,259
CORPORATE BONDS								
Royal Bank 4.17% Sr. Dep. Note due January 11, 2011	300,120	-306,255	0	0	-300	-120	0	0
Bank of Montreal 4.69% due January 31, 2011	501,150	-511,725	0	0	-21,050	-1,150	0	0
CIBC 5.00% Senior Dep Nts due September 10, 2012	314,043	-7,500	312,225	300,690	0	0	11,535	-1,818
Wells Fargo Financial Canada MTN 4.40% due December 12, 2012	413,040	0	412,644	399,120	0	0	13,524	-396
Toronto Dominion Bank Dep. Note 4.854% due February 13, 2013	788,993	-18,203	785,903	760,125	0	0	25,778	-3,090
Bank of Nova Scotia 4.56% due October 30, 2013	263,890	0	262,135	250,175	0	0	11,960	-1,755
Wells Fargo Financial Canada MTN 4.33% due December 6, 2013	310,671	0	310,281	299,920	0	0	10,361	-390
Enbridge Gas Distribution 5.570% due January 29, 2014	272,068	-7,020	269,110	267,610	0	0	1,500	-2,958
Canadian Utilities Inc. 5.096% due November 18, 2014	270,453	0	268,233	263,910	0	0	4,323	-2,220

Martin, Lucas & Seagram Ltd.
DATE TO DATE GAINS AND LOSSES
CLLAS - LONG TERM INVESTMENT FUND
From 12-31-10 to 03-31-11

Security	12-31-10 Market Value	Additions Withdrawals	03-31-11 Market Value	03-31-11 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
CIBC 4.75% due December 22, 2014	532,530	0	529,520	508,980	0	0	20,540	-3,010
GE Capital Cda Fndg 4.65% due February 11, 2015	313,725	-6,975	313,941	306,600	0	0	7,341	216
Royal Bank 3.18% due March 16, 2015	504,830	-7,950	501,040	510,755	0	0	-9,715	-3,790
Royal Bank 3.36% due January 11, 2016	0	302,283	298,182	301,620	0	0	-3,438	-3,438
CIBC Dep Nts 3.40% due January 14, 2016	0	302,585	298,704	301,998	0	0	-3,294	-3,294
Bank of Nova Scotia Dep. Note 3.61% due February 22, 2016	0	407,981	402,160	406,596	0	0	-4,436	-4,436
Bank of Montreal 3.103% due March 10, 2016	0	398,266	393,072	398,028	0	0	-4,956	-4,956
Royal Bank 3.66% Sr. Dep. Note due January 25, 2017	302,127	198,513	499,070	507,323	0	0	-8,253	-5,850
CIBC Dep Note 3.95% due July 14, 2017	0	413,700	402,412	410,800	0	0	-8,388	-8,388
Bank of Montreal 4.55% due August 1, 2017	209,788	-4,550	208,124	199,882	0	0	8,242	-1,664
CORPORATE BONDS Total	5,297,427		6,466,755	6,394,131	-21,350	-1,270	72,624	-51,236
TOTAL PORTFOLIO	38,937,683		43,844,010	43,233,299	-11,500	-7,070	610,711	-340,573
TOTAL DATE TO DATE GAIN OR LOSS								-347,643
% CHANGE DURING PERIOD								-0.89



CLLAS
CANADIAN LAWYERS LIABILITY
ASSURANCE SOCIETY

INVESTMENT REPORT
FOR QUARTER ENDING MARCH 31, 2011

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CLLAS
CANADIAN LAWYERS LIABILITY
ASSURANCE SOCIETY

COMMENTARY FOR THE QUARTER ENDING MARCH 31, 2011

Review of Market Yields

After moving in a narrow range early in the new year, bond prices became increasingly volatile. Except for very short term issues, prices across all maturities moved erratically lower until late in the quarter when a modest rebound recouped part of the earlier losses. At the very short end of the curve, yields on 3 month Treasury Bills were practically unchanged at the end of the quarter. However, all longer term yields increased over the period, with the 5-year term showing the largest gain of 36 basis points while yields out to 10 years rose 24 basis points.

As a result, of these shifts, the yield curve steepened for the second consecutive quarter. At the end of March, the yield advantage of the 10-year issue over the Treasury Bill expanded to 242 basis points, which is an increase of 28 basis points since year end.

	Jan. 1/95	Sept. 30/10	Dec. 31/10	Mar. 31/11
3-Month Treasury Bills	6.80%	0.87%	0.97%	0.93%
5-year Canadas	8.99%	2.01%	2.41%	2.77%
10-year Canadas	9.09%	2.75%	3.11%	3.35%

During the first quarter, the valuation of the Long Term Investment Fund declined \$347,643 or 0.9% on a capital basis.

