

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

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

**Tuesday, February 24, 2009**

**Present:**

Nicholas Leblovic (Chairman)	Davies Ward Phillips & Vineberg LLP
Glenn Leslie	Blake Cassels & Graydon LLP
Robert Love	Borden Ladner Gervais LLP
Gord Goodman	Cassels Brock & Blackwell LLP
Donald Milner	Fasken Martineau DuMoulin LLP
Chris Woodbury	Fraser Milner Casgrain LLP
Gale Rubenstein	Goodmans LLP
Malcolm Mercer	McCarthy Tetrault LLP
Julia Holland	Torys LLP
Les O'Connor	WeirFoulds LLP
Frank Palmay	Lang Michener LLP
Patrick Mahoney	Dion, Durrell + Associates
Norma Ibbetson	Dion, Durrell + Associates
Joe Tontini	Dion, Durrell + Associates
Ryan Durrell	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 9, 2008 Meeting of the Advisory Board**

**It was moved by Chris Woodbury and seconded by Gale Rubenstein that the minutes of the December 9, 2008 meeting of the Advisory Board be approved. The motion was carried unanimously.**

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

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

5. **Comments of the Chair**

*Website:*

Ryan Durrell was introduced. A demo of the website is to be held at the end of the meeting.

*General Liability:*

Joe Tontini will be reviewing the results of this project later in the meeting. Each firm will receive a report personalized to their firm.

*Commercial Market Update:*

Prior to the meeting, the Chair circulated a memo from Bob Wilson providing a market update. CLLAS is well positioned with the two-year policy.

*Reinsurance Ratings and Security:*

Joe Tontini will provide an update later in the meeting. Part of the up-coming renewal process will be an analysis on security of our reinsurers – both incumbents and new markets. This analysis may result in the desire to shift market share amongst reinsurers. The London trip to meet with reinsurers is planned for May.

*Restructuring:*

There is a further meeting planned with advisor to review options.

*Annual Dinner:*

There was a brief discussion on venue and timing. The Chair requested feedback with respect to the dinner and a possible move to April.

6. **Report of the General Manager's Office**

*Financial Statements Quarter Ending December 31, 2008*

Patrick Mahoney reported to the Board.

Overall CLLAS had a good year. Premiums were reduced as reinsurance costs came down. A \$2.8 million underwriting gain (i.e. premiums less claims and expenses) was experienced. Investment income overall was similar to last year.

The market melt-down which occurred in the latter part of the year had little effect on CLLAS as bonds did well during the period. Accumulated Other Comprehensive Income (Loss) shows the unrealized gains and losses imbedded in CLLAS' investment portfolio. At December 31, 2008, CLLAS had unrealized gains of \$1.4 million, up from previous year's \$92,000

Mr. Mahoney pointed out the reinsurance recoverable of \$10.7 million, which was largely attributable to the reinsurance arbitration. He noted that dates for the arbitration were being set in the Fall of 2009.

#### *Actuarial Report*

Copies of the Valuation Report and the presentation of the Actuary were distributed to the Board.

#### *Appointment of the Actuary for 2009*

**It was moved by Gordon Goodman and seconded by Gail Rubenstein that Julie-Linda Laforce of Dion Durrell + Associates Inc. be appointed the Actuary for 2009. The motion was carried unanimously.**

#### *2009 Budget*

(Joe Tontini joined the meeting.)

Patrick Mahoney reviewed the attachment which provides comparables between the budget and the actual for FY08 as well as the proposal for FY09.

**It was moved by Gordon Goodman and seconded by Les O'Connor that the 2009 Budget be approved. The motion was carried unanimously.**

#### *Surplus Management/Financial Modeling*

The static surplus policy has not been updated to reflect increase in retention. The Peer Review undertaken by Towers Perrin last year also included recommendations to perform regular capital adequacy testing (DCAT) and a regular evaluation of CLLAS' reinsurance exposure.

The Board materials included a proposal from Dion Durrell for enhancing the financial modeling of CLLAS. The expectation is to complete the work in advance of the reinsurance renewal.

**It was moved by Frank Palmay and seconded by Gale Rubenstein that the financial modeling proposal be approved. The motion was carried unanimously.**

#### *Reinsurance Ratings*

Joe Tontini discussed an exhibit showing the updated security ratings for the current CLLAS reinsurers under his February 9, 2009 memo to the Board. He was asked whether we can track summary by branch – i.e. Canadian branches vs. Canadian companies. He indicated that he would work with Miller on providing additional analysis.

Mr. Tontini mentioned that OSFI was reviewing its rules with respect to unlicensed insurers and “doing business in Canada” and that this review might adversely affect Lloyds, among others. Dion Durrell was reviewing the situation and discussing with Lloyds and other potentially affected reinsurers. The target date for implementation is January 2010 meaning that the up-coming July 1, 2009 renewal is affected. More information will be forthcoming.

#### *General Liability Policy Review*

Joe Tontini reviewed his handout, “Comparison of Limits and Rates”. The consensus was to use the information provided on an individual basis for existing renewals and look at further options at the

September meeting. Nick Leblovic will circulate the e-mail and firms can report back to Joe Tontini on their renewals.

*Patent and Trademark Cover*

Some firms still buy their Patent and Trademark cover separately while others utilize the CLLAS cover. Consideration is being given to broadening the definition of the incidental practice to cover the patent and trademark filings. Mr. Tontini and Mr. Leblovic are to work on coverage definition for July 1, 2009.

(Mr. Tontini left the meeting.)

**8. Report of the Claims Committee**

Patrick Mahoney reported on the Claims Activity.

**9. Report of the Risk Management Committee**

Bill Scott circulated a memo providing an update. The Committee is working on the appropriate policy for “re-auditing” firms that have been audited by John Walker. One possibility is targeted audits, i.e. audits dependent on claim frequency or other issues. It was noted that the Committee had discussed the policy on Guidelines for Securities Trading and had concluded that it was not appropriate to mandate that each firm have such a policy in place.

**10. Report of the Audit Committee**

Donald Milner reported that the notes to the financial statements had been changed to reflect new accounting requirements. He said that Deloitte had issued a clean audit opinion.

**It was moved by Donald Milner and seconded by Gordon Goodman that the financials statements at December 31, 2008 be adopted. The motion was carried unanimously.**

**It was moved by Donald Milner and seconded by Frank Palmay that Deloitte be appointed auditor for the 2009 fiscal year. The motion was carried unanimously.**

It was noted that FSCO was requiring a status report on the impact of International Financial Reporting Standards by the end of February with updates every six months. The 2009 Business Plan will also need to be filed with the FSCO before the end of February. Both filings were included in the Board materials.

**11. Report of the Policy Committee**

Patrick Mahoney reported that the Committee is looking into processing some issues driven by the management of claims.

**12. Report of the Restructuring Committee**

There was nothing to report at this time.



**13. December 31, 2008 Investment Manager's Report – Confirmation of Investment Guidelines**

Patrick Mahoney reported. Included in the Board material is a report from the investment managers commenting on security of individual bonds and how security selections are made, as well as a summary of the benchmarking changes made subsequent to the Board approval to implement changes at the December 2008 meeting.

**14. Other Business**

There was a demonstration of the CLLAS Website which is slated to be live by the end of June 2009.

**15. Next Meeting**

The next regularly scheduled meeting of the Board will be on June 16, 2009.

There being no further business, the meeting was terminated.

---

Chairman

---

Secretary

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

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

**Tuesday, December 9, 2008**

**Present:**

Nicholas Leblovic (Chairman)	Davies Ward Phillips & Vineberg LLP
Glenn Leslie	Blake Cassels & Graydon LLP
Barry Bresner	Borden Ladner Gervais LLP
Gord Goodman	Cassels Brock & Blackwell LLP
Donald Milner	Fasken Martineau DuMoulin LLP
Chris Woodbury	Fraser Milner Casgrain LLP
Gale Rubenstein	Goodmans LLP
William Scott	McCarthy Tetrault LLP
Daniel MacDonald	McMillan LLP
Julia Holland	Torys LLP
Les O'Connor	WeirFoulds LLP
Patrick Mahoney	Dion, Durrell + Associates
Norma Ibbetson	Dion, Durrell + Associates
Joe Tontini	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 September 16 and October 31, 2008 Meeting of the Advisory Board**

**It was moved by Chris Woodbury and seconded by Barry Bresner, subject to an edit on page 2 that the minutes of the September 16, 2008 meeting of the Advisory Board be approved. The motion was carried unanimously.**

**It was moved by Gale Rubenstein and seconded by Barry Bresner that the minutes of October 31, 2008 meeting of the Advisory Board be approved. The motion was carried unanimously.**

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

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

**5. Comments of the Chair**

Updates will be addressed under the other agenda items.

*Restructuring Plans*

Work is on-going with the Ad-hoc Committee.

**6. General Liability Policy Review**

Joe Tontini provided the Board with an overview of DD+A's review of the CLLAS firms' Commercial Insurance Policies highlighting the various policies and terms and conditions. The purpose of the review was two fold: 1) establish some "best practice" parameters, e.g. coverage, price, and 2) discuss if alternative arrangements are feasible.

DD+A will be asked to continue work on policy review including providing a summary of coverage/limits by price point, i.e. \$134/lawyer vs. \$578/lawyer and possible reasons for the variation in premium. To complete the review Mr. Tontini may require additional information such as:

- total insurable values
- square footage
- payroll/revenue

It is possible that a request will be made for claims information if the pricing differential is not easily explainable. A final report will be provided to the Board at their next meeting.

There will also be a review of the Patent and Trademark Agents Insurance commercial policy versus CLLAS policy to advise on potential overlaps in coverage.

**7. Report of the General Manager's Office**

*Financial Statements Quarter Ending September 30, 2008*

Patrick Mahoney reported to the Board.

FSCO has been closely monitoring insurers given the economic situation and have been requesting "flash financial results". They asked for September 30<sup>th</sup> results within three weeks of the quarter end, and they also asked for results as at October 31<sup>st</sup>, which required additional activity because CLLAS' financials are done quarterly, not monthly.

To date, CLLAS' conservative investment guidelines have protected it from the big declines in the equity market. Bonds have remained relatively strong, and the main issue to monitor is the credit-worthiness of individual bonds.

CLLAS continues to build surplus, with Subscriber's Equity as at September 30<sup>th</sup> of just over \$19,000,000.

The ACE dispute remains on-going. Production of documents from the insured firm, as ordered by the panel, is underway and it appears likely that new dates for the arbitration will ultimately be set for mid-2009.

#### *Budget Variance*

There was nothing remarkable to report.

Investment counsel fees are a percentage of money being managed by our Investment Managers. Claims payments have been low, so the investment manager is holding more money. This is the reason for the increase in investment management fees.

There has been a significant amount of activity on the claims management line in 2008 (i.e. the active management of the high potential claims) and that line will exceed budget. Overall, fees on the professional services lines will finish at or close to budget.

#### *Appointment of Actuary*

**It was moved by Donald Milner and seconded by Gordon Goodman that Julie-Linda Laforce of Dion Durrell + Associates Inc. be appointed as Actuary for the balance of 2008. The motion was carried unanimously.**

#### *Website Update*

The construction of the site is well underway with a target date of the February Board meeting to demonstrate the first phase of the system..

#### *Peer Review Report*

Mr. Mahoney reviewed his December 1, 2008 memo to the Board in response to the Towers Perrin Report. The memo serves as a "To Do List" with timelines.

Specific to items 8 and 13 on the list CLLAS will not be gathering additional information to move to a risk rating system (exposure and experience rating) at this time.

#### *Ontario Insurance Act Amendments*

The background memo on changes to the Insurance Act was reviewed. It is unlikely that it will have significant practical application to CLLAS but it is something the General Manager is watching. It will be necessary to make minor amendments to the Subscribers Agreement, at some point prior to the effective date of the changes (in 2012).

### **8. Report of the Claims Committee**

Barry Bresner reported that there were no new developments.

**9. Report of the Risk Management Committee**

Bill Scott reported on the Risk Management Audits. Seven firms will have completed by John Walker by the end of 2008. Four more firms are scheduled for 2009 and the remaining two firms (both of which were audited by Anthony Davis in the initial round) will be audited in 2010.

Mr. John Walker will be able to provide a comprehensive overview at the end of the process. There could be a mid-year report from Mr. Walker, possibly delivered at the September 2009 Board Meeting.

Mr. Scott will be following up on the investment trading guidelines.

**10. Report of the Audit Committee**

Donald. Milner reported that a pre-audit meeting was held in November at the General Manager's office with the Auditors. Timelines were reviewed.

**11. Report of the Policy Committee**

Gordon Goodman reported that the Committee will be meeting to discuss various policy issues that have arisen out of the management of difficult claims to determine if any changes are required to the policy language.

**12. Report of the Restructuring Committee**

There was nothing to report at this time.

**13. September 30, 2008 Investment Manager's Report – Confirmation of Investment Guidelines**

Patrick Mahoney reported. CLLAS' guidelines are very conservative and are assisting in weathering the current market crisis. CLLAS will be asking the investment managers to comment on security of individual bonds and how security selections are made.

**14. Other Business**

There was no further business.

**15. Next Meeting**

The next regularly scheduled meeting of the Board will be on February 24, 2009.

There being no further business, the meeting was terminated.

---

Chairman

---

Secretary

# **CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**

## **FINANCIAL MANAGEMENT REPORT**

**For the Period Ending December 31, 2008**

# **CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**

## **FINANCIAL MANAGEMENT REPORT**

**December 31, 2008**

### **CONTENTS**

Exhibit I	Balance Sheet
Exhibit II	Income Statement
Exhibit III	Other Comprehensive Income
Exhibit IV	Operating Budget Variance Analysis

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**  
**BALANCE SHEET**  
**December 31, 2008**

	As at <u>December 31, 2008</u>	As at <u>December 31, 2007</u>
<b>ASSETS</b>		
Cash	\$7,156,634	\$3,880,114
Investments		
Short Term	14,371,754	13,015,785
Bonds	30,737,108	24,874,410
Interest income due and accrued	248,097	215,873
Premiums receivable	6,505,277	10,668,627
Unearned reinsurance premium ceded	7,199,019	8,412,949
Prepaid Expenses	249,370	323,764
Deferred policy acquisition costs	364,772	405,601
Reinsurance recoverable	10,738,527	9,678,364
Other receivable	0	0
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	45,477,000	48,647,000
 Total Assets	 <u>\$123,047,558</u>	 <u>\$120,122,486</u>
 <b>LIABILITIES</b>		
Provision for unpaid claims and adjustment expenses	\$80,511,000	\$80,968,000
Provision for unpaid premium liabilities	\$2,629,821	\$3,066,358
Unearned premium	12,059,120	13,446,144
Due to reinsurers	5,884,089	6,576,431
Accounts payable & accrued charges	564,153	498,537
Premium taxes payable	0	0
 Total Liabilities	 101,648,181	 104,555,470
 <b>SUBSCRIBERS' EQUITY</b>		
Surplus	20,023,669	15,474,952
Accumulated Other Comprehensive Income (Loss),	1,375,708	92,064
	<u>21,399,377</u>	<u>15,567,016</u>
 TOTAL LIABILITIES AND SUBSCRIBERS' EQUITY	 <u>\$123,047,558</u>	 <u>\$120,122,486</u>



**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**  
**INCOME STATEMENT**  
**FOR THE PERIOD ENDED December 31, 2008**

	Year to date Jan. 2008 to <u>December-08</u>	Previous year Jan. 2007 to <u>December-07</u>
Written premium	\$24,318,114	\$27,040,048
Gross Written Premiums	24,318,114	27,040,048
Less: Reinsurance Ceded	14,517,359	16,918,348
Net Written Premiums	9,800,755	10,121,700
Change in Unearned Premiums	173,095	1,079,625
Earned Premiums	9,973,850	11,201,325
Claims Paid	1,803,547	361,879
Change in IBNR	3,558,000	2,447,000
Change in Case Reserve	(845,000)	2,086,000
Change in provision for Unpaid Premium liability	0	0
Incurred Claims	4,516,547	4,894,879
Management and Operating Expenses	1,563,000	1,353,418
Reinsurance Fees	269,000	265,000
Premium Taxes	770,372	905,943
Total Operating Expenses	2,602,373	2,524,361
Underwriting Gain (Loss)	2,854,930	3,782,086
Investment Income	1,693,788	1,709,437
Net Gain (Loss)	\$4,548,717	\$5,491,522
Subscribers' Equity - Beginning of Period	\$15,474,952	\$10,830,429
Less: Adjustment to opening Policy Liabilities	\$0	(\$847,000)
Subscribers' Equity - End of Period	\$20,023,669	\$15,474,952

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY  
STATEMENT OF COMPREHENSIVE INCOME (LOSS) AND  
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)  
FOR THE PERIOD ENDED December 31, 2008**

	Year to date Jan. 2008 to <u>December-08</u>	Previous year Jan. 2007 to <u>December-07</u>
Net Income	\$4,548,717	\$5,491,522
Other Comprehensive Income (Loss):		
Unrealized Gains and (Losses) on available-for-sale financial assets arising during the year	1,283,644	92,064
Reclassification of realized gains(losses) to the statement of operations		
Net change in the other comprehensive income for the year	1,283,644	92,064
Total Comprehensive Income (Loss)	<u>5,832,361</u>	<u>5,583,586</u>
Accumulated Other Comprehensive Income (Loss), beginning of year	\$92,064	\$0
Other comprehensive income (loss)	1,283,644	92,064
Balance at end of period	<u>1,375,708</u>	<u>92,064</u>

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY  
STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS  
FOR THE TWELVE MONTHS ENDED December 31, 2008

	Annual Budget	Year to Date Budget %	Year to Date Budget \$	Year to Date Actual \$	Fav/(Unfav) Variance \$
<b>MANAGEMENT SERVICES</b>	382,000	100%	382,000	429,552	(47,552)
<b>PROFESSIONAL SERVICES</b>					
Actuarial Services	94,000	100%	94,000	91,614	2,386
Reinsurance Matters	260,000	100%	260,000	274,115	(14,115)
Strategic Matters	98,000	100%	98,000	89,544	8,456
Special, non-recurring	0	100%	0	0	0
Sub-Total Professional Services	452,000		452,000	455,273	(3,273)
<b>Total Management &amp; Professional Services *</b>	<b>834,000</b>		<b>834,000</b>	<b>884,825</b>	<b>(50,825)</b>
(See Note 1)					
GST on Consulting Fees	41,700	100%	41,700	44,241	(2,541)
<b>Total Consulting Services</b>	<b>875,700</b>		<b>875,700</b>	<b>929,067</b>	<b>(53,367)</b>
<b>OTHER EXPENSES</b>					
Audit Expenses	60,000	100%	60,000	68,048	(8,048)
Annual Dinner	5,000	100%	5,000	4,848	152
Premium Taxes	811,201	100%	811,201	770,372	40,829
Chairman's Expenses	1,500	100%	1,500	1,719	(219)
Chairman's Honourium	60,000	100%	60,000	60,000	0
Reinsurance Expense	10,000	100%	10,000	5,906	4,094
Office Expenses	15,000	100%	15,000	19,267	(4,267)
Office Expenses - Website management software license	0	100%	0	9,000	(9,000)
Claims: Borderaux (LSUC)	13,850	100%	13,850	13,450	400
Special Services	100,000	100%	100,000	107,757	(7,757)
Special Services - Peer Review	125,000	100%	125,000	101,937	23,063
Miller Insurance Fees (Reins. Comm.) (See Note 2)	278,000	100%	278,000	269,000	9,000
I.B.C Statistical Plan Fees	12,000	100%	12,000	14,900	(2,900)
FSCO Assessment Fees	7,700	100%	7,700	15,728	(8,028)
Investment counsel fees	87,450	100%	87,450	105,699	(18,249)
Investment - Custodial	20,000	100%	20,000	28,514	(8,514)
Risk Management/Loss Prevention	80,000	100%	80,000	77,162	2,838
<b>Sub-total</b>	<b>1,686,701</b>		<b>1,686,701</b>	<b>1,673,306</b>	<b>13,395</b>
<b>TOTAL</b>	<b>\$2,562,401</b>		<b>\$2,562,401</b>	<b>\$2,602,373</b>	<b>(39,972)</b>

\* NOTE 1: 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	25%
Second Quarter, ending June 30th	40%
Third Quarter, ending September 30th	18%
Fourth Quarter, ending December 31st	17%
	<u>100%</u>

\* NOTE 2: MILLER INSURANCE FEES (Reins. Comm.)

The annual budget is based upon the annual fee estimated for the policy period 2008/2009.

The year to date actual includes the fees billed for the later 6 months of 2007/2008 & first 6 months of 2008/2009



# Dion Durrell

## **Canadian Lawyers Liability Assurance Society**

**Report on the Valuation of Policy Liabilities as at December 31, 2008**

**February 20, 2009**

# Canadian Lawyers Liability Assurance Society

<b>Table of Contents</b>	<b>Page</b>
Highlights of Valuation	2
Reported Incurred Loss Activity – Counts	6
Gross Reported Incurred Loss Activity – Losses Incurred	7
Net Reported Incurred Loss Activity – Losses Incurred	8
Reinsurance Arrangements between CLLAS and Colchester for 2008/2009	9
Breakdown of Outstanding Claims Liabilities	10
Valuation of Claims Liabilities, Discounting	11
Valuation of Claims Liabilities, Margins for Adverse Deviation	12
Impact of provision for adverse deviation on net outstanding liabilities	13
Gain (Loss) Analysis of Net Outstanding Liabilities	14

# Canadian Lawyers Liability Assurance Society

## Highlights of Valuation

- Revision of 2008/2009 expected loss costs to reflect recent lawyers professional liability loss experience
- Change in per lawyer expected loss costs for layers:

\$975,000 xs \$25,000 <sup>/1</sup> :	\$126 =>	\$134
\$4,000,000 xs \$1,000,000:	\$1,792 =>	\$1,597
\$7,500,000 xs \$5,000,000 <sup>/2</sup> :	\$1,262 =>	\$1,066
\$12,500,000 xs \$12,500,000 <sup>/2</sup> :	\$945 =>	\$768
\$10,000,000 xs \$25,000,000 <sup>/2</sup> :	\$379 =>	\$381
\$30,000,000 xs \$50,000,000:	\$28 =>	\$8
\$20,000,000 xs \$140,000,000:	\$13 =>	\$3
\$10,000,000 xs \$160,000,000:	n/a =>	\$2
\$20,000,000 xs \$160,000,000:	\$9 =>	\$2
\$30,000,000 xs \$160,000,000:	n/a =>	\$2

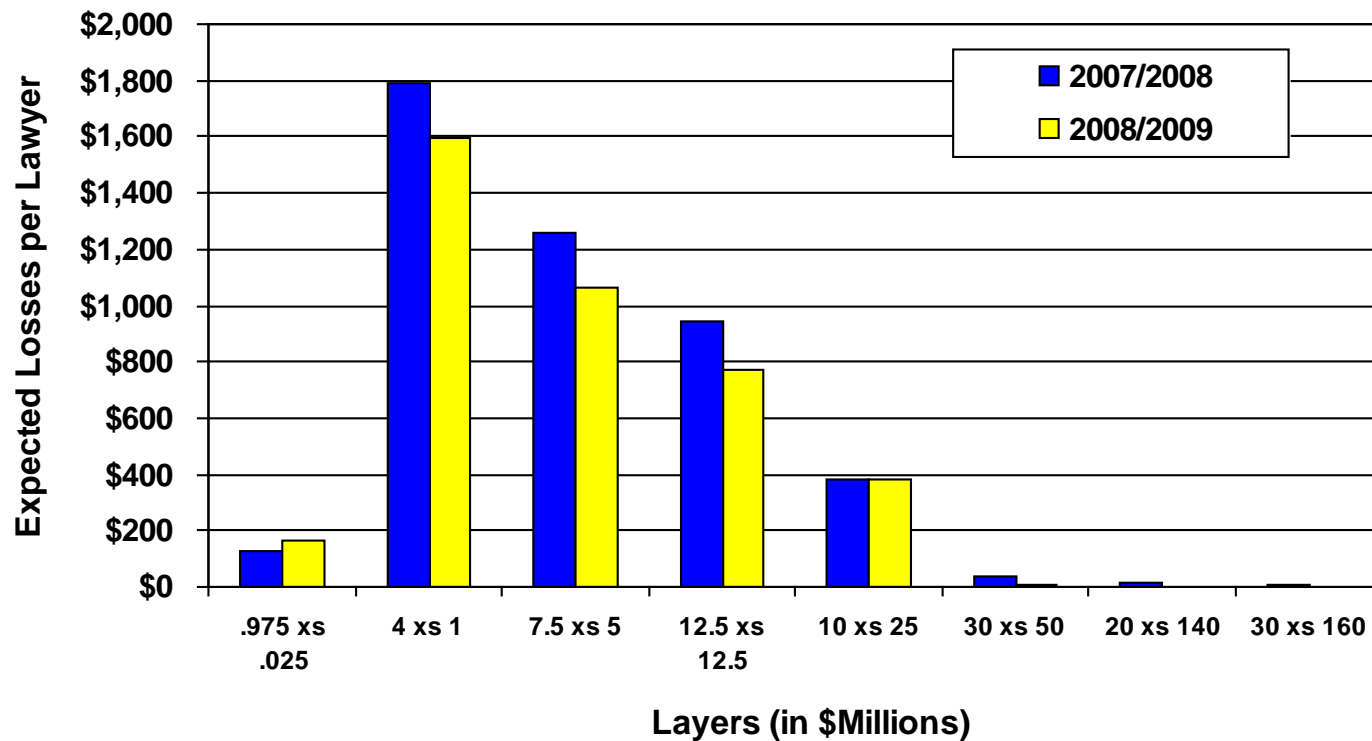
*/1 This layer was \$750,000 xs \$250,000 for 2007/2008 and prior policy periods*

*/2 Blended to reflect Quebec's \$10,000,000 deductible versus \$5,000,000 for lawyers in other provinces*

# Canadian Lawyers Liability Assurance Society

## Highlights of Valuation

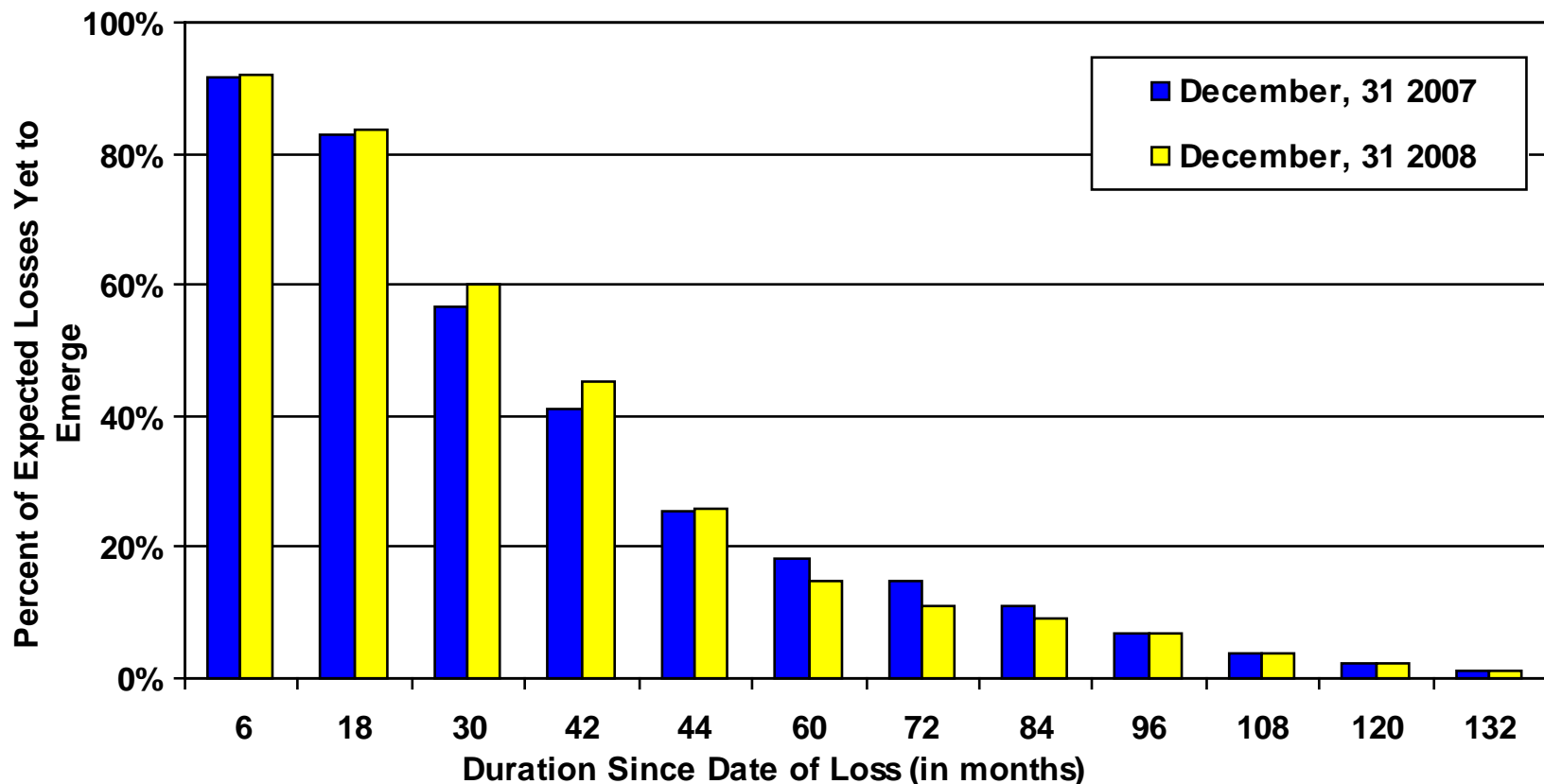
- Revision of expected loss costs for 2008/2009 reflects recent favourable emerging experience



# Canadian Lawyers Liability Assurance Society

## Highlights of Valuation

- Revision of Loss Development Factors for IBNR projection





# Canadian Lawyers Liability Association

## Highlights of Valuation

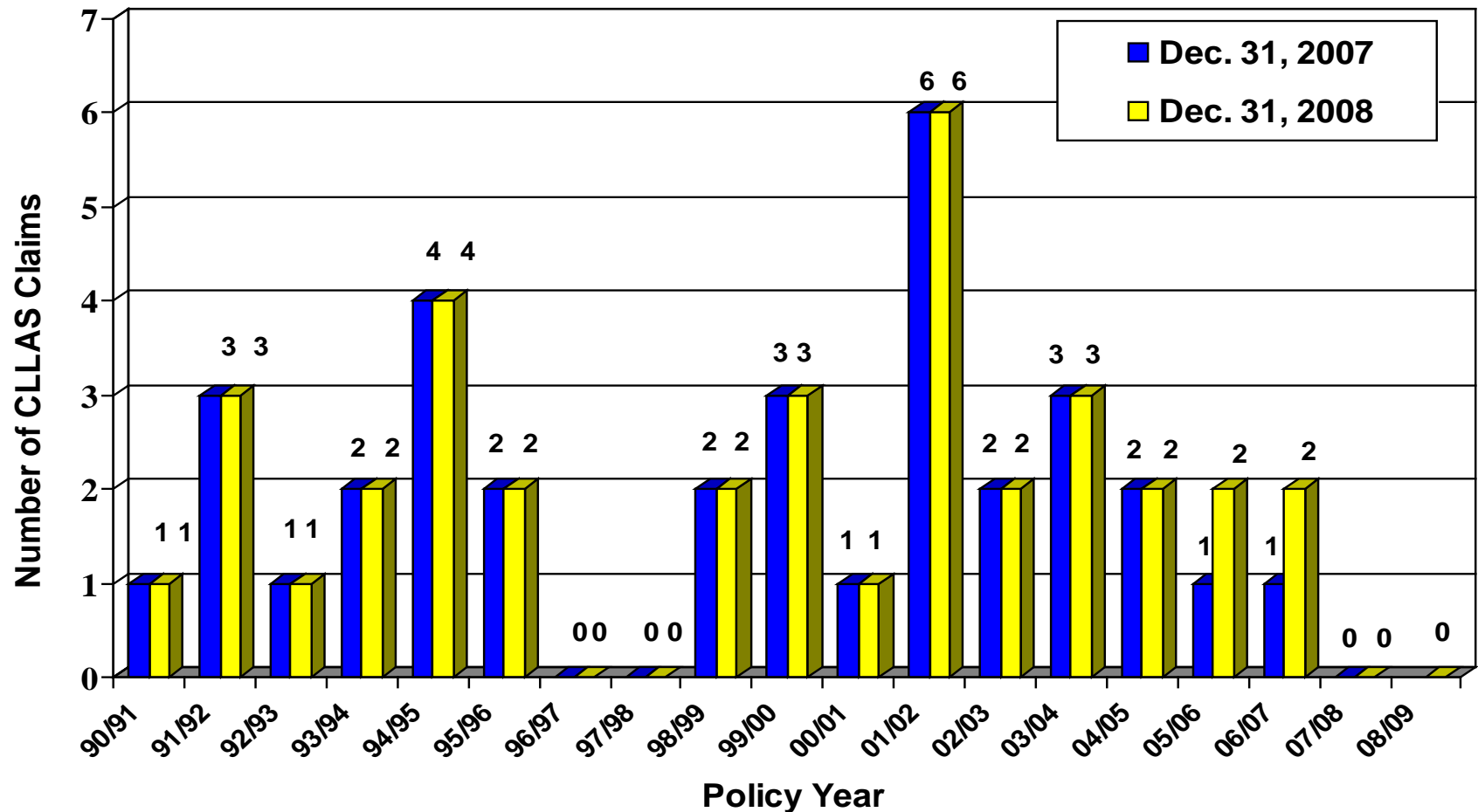
- The impact of the change in assumptions represents an increase of \$769,000 in the net undiscounted liabilities

### ➤ **Discount Rate**

- The discount rate is used for the discounting of future claims payments and related PfAD margin
- A discount rate of 3.0% was selected based on the market yield of the company's bond portfolio as at December 31, 2007 since the company has classified its bond portfolio as available-for-sale per CICA 3855
- The interest rate used in the last valuation was 4.0%
- The PfAD margin on interest rate was maintained at 0.75%
- The impact of these changes is an increase of \$1,516,000 in the net December 31, 2008 claims liabilities (discounted + PfAD)

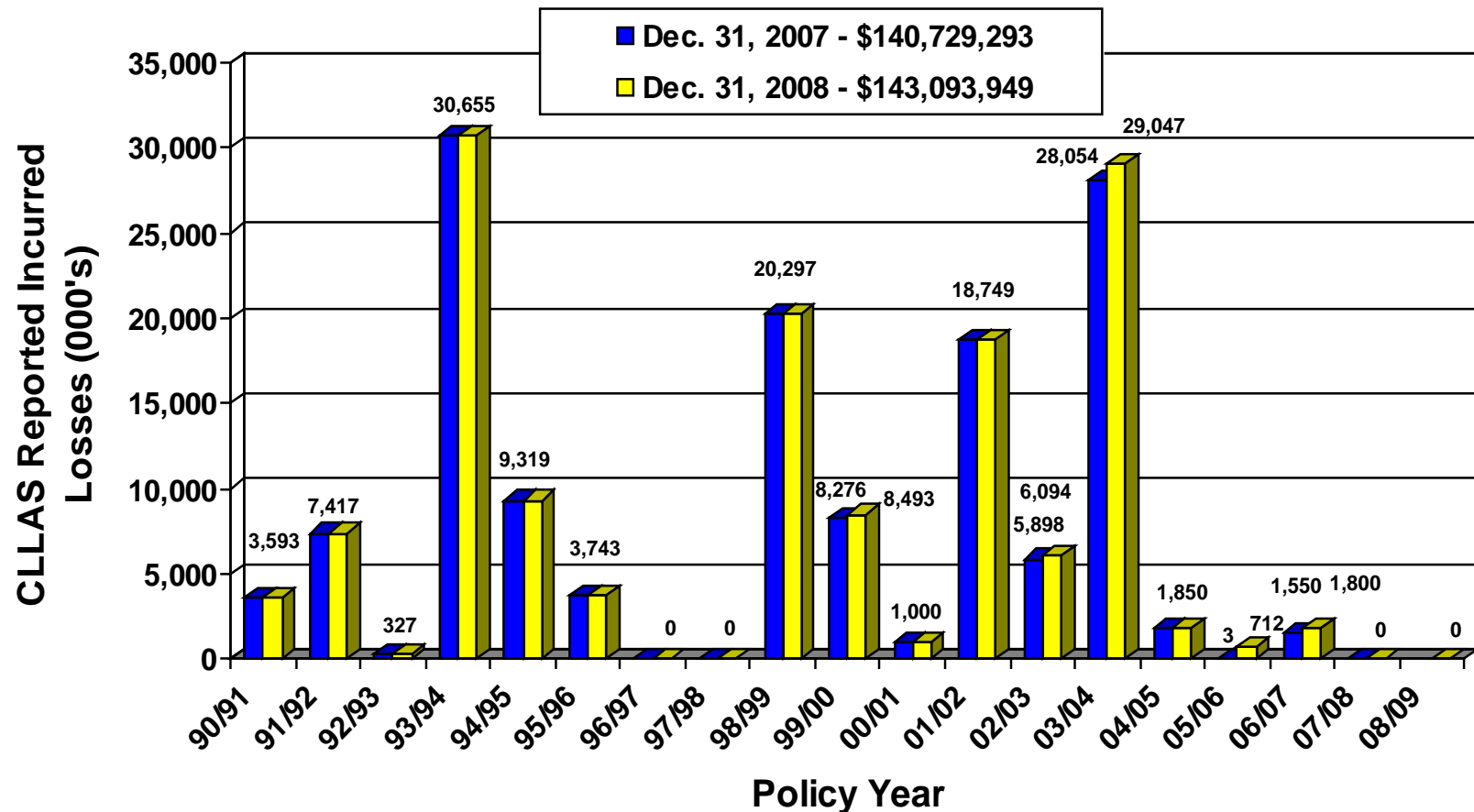
# Canadian Lawyers Liability Assurance Society