At March 31, 2011, the average term to maturity of the Long Term Investment Fund stood at 3.8 years, compared to 3.5 years three months earlier.

During the quarter, \$9 million was added of which approximately \$5.3 was invested in the Long Term Investment Fund and the balance was apportioned to the Short Term Investment Fund. This addition and the proceeds from three maturities in the Long Term Investment Fund were used to purchase four Canada credits, four provincial bonds and six corporate issues.

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

<i>Distribution as at March 31, 2011</i>	<i>Valuation</i>	<i>%</i>
Short Term Investment Fund	\$19,037,499	30.3%
Long Term Investment Fund	43,844,010	69.7%
TOTAL COMBINED VALUATION	\$62,881,509	100.0%

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

- Investment Performance: Summary of Capital Performance and Total Returns for the Long Term Investment Fund
- (Returns Exclude Investment Counsel Fees)
- Total Returns vs. Benchmarks - Gross and Net of Fees
- Distribution of Securities in the Long Term Investment Fund
by Credit Risk and by Maturity
- Compliance Statement
- Quarterly Performance Report - Gross of Fees: Long Term Investment Fund
- Bond Market Commentary and Future Policy
- Security Holdings in the Short and Long Term Investment Funds
Listed and Valued Separately as at March 31, 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	Sept. 30/10	Dec. 31/10	Mar. 31/11
<i>Valuation of Long Term Investment Fund</i>	<i>\$3,466,369</i>	<i>\$38,986,579</i>	<i>\$38,937,683</i>	<i>\$43,844,010</i>
Cumulative Capital Added (Net) since January 1, 1995		\$33,040,170	\$33,555,000	\$38,808,970

Quarterly Capital Change		+\$ 364,547	-\$ 563,727	-\$ 347,643
Quarterly Capital % Change		+ 1.0%	- 1.4%	- 0.9%

LONG TERM INVESTMENT FUND

TIME-WEIGHTED RATES OF TOTAL RETURN FOR PERIODS ENDING MARCH 31, 2011 (ANNUALIZED)

	Five Years	Four Years	Three Years	Two Years	One Year	Last 3 Months
<i>Long Term Investment Fund</i>	<i>4.9</i>	<i>4.9</i>	<i>4.4</i>	<i>3.0</i>	<i>3.6</i>	<i>0.1</i>
DEX Canada Short Bond Index	4.6	4.7	3.8	1.9	3.1	0.2
DEX Provincial Short Bond Index	4.9	5.0	4.4	3.0	3.7	0.2

CLLAS

LONG TERM INVESTMENT FUND

TIME-WEIGHTED RATES OF TOTAL RETURN FOR PERIOD ENDING MARCH 31, 2011

	Since Inception Oct. 1/08 *	Two Years *	One Year	Last 3 Months
<i>Long Term Investment Fund – Gross of Fees</i>	<i>5.15</i>	<i>2.95</i>	<i>3.59</i>	<i>0.09</i>
<i>Long Term Investment Fund – Net of Fees</i>	<i>4.86</i>	<i>2.67</i>	<i>3.31</i>	<i>0.02</i>
Benchmark Portfolio **	5.3	2.87	4.33	-0.13

* Annualized

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

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

SHORT TERM INVESTMENT FUND

TIME-WEIGHTED RATES OF TOTAL RETURN FOR PERIOD ENDING MARCH 31, 2011

	Since Inception Oct. 1/08 *	Two Years *	One Year	Last 3 Months
<i>Short Term Investment Fund – Gross of Fees</i>	<i>0.73</i>	<i>0.52</i>	<i>0.73</i>	<i>0.23</i>
<i>Short Term Investment Fund – Net of Fees</i>	<i>0.58</i>	<i>0.38</i>	<i>0.62</i>	<i>0.20</i>
Benchmark Portfolio **	0.62	0.41	0.63	0.23

* Annualized

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

CLLAS

LONG TERM INVESTMENT FUND

DISTRIBUTION OF SECURITIES BY CREDIT RISK

(Based on Market Values)

SINCE THE JANUARY 1, 1995, STARTING DATE

	Jan. 1/95	Sept. 30/10	Dec. 31/10	Mar. 31/11
Bonds, Treasury Bills & Cash Less than 1 year term	29.0%	12.1%	14.4%	9.7%
Canadas Greater than 1 year term	54.7%	38.8%	38.3%	39.4%
Provincials Greater than 1 year term	16.3%	38.3%	35.8%	36.1%
Corporates Greater than 1 year term	-	10.8%	11.5%	14.8%
TOTAL PORTFOLIO	100.0%	100.0%	100.0%	100.0%