## Reported Incurred Loss Activity - Counts



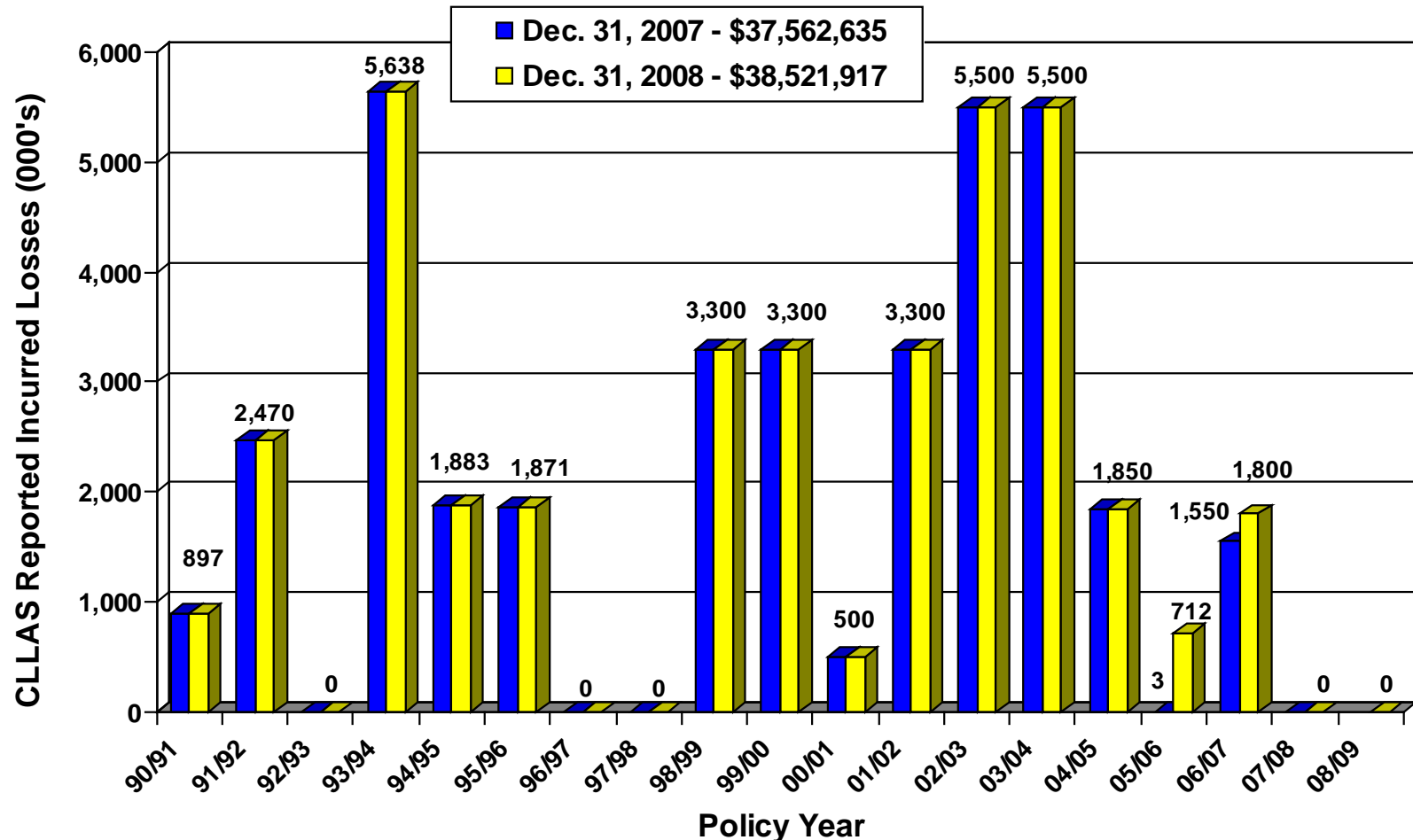
# Canadian Lawyers Liability Assurance Society

## Gross Reported Incurred Loss Activity Losses Incurred (in \$000's)



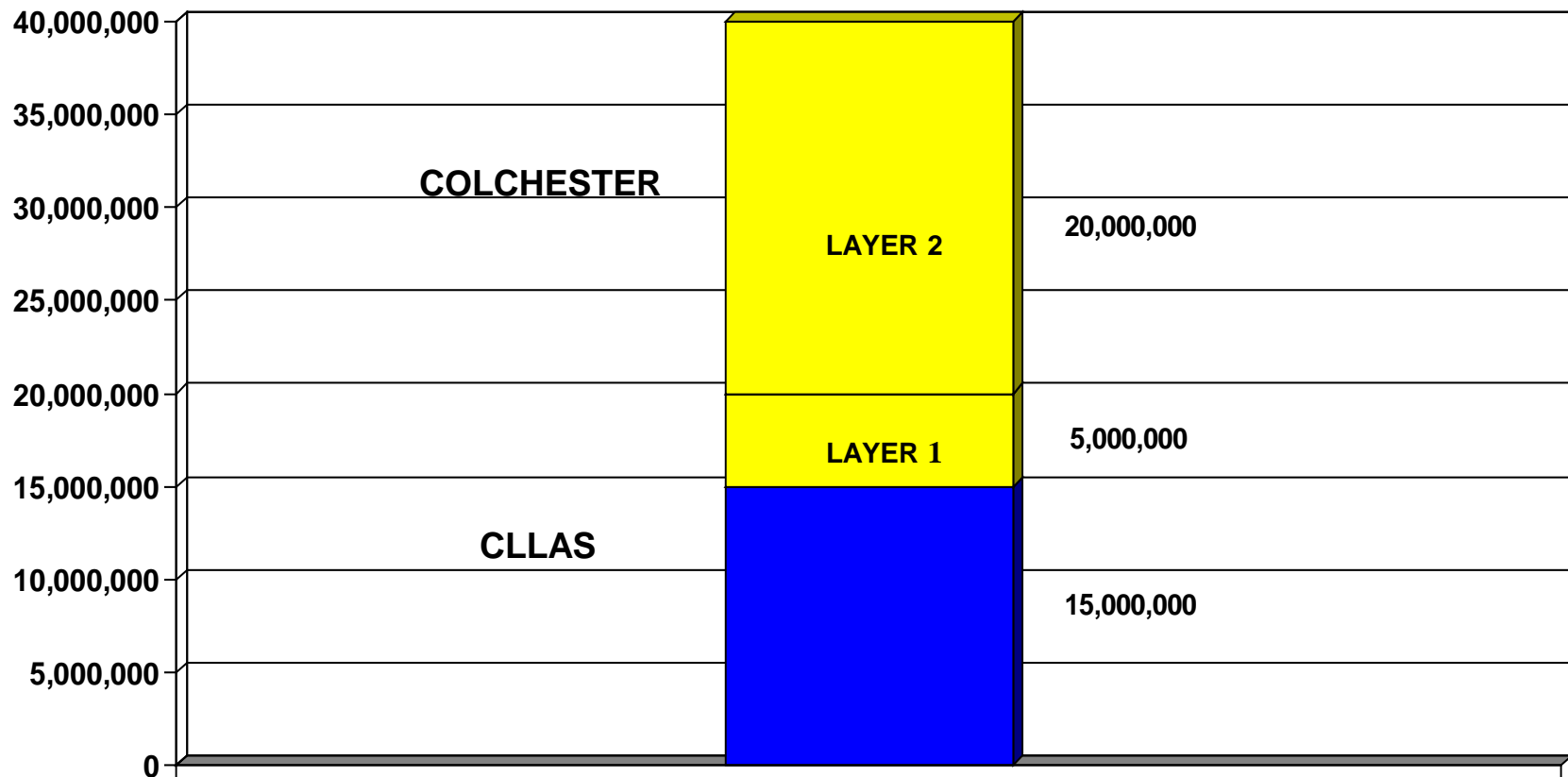
# Canadian Lawyers Liability Assurance Society

## Net Reported Incurred Loss Activity Losses Incurred (in \$000's)



# Canadian Lawyers Liability Assurance Society

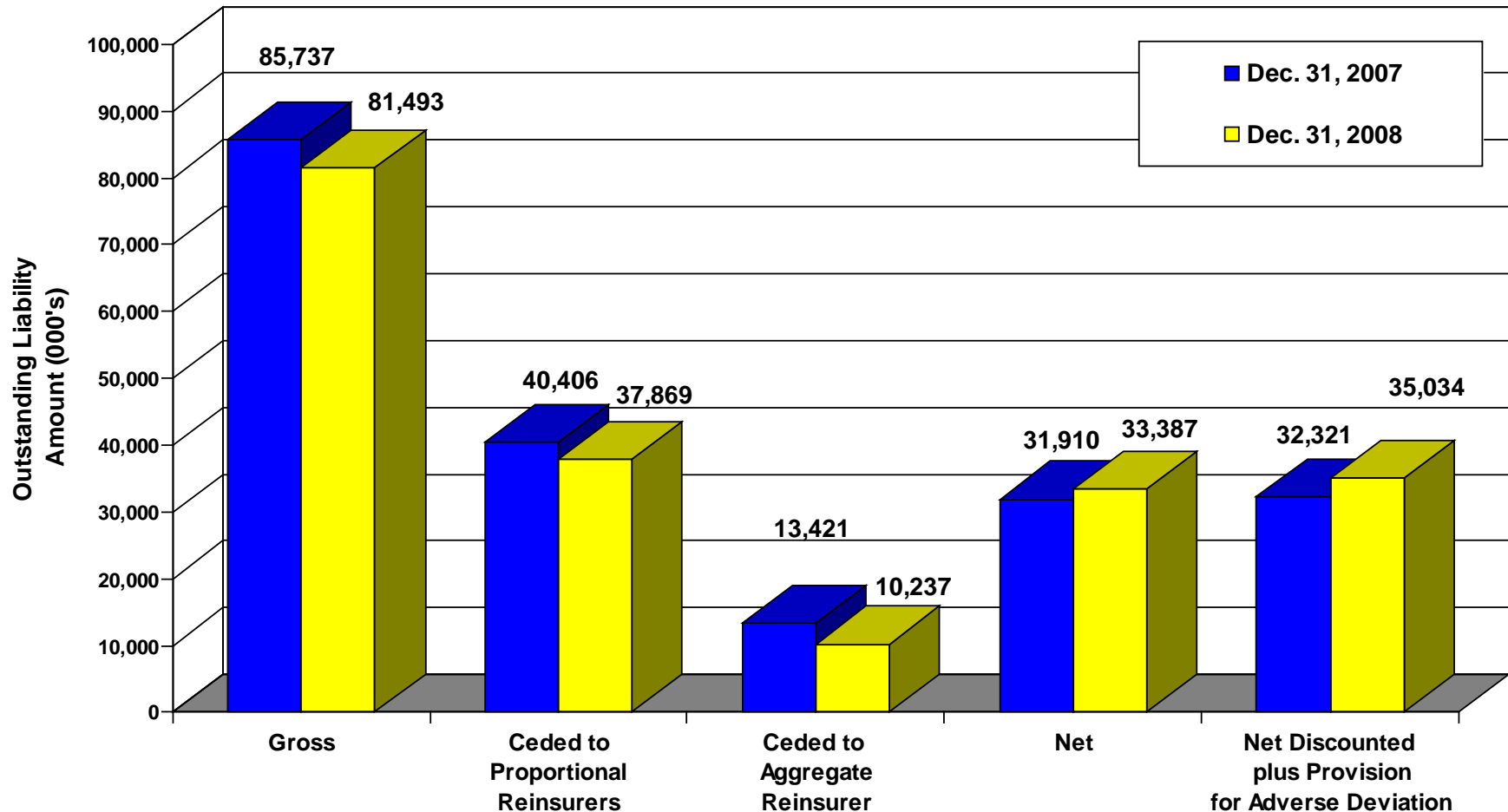
## Arrangements between CLLAS and Colchester for (2008/2009) \*



\* Excludes additional exposure between the \$25,000 and \$250,000 where CLLAS may drop down

# Canadian Lawyers Liability Assurance Society

## Breakdown of Outstanding Claims Liabilities



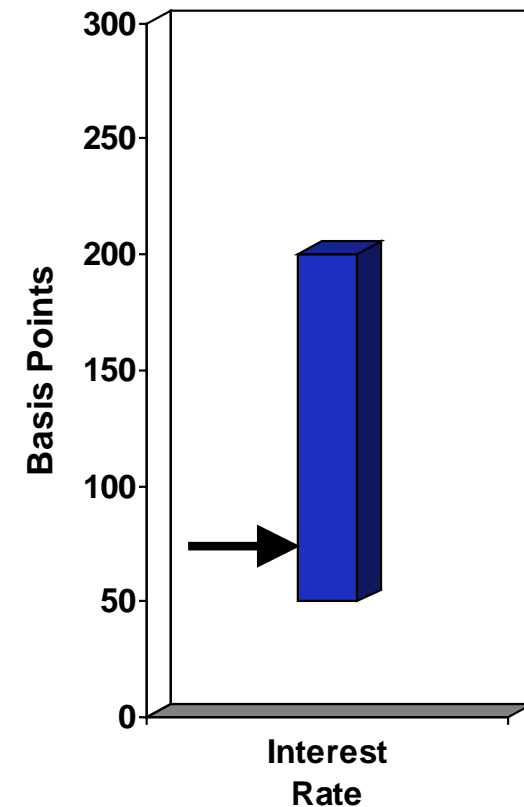
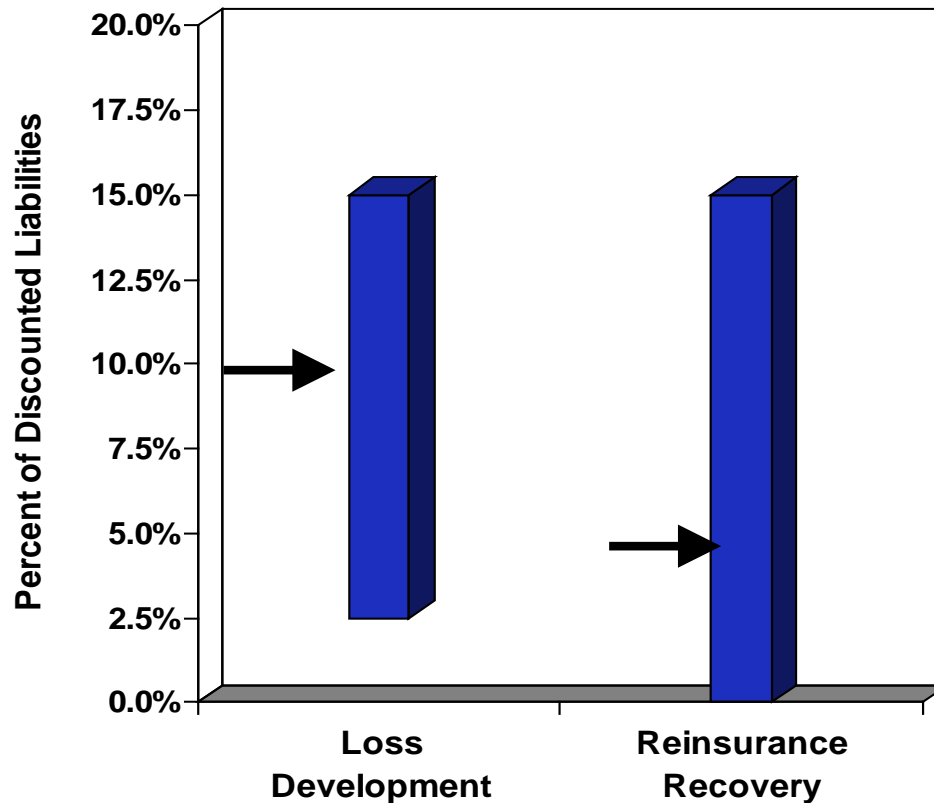
# Canadian Lawyers Liability Assurance Society

## Valuation of Claims Liabilities, Discounting

- All liabilities are subject to discounting
- Reserves and IBNR are estimates of losses yet to be paid. Discounting these reserves for the time value of money is deemed appropriate
- Once discounted, reserves are subject to the addition of a Provision for Adverse Deviation (“PfAD”), a reserve added to the discounted liabilities for the following situations:
  - Development on claims: Claims experience worse than expected
  - Investment income: Investment yield below expectation
  - Reinsurance: Reinsurers default on their obligations
- Reserves subject to discounting and PfAD are considered to be the best estimate of future losses, this basis is required by the Canadian Institute of Actuaries