LONG TERM INVESTMENT FUND

DISTRIBUTION OF SECURITIES BY MATURITY

(Based on Market Values)

SINCE THE JANUARY 1, 1995, STARTING DATE

	Jan. 1/95	Sept. 30/10	Dec. 31/10	Mar. 31/11
Under 1 year	29.0%	12.1%	14.4%	9.7%
1 - 3 years	19.8%	28.1%	33.3%	34.1%
3 - 5 years	29.3%	37.3%	30.0%	34.7%
5 - 7 years	11.4%	15.0%	13.7%	13.2%
7 - 10 years	10.5%	7.5%	8.6%	8.3%
TOTAL	100.0%	100.0%	100.0%	100.0%
Average Maturity (yrs)	2.6	3.6	3.5	3.8
Average Duration	2.3	3.3	3.1	3.4

CLLAS

COMPLIANCE WITH INVESTMENT POLICY STATEMENT

COMPLIANCE REPORT AT MARCH 31, 2011

	Investment Limits	Investment Funds	Compliance
<i>Short Term Investment Fund</i>			
Maximum Term of Any Issue	1 year	0.23 years	Yes
Minimum Size	20% of Total	30.3%	Yes
Minimum Canada & Provincial Percentage	50%	54.9%	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	8.72 years	Yes
Minimum Cda and Cda Guarantee Percentage	40%	46.4%	Yes
Maximum Provincial Percentage	40%	38.9%	Yes
Minimum Provincial Quality *	A	A	Yes
Maximum Corporate Percentage	20%	14.7%	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 March 31, the Short Term Investment Fund represented 30.3% of the two Funds combined, which is above the 20% minimum required. At March 31, none of the bond holdings' current credit ratings was below the minimum requirement.

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

Provincial Bonds: Quebec and Manitoba @ A Hi

Corporate Bonds: Canadian Utilities Inc. @ A

Enbridge Gas Distribution @ A

Martin, Lucas & Seagram Ltd.
PERFORMANCE REPORT
GROSS OF FEES
CLLAS - LONG TERM INVESTMENT FUND
From 12-31-10 to 03-31-11

Portfolio Value on 12-31-10	38,937,683
Accrued Interest	298,897
Contributions	6,091,726
Withdrawals	-1,177,517
Realized Gains	-7,070
Unrealized Gains	-340,573
Interest	339,761
Dividends	0
Change in Accrued Interest	43,168
Portfolio Value on 03-31-11	43,844,010
Accrued Interest	342,065
Average Capital	40,007,838
Total Gain before Fees	35,286
IRR for 0.25 Years	0.09%

BOND MARKET COMMENTARY AND FUTURE POLICY

The recovery in North American security markets recently passed the two year mark and the economic expansion has now been in place for over 1-1/2 years. Throughout this period, the rate of improvement has oscillated and at times the economy's revival appeared to be at risk. However, since the fall of last year both the U.S. and Canadian economies have gained traction and there is growing evidence that we are transitioning from a stimulus driven recovery to a more sustainable and inclusive expansion fuelled by the consumer and business sectors. In Canada, real GDP has recouped the losses posted during the recession, with employment growth being a particular bright spot as all of the jobs lost during the downturn have been regained. While U.S. real GDP has also surpassed its pre-recession peak, their total employment is still some 7-1/2 million below pre-recession levels and the housing market remains moribund.

Outside of North America, the rate of improvement continues to be uneven across regions. On the downside, both the British and Japanese economies contracted during the fourth quarter and expectations for growth this year have been downgraded. Results in Europe have also diverged. While the German economy has been performing quite well, the sovereign debt crisis has weighed heavily on Europe's periphery and the latest data shows that overall Euro-zone growth has slowed to a crawl. Furthermore, despite massive emergency lending packages, and some progress by political leaders towards greater economic coordination and the establishment of a permanent bailout fund, financial turbulence continues to flare among the weaker Euro-zone nations. Portugal has become the latest nation to seek an aid package from the European Union, following the EU-led bailout of Greece and Ireland last year. While Portugal's decision has raised hope that the worst of Europe's debt crises may be over, Spain's debt has been downgraded and their borrowing costs remain elevated. Also, it is still possible that the sovereign debt of bailed out nations will have to be restructured, which would hit European banks particularly hard.

In contrast to the rather muted expansions being experienced by most developed economies, growth rates have remained robust among emerging Asian economies and other developing regions. These buoyant conditions have moved inflationary concerns to the forefront, particularly in the developing nations. As a result, monetary policy across regions has diverged. While the North American monetary authorities continue to follow extraordinarily stimulative policies, many emerging market central banks have been tightening monetary policies in an attempt to contain rising inflation rates. Along with excess liquidity, upward pressure on prices is being fuelled by a sharp increase in commodity and food costs. The recent surge in energy prices, in the wake of political uprisings that have spread across North Africa and the Middle East, has exacerbated these worries. Even the European Central Bank has deemed it necessary to hike rates in response to inflationary pressures despite the tenuous prospects for recovery among the bailout recipients. As a result, investors are becoming increasingly worried how central banks will successfully balance the delicate task of managing growth while controlling inflation.

These developments have put the capital markets on edge. After settling into a tight trading range early in the first quarter, volatility in the bond market picked up. Prices first came under downward pressure in February and the weakness carried into March as ongoing signs of economic improvement and rising commodity prices drove yields higher. However, growing political unrest in the Middle East and the natural disaster in Japan caused investors to reassess global economic risks, and the ensuing shift towards the safe haven offered by bonds helped to stabilize the bond market near the close of the first quarter.

Since then prices have settled into an uneasy trading range as investors assess a myriad of conflicting forces on the bond market. One of the immediate concerns is what lies ahead for the economy and bond prices when QE 2 ends in June. This U.S. program started last November and involved the purchase of \$600 billion of Treasury securities by the Federal Reserve through June of this year. Since the program was implemented, the Fed has been the largest purchaser of government debt and there is growing concern that the Fed's absence as a buyer after June could drive bond yields higher. Viewed in isolation, this could cause a rise in yields. However, other factors will also be at work which could mitigate the upward move. In prior instances when similar monetary programs ended, the apparent strength of the economy has been a bigger influence. With this in mind, the immediate outlook appears less negative for bond prices. Aggregate growth in the U.S. has softened over the past couple of months and the pending withdrawal of quantitative easing and recent budget cuts on the fiscal front suggests that economic growth will remain subdued.

Looking ahead, we continue to expect the cyclical expansion will remain intact, although recent developments offshore have introduced greater elements of risk to this forecast. In addition to the longer term structural issues surrounding the monetary and fiscal imbalances, the global economy has experienced significant shocks which have the potential to undermine the expansion. As a result, fixed income investors are facing a particularly challenging environment. Over the near term, we believe bonds will be range bound as a number of factors are expected to be supportive of bond prices. These include the elevated near term risks to the expansion due to recent shocks, the considerable slack that remains in the economy coupled with a lack of pass-through from higher commodity prices into core inflation rates, and the likelihood that administered rate hikes will be deferred for some time, particularly in the U.S. However, looking further ahead, we still believe the most likely direction for bond prices is down as the economy continues to heal and monetary policy is eventually normalized. Onerous public sector debts and deficits also present a longer term weight on bond values. This relates to the potential for crowding out in the market as private sector borrowing increases, mounting concerns regarding credit quality and the possibility of a policy mistake that results in inflationary expectations becoming entrenched.

In weighing the near term prospect that bonds will remain range bound over the shorter term against the longer term likelihood that the yield curve will normalize by shifting higher, we do not think investors should be reaching for yield by significantly increasing their duration risk. Accordingly, we think it is prudent to maintain the Long Term Investment Fund's portfolio evenly laddered maturity structure and the relatively defensive duration of some 3.4 years. Further, we believe the portfolio's current emphasis on high quality individual holdings is appropriate as this provides a reasonable hedge against the elevated near term economic risks and the potential fallout on weaker credits.

RWB: sc

April 20, 2011

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.

Martin, Lucas & Seagram Ltd.

CLLAS - SHORT TERM INVESTMENT FUND

Portfolio Holdings at March 31, 2011

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
CASH					
	Cash Account			9,371	0
MONEY MARKET ISSUES					
300,000	Royal Bank BA .90% due April 6, 2011	99.93	99.98	299,942	2,698
1,000,000	CIBC BA .95% due April 7, 2011	99.92	99.98	999,780	9,493
1,000,000	CIBC BA 1.05% due April 8, 2011	99.78	99.98	999,767	10,477
800,000	CIBC BA 1.05% due April 13, 2011	99.76	99.95	799,631	8,380
1,500,000	Toronto Dominion Bank BA .95% due April 14, 2011	99.91	99.96	1,499,358	14,237
500,000	Toronto Dominion Bank BA 1.00% due April 19, 2011	99.79	99.94	499,722	4,989
350,000	Toronto Dominion Bank BA 1.00% due April 19, 2011	99.79	99.94	349,805	3,493
800,000	CIBC BA 1.00% due April 27, 2011	99.84	99.91	799,317	7,987
700,000	Canada Treasury Bill .77% due April 28, 2011	99.94	99.93	699,510	5,387
540,000	Canada Treasury Bill .83% due April 28, 2011	99.81	99.93	539,622	4,473
815,000	CIBC BA .95% due May 5, 2011	99.81	99.88	814,057	7,728
320,000	CIBC BA 1.05% due May 5, 2011	99.75	99.88	319,630	3,352
1,750,000	Canada Treasury Bill .81% due May 12, 2011	99.86	99.90	1,748,163	14,155
340,000	Canada Treasury Bill .82% due May 12, 2011	99.81	99.90	339,643	2,783
710,000	Canada Treasury Bill .83% due May 12, 2011	99.79	99.90	709,255	5,881
650,000	FirstBank BA 1.00% due May 25, 2011	99.85	99.82	648,844	6,490
1,200,000	Canada Treasury Bill .83% due May 26, 2011	99.79	99.86	1,198,308	9,939
1,475,000	Canada Treasury Bill .83% due June 9, 2011	99.78	99.82	1,472,404	12,215