# Canadian Lawyers Liability Assurance Society

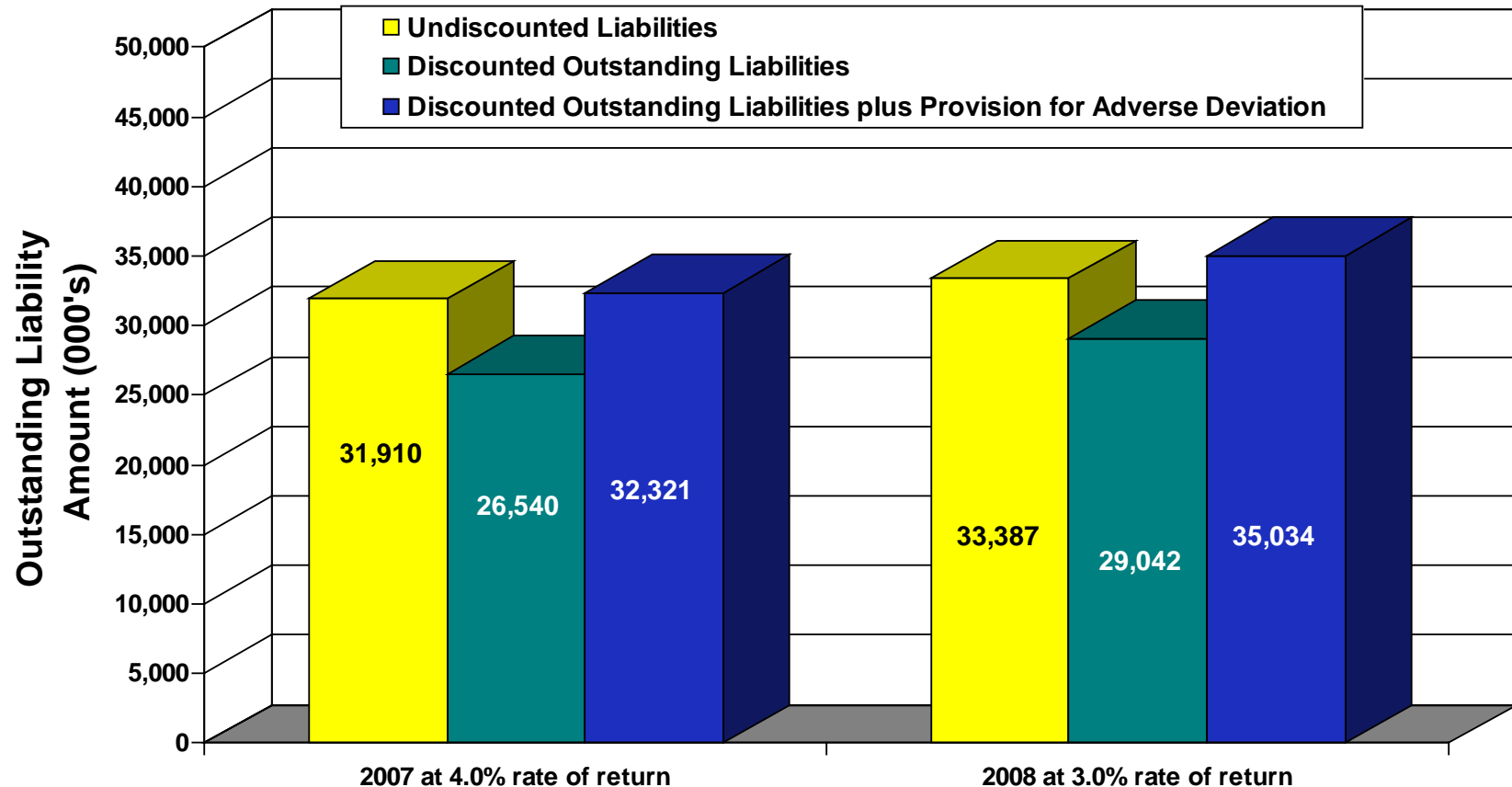
## Valuation of Claims Liabilities, Margins for Adverse Deviation





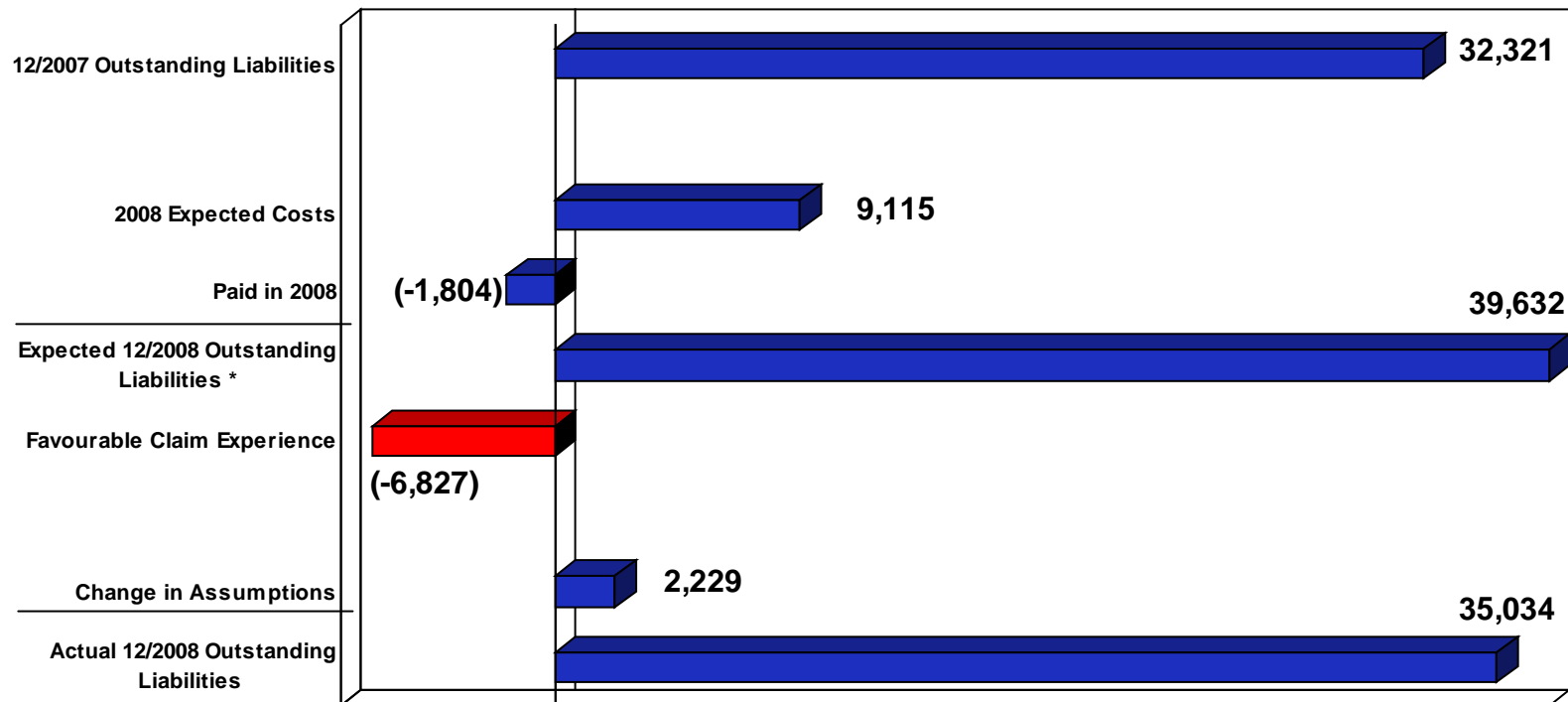
# Canadian Lawyers Liability Assurance Society

## Impact of Provision for Adverse Deviation on Net Outstanding Liabilities



# Canadian Lawyers Liability Assurance Society

## Gain (Loss) Analysis of Net Outstanding Liabilities at December 31, 2008



**Amount in 000's**

*\* Reflects the impact of discounting and provision for adverse deviation*

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

## **REPORT ON THE VALUATION OF POLICY LIABILITIES AS AT DECEMBER 31, 2008**

**Prepared by Julie-Linda Laforce, F.C.I.A., F.C.A.S.**

**Draft Report  
February 11, 2009**

---

## TABLE OF CONTENTS

---

<b>PART 1 - INTRODUCTION AND SCOPE .....</b>	<b>1</b>
INTRODUCTION .....	1
SCOPE.....	2
OPERATIONS .....	2
STANDARD OF MATERIALITY .....	4
CONDITIONS AND LIMITATIONS .....	5
SPECIFIC DISCLOSURE REQUIREMENTS .....	5
<b>PART 2 - EXPRESSION OF OPINION .....</b>	<b>7</b>
<b>PART 3 - COMPARISON OF ACTUAL EXPERIENCE WITH EXPECTED EXPERIENCE .....</b>	<b>8</b>
<b>PART 4 - COMMENTARY - CLAIMS LIABILITIES, LIABILITIES IN CONNECTION WITH UNEARNED PREMIUM AND OTHER POLICY LIABILITIES .....</b>	<b>9</b>
CLAIMS LIABILITIES .....	9
PROVISION FOR ADVERSE DEVIATION - CLAIMS LIABILITIES .....	15
SUMMARY OF CLAIMS LIABILITIES .....	17
POLICY LIABILITIES IN CONNECTION WITH UNEARNED PREMIUM .....	18
PROVISION FOR ADVERSE DEVIATION - LIABILITIES IN CONNECTION WITH.....	
UNEARNED PREMIUM.....	21
<b>PART 4 - COMMENTARY - OTHER ACTUARIAL LIABILITIES.....</b>	<b>23</b>
<b>PART 4 - COMMENTARY - REINSURANCE .....</b>	<b>24</b>
DESCRIPTION OF REINSURANCE ARRANGEMENTS .....	24
RECOVERABLE AMOUNTS FROM REINSURERS .....	26
UNUSUAL PROBLEMS OR DELAYS .....	26
COLCHESTER REINSURANCE LIMITED .....	27
<b>PART 5 - DATABASE AND EXHIBITS.....</b>	<b>28</b>
RECONCILIATION .....	28
LIST OF SCHEDULES .....	29
LIST OF EXHIBITS .....	29
<b>PART 6 - DATA RELIABILITY AND CONSISTENCY .....</b>	<b>30</b>
DATA .....	30
RELIANCE AND VERIFICATION .....	30

---

## **PART 1 - INTRODUCTION AND SCOPE**

---

### **INTRODUCTION**

Company:	Canadian Lawyers Liability Assurance Society (CLLAS)
Date of Valuation:	December 31, 2008
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 policy liabilities, including:

1. claims liabilities,
2. liabilities in connection with unearned premium, and
3. other policy 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 as an insurer in 1987 with the first policies issued with an effective date of July 1, 1987. 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:

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

\* 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 \$25 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.

The umbrella layer of coverage (\$30 million excess of a minimum of \$50 million) is subject to an annual aggregate of \$60 million for all law firms combined. Coverage between the basic coverages described above (\$34 million excess of \$1 million) and the minimum attachment point of \$50 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.

## **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. 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. The historical reinsurance arrangements are summarized in Schedule 1.

## **Membership/Management Changes**

The number of insured lawyers has increased from approximately 1,450 to 4,918 (including 54 patent and trademark agents) from 1987 to 2008. There has been a nominal change in the number of lawyers insured by CLLAS since last year. Included in the 4,918 lawyers are 132 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 2008.

## **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 retroassessments,
- 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:

1. regulators,
2. management,
3. auditors, and
4. 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 0.7% of its net claims liabilities as of December 31, 2008.

## **CONDITIONS AND LIMITATIONS**

In carrying out this valuation, I have relied on the 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, 2008.

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

Policy 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 20, 2009 to present the results of this report.

### **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.

**New Appointment**

I was appointed by the Board of Directors on December 9, 2008 replacing Liam McFarlane who resigned on December 9, 2008. The regulator was notified of the new appointment on December 17, 2008.

I have communicated with Liam McFarlane who was available to answer any questions pertaining to previous analyses.

I am in compliance with the Continuing Professional Development requirements of the Canadian Institute of Actuaries. I have had numerous years of experience providing advice to professional liability reciprocals.

**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 policy liabilities of the Canadian Lawyers Liability Assurance Society for its balance sheet as at December 31, 2008 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:

<b>Claim Liabilities</b>	<b>Carried in Annual Return</b>	<b>Actuary's Estimate</b>
(1) Direct unpaid claims and adjustment expenses	\$ 80,511,000	\$ 80,511,000
(2) Assumed unpaid claims and adjustment expenses	0	0
(3) Gross unpaid claims and adjustment expenses	\$ 80,511,000	\$ 80,511,000
(4) Ceded unpaid claims and adjustment expenses	45,477,000	45,477,000
(5) Other amounts to recover	0	0
(6) Other net liabilities	0	0
(7) Net unpaid claims and adjustment expenses (3)-(4)-(5)+(6)	\$ 35,034,000	\$ 35,034,000

<b>Premium Liabilities</b>	<b>Carried in Annual Return (Col. 1)</b>	<b>Actuary's Estimate (Col. 2)</b>
(1) Gross policy liabilities in connection with unearned premiums		\$ 11,051,000
(2) Net policy liabilities in connection with unearned premiums		4,406,000
(3) Gross unearned premiums	\$ 12,059,000	
(4) Net unearned premiums	4,860,000	
(5) Premium deficiency	0	0
(6) Other net liabilities	2,630,000	2,630,000
(7) Deferred policy acquisition expenses	365,000	
(8) Maximum policy acquisition expenses deferrable [(4)+(5)+(9)] <sub>Col. 1</sub> - (2) <sub>Col. 2</sub>		\$ 454,000
(9) Unearned Commissions	\$ 0	

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

\_\_\_\_\_  
Signature of Actuary

Julie-Linda Laforce FCIA  
Printed name of Actuary

\_\_\_\_\_  
Date opinion was rendered

---

### **PART 3 - COMPARISON OF ACTUAL EXPERIENCE WITH EXPECTED EXPERIENCE**

---

The expected experience represents the net ultimate loss projections as of December 31, 2003, December 31, 2004, December 31, 2005, December 31, 2006 and December 31, 2007, and the actual experience represents the net ultimate loss projections as of December 31, 2008. 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 2003/2004, 2004/2005, 2006/2007 and 2007/2008. In 2003/2004, 2004/2005, 2006/2007 and 2007/2008 there were decreases of \$619,000, \$1,221,000, \$2,446,000 and \$649,000 respectively, as a result of favourable development.

There have been moderate changes in claims experience for other policy periods and an overall net claims experience gain of \$5,361,000 (i.e. 8.2% of prior year end estimate) has been realized in 2008 for all policy periods combined.

---

## **PART 4 - COMMENTARY - CLAIMS LIABILITIES, LIABILITIES IN CONNECTION WITH UNEARNED PREMIUM AND OTHER POLICY 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, 2008, there are a total of 36 claims with an incurred value of \$143,094,000 that exceed the \$1,000,000 retention, consisting of gross case reserves of \$13,449,000 and gross payments of \$129,645,000. At the end of 2007, there were 34 claims with an incurred value of \$140,729,000 within the CLLAS coverage layers, consisting of gross case reserves of \$15,063,000 and gross payments of \$125,666,000. The development during 2008 was favourable.

##### *Retention/Reinsurance*

The 2008/2009 reinsurance arrangements were similar to those in place for 2007/2008. The details of the current (2008/2009 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. Please note that in 2007, one firm dissolved and continuous coverage has been provided to the lawyers of this firm that joined other CLLAS firms in exchange for a lateral coverage premium. No adjustment has been made in our valuation to reflect the potential reduction in exposure of CLLAS.

### *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 2008 were consistent with historical practices. The year-end cut off date was December 31, 2008.

### *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 June 30, 1998 and subsequently at June 30, 2002, June 30, 2005 and June 30, 2006 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. Optional layer 2 can also be purchased for \$10M, \$20M or \$30M 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.

### **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 yearly since 1995 and expected loss costs assumptions have been revised from time to time. The last such rating study took place in early 2008 which led to revised expected loss costs per lawyer for the period covering from July 1, 2008 through July 31, 2009. These were used in my December 31, 2008 valuation. I have summarized below the revised and prior loss costs per lawyer assumptions for each layer of proportional reinsurance.

<b>Reinsurance Layer (in million \$)</b>	<b>Expected Loss Costs Per Lawyer</b>	
	<b>Prior</b>	<b>Revised</b>
\$0.75 xs \$0.25	\$ 126	\$ 164
\$4.0 xs \$1.0	1,792	1,597
\$7.5 xs \$5.0	1,262	1,066
\$12.5 xs \$12.5	945	768
\$10.0 xs \$25.0	379	381
\$30.0 xs minimum \$50.0	28	8
\$20.0 xs \$140.0	13	3
\$10.0 xs \$160.0	n/a	2
\$20.0 xs \$160.0	9	2
\$30.0 xs \$160.0	n/a	2

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.

<b>Duration (in months)</b>	<b>Loss Development Factor</b>	<b>IBNR Factor</b>
6	12.755	0.922
18	6.145	0.837
30	2.495	0.599
42	1.825	0.452
54	1.350	0.259
66	1.175	0.149
78	1.125	0.111
90	1.100	0.091
102	1.075	0.070
114	1.040	0.038
126	1.025	0.024
138+	1.013	0.012

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.

<b>Duration (in months)</b>	<b>Payout %</b>
0	0%
12	4%
24	8%
36	18%
48	20%
60	10%
72	10%
84	5%
96	3%
108	3%
120	3%
132	3%
144	3%
156	3%
168	3%
180	2%
192	2%



I have established the liabilities for unallocated loss adjusting expenses at 2.0 % 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 2.0% 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 \$357,000 in 2009.
- 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, 2008 will decrease at an annual rate of 1/7 per year from 2009 to 2015.

The ULAE provision resulting from the above assumptions represents, as indicated in Exhibit IV, 1.9% of the gross case reserves and IBNR provision as of December 31, 2008. A 2.0% assumption was selected to determine the ULAE provision as of December 31, 2008. As shown in Exhibit VIII, such provision amounts to \$1,598,000 (i.e. \$269,000 based on gross case reserves plus \$1,329,000 based on gross IBNR).

During 1990 one of the unregistered reinsurers (Walbrook) stopped accepting business and was replaced on April 1, 1990 by registered companies. This reinsurer, as of the current time, is in liquidation and the future collectibility of this reinsurance is in question. In total, \$0 of total reserves is ceded to Walbrook.

Exhibits V, VI, VII and VIII show the ground-up incurred loss amounts as well as the impact of proportional reinsurance, aggregate reinsurance (i.e. Colchester), uncollectible reinsurance amounts 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 \$33,387,000 including the ULAE component (i.e. case reserves of \$7,837,000 and an IBNR provision of \$25,550,000).

#### *Impact of Changes in Methodology and Assumptions on Reserve Estimates*

The changes in methodology and assumptions implemented in my December 31, 2008 valuation resulted in a total increase in net undiscounted liabilities of \$769,000. This was generated by the change in expected loss costs and incurred loss development factors.