Martin, Lucas & Seagram Ltd.

CLLAS - SHORT TERM INVESTMENT FUND

Portfolio Holdings at March 31, 2011

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
1,750,000	Canada Treasury Bill .83% due June 9, 2011	99.79	99.82	1,746,920	14,495
550,000	CIBC BA 1.05% due June 24, 2011	99.74	99.71	548,430	5,760
				<hr/> 17,032,108	<hr/> 154,410
PROVINCIAL BONDS					
2,000,000	Ontario Coupon due June 2, 2011	99.60	99.80	1,996,020	0
TOTAL PORTFOLIO				19,037,499	154,410

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
From 01-01-11 To 03-31-11

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
01-04-11	01-04-11	700,000	Canada Treasury Bill .87% due March 31, 2011	99.80	698,567.80
01-07-11	01-10-11	1,000,000	Bank of Nova Scotia BA 1% due March 25, 2011	99.80	997,977.00
01-10-11	01-11-11	300,000	Toronto Dominion Bank BA .90% due February 7, 2011	99.93	299,800.50
01-14-11	01-17-11	710,000	Toronto Dominion Bank BA .90% due February 7, 2011	99.95	709,632.22
01-17-11	01-18-11	800,000	CIBC BA 1.05% due April 13, 2011	99.76	798,048.80
01-17-11	01-18-11	1,000,000	Ontario Coupon due June 2, 2011	99.59	995,875.00
01-19-11	01-20-11	1,000,000	CIBC BA 1.05% due April 8, 2011	99.78	997,761.00
01-19-11	01-20-11	1,000,000	Ontario Coupon due June 2, 2011	99.62	996,185.00
01-21-11	01-24-11	510,000	Bank of Nova Scotia BA 1.00% due March 25, 2011	99.84	509,163.09
01-28-11	01-31-11	500,000	Toronto Dominion Bank BA 1.00% due April 19, 2011	99.79	498,934.00
02-02-11	02-03-11	150,000	CIBC BA 1.00% due March 18, 2011	99.88	149,823.45
02-02-11	02-03-11	540,000	Canada Treasury Bill .83% due April 28, 2011	99.81	538,970.76
02-02-11	02-03-11	350,000	Toronto Dominion Bank BA 1.00% due April 19, 2011	99.79	349,282.15
02-04-11	02-07-11	320,000	CIBC BA 1.05% due May 5, 2011	99.75	319,201.28
02-08-11	02-09-11	710,000	Canada Treasury Bill .83% due May 12, 2011	99.79	708,517.52
02-16-11	02-17-11	340,000	Canada Treasury Bill .82% due May 12, 2011	99.81	339,359.44
02-18-11	02-22-11	815,000	CIBC BA .95% due May 5, 2011	99.81	813,475.95
02-18-11	02-22-11	1,200,000	Canada Treasury Bill .83% due May 26, 2011	99.79	1,197,468.00
02-25-11	02-28-11	800,000	CIBC BA 1.00% due April 27, 2011	99.84	798,730.40
03-02-11	03-03-11	1,475,000	Canada Treasury Bill .83% due June 9, 2011	99.78	1,471,719.59
03-08-11	03-09-11	1,000,000	CIBC BA .95% due April 7, 2011	99.92	999,246.00

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
From 01-01-11 To 03-31-11

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
03-08-11	03-09-11	1,750,000	Canada Treasury Bill .81% due May 12, 2011	99.86	1,747,518.50
03-08-11	03-09-11	1,750,000	Canada Treasury Bill .83% due June 9, 2011	99.79	1,746,346.00
03-08-11	03-09-11	300,000	Royal Bank BA .90% due April 6, 2011	99.93	299,793.00
03-08-11	03-09-11	1,500,000	Toronto Dominion Bank BA .95% due April 14, 2011	99.91	1,498,596.00
03-24-11	03-25-11	550,000	CIBC BA 1.05% due June 24, 2011	99.74	548,563.95
03-30-11	03-31-11	700,000	Canada Treasury Bill .77% due April 28, 2011	99.94	699,587.00
03-30-11	03-31-11	650,000	FirstBank BA 1.00% due May 25, 2011	99.85	649,021.75
					22,377,165.15

SALES

01-04-11	01-04-11	675,000	Bank of Nova Scotia BA 1.00% due January 4, 2011	100.00	675,000.00
01-10-11	01-10-11	1,000,000	Toronto Dominion Bank BA .90% due January 10, 2011	100.00	1,000,000.00
01-17-11	01-17-11	710,000	CIBC BA 1.00% due January 17, 2011	100.00	710,000.00
01-17-11	01-17-11	1,800,000	Royal Bank BA .95% due January 18, 2011	100.00	1,800,000.00
01-20-11	01-20-11	1,990,000	Canada Treasury Bill 0.77% due January 20, 2011	100.00	1,990,000.00
01-24-11	01-24-11	550,000	CIBC BA .95% due January 24, 2011	100.00	550,000.00
02-03-11	02-03-11	1,080,000	Canada Treasury Bill .80% due February 3, 2011	100.00	1,080,000.00
02-03-11	02-03-11	500,000	Canada Treasury Bill .80% due February 3, 2011	100.00	500,000.00
02-03-11	02-03-11	400,000	Canada Treasury Bill .85% due February 3, 2011	100.00	400,000.00
02-07-11	02-07-11	300,000	Toronto Dominion Bank BA .90% due February 7, 2011	100.00	300,000.00
02-07-11	02-07-11	710,000	Toronto Dominion Bank BA .90% due February 7, 2011	100.00	710,000.00
02-17-11	02-17-11	300,000	Canada Treasury Bill .83% due February 17, 2011	100.00	300,000.00
02-21-11	02-21-11	1,200,000	British Columbia Res. due February 21, 2011	100.00	1,200,000.00
02-22-11	02-22-11	625,000	CIBC BA 1.00% due February 22, 2011	100.00	625,000.00

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
From 01-01-11 To 03-31-11

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
02-22-11	02-22-11	190,000	CIBC BA 1.05% due February 22, 2011	100.00	190,000.00
02-28-11	02-28-11	800,000	Bank of Nova Scotia BA 1.05% due February 28, 2011	100.00	800,000.00
03-03-11	03-03-11	475,000	Canada Treasury Bill .84% due March 3, 2011	100.00	475,000.00
03-03-11	03-03-11	1,000,000	Canada Treasury Bill .89% due March 3, 2011	100.00	1,000,000.00
03-15-11	03-15-11	870,000	Coupon Canada Housing Trust due March 15, 2011	100.00	870,000.00
03-18-11	03-18-11	150,000	CIBC BA 1.00% due March 18, 2011	100.00	150,000.00
03-18-11	03-18-11	150,000	CIBC BA 1.00% due March 18, 2011	100.00	150,000.00
03-25-11	03-25-11	1,000,000	Bank of Nova Scotia BA 1% due March 25, 2011	100.00	1,000,000.00
03-25-11	03-25-11	510,000	Bank of Nova Scotia BA 1.00% due March 25, 2011	100.00	510,000.00
03-31-11	03-31-11	630,000	Alberta Residual due March 31, 2011	100.00	630,000.00
03-31-11	03-31-11	700,000	Canada Treasury Bill .87% due March 31, 2011	100.00	700,000.00
					18,315,000.00

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - SHORT TERM INVESTMENT FUND
From 01-01-11 To 03-31-11

Cash Balance at January 1, 2011			27,087.37
ADD:	Proceeds from Sales	18,315,000.00	
	Capital Added	9,000,000.00	
	Interest on Balance	242.90	
	Bond Interest Credited (from Long Term Investment Fund)	377,517.23	
	Bond Interest Credited (from Short Term Investment Fund)	<u>0.00</u>	<u>27,692,760.13</u>
			27,719,847.50
LESS:	Cost of Purchases	22,377,165.15	
	Transfer to Long Term Investment Fund	5,291,725.93	
	Investment Counsel Fees - Short Term Investment Fund	4,224.93	
	Investment Counsel Fees - Long Term Investment Fund	27,499.74	
	Trust Company Charges	<u>9,860.76</u>	<u>27,710,476.51</u>
Cash Balance at March 31, 2011			9,370.99

Martin, Lucas & Seagram Ltd.