### 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 <sup>(1)</sup> 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	1%	1%
1998/1999	190%	76%
1999/2000	74%	65%
2000/2001	15%	12%
2001/2002	139%	57%
2002/2003 <sup>(2)</sup>	49%	122%
2003/2004 <sup>(3)</sup>	145%	85%
2004/2005	32%	58%
2005/2006	48%	64%
2006/2007	53%	72%
2007/2008	64%	81%
2008/2009	67%	86%
Total	79%	75%

*(1) July 1 to June 30, except for 2008/2009 which is July 1 to December 31, 2008.*

*(2) Excluding reinsurance premium liability of \$(91,754)*

*(3) Excluding reinsurance premium liability of \$2,721,575*

The details of the previous table's calculations are summarized in Exhibit IX, page 1.

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 77% and 68% 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: 15.0% 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: 50 basis points (0.5%) High margin: 200 basis points (2.0%)

Evaluation of these margins can be found in Exhibit X, 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 \$2,904,000 and is shown in Exhibit X, page 7.

#### *Reinsurance Recovery Variable*

Except for Walbrook, all CLLAS proportional reinsurers are believed to be in sound financial condition. All have a 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. Given that a material amount of ceded liabilities are also with unlicensed reinsurers, I have selected a margin of 5.0% (\$2,099,000) for the reinsurance recovery variable. This selection remains unchanged from 2007. The calculation of this margin is also shown in Exhibit X.

#### *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. A discount rate of 3.0% was selected based on the yield of the company's bond portfolio as at December 31, 2008. This is a decrease of 1.0% from the discount rate used in the previous valuation. The yield reflects the market value of bonds since the company has classified its bond portfolio as available-for-sale.

However, 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 \$989,000. The calculation of this margin is also shown in Exhibit X.

### **Summary**

The total margin on the variables comprising the provision for adverse deviation is \$5,992,000. Therefore, the final actuarial liabilities can be summarized as follows:

(1)	Discounted Outstanding Claims Liabilities at December 31, 2008	\$29,042,000
(2)	Provision for Adverse Deviation	<u>5,992,000</u>
(3)	Discounted Outstanding Claims Liabilities plus Provision for Adverse Deviation *	\$35,034,000

*\* 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 also 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 <sup>/1</sup>	Total Unpaid
Gross Losses	\$ 13,449,000	\$ 67,062,000	\$ 80,511,000
Ceded Losses	(5,612,000)	(39,865,000)	(45,477,000)
Net Losses	\$ 7,837,000	\$ 27,197,000	\$ 35,034,000

/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, 2008 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	\$ 35,034,000	Annual Return
2. Actuary's estimate of recoverable	45,477,000	
3. (1) + (2)	\$ 80,511,000	
4. Actuary's estimate of gross unpaid claims	<u>80,511,000</u>	
5. Redundancy (deficiency) (3) - (4)	\$ 0	

## POLICY 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

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 collectibility 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, 2008 are \$12,059,000 and \$4,860,000 respectively.

**Doubtful Reinsurance Accounts**

There is an on-going dispute with several reinsurers regarding the recoveries pertaining to claim number 2004-194, however, management is confident that this dispute will be resolved in CLLAS' favour. I have reviewed and discussed all other reinsurance collectibles with management and am satisfied that with the exception of one unregistered reinsurer (Walbrook) all other reinsurance is collectible.

**Summary of Liabilities in Connection with Unearned Premium**

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

*Ultimate Loss Ratio History*

I have estimated the expected loss ratio using on-level premiums and trended ultimate losses as shown in Exhibit IX page 2.

*Unallocated Loss Adjusting Expenses*

The unallocated loss adjusting expenses as a percentage of losses is selected in Exhibit IV. A 2.0% ratio is used for liabilities in connection with unearned premium for a total of \$271,000.

*Policyholder Service Costs*

I have selected 3.0% of premiums as the policyholder servicing costs for a total of \$362,000. 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 3.0% rate of return has been used to calculate expected investment return on unearned premiums. The resulting income is \$36,000.

*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 \$11,051,000 and the final net liabilities in connection with unearned premium are \$4,406,000.

**Premium Deficiency**

The premium deficiency reserve as at December 31, 2008 is nil.

**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 \$454,000. The company's deferred expenses are \$365,000.



## **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% (\$331,000). The calculation of this margin is shown in Exhibit XI, page 3.

#### *Reinsurance Recovery Variable*

We have selected a margin of 5.0% (\$304,000) 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 XI, 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 \$137,000. The calculation of this margin is also shown in Exhibit XI, page 3.

### **Summary**

The total margin on the variables comprising the provision for adverse deviation is \$772,000. Therefore, the final actuarial liabilities can be summarized as follows:

1.	Discounted Claims Liabilities in connection with Unearned Premiums at December 31, 2008	\$3,308,000
2.	Provision for Adverse Deviation	<u>772,000</u>
3.	Discounted Claims Liabilities in connection with Unearned Premiums plus Provision for Adverse Deviation*	\$4,080,000

\* 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 policy liabilities reported in the Annual Return to the actuary's estimate:

		<b>Source</b>
1. Net unearned premiums reported by CLLAS	\$ 4,860,000	Annual Return
2. Other liabilities reported by CLLAS	0	Annual Return
3. Deferred policy acquisition expense reported by CLLAS	<u>365,000</u>	Annual Return
4. ((1) + (2) - (3))	\$ 4,495,000	
5. Actuary's estimate of net policy liability	<u>4,406,000</u>	
6. Margin (deficiency) ((4) - (5))	\$ 89,000	

---

**PART 4 - COMMENTARY - OTHER ACTUARIAL LIABILITIES**

---

As at December 31, 2008, CLLAS has a premium liability of \$2,442,000 in connection with its proportional reinsurance arrangements for policy years 2002/2003 and 2003/2004. The agreements specify that the total deposit premium is to be adjusted from inception and annually thereafter and is to be calculated at 100/70ths of the total of all known incurred liabilities in respect of the aggregate of claims covered in the layer \$7.5MM in excess of \$5.0MM. The agreements also specify that the total deposit premium is to be adjusted from inception and annually thereafter and is to be calculated at 100/75ths of the total of all known incurred liabilities in respect of the aggregate of claims covered in the layer \$12.5MM in excess of \$12.5MM. The detail of the calculation of this liability is shown in Exhibit XII.

In addition to this provision, CLLAS also has a \$188,000 liability from amounts previously received (through yearly adjustments) from its reinsurers in respect of the agreements stated above.

The premium adjustment provision in these arrangements has been discontinued from policy year 2004/2005 onwards.

---

## **PART 4 - 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 is 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.

- 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.

## **RECOVERABLE AMOUNTS FROM REINSURERS**

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

Claim Liabilities	\$45,477,000
Unearned Premium	<u>\$6,645,000</u>
Total	\$52,122,000

## **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.

As mentioned earlier in the report, CLLAS' management has commented that reinsurance disputes regarding claim 2004-194 will likely be resolved in CLLAS' favour. I am monitoring this situation closely and do not feel it is necessary to make additional provisions at this time.

As stated earlier in this report, all CLLAS proportional reinsurers are believed to be in sound financial condition. All have a 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 thirteen Toronto based legal firms or their related service corporations. Those thirteen shareholders are unrelated to each other. However, each of Colchester's shareholders is, or is related to, one of CLLAS' fourteen 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:

	<b>Gross Paid at 12/31/2008</b>	<b>Gross Case Reserves at 12/31/2008</b>
1. Reported in CLLAS' financial records	\$129,645,000	\$13,449,000
2. Reported in claim bordereaux	129,645,000	13,449,000
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		Amount Unrecoverable (Walbrook)
Exhibit VI		Gross and Net of Proportional Experience
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		Provision for Adverse Deviation - Claims Liabilities
Exhibit XI	Page 1	Premium Liabilities
Exhibit XI	Page 2	Provision for Adverse Deviation – Gross Liabilities in Connection with Unearned Premium
Exhibit XI	Page 3	Provision for Adverse Deviation – Net Liabilities in Connection with Unearned Premium
Exhibit XII		Premium Liability
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, 2003, December 31, 2004, December 31, 2005, December 31, 2006, December 31, 2007 and December 31, 2008 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, 2008:

- 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 policy 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.

Policy 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%

**SCHEDULE 1 (cont'd...)**
**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>
7/1993 - 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%

**SCHEDULE 1 (cont'd...)**
**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>
7/1998 - 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%

**SCHEDULE 1 (cont'd...)**
**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>
7/2003 - 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%
7/2007 - 6/2008	\$20 xs \$160	0.00%	100.00%	0.00%

**SCHEDULE 1 (cont'd)**
**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>
7/2008 - 6/2009	\$0.75 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%

**SCHEDULE 1 (cont'd)****CLLAS REINSURANCE ARRANGEMENTS****Aggregate Basis Ceded to Unregistered Company:**

- |                 |   |
|-----------------|---|
| 7/1989 - 6/1990 | a) Aggregate of \$750,000 of CLLAS retention after reflection of proportional reinsurance, and<br>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<br>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<br>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<br>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<br>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<br>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<br>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<br>b) \$14,000,000 excess of \$14,000,000 of CLLAS retention after reflection of proportional reinsurance. |



**SCHEDULE 1 (cont'd)****CLLAS REINSURANCE ARRANGEMENTS****Aggregate Basis Ceded to Unregistered Company:**

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

**SCHEDULE 1 (cont'd)****CLLAS REINSURANCE ARRANGEMENTS****Aggregate Basis Ceded to Unregistered Company:**

- |                 |  |
|-----------------|--|
| 7/2008 – 6/2009 | <ul style="list-style-type: none"><li>a) Aggregate of \$5,000,000 excess of \$15,000,000 of CLLAS retention after reflection of proportional reinsurance, and</li><li>b) \$20,000,000 excess of \$20,000,000 of CLLAS retention after reflection of proportional reinsurance</li></ul> |
|-----------------|--|





**As at December 31, 2008**

[illegible]





CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

CUMULATIVE PAID LOSSES AND ALAE - NET BASIS (1)

As at December 31, 2008

Year	6	18	30	42	54	66	78	90	102	114	126	138	150	162	174	186	198	210	222	234	246	258
July 1, 1987 - June 30, 1988	0	0	0	0	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	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	0	0	0	0
July 1, 1990 - June 30, 1991	0	0	0	0	0	0	0	503,336	1,386,500	1,796,574	1,796,574	1,796,574	1,796,574	1,796,574	1,796,574	1,796,574	1,796,574	1,796,574	1,796,574	1,796,574	1,796,574	1,796,574
July 1, 1991 - June 30, 1992	0	0	0	0	0	621,881	2,785,289	2,780,404	2,780,404	2,780,404	2,780,404	3,470,496	3,470,496	3,470,496	3,470,496	3,470,496	3,470,496	3,470,496	3,470,496	3,470,496	3,470,496	3,470,496
July 1, 1992 - June 30, 1993	0	0	0	0	0	0	0	0	0	152,344	162,875	163,299	163,299	163,299	163,299	163,299	163,299	163,299	163,299	163,299	163,299	163,299
July 1, 1993 - June 30, 1994	0	0	0	4,181,724	4,180,236	4,180,157	4,190,691	4,190,691	4,190,691	4,190,691	4,707,676	4,966,740	5,105,343	8,388,230	8,388,230	8,388,230	8,388,230	8,388,230	8,388,230	8,388,230	8,388,230	8,388,230
July 1, 1994 - June 30, 1995	0	12,989	29,108	3,916,375	3,925,112	3,925,112	4,633,180	4,633,180	4,633,180	4,633,180	4,633,180	4,633,180	4,633,180	4,633,180	4,633,180	4,633,180	4,633,180	4,633,180	4,633,180	4,633,180	4,633,180	4,633,180
July 1, 1995 - June 30, 1996	0	0	608,365	687,651	696,460	703,258	1,875,833	1,871,322	1,871,322	1,871,322	1,871,322	1,871,322	1,871,322	1,871,322	1,871,322	1,871,322	1,871,322	1,871,322	1,871,322	1,871,322	1,871,322	1,871,322
July 1, 1996 - June 30, 1997	0	0	0	0	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	0	0	0	0
July 1, 1998 - June 30, 1999	0	0	0	0	6,185,130	6,254,045	6,254,045	6,254,045	6,254,045	6,254,045	6,254,045	6,254,045	6,254,045	6,254,045	6,254,045	6,254,045	6,254,045	6,254,045	6,254,045	6,254,045	6,254,045	6,254,045
July 1, 1999 - June 30, 2000	0	0	0	0	0	210,307	210,307	2,731,463	2,731,463	2,731,463	2,731,463	2,731,463	2,731,463	2,731,463	2,731,463	2,731,463	2,731,463	2,731,463	2,731,463	2,731,463	2,731,463	2,731,463
July 1, 2000 - June 30, 2001	0	0	0	0	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	1,522,873	1,571,997	5,532,225	5,601,595	5,601,713	5,601,713	5,601,713	5,601,713	5,601,713	5,601,713	5,601,713	5,601,713	5,601,713	5,601,713	5,601,713	5,601,713	5,601,713	5,601,713	5,601,713
July 1, 2002 - June 30, 2003	0	0	4,008	4,719	9,783	342,467	867,690	867,690	867,690	867,690	867,690	867,690	867,690	867,690	867,690	867,690	867,690	867,690	867,690	867,690	867,690	867,690
July 1, 2003 - June 30, 2004	0	0	7,480,570	9,033,487	9,063,710	10,352,422	10,352,422	10,352,422	10,352,422	10,352,422	10,352,422	10,352,422	10,352,422	10,352,422	10,352,422	10,352,422	10,352,422	10,352,422	10,352,422	10,352,422	10,352,422	10,352,422
July 1, 2004 - June 30, 2005	0	10,774	911,837	944,712	974,755	974,755	974,755	974,755	974,755	974,755	974,755	974,755	974,755	974,755	974,755	974,755	974,755	974,755	974,755	974,755	974,755	974,755
July 1, 2005 - June 30, 2006	0	2,833	2,833	682,577	682,577	682,577	682,577	682,577	682,577	682,577	682,577	682,577	682,577	682,577	682,577	682,577	682,577	682,577	682,577	682,577	682,577	682,577
July 1, 2006 - June 30, 2007	0	0	0	0	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	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 2008 - Dec. 31, 2008	0	0	0	0	0	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

CASE RESERVES - NET BASIS (1)  
As at December 31, 2008

Year	6	18	30	42	54	66	78	90	102	114	126	138	150	162	174	186	198	210	222	234	246	258
July 1, 1987 - June 30, 1988	0	0	0	0	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	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	0	0	0	0
July 1, 1990 - June 30, 1991	0	0	0	250,000	300,000	300,000	100,000	612,500	325,000	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 1991 - June 30, 1992	0	0	875,000	1,250,000	2,025,000	3,100,000	498,571	750,000	750,000	750,000	750,000	9,908	0	0	0	0	0	0	0	0	0	0
July 1, 1992 - June 30, 1993	0	0	0	0	0	0	0	250,000	250,000	17,250	6,720	0	0	0	0	0	0	0	0	0	0	0
July 1, 1993 - June 30, 1994	0	0	0	832,556	1,882,342	1,875,409	2,700,298	4,425,000	4,425,000	4,425,000	3,908,015	3,918,952	3,780,348	0	0	0	0	0	0	0	0	0
July 1, 1994 - June 30, 1995	0	387,500	1,361,877	409,139	625,000	1,050,000	250,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 1995 - June 30, 1996	0	375,000	74,058	10,084	25,000	1,018,202	500	0	0	0	0	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	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	0	0	0	0
July 1, 1998 - June 30, 1999	0	107,500	2,107,500	2,232,500	384,781	107,500	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 1999 - June 30, 2000	0	0	0	0	0	2,600,000	2,600,000	626,156	625,000	5,421	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 2000 - June 30, 2001	0	0	0	0	0	250,000	250,000	500,000	500,000	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 2001 - June 30, 2002	250,000	250,000	3,350,000	2,821,111	4,893,289	667,320	597,949	597,836	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 2002 - June 30, 2003	0	100,000	95,992	95,281	4,590,217	5,555,192	5,226,238	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 2003 - June 30, 2004	0	500,000	3,754,943	1,939,270	1,909,048	744,448	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 2004 - June 30, 2005	1,000,000	1,764,226	938,163	905,288	875,245	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 2005 - June 30, 2006	0	0	0	29,537	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 2006 - June 30, 2007	250,000	1,550,000	1,800,001	0	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	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 2008 - Dec. 31, 2008	0	0	0	0	0	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)  
As at December 31, 2008

Year	6	18	30	42	54	66	78	90	102	114	126	138	150	162	174	186	198	210	222	234	246	258
July 1, 1987 - June 30, 1988	0	0	0	0	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	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	0	0	0	0
July 1, 1990 - June 30, 1991	0	0	0	250,000	300,000	300,000	100,000	1,115,836	1,711,500	1,796,574	1,796,574	1,796,574	1,796,574	1,796,574	1,796,574	1,796,574	1,796,574	1,796,574	1,796,574	1,796,574	1,796,574	1,796,574
July 1, 1991 - June 30, 1992	0	0	875,000	1,250,000	2,025,000	3,721,881	3,283,860	3,530,404	3,530,404	3,530,404	3,530,404	3,480,404	3,470,496	3,470,496	3,470,496	3,470,496	3,470,496	3,470,496	3,470,496	3,470,496	3,470,496	3,470,496
July 1, 1992 - June 30, 1993	0	0	0	0	0	0	0	250,000	250,000	169,594	169,594	163,299	163,299	163,299	163,299	163,299	163,299	163,299	163,299	163,299	163,299	163,299
July 1, 1993 - June 30, 1994	0	0	0	5,014,280	6,062,578	6,055,566	6,890,989	8,615,691	8,615,691	8,615,691	8,615,691	8,885,691	8,885,691	8,885,691	8,885,691	8,885,691	8,885,691	8,885,691	8,885,691	8,885,691	8,885,691	8,885,691
July 1, 1994 - June 30, 1995	0	400,489	1,390,985	4,325,514	4,550,112	4,975,112	4,883,180	4,633,180	4,633,180	4,633,180	4,633,180	4,633,180	4,633,180	4,633,180	4,633,180	4,633,180	4,633,180	4,633,180	4,633,180	4,633,180	4,633,180	4,633,180
July 1, 1995 - June 30, 1996	0	375,000	682,422	697,735	721,460	1,721,460	1,876,333	1,871,322	1,871,322	1,871,322	1,871,322	1,871,322	1,871,322	1,871,322	1,871,322	1,871,322	1,871,322	1,871,322	1,871,322	1,871,322	1,871,322	1,871,322
July 1, 1996 - June 30, 1997	0	0	0	0	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	0	0	0	0
July 1, 1998 - June 30, 1999	0	107,500	2,107,500	2,232,500	6,569,910	6,361,545	6,254,045	6,254,045	6,254,045	6,254,045	6,254,045	6,254,045	6,254,045	6,254,045	6,254,045	6,254,045	6,254,045	6,254,045	6,254,045	6,254,045	6,254,045	6,254,045
July 1, 1999 - June 30, 2000	0	0	0	0	0	2,810,307	2,810,307	3,357,619	3,356,463	3,464,559												
July 1, 2000 - June 30, 2001	0	0	0	0	0	250,000	250,000	500,000	500,000													
July 1, 2001 - June 30, 2002	250,000	250,000	3,350,000	4,343,984	6,465,286	6,199,544	6,199,544	6,199,549														
July 1, 2002 - June 30, 2003	0	100,000	100,000	100,000	4,600,000	5,897,659	6,093,929															
July 1, 2003 - June 30, 2004	0	500,000	11,235,513	10,972,757	10,972,757	11,096,870																
July 1, 2004 - June 30, 2005	1,000,000	1,775,000	1,850,000	1,850,000	1,850,000																	
July 1, 2005 - June 30, 2006	0	2,833	2,833	712,114																		
July 1, 2006 - June 30, 2007	250,000	1,550,000	1,800,001																			
July 1, 2007 - June 30, 2008	0	0																				
July 1, 2008 - Dec. 31, 2008	0																					