CLLAS - LONG TERM INVESTMENT FUND

Portfolio Holdings at March 31, 2011

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
GOVERNMENT BONDS					
1,000,000	Canada 6% due June 1, 2011	103.73	100.81	1,008,060	60,000
1,500,000	Canada Housing Trust Sr. 14 4.60% due September 15, 2011	101.74	101.55	1,523,250	69,000
500,000	Farm Credit Canada 4.20% due February 15, 2012	101.20	102.49	512,470	21,000
2,200,000	Canada Housing Trust Sr. 16 4.00% due June 15, 2012	100.57	102.89	2,263,624	88,000
750,000	Canada Housing Trust Sr. 18 4.55% due December 15, 2012	102.72	104.58	784,380	34,125
900,000	Canada Housing Trust Sr. 19 3.60% due June 15, 2013	99.87	103.46	931,122	32,400
900,000	Canada Housing Trust Sr. 22 3.55% due September 15, 2013	105.12	103.43	930,870	31,950
1,650,000	Canada Housing Trust Sr. 24 2.70% due December 15, 2013	100.25	101.32	1,671,764	44,550
1,500,000	Canada Housing Trust Sr. 26 2.20% due March 15, 2014	99.80	99.70	1,495,515	33,000
1,000,000	Canada Housing Trust Sr. 28 3.15% due June 15, 2014	99.95	102.32	1,023,220	31,500
1,500,000	Canada Housing Trust Sr. 29 2.75% due September 15, 2014	101.82	100.87	1,513,020	41,250
600,000	Canada Mtge & Housing 4.30% due April 1, 2015	100.95	105.97	635,832	25,800
650,000	Canada Mtge & Housing Corp. 4.10% due October 1, 2015	98.39	105.29	684,385	26,650
1,000,000	Canada 3.00% due December 1, 2015	102.41	101.49	1,014,860	30,000
1,000,000	Canada Housing Trust 2.75% Series 39 due December 15, 2015	99.35	99.37	993,730	27,500
1,000,000	Canada 4% due June 1, 2016	99.58	106.04	1,060,420	40,000
750,000	Canada Housing Trust Sr. 23 4.10% due December 15, 2018	104.51	104.34	782,550	30,750
1,500,000	Canada Housing Trust No. 1 Sr. 30 3.75% due March 15, 2020	103.99	101.17	1,517,490	56,250
				20,346,562	723,725

Martin, Lucas & Seagram Ltd.

CLLAS - LONG TERM INVESTMENT FUND

Portfolio Holdings at March 31, 2011

<u>Quantity</u>	<u>Security</u>	<u>Unit Cost</u>	<u>Price</u>	<u>Market Value</u>	<u>Annual Income</u>
PROVINCIAL BONDS					
1,200,000	Ontario 4.4% due December 2, 2011	101.02	102.05	1,224,564	52,800
1,250,000	Ontario 4.50% due December 2, 2012	103.37	104.31	1,303,900	56,250
1,275,000	Ontario 4-3/4% due June 2, 2013	102.35	105.60	1,346,375	60,563
1,000,000	Manitoba 5.05% due December 3, 2013	101.61	107.18	1,071,810	50,500
750,000	Ontario 5% due March 8, 2014	102.63	107.29	804,668	37,500
500,000	Ontario 3.25% due September 8, 2014	99.84	102.14	510,690	16,250
800,000	Alberta 2.75% due December 1, 2014	101.64	100.60	804,832	22,000
750,000	Manitoba 4.80% due December 3, 2014	104.46	107.49	806,205	36,000
1,350,000	Ontario 4.5% due March 8, 2015	101.62	106.37	1,435,982	60,750
900,000	Ontario 3.15% due September 8, 2015	102.69	100.83	907,470	28,350
1,750,000	Ontario 4.4% due March 8, 2016	102.25	105.95	1,854,073	77,000
750,000	Ontario 3.20% due September 8, 2016	99.95	99.92	749,385	24,000
1,750,000	Ontario 4.30% due March 8, 2017	101.49	105.09	1,838,988	75,250
1,000,000	Ontario 4.20% due March 8, 2018	100.33	103.77	1,037,690	42,000
350,000	British Columbia 4.10% due December 18, 2019	102.27	101.80	356,304	14,350
1,000,000	British Columbia 3.70% due December 18, 2020	99.83	97.78	977,760	37,000
				<u>17,030,693</u>	<u>690,563</u>
CORPORATE BONDS					
300,000	CIBC 5.00% Senior Dep Nts due September 10, 2012	100.23	104.08	312,225	15,000
400,000	Wells Fargo Financial Canada MTN 4.40% due December 12, 2012	99.78	103.16	412,644	17,600

Martin, Lucas & Seagram Ltd.