(1) Net of proportional reinsurance

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

CUMULATIVE NUMBER OF CLAIMS REPORTED - NET BASIS (1)  
As at December 31, 2008

Year	6	18	30	42	54	66	78	90	102	114	126	138	150	162	174	186	198	210	222	234	246	258
July 1, 1987 - June 30, 1988	0	0	0	0	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	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	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	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	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	1	1	1	1
July 1, 1993 - June 30, 1994	0	0	0	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4
July 1, 1994 - June 30, 1995	0	2	3	5	5	5	5	4	4	4	4	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	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	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	0	0	0	0
July 1, 1998 - June 30, 1999	0	1	2	3	3	3	2	2	2	2	2	2	2	2	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	3	3	3	3	3	3	3	3	3
July 1, 2000 - June 30, 2001	0	0	0	0	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
July 1, 2001 - June 30, 2002	1	1	3	4	5	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6
July 1, 2002 - June 30, 2003	0	1	1	1	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
July 1, 2003 - June 30, 2004	0	1	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
July 1, 2004 - June 30, 2005	1	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
July 1, 2005 - June 30, 2006	0	1	1	2																		
July 1, 2006 - June 30, 2007	1	1	1	2																		
July 1, 2007 - June 30, 2008	0	0																				
July 1, 2008 - Dec. 31, 2008	0																					

(1) Net of proportional reinsurance

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

NUMBER OF CLAIMS OPEN - NET BASIS (1)  
As at December 31, 2008

Year	6	18	30	42	54	66	78	90	102	114	126	138	150	162	174	186	198	210	222	234	246	258
July 1, 1987 - June 30, 1988	0	0	0	0	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	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	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	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	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	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	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	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	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	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	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	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	0	0	0	0
July 1, 2000 - June 30, 2001	0	0	0	0	0	1	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 2001 - June 30, 2002	1	1	3	4	4	5	4	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 2002 - June 30, 2003	0	1	1	1	2	2	2	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 2003 - June 30, 2004	0	1	3	2	2	2	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 2004 - June 30, 2005	1	2	2	2	2	0	0	0	0	0	0	0	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	0	0	0	0
July 1, 2006 - June 30, 2007	1	1	2	0	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	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July 1, 2008 - Dec. 31, 2008	0	0	0	0	0	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, 2008

LAYER	4.4 xs .6	5 xs 5	15 xs 10	Totals
<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(2.0%)	\$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, 2008

LAYER	4.4 xs .6	5 xs 5	15 xs 10	Totals
<u>Derivation of Ultimate Incurred</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>Derivation of Loss Adjustment Expenses</u>				
IBNR LAE	\$0	\$0	\$0	\$0
Case Reserves LAE	\$0	\$0	\$0	\$0
Total LAE(2.0%)	\$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: 1988-2

As at December 31, 2008

LAYER	4 xs 1	5 xs 5	15 xs 10	Totals
<u>Derivation of Ultimate Incurred</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>Derivation of Loss Adjustment Expenses</u>				
IBNR LAE	\$0	\$0	\$0	\$0
Case Reserves LAE	\$0	\$0	\$0	\$0
Total LAE(2.0%)	\$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: 1989-1

As at December 31, 2008

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(2.0%)	\$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, 2008

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(2.0%)	\$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, 2008

LAYER	4 xs 1	5 xs 5	15 xs 10	Totals
<u>Derivation of Ultimate Incurred</u>				
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
<u>Derivation of Loss Adjustment Expenses</u>				
IBNR LAE	\$0	\$0	\$0	\$0
Case Reserves LAE	\$0	\$0	\$0	\$0
Total LAE(2.0%)	\$0	\$0	\$0	\$0
<u>Distribution of Losses between CLLAS and Proportional Reinsurers</u>				
Retention	0.5000	0.0800	0.1733	
Reinsured to Registered	0.1375	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, 2008

LAYER	4 xs 1	5 xs 5	15 xs 10	25 xs 50	Totals
<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(2.0%)	\$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, 2008

LAYER	4 xs 1	5 xs 5	15 xs 10	25 xs 50	Totals
<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(2.0%)	\$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, 2008

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	1,200	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(2.0%)	\$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, 2008

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	1,200	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(2.0%)	\$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, 2008

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(2.0%)	\$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, 2008

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	\$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(2.0%)	\$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, 2008

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	1,254	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(2.0%)	\$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, 2008

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	1,254	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(2.0%)	\$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, 2008

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(2.0%)	\$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, 2008

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(2.0%)	\$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	
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, 2008

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	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(2.0%)	\$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	
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, 2008

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	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(2.0%)	\$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	
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, 2008

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	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(2.0%)	\$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	
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, 2008

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	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(2.0%)	\$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	
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, 2008

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
<i>Derivation of Ultimate Incurred</i>								
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	0.012	0.012	0.012	0.012	0.012	0.012	0.012	
IBNR Amount	\$158	\$17,424	\$10,771	\$8,870	\$4,594	\$4,594	\$1,509	\$47,920
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$158	\$17,424	\$10,771	\$8,870	\$4,594	\$4,594	\$1,509	\$47,920
Paid to Date	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Ultimate Incurred	\$158	\$17,424	\$10,771	\$8,870	\$4,594	\$4,594	\$1,509	\$47,920

*Derivation of Loss Adjustment Expenses*

IBNR LAE	\$3	\$348	\$215	\$177	\$92	\$92	\$30	\$958
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(2.0%)	\$3	\$348	\$215	\$177	\$92	\$92	\$30	\$958

*Distribution of Losses between CLLAS and Proportional Reinsurers*

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	\$158	\$8,712	\$2,154	\$1,597	\$574	\$0	\$0	\$13,196
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$7,482	\$8,007	\$6,916	\$3,630	\$4,004	\$1,343	\$31,383
Unregistered Reinsurers	\$0	\$1,230	\$610	\$357	\$389	\$589	\$166	\$3,341
Total Reserves Retained	\$158	\$8,712	\$2,154	\$1,597	\$574	\$0	\$0	\$13,196
Reserves Ceded to								
Registered Reinsurers	\$0	\$7,482	\$8,007	\$6,916	\$3,630	\$4,004	\$1,343	\$31,383
Unregistered Reinsurers	\$0	\$1,230	\$610	\$357	\$389	\$589	\$166	\$3,341

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 1998-1

As at December 31, 2008

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
<i>Derivation of Ultimate Incurred</i>								
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	0.012	0.012	0.012	0.012	0.012	0.012	0.012	
IBNR Amount	\$158	\$17,424	\$10,771	\$8,870	\$4,594	\$4,594	\$1,509	\$47,920
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$158	\$17,424	\$10,771	\$8,870	\$4,594	\$4,594	\$1,509	\$47,920
Paid to Date	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Ultimate Incurred	\$158	\$17,424	\$10,771	\$8,870	\$4,594	\$4,594	\$1,509	\$47,920

*Derivation of Loss Adjustment Expenses*

IBNR LAE	\$3	\$348	\$215	\$177	\$92	\$92	\$30	\$958
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(2.0%)	\$3	\$348	\$215	\$177	\$92	\$92	\$30	\$958

*Distribution of Losses between CLLAS and Proportional Reinsurers*

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	\$158	\$8,712	\$2,154	\$1,597	\$574	\$0	\$0	\$13,196
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$7,482	\$8,007	\$6,916	\$3,630	\$4,004	\$1,343	\$31,383
Unregistered Reinsurers	\$0	\$1,230	\$610	\$357	\$389	\$589	\$166	\$3,341
Total Reserves Retained	\$158	\$8,712	\$2,154	\$1,597	\$574	\$0	\$0	\$13,196
Reserves Ceded to								
Registered Reinsurers	\$0	\$7,482	\$8,007	\$6,916	\$3,630	\$4,004	\$1,343	\$31,383
Unregistered Reinsurers	\$0	\$1,230	\$610	\$357	\$389	\$589	\$166	\$3,341

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 1998-2

As at December 31, 2008

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	0.024	0.024	0.024	0.024	0.024	0.024	0.024	
IBNR Amount	\$336	\$38,304	\$25,200	\$21,336	\$11,256	\$9,576	\$4,753	\$110,761
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$336	\$38,304	\$25,200	\$21,336	\$11,256	\$9,576	\$4,753	\$110,761
Paid to Date	\$0	\$7,658,266	\$7,500,000	\$5,138,403	\$0	\$0	\$0	\$20,296,669
Total Ultimate Incurred	\$336	\$7,696,570	\$7,525,200	\$5,159,739	\$11,256	\$9,576	\$4,753	\$20,407,430
<u>Derivation of Loss Adjustment Expenses</u>								
IBNR LAE	\$7	\$766	\$504	\$427	\$225	\$192	\$95	\$2,215
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(2.0%)	\$7	\$766	\$504	\$427	\$225	\$192	\$95	\$2,215
<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	\$336	\$19,152	\$5,040	\$3,840	\$1,407	\$0	\$0	\$29,775
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$16,329	\$18,658	\$16,627	\$8,896	\$8,347	\$4,231	\$73,088
Unregistered Reinsurers	\$0	\$2,823	\$1,502	\$868	\$953	\$1,229	\$522	\$7,897
Total Reserves Retained	\$336	\$19,152	\$5,040	\$3,840	\$1,407	\$0	\$0	\$29,775
Reserves Ceded to								
Registered Reinsurers	\$0	\$16,329	\$18,658	\$16,627	\$8,896	\$8,347	\$4,231	\$73,088
Unregistered Reinsurers	\$0	\$2,823	\$1,502	\$868	\$953	\$1,229	\$522	\$7,897

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 1999-1

As at December 31, 2008

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
<i>Derivation of Ultimate Incurred</i>								
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	0.024	0.024	0.024	0.024	0.024	0.024	0.024	
IBNR Amount	\$345	\$39,344	\$25,884	\$21,915	\$11,562	\$9,836	\$4,922	\$113,807
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$345	\$39,344	\$25,884	\$21,915	\$11,562	\$9,836	\$4,922	\$113,807
Paid to Date	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Ultimate Incurred	\$345	\$39,344	\$25,884	\$21,915	\$11,562	\$9,836	\$4,922	\$113,807

*Derivation of Loss Adjustment Expenses*

IBNR LAE	\$7	\$787	\$518	\$438	\$231	\$197	\$98	\$2,276
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(2.0%)	\$7	\$787	\$518	\$438	\$231	\$197	\$98	\$2,276

*Distribution of Losses between CLLAS and Proportional Reinsurers*

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	\$345	\$19,672	\$5,177	\$3,945	\$1,445	\$0	\$0	\$30,584
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$16,772	\$19,165	\$17,078	\$9,137	\$8,574	\$4,381	\$75,108
Unregistered Reinsurers	\$0	\$2,900	\$1,543	\$892	\$979	\$1,262	\$540	\$8,116
Total Reserves Retained	\$345	\$19,672	\$5,177	\$3,945	\$1,445	\$0	\$0	\$30,584
Reserves Ceded to								
Registered Reinsurers	\$0	\$16,772	\$19,165	\$17,078	\$9,137	\$8,574	\$4,381	\$75,108
Unregistered Reinsurers	\$0	\$2,900	\$1,543	\$892	\$979	\$1,262	\$540	\$8,116

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 1999-2

As at December 31, 2008

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
<i>Derivation of Ultimate Incurred</i>								
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	0.038	0.038	0.038	0.038	0.038	0.038	0.038	
IBNR Amount	\$569	\$63,236	\$43,731	\$37,817	\$20,074	\$17,262	\$9,167	\$191,855
Case Reserves	\$0	\$10,843	\$0	\$0	\$0	\$0	\$0	\$10,843
Total Reserves (Ind. & Leg.)	\$569	\$74,079	\$43,731	\$37,817	\$20,074	\$17,262	\$9,167	\$202,698
Paid to Date	\$0	\$5,455,349	\$2,605,779	\$0	\$0	\$0	\$0	\$8,061,128
Total Ultimate Incurred	\$569	\$5,529,428	\$2,649,510	\$37,817	\$20,074	\$17,262	\$9,167	\$8,263,826

*Derivation of Loss Adjustment Expenses*

IBNR LAE	\$11	\$1,265	\$875	\$756	\$401	\$345	\$183	\$3,837
Case Reserves LAE	\$0	\$217	\$0	\$0	\$0	\$0	\$0	\$217
Total LAE(2.0%)	\$11	\$1,482	\$875	\$756	\$401	\$345	\$183	\$4,054

*Distribution of Losses between CLLAS and Proportional Reinsurers*

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	\$2,727,674	\$521,156	\$0	\$0	\$0	\$0	\$3,248,830
Paid Ceded to								
Registered Reinsurers	\$0	\$2,553,103	\$1,979,871	\$0	\$0	\$0	\$0	\$4,532,974
Unregistered Reinsurers	\$0	\$174,571	\$104,752	\$0	\$0	\$0	\$0	\$279,323
Case Reserves Retained	\$0	\$5,421	\$0	\$0	\$0	\$0	\$0	\$5,421
Case Reserves Ceded to								
Registered Reinsurers	\$0	\$5,074	\$0	\$0	\$0	\$0	\$0	\$5,074
Unregistered Reinsurers	\$0	\$347	\$0	\$0	\$0	\$0	\$0	\$347
IBNR Reserves Retained	\$569	\$31,618	\$8,746	\$6,807	\$2,509	\$0	\$0	\$50,249
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$29,594	\$33,227	\$29,349	\$15,883	\$14,846	\$8,082	\$130,980
Unregistered Reinsurers	\$0	\$2,024	\$1,758	\$1,660	\$1,682	\$2,417	\$1,085	\$10,626
Total Reserves Retained	\$569	\$37,039	\$8,746	\$6,807	\$2,509	\$0	\$0	\$55,670
Reserves Ceded to								
Registered Reinsurers	\$0	\$34,669	\$33,227	\$29,349	\$15,883	\$14,846	\$8,082	\$136,055
Unregistered Reinsurers	\$0	\$2,371	\$1,758	\$1,660	\$1,682	\$2,417	\$1,085	\$10,973

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2000-1

As at December 31, 2008

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
<i>Derivation of Ultimate Incurred</i>								
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	0.038	0.038	0.038	0.038	0.038	0.038	0.038	
IBNR Amount	\$658	\$73,205	\$50,625	\$43,778	\$23,239	\$20,154	\$10,302	\$221,961
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$658	\$73,205	\$50,625	\$43,778	\$23,239	\$20,154	\$10,302	\$221,961
Paid to Date	\$0	\$420,614	\$0	\$0	\$0	\$0	\$0	\$420,614
Total Ultimate Incurred	\$658	\$493,819	\$50,625	\$43,778	\$23,239	\$20,154	\$10,302	\$642,575

*Derivation of Loss Adjustment Expenses*

IBNR LAE	\$13	\$1,464	\$1,012	\$876	\$465	\$403	\$206	\$4,439
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(2.0%)	\$13	\$1,464	\$1,012	\$876	\$465	\$403	\$206	\$4,439

*Distribution of Losses between CLLAS and Proportional Reinsurers*

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	\$658	\$36,602	\$10,125	\$7,880	\$2,905	\$0	\$0	\$58,171
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$34,260	\$38,465	\$33,976	\$18,386	\$17,333	\$9,082	\$151,502
Unregistered Reinsurers	\$0	\$2,343	\$2,035	\$1,922	\$1,947	\$2,822	\$1,220	\$12,288
Total Reserves Retained	\$658	\$36,602	\$10,125	\$7,880	\$2,905	\$0	\$0	\$58,171
Reserves Ceded to								
Registered Reinsurers	\$0	\$34,260	\$38,465	\$33,976	\$18,386	\$17,333	\$9,082	\$151,502
Unregistered Reinsurers	\$0	\$2,343	\$2,035	\$1,922	\$1,947	\$2,822	\$1,220	\$12,288

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2000-2

As at December 31, 2008

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	0.07	0.070	0.070	0.070	0.070	0.070	0.07	
IBNR Amount	\$9,397	\$196,405	\$156,668	\$127,267	\$58,532	\$11,166	\$4,400	\$563,837
Case Reserves		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$9,397	\$196,405	\$156,668	\$127,267	\$58,532	\$11,166	\$4,400	\$563,837
Paid to Date	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Ultimate Incurred	\$9,397	\$196,405	\$156,668	\$127,267	\$58,532	\$11,166	\$4,400	\$563,837
<u>Derivation of Loss Adjustment Expenses</u>								
IBNR LAE	\$188	\$3,928	\$3,133	\$2,545	\$1,171	\$223	\$88	\$11,277
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(2.0%)	\$188	\$3,928	\$3,133	\$2,545	\$1,171	\$223	\$88	\$11,277
<u>Distribution of Losses between C.L.L.A.S 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	\$9,397	\$98,203	\$31,334	\$22,908	\$7,317	\$0	\$0	\$169,158
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$91,918	\$119,036	\$98,772	\$46,311	\$9,603	\$3,879	\$369,519
Unregistered Reinsurers	\$0	\$6,285	\$6,298	\$5,587	\$4,905	\$1,563	\$521	\$25,159
Total Reserves Retained	\$9,397	\$98,203	\$31,334	\$22,908	\$7,317	\$0	\$0	\$169,158
Reserves Ceded to								
Registered Reinsurers	\$0	\$91,918	\$119,036	\$98,772	\$46,311	\$9,603	\$3,879	\$369,519
Unregistered Reinsurers	\$0	\$6,285	\$6,298	\$5,587	\$4,905	\$1,563	\$521	\$25,159

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2001-1

As at December 31, 2008

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	0.07	0.070	0.070	0.070	0.070	0.070	0.07	
IBNR Amount	\$10,241	\$214,037	\$170,732	\$138,692	\$63,787	\$12,030	\$4,698	\$614,217
Case Reserves	\$0	\$1,000,000	\$0	\$0	\$0	\$0	\$0	\$1,000,000
Total Reserves (Ind. & Leg.)	\$10,241	\$1,214,037	\$170,732	\$138,692	\$63,787	\$12,030	\$4,698	\$1,614,217
Paid to Date	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Ultimate Incurred	\$10,241	\$1,214,037	\$170,732	\$138,692	\$63,787	\$12,030	\$4,698	\$1,614,217
<u>Derivation of Loss Adjustment Expenses</u>								
IBNR LAE	\$205	\$4,281	\$3,415	\$2,774	\$1,276	\$241	\$94	\$12,284
Case Reserves LAE	\$0	\$20,000	\$0	\$0	\$0	\$0	\$0	\$20,000
Total LAE(2.0%)	\$205	\$24,281	\$3,415	\$2,774	\$1,276	\$241	\$94	\$32,284
<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	\$500,000	\$0	\$0	\$0	\$0	\$0	\$500,000
Case Reserves Ceded to								
Registered Reinsurers	\$0	\$468,000	\$0	\$0	\$0	\$0	\$0	\$468,000
Unregistered Reinsurers	\$0	\$32,000	\$0	\$0	\$0	\$0	\$0	\$32,000
IBNR Reserves Retained	\$10,241	\$107,018	\$34,146	\$24,965	\$7,973	\$0	\$0	\$184,344
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$100,169	\$129,722	\$107,639	\$50,468	\$10,346	\$4,142	\$402,487
Unregistered Reinsurers	\$0	\$6,849	\$6,863	\$6,089	\$5,345	\$1,684	\$556	\$27,387
Total Reserves Retained	\$10,241	\$607,018	\$34,146	\$24,965	\$7,973	\$0	\$0	\$684,344
Reserves Ceded to								
Registered Reinsurers	\$0	\$568,169	\$129,722	\$107,639	\$50,468	\$10,346	\$4,142	\$870,487
Unregistered Reinsurers	\$0	\$38,849	\$6,863	\$6,089	\$5,345	\$1,684	\$556	\$59,387



CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2001-2

As at December 31, 2008

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	0.091	0.091	0.091	0.091	0.091	0.091	0.091	
IBNR Amount	\$13,167	\$275,186	\$219,509	\$178,316	\$82,010	\$15,637	\$6,136	\$789,960
Case Reserves	\$0	\$4,310	\$0	\$0	\$0	\$0	\$0	\$4,310
Total Reserves (Ind. & Leg.)	\$13,167	\$279,496	\$219,509	\$178,316	\$82,010	\$15,637	\$6,136	\$794,270
Paid to Date	\$0	\$7,154,054	\$7,500,000	\$2,890,929	\$0	\$0	\$0	\$17,544,983
Total Ultimate Incurred	\$13,167	\$7,433,550	\$7,719,509	\$3,069,245	\$82,010	\$15,637	\$6,136	\$18,339,253
<u>Derivation of Loss Adjustment Expenses</u>								
IBNR LAE	\$263	\$5,504	\$4,390	\$3,566	\$1,640	\$313	\$123	\$15,799
Case Reserves LAE	\$0	\$86	\$0	\$0	\$0	\$0	\$0	\$86
Total LAE(2.0%)	\$263	\$5,590	\$4,390	\$3,566	\$1,640	\$313	\$123	\$15,885
<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	\$2,155	\$0	\$0	\$0	\$0	\$0	\$2,155
Case Reserves Ceded to								
Registered Reinsurers	\$0	\$2,017	\$0	\$0	\$0	\$0	\$0	\$2,017
Unregistered Reinsurers	\$0	\$138	\$0	\$0	\$0	\$0	\$0	\$138
IBNR Reserves Retained	\$13,167	\$137,593	\$43,902	\$32,097	\$10,251	\$0	\$0	\$237,010
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$128,787	\$175,607	\$140,816	\$64,887	\$13,447	\$5,409	\$528,954
Unregistered Reinsurers	\$0	\$8,806	\$0	\$5,403	\$6,872	\$2,189	\$726	\$23,997
Total Reserves Retained	\$13,167	\$139,748	\$43,902	\$32,097	\$10,251	\$0	\$0	\$239,165
Reserves Ceded to								
Registered Reinsurers	\$0	\$130,804	\$175,607	\$140,816	\$64,887	\$13,447	\$5,409	\$530,971
Unregistered Reinsurers	\$0	\$8,944	\$0	\$5,403	\$6,872	\$2,189	\$726	\$24,135

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2002-1

As at December 31, 2008

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	0.091	0.091	0.091	0.091	0.091	0.091	0.091	
IBNR Amount	\$13,852	\$289,498	\$230,925	\$187,590	\$86,275	\$16,226	\$6,507	\$830,873
Case Reserves	\$0	\$1,191,362	\$0	\$0	\$0	\$0	\$0	\$1,191,362
Total Reserves (Ind. & Leg.)	\$13,852	\$1,480,860	\$230,925	\$187,590	\$86,275	\$16,226	\$6,507	\$2,022,236
Paid to Date	\$0	\$8,638	\$0	\$0	\$0	\$0	\$0	\$8,638
Total Ultimate Incurred	\$13,852	\$1,489,498	\$230,925	\$187,590	\$86,275	\$16,226	\$6,507	\$2,030,873
<u>Derivation of Loss Adjustment Expenses</u>								
IBNR LAE	\$277	\$5,790	\$4,619	\$3,752	\$1,726	\$325	\$130	\$16,617
Case Reserves LAE	\$0	\$23,827	\$0	\$0	\$0	\$0	\$0	\$23,827
Total LAE(2.0%)	\$277	\$29,617	\$4,619	\$3,752	\$1,726	\$325	\$130	\$40,445
<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	\$4,319	\$0	\$0	\$0	\$0	\$0	\$4,319
Paid Ceded to								
Registered Reinsurers	\$0	\$4,042	\$0	\$0	\$0	\$0	\$0	\$4,042
Unregistered Reinsurers	\$0	\$276	\$0	\$0	\$0	\$0	\$0	\$276
Case Reserves Retained	\$0	\$595,681	\$0	\$0	\$0	\$0	\$0	\$595,681
Case Reserves Ceded to								
Registered Reinsurers	\$0	\$557,558	\$0	\$0	\$0	\$0	\$0	\$557,558
Unregistered Reinsurers	\$0	\$38,124	\$0	\$0	\$0	\$0	\$0	\$38,124
IBNR Reserves Retained	\$13,852	\$144,749	\$46,185	\$33,766	\$10,784	\$0	\$0	\$249,336
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$135,485	\$184,740	\$148,140	\$68,261	\$13,954	\$5,737	\$556,317
Unregistered Reinsurers	\$0	\$9,264	\$0	\$5,684	\$7,230	\$2,272	\$770	\$25,220
Total Reserves Retained	\$13,852	\$740,430	\$46,185	\$33,766	\$10,784	\$0	\$0	\$845,017
Reserves Ceded to								
Registered Reinsurers	\$0	\$693,042	\$184,740	\$148,140	\$68,261	\$13,954	\$5,737	\$1,113,875
Unregistered Reinsurers	\$0	\$47,388	\$0	\$5,684	\$7,230	\$2,272	\$770	\$63,343

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2002-2

As at December 31, 2008

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	0.111	0.111	0.111	0.111	0.111	0.111	0.111	
IBNR Amount	\$17,620	\$367,847	\$295,436	\$241,852	\$111,995	\$22,206	\$10,718	\$1,067,675
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$17,620	\$367,847	\$295,436	\$241,852	\$111,995	\$22,206	\$10,718	\$1,067,675
Paid to Date	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Ultimate Incurred	\$17,620	\$367,847	\$295,436	\$241,852	\$111,995	\$22,206	\$10,718	\$1,067,675
<u>Derivation of Loss Adjustment Expenses</u>								
IBNR LAE	\$352	\$7,357	\$5,909	\$4,837	\$2,240	\$444	\$214	\$21,353
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(2.0%)	\$352	\$7,357	\$5,909	\$4,837	\$2,240	\$444	\$214	\$21,353
<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	\$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	\$17,620	\$367,847	\$59,087	\$43,533	\$13,999	\$0	\$0	\$502,087
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$236,349	\$198,319	\$71,028	\$16,979	\$1,954	\$524,628
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$26,969	\$5,227	\$8,764	\$40,960
Total Reserves Retained	\$17,620	\$367,847	\$59,087	\$43,533	\$13,999	\$0	\$0	\$502,087
Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$236,349	\$198,319	\$71,028	\$16,979	\$1,954	\$524,628
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$26,969	\$5,227	\$8,764	\$40,960

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2003-1

As at December 31, 2008

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	0.111	0.111	0.111	0.111	0.111	0.111	0.111	
IBNR Amount	\$19,031	\$397,303	\$319,094	\$261,219	\$120,964	\$23,984	\$11,094	\$1,152,688
Case Reserves	\$0	\$5,226,238	\$0	\$0	\$0	\$0	\$0	\$5,226,238
Total Reserves (Ind. & Leg.)	\$19,031	\$5,623,541	\$319,094	\$261,219	\$120,964	\$23,984	\$11,094	\$6,378,926
Paid to Date	\$0	\$867,690	\$0	\$0	\$0	\$0	\$0	\$867,690
Total Ultimate Incurred	\$19,031	\$6,491,231	\$319,094	\$261,219	\$120,964	\$23,984	\$11,094	\$7,246,617
<u>Derivation of Loss Adjustment Expenses</u>								
IBNR LAE	\$381	\$7,946	\$6,382	\$5,224	\$2,419	\$480	\$222	\$23,054
Case Reserves LAE	\$0	\$104,525	\$0	\$0	\$0	\$0	\$0	\$104,525
Total LAE(2.0%)	\$381	\$112,471	\$6,382	\$5,224	\$2,419	\$480	\$222	\$127,579
<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	\$867,690	\$0	\$0	\$0	\$0	\$0	\$867,690
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	\$5,226,238	\$0	\$0	\$0	\$0	\$0	\$5,226,238
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	\$19,031	\$397,303	\$63,819	\$47,019	\$15,120	\$0	\$0	\$542,292
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$255,275	\$214,199	\$76,715	\$18,338	\$2,022	\$566,550
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$29,128	\$5,646	\$9,072	\$43,846
Total Reserves Retained	\$19,031	\$5,623,541	\$63,819	\$47,019	\$15,120	\$0	\$0	\$5,768,531
Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$255,275	\$214,199	\$76,715	\$18,338	\$2,022	\$566,550
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$29,128	\$5,646	\$9,072	\$43,846

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2003-2

As at December 31, 2008

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
<i>Derivation of Ultimate Incurred</i>								
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	0.149	0.149	0.149	0.149	0.149	0.149	0.149	
IBNR Amount	\$26,596	\$557,113	\$426,405	\$358,677	\$169,004	\$36,044	\$17,324	\$1,591,162
Case Reserves	\$0	\$311,288	\$0	\$0	\$0	\$0	\$0	\$311,288
Total Reserves (Ind. & Leg.)	\$26,596	\$868,400	\$426,405	\$358,677	\$169,004	\$36,044	\$17,324	\$1,902,449
Paid to Date	\$0	\$1,288,712	\$0	\$0	\$0	\$0	\$0	\$1,288,712
Total Ultimate Incurred	\$26,596	\$2,157,113	\$426,405	\$358,677	\$169,004	\$36,044	\$17,324	\$3,191,162

Derivation of Loss Adjustment Expenses

IBNR LAE	\$532	\$11,142	\$8,528	\$7,174	\$3,380	\$721	\$346	\$31,823
Case Reserves LAE	\$0	\$6,226	\$0	\$0	\$0	\$0	\$0	\$6,226
Total LAE(2.0%)	\$532	\$17,368	\$8,528	\$7,174	\$3,380	\$721	\$346	\$38,049

Distribution of Losses between CLLAS and Proportional Reinsurers

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	\$1,288,712	\$0	\$0	\$0	\$0	\$0	\$1,288,712
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	\$311,288	\$0	\$0	\$0	\$0	\$0	\$311,288
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	\$26,596	\$557,113	\$85,281	\$64,562	\$21,125	\$0	\$0	\$754,677
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$341,124	\$294,115	\$97,177	\$26,619	\$1,673	\$760,708
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$50,701	\$9,426	\$15,650	\$75,777
Total Reserves Retained	\$26,596	\$868,400	\$85,281	\$64,562	\$21,125	\$0	\$0	\$1,065,964
Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$341,124	\$294,115	\$97,177	\$26,619	\$1,673	\$760,708
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$50,701	\$9,426	\$15,650	\$75,777

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2004-1

As at December 31, 2008

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	0.149	0.149	0.149	0.149	0.149	0.149	0.149	
IBNR Amount	\$26,845	\$562,331	\$429,064	\$361,297	\$170,323	\$36,382	\$17,488	\$1,603,731
Case Reserves	\$0	\$0	\$0	\$1,057,462	\$1,942,538	\$0	\$0	\$3,000,000
Total Reserves (Ind. & Leg.)	\$26,845	\$562,331	\$429,064	\$1,418,760	\$2,112,861	\$36,382	\$17,488	\$4,603,731
Paid to Date	\$0	\$5,504,053	\$7,500,000	\$11,442,538	\$0	\$0	\$0	\$24,446,591
Total Ultimate Incurred	\$26,845	\$6,066,384	\$7,929,064	\$12,861,297	\$2,112,861	\$36,382	\$17,488	\$29,050,321
<u>Derivation of Loss Adjustment Expenses</u>								
IBNR LAE	\$537	\$11,247	\$8,581	\$7,226	\$3,406	\$728	\$350	\$32,075
Case Reserves LAE	\$0	\$0	\$0	\$21,149	\$38,851	\$0	\$0	\$60,000
Total LAE(2.0%)	\$537	\$11,247	\$8,581	\$28,375	\$42,257	\$728	\$350	\$92,075
<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	\$5,504,053	\$1,500,000	\$2,059,657	\$0	\$0	\$0	\$9,063,710
Paid Ceded to								
Registered Reinsurers	\$0	\$0	\$6,000,000	\$9,382,881	\$0	\$0	\$0	\$15,382,881
Unregistered Reinsurers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Case Reserves Retained	\$0	\$0	\$0	\$190,343	\$242,817	\$0	\$0	\$433,160
Case Reserves Ceded to	\$0	\$0	\$0	\$867,119	\$1,116,959	\$0	\$0	\$1,984,078
Registered Reinsurers	\$0	\$0	\$0	\$0	\$582,761	\$0	\$0	\$582,761
Unregistered Reinsurers	\$26,845	\$562,331	\$85,813	\$65,034	\$21,290	\$0	\$0	\$761,313
IBNR Reserves Retained	\$0	\$0	\$343,251	\$296,264	\$97,936	\$26,868	\$1,689	\$766,008
IBNR Reserves Ceded to	\$0	\$0	\$0	\$0	\$51,097	\$9,514	\$15,799	\$76,410
Registered Reinsurers	\$26,845	\$562,331	\$85,813	\$255,377	\$264,108	\$0	\$0	\$1,194,473
Unregistered Reinsurers	\$0	\$0	\$0	\$1,163,383	\$1,214,895	\$26,868	\$1,689	\$2,750,086
Total Reserves Retained	\$0	\$0	\$343,251	\$0	\$633,858	\$9,514	\$15,799	\$659,171
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 : 2004-2

As at December 31, 2008

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	0.259	0.259	0.259	0.259	0.259	0.259	0.259	
IBNR Amount	\$48,505	\$1,024,138	\$788,351	\$670,543	\$319,306	\$72,451	\$35,199	\$2,958,494
Case Reserves	\$0	\$63,583	\$0	\$0	\$0	\$0	\$0	\$63,583
Total Reserves (Ind. & Leg.)	\$48,505	\$1,087,721	\$788,351	\$670,543	\$319,306	\$72,451	\$35,199	\$3,022,076
Paid to Date	\$0	\$936,417	\$0	\$0	\$0	\$0	\$0	\$936,417
Total Ultimate Incurred	\$48,505	\$2,024,138	\$788,351	\$670,543	\$319,306	\$72,451	\$35,199	\$3,958,494
<u>Derivation of Loss Adjustment Expenses</u>								
IBNR LAE	\$970	\$20,483	\$15,767	\$13,411	\$6,386	\$1,449	\$704	\$59,170
Case Reserves LAE	\$0	\$1,272	\$0	\$0	\$0	\$0	\$0	\$1,272
Total LAE(2.0%)	\$970	\$21,754	\$15,767	\$13,411	\$6,386	\$1,449	\$704	\$60,442
<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	\$936,417	\$0	\$0	\$0	\$0	\$0	\$936,417
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	\$63,583	\$0	\$0	\$0	\$0	\$0	\$63,583
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	\$48,505	\$1,024,138	\$157,670	\$120,698	\$39,913	\$0	\$0	\$1,390,925
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$591,263	\$549,846	\$201,322	\$54,237	\$3,400	\$1,400,068
Unregistered Reinsurers	\$0	\$0	\$39,418	\$0	\$78,070	\$18,214	\$31,798	\$167,501
Total Reserves Retained	\$48,505	\$1,087,721	\$157,670	\$120,698	\$39,913	\$0	\$0	\$1,454,508
Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$591,263	\$549,846	\$201,322	\$54,237	\$3,400	\$1,400,068
Unregistered Reinsurers	\$0	\$0	\$39,418	\$0	\$78,070	\$18,214	\$31,798	\$167,501