CLLAS - LONG TERM INVESTMENT FUND

Portfolio Holdings at March 31, 2011

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
750,000	Toronto Dominion Bank Dep. Note 4.854% due February 13, 2013	101.35	104.79	785,903	36,405
250,000	Bank of Nova Scotia 4.56% due October 30, 2013	100.07	104.85	262,135	11,400
300,000	Wells Fargo Financial Canada MTN 4.33% due December 6, 2013	99.97	103.43	310,281	12,990
250,000	Enbridge Gas Distribution 5.570% due January 29, 2014	107.04	107.64	269,110	13,925
250,000	Canadian Utilities Inc. 5.096% due November 18, 2014	105.56	107.29	268,233	12,740
500,000	CIBC 4.75% due December 22, 2014	101.80	105.90	529,520	23,750
300,000	GE Capital Cda Fndg 4.65% due February 11, 2015	102.20	104.65	313,941	13,950
500,000	Royal Bank 3.18% due March 16, 2015	102.15	100.21	501,040	15,900
300,000	Royal Bank 3.36% due January 11, 2016	100.54	99.39	298,182	10,080
300,000	CIBC Dep Nts 3.40% due January 14, 2016	100.67	99.57	298,704	10,200
400,000	Bank of Nova Scotia Dep. Note 3.61% due February 22, 2016	101.65	100.54	402,160	14,440
400,000	Bank of Montreal 3.103% due March 10, 2016	99.51	98.27	393,072	12,412
500,000	Royal Bank 3.66% Sr. Dep. Note due January 25, 2017	101.46	99.81	499,070	18,300
400,000	CIBC Dep Note 3.95% due July 14, 2017	102.70	100.60	402,412	15,800
200,000	Bank of Montreal 4.55% due August 1, 2017	99.94	104.06	208,124	9,100
				6,466,755	263,992
TOTAL PORTFOLIO				43,844,010	1,678,280

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - LONG TERM INVESTMENT FUND
From 01-01-11 To 03-31-11

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
02-01-11	02-04-11	350,000	British Columbia 4.10% due December 18, 2019	102.27	357,934.50
02-01-11	02-04-11	300,000	CIBC Dep Nts 3.40% due January 14, 2016	100.67	301,998.00
02-01-11	02-04-11	300,000	Royal Bank 3.36% due January 11, 2016	100.54	301,620.00
03-08-11	03-11-11	500,000	British Columbia 3.70% due December 18, 2020	97.61	488,045.00
03-08-11	03-11-11	1,000,000	Canada Housing Trust 2.75% Series 39 due December 15, 2015	99.35	993,510.00
03-08-11	03-11-11	500,000	Canada Housing Trust No. 1 Sr. 30 3.75% due March 15, 2020	100.99	504,935.00
03-08-11	03-11-11	750,000	Ontario 3.20% due September 8, 2016	99.95	749,617.50
03-14-11	03-17-11	400,000	Bank of Montreal 3.103% due March 10, 2016	99.51	398,028.00
03-14-11	03-17-11	1,000,000	Canada 3.00% due December 1, 2015	102.41	1,024,060.00
03-14-11	03-17-11	500,000	Canada Housing Trust Sr. 29 2.75% due September 15, 2014	101.52	507,585.00
03-17-11	03-22-11	400,000	CIBC Dep Note 3.95% due July 14, 2017	102.70	410,800.00
03-17-11	03-22-11	75,000	Royal Bank 3.66% Sr. Dep. Note due January 25, 2017	102.10	76,575.00
03-24-11	03-29-11	400,000	Bank of Nova Scotia Dep. Note 3.61% due February 22, 2016	101.65	406,596.00
03-24-11	03-29-11	400,000	Ontario 3.15% due September 8, 2015	101.61	406,448.00
03-24-11	03-29-11	125,000	Royal Bank 3.66% Sr. Dep. Note due January 25, 2017	100.97	126,217.50
					7,053,969.50
SALES					
01-11-11	01-11-11	300,000	Royal Bank 4.17% Sr. Dep. Note due January 11, 2011	100.00	300,000.00
01-31-11	01-31-11	500,000	Bank of Montreal 4.69% due January 31, 2011	100.00	500,000.00
03-15-11	03-15-11	1,000,000	Canada Housing Trust Sr. 13 4.05% due March 15, 2011	100.00	1,000,000.00
					1,800,000.00

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - LONG TERM INVESTMENT FUND
From 01-01-11 To 03-31-11

Cash Balance at January 1, 2011			0.00
ADD:			
Proceeds from Sale	1,800,000.00		
Transfer from Short Term Investment Fund	<u>5,291,725.93</u>	<u>7,091,725.93</u>	
		7,091,725.93	
LESS:			
Cost of Purchases	7,053,969.50		
Accrued Bond Interest on Purchases	<u>37,756.43</u>	<u>7,091,725.93</u>	
Cash Balance at March 31, 2011			0.00