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2005-1

As at December 31, 2008

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	\$3,937,330	\$3,036,359	\$2,585,526	\$1,231,847	\$279,955	\$135,201	
IBNR Factor	0.259	0.259	0.259	0.259	0.259	0.259	0.259	
IBNR Amount	\$48,544	\$1,024,948	\$786,417	\$669,651	\$319,048	\$72,508	\$35,017	\$2,956,134
Case Reserves	\$0	\$811,662	\$0	\$0	\$0	\$0	\$0	\$811,662
Total Reserves (Ind. & Leg.)	\$48,544	\$1,836,611	\$786,417	\$669,651	\$319,048	\$72,508	\$35,017	\$3,767,797
Paid to Date	\$0	\$38,338	\$0	\$0	\$0	\$0	\$0	\$38,338
Total Ultimate Incurred	\$48,544	\$1,874,948	\$786,417	\$669,651	\$319,048	\$72,508	\$35,017	\$3,806,134
<u>Derivation of Loss Adjustment Expenses</u>								
IBNR LAE	\$971	\$20,499	\$15,728	\$13,393	\$6,381	\$1,450	\$700	\$59,123
Case Reserves LAE	\$0	\$16,233	\$0	\$0	\$0	\$0	\$0	\$16,233
Total LAE(2.0%)	\$971	\$36,732	\$15,728	\$13,393	\$6,381	\$1,450	\$700	\$75,356
<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	\$38,338	\$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	\$0	\$811,662	\$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	\$48,544	\$1,024,948	\$157,283	\$120,537	\$39,881	\$0	\$0	\$1,391,194
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$589,813	\$549,114	\$201,160	\$54,280	\$3,383	\$1,397,749
Unregistered Reinsurers	\$0	\$0	\$39,321	\$0	\$78,007	\$18,229	\$31,634	\$167,191
Total Reserves Retained	\$48,544	\$1,836,611	\$157,283	\$120,537	\$39,881	\$0	\$0	\$2,202,856
Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$589,813	\$549,114	\$201,160	\$54,280	\$3,383	\$1,397,749
Unregistered Reinsurers	\$0	\$0	\$39,321	\$0	\$78,007	\$18,229	\$31,634	\$167,191



CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2005-2

As at December 31, 2008

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	0.452	0.452	0.452	0.452	0.452	0.452	0.452	
IBNR Amount	\$89,007	\$1,878,792	\$1,456,896	\$1,255,837	\$605,673	\$149,059	\$73,148	\$5,508,412
Case Reserves	\$0	\$29,537	\$0	\$0	\$0	\$0	\$0	\$29,537
Total Reserves (Ind. & Leg.)	\$89,007	\$1,908,329	\$1,456,896	\$1,255,837	\$605,673	\$149,059	\$73,148	\$5,537,949
Paid to Date	\$0	\$679,744	\$0	\$0	\$0	\$0	\$0	\$679,744
Total Ultimate Incurred	\$89,007	\$2,588,073	\$1,456,896	\$1,255,837	\$605,673	\$149,059	\$73,148	\$6,217,693
<u>Derivation of Loss Adjustment Expenses</u>								
IBNR LAE	\$1,780	\$37,576	\$29,138	\$25,117	\$12,113	\$2,981	\$1,463	\$110,168
Case Reserves LAE	\$0	\$591	\$0	\$0	\$0	\$0	\$0	\$591
Total LAE(2.0%)	\$1,780	\$38,167	\$29,138	\$25,117	\$12,113	\$2,981	\$1,463	\$110,759
<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	\$679,744	\$0	\$0	\$0	\$0	\$0	\$679,744
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	\$29,537	\$0	\$0	\$0	\$0	\$0	\$29,537
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	\$89,007	\$1,878,792	\$291,379	\$226,051	\$75,709	\$0	\$0	\$2,560,938
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$1,092,672	\$1,004,670	\$529,964	\$149,059	\$26,333	\$2,802,698
Unregistered Reinsurers	\$0	\$0	\$72,845	\$25,117	\$0	\$0	\$46,815	\$144,776
Total Reserves Retained	\$89,007	\$1,908,329	\$291,379	\$226,051	\$75,709	\$0	\$0	\$2,590,475
Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$1,092,672	\$1,004,670	\$529,964	\$149,059	\$26,333	\$2,802,698
Unregistered Reinsurers	\$0	\$0	\$72,845	\$25,117	\$0	\$0	\$46,815	\$144,776

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2006-1

As at December 31, 2008

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	0.452	0.452	0.452	0.452	0.452	0.452	0.452	
IBNR Amount	\$89,935	\$1,898,392	\$1,469,883	\$1,267,700	\$611,544	\$150,614	\$74,130	\$5,562,197
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$89,935	\$1,898,392	\$1,469,883	\$1,267,700	\$611,544	\$150,614	\$74,130	\$5,562,197
Paid to Date	\$0	\$2,833	\$0	\$0	\$0	\$0	\$0	\$2,833
Total Ultimate Incurred	\$89,935	\$1,901,225	\$1,469,883	\$1,267,700	\$611,544	\$150,614	\$74,130	\$5,565,031
<u>Derivation of Loss Adjustment Expenses</u>								
IBNR LAE	\$1,799	\$37,968	\$29,398	\$25,354	\$12,231	\$3,012	\$1,483	\$111,244
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(2.0%)	\$1,799	\$37,968	\$29,398	\$25,354	\$12,231	\$3,012	\$1,483	\$111,244
<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	\$89,935	\$1,898,392	\$293,977	\$228,186	\$76,443	\$0	\$0	\$2,586,933
IBNR Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$1,102,412	\$1,014,160	\$535,101	\$150,614	\$26,687	\$2,828,974
Unregistered Reinsurers	\$0	\$0	\$73,494	\$25,354	\$0	\$0	\$47,443	\$146,291
Total Reserves Retained	\$89,935	\$1,898,392	\$293,977	\$228,186	\$76,443	\$0	\$0	\$2,586,933
Reserves Ceded to								
Registered Reinsurers	\$0	\$0	\$1,102,412	\$1,014,160	\$535,101	\$150,614	\$26,687	\$2,828,974
Unregistered Reinsurers	\$0	\$0	\$73,494	\$25,354	\$0	\$0	\$47,443	\$146,291

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2006-2

As at December 31, 2008

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	1,972	1,972	2,397	2,397	2,397	2,397	2,076	877	
Expected Loss Cost per Lawyer	\$220	\$2,243	\$1,510	\$1,302	\$540	\$42	\$24	\$18	
Gross Expected Loss Volume	\$433,895	\$4,423,757	\$3,620,949	\$3,121,345	\$1,295,199	\$100,685	\$49,824	\$15,791	
IBNR Factor	0.599	0.599	0.599	0.599	0.599	0.599	0.599	0.599	
IBNR Amount	\$259,903	\$2,649,830	\$2,168,949	\$1,869,686	\$775,824	\$60,310	\$29,845	\$9,459	\$7,823,805
Case Reserves	\$250,001	\$1,550,000	\$0	\$0	\$0	\$0	\$0	\$0	\$1,800,001
Total Reserves (Ind. & Leg.)	\$509,904	\$4,199,830	\$2,168,949	\$1,869,686	\$775,824	\$60,310	\$29,845	\$9,459	\$9,623,806
Paid to Date	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Ultimate Incurred	\$509,904	\$4,199,830	\$2,168,949	\$1,869,686	\$775,824	\$60,310	\$29,845	\$9,459	\$9,623,806
<u>Derivation of Loss Adjustment Expenses</u>									
IBNR LAE	\$5,198	\$52,997	\$43,379	\$37,394	\$15,516	\$1,206	\$597	\$189	\$156,476
Case Reserves LAE	\$5,000	\$31,000	\$0	\$0	\$0	\$0	\$0	\$0	\$36,000
Total LAE(2.0%)	\$10,198	\$83,997	\$43,379	\$37,394	\$15,516	\$1,206	\$597	\$189	\$192,476
<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	\$250,001	\$1,550,000	\$0	\$0	\$0	\$0	\$0	\$0	\$1,800,001
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	\$259,903	\$2,649,830	\$433,790	\$336,543	\$96,978	\$0	\$0	\$0	\$3,777,045
IBNR Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$1,626,712	\$1,439,658	\$678,846	\$60,310	\$10,744	\$9,459	\$3,825,728
Unregistered Reinsurers	\$0	\$0	\$108,447	\$93,484	\$0	\$0	\$19,101	\$0	\$221,032
Total Reserves Retained	\$509,904	\$4,199,830	\$433,790	\$336,543	\$96,978	\$0	\$0	\$0	\$5,577,046
Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$1,626,712	\$1,439,658	\$678,846	\$60,310	\$10,744	\$9,459	\$3,825,728
Unregistered Reinsurers	\$0	\$0	\$108,447	\$93,484	\$0	\$0	\$19,101	\$0	\$221,032

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2007-1  
As at December 31, 2008

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	1,946	1,946	2,374	2,374	2,374	2,374	2,127	2,127	
Expected Loss Cost per Lawyer	\$220	\$2,243	\$1,509	\$1,301	\$540	\$42	\$24	\$18	
Gross Expected Loss Volume	\$428,065	\$4,364,317	\$3,583,157	\$3,088,127	\$1,281,128	\$99,719	\$51,054	\$38,291	
IBNR Factor	0.599	0.599	0.599	0.599	0.599	0.599	0.599	0.599	
IBNR Amount	\$256,411	\$2,614,226	\$2,146,311	\$1,849,788	\$767,396	\$59,731	\$30,581	\$22,936	\$7,747,380
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$256,411	\$2,614,226	\$2,146,311	\$1,849,788	\$767,396	\$59,731	\$30,581	\$22,936	\$7,747,380
Paid to Date	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Ultimate Incurred	\$256,411	\$2,614,226	\$2,146,311	\$1,849,788	\$767,396	\$59,731	\$30,581	\$22,936	\$7,747,380
<u>Derivation of Loss Adjustment Expenses</u>									
IBNR LAE	\$5,128	\$52,285	\$42,926	\$36,996	\$15,348	\$1,195	\$612	\$459	\$154,948
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(2.0%)	\$5,128	\$52,285	\$42,926	\$36,996	\$15,348	\$1,195	\$612	\$459	\$154,948
<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	\$256,411	\$2,614,226	\$429,262	\$332,962	\$95,924	\$0	\$0	\$0	\$3,728,785
IBNR Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$1,609,733	\$1,424,337	\$671,471	\$59,731	\$11,009	\$22,936	\$3,799,218
Unregistered Reinsurers	\$0	\$0	\$107,316	\$92,489	\$0	\$0	\$19,572	\$0	\$219,377
Total Reserves Retained	\$256,411	\$2,614,226	\$429,262	\$332,962	\$95,924	\$0	\$0	\$0	\$3,728,785
Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$1,609,733	\$1,424,337	\$671,471	\$59,731	\$11,009	\$22,936	\$3,799,218
Unregistered Reinsurers	\$0	\$0	\$107,316	\$92,489	\$0	\$0	\$19,572	\$0	\$219,377

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR – REFLECTING PROPORTIONAL REINSURANCE

Period : 2007-2

As at December 31, 2008

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	1,931	1,931	2,356	2,356	2,356	2,356	2,099	1,414	
Expected Loss Cost per Lawyer	\$126	\$1,792	\$1,261	\$945	\$379	\$28	\$13	\$9	
Gross Expected Loss Volume	\$243,306	\$3,460,352	\$2,970,168	\$2,225,966	\$893,454	\$65,961	\$27,284	\$12,724	
IBNR Factor	0.837	0.837	0.837	0.837	0.837	0.837	0.837	0.837	
IBNR Amount	\$203,647	\$2,896,315	\$2,486,031	\$1,863,133	\$747,821	\$55,209	\$22,836	\$10,650	\$8,285,642
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$203,647	\$2,896,315	\$2,486,031	\$1,863,133	\$747,821	\$55,209	\$22,836	\$10,650	\$8,285,642
Paid to Date	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Ultimate Incurred	\$203,647	\$2,896,315	\$2,486,031	\$1,863,133	\$747,821	\$55,209	\$22,836	\$10,650	\$8,285,642
<u>Derivation of Loss Adjustment Expenses</u>									
IBNR LAE	\$4,073	\$57,926	\$49,721	\$37,263	\$14,956	\$1,104	\$457	\$213	\$165,713
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(2.0%)	\$4,073	\$57,926	\$49,721	\$37,263	\$14,956	\$1,104	\$457	\$213	\$165,713
<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	\$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	\$203,647	\$2,896,315	\$745,809	\$335,364	\$93,478	\$0	\$0	\$0	\$4,274,613
IBNR Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$1,615,920	\$1,434,613	\$654,343	\$55,209	\$8,221	\$10,650	\$3,778,956
Unregistered Reinsurers	\$0	\$0	\$124,302	\$93,157	\$0	\$0	\$14,615	\$0	\$232,074
Total Reserves Retained	\$203,647	\$2,896,315	\$745,809	\$335,364	\$93,478	\$0	\$0	\$0	\$4,274,613
Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$1,615,920	\$1,434,613	\$654,343	\$55,209	\$8,221	\$10,650	\$3,778,956
Unregistered Reinsurers	\$0	\$0	\$124,302	\$93,157	\$0	\$0	\$14,615	\$0	\$232,074

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2008-1  
As at December 31, 2008

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	1,995	1,995	2,428	2,428	2,428	2,428	2,162	1,476	
Expected Loss Cost per Lawyer	\$126	\$1,792	\$1,262	\$945	\$379	\$28	\$13	\$9	
Gross Expected Loss Volume	\$251,339	\$3,574,592	\$3,063,498	\$2,295,130	\$921,305	\$67,977	\$28,103	\$13,280	
IBNR Factor	0.837	0.837	0.837	0.837	0.837	0.837	0.837	0.837	
IBNR Amount	\$210,370	\$2,991,934	\$2,564,147	\$1,921,024	\$771,132	\$56,897	\$23,522	\$11,115	\$8,550,141
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$210,370	\$2,991,934	\$2,564,147	\$1,921,024	\$771,132	\$56,897	\$23,522	\$11,115	\$8,550,141
Paid to Date	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Ultimate Incurred	\$210,370	\$2,991,934	\$2,564,147	\$1,921,024	\$771,132	\$56,897	\$23,522	\$11,115	\$8,550,141
<u>Derivation of Loss Adjustment Expenses</u>									
IBNR LAE	\$4,207	\$59,839	\$51,283	\$38,420	\$15,423	\$1,138	\$470	\$222	\$171,003
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(2.0%)	\$4,207	\$59,839	\$51,283	\$38,420	\$15,423	\$1,138	\$470	\$222	\$171,003

Distribution of Losses between C/L/LAS and Proportional Reinsurers

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	\$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	\$210,370	\$2,991,934	\$769,244	\$345,784	\$96,392	\$0	\$0	\$0	\$4,413,724
IBNR Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$1,666,696	\$1,479,188	\$674,741	\$56,897	\$8,468	\$11,115	\$3,897,105
Unregistered Reinsurers	\$0	\$0	\$128,207	\$96,051	\$0	\$0	\$15,054	\$0	\$239,313
Total Reserves Retained	\$210,370	\$2,991,934	\$769,244	\$345,784	\$96,392	\$0	\$0	\$0	\$4,413,724
Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$1,666,696	\$1,479,188	\$674,741	\$56,897	\$8,468	\$11,115	\$3,897,105
Unregistered Reinsurers	\$0	\$0	\$128,207	\$96,051	\$0	\$0	\$15,054	\$0	\$239,313

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period : 2008-2

As at December 31, 2008

LAYER	.75 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	1,967	1,967	2,393	2,393	2,393	2,393	2,136	1,457	
Expected Loss Cost per Lawyer	\$164	\$1,597	\$1,066	\$768	\$381	\$8	\$3	\$2	
Gross Expected Loss Volume	\$322,506	\$3,140,501	\$2,551,353	\$1,837,058	\$911,711	\$19,140	\$6,409	\$2,915	
IBNR Factor	0.922	0.922	0.922	0.922	0.922	0.922	0.922	0.922	
IBNR Amount	\$297,351	\$2,895,541	\$2,352,347	\$1,693,767	\$840,597	\$17,647	\$5,909	\$2,687	\$8,105,847
Case Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserves (Ind. & Leg.)	\$297,351	\$2,895,541	\$2,352,347	\$1,693,767	\$840,597	\$17,647	\$5,909	\$2,687	\$8,105,847
Paid to Date	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Ultimate Incurred	\$297,351	\$2,895,541	\$2,352,347	\$1,693,767	\$840,597	\$17,647	\$5,909	\$2,687	\$8,105,847
<u>Derivation of Loss Adjustment Expenses</u>									
IBNR LAE	\$5,947	\$57,911	\$47,047	\$33,875	\$16,812	\$353	\$118	\$54	\$162,117
Case Reserves LAE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total LAE(2.0%)	\$5,947	\$57,911	\$47,047	\$33,875	\$16,812	\$353	\$118	\$54	\$162,117

Distribution of Losses between CLLAS and Proportional Reinsurers

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	\$297,351	\$2,895,541	\$823,322	\$406,504	\$105,075	\$0	\$0	\$0	\$4,527,792
IBNR Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$1,411,408	\$1,202,575	\$735,522	\$17,647	\$2,127	\$2,687	\$3,371,967
Unregistered Reinsurers	\$0	\$0	\$117,617	\$84,688	\$0	\$0	\$3,782	\$0	\$206,087
Total Reserves Retained	\$297,351	\$2,895,541	\$823,322	\$406,504	\$105,075	\$0	\$0	\$0	\$4,527,792
Reserves Ceded to									
Registered Reinsurers	\$0	\$0	\$1,411,408	\$1,202,575	\$735,522	\$17,647	\$2,127	\$2,687	\$3,371,967
Unregistered Reinsurers	\$0	\$0	\$117,617	\$84,688	\$0	\$0	\$3,782	\$0	\$206,087

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

IBNR - REFLECTING PROPORTIONAL REINSURANCE

Period: All Years

As at December 31, 2008

LAYER	Totals
IBNR Amount	\$66,446,421
Case Reserves	\$13,448,824
Total Reserves (Ind. & Leg.)	\$79,895,244
Paid to Date	\$129,645,125
Total Ultimate Incurred	\$209,540,369
Paid to Date Retained	\$48,505,080
Paid Ceded to	
Registered Reinsurers	\$76,984,430
Unregistered Reinsurers	\$4,155,615
Case Reserves Retained	\$9,778,727
Case Reserves Ceded to	
Registered Reinsurers	\$3,016,727
Unregistered Reinsurers	\$653,370
IBNR Reserves Retained	\$32,247,335
IBNR Reserves Ceded to	
Registered Reinsurers	\$32,071,079
Unregistered Reinsurers	\$2,128,007
Total Reserves Retained	\$42,026,062
Reserves Ceded to	
Registered Reinsurers	\$35,087,806
Unregistered Reinsurers	\$2,781,377



**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		3.086	2.035	1.375	1.175	1.065	0.996	0.963	0.960	0.967	0.971	0.969	0.963
50,000		3.631	2.314	1.487	1.235	1.094	1.005	0.965	0.957	0.962	0.966	0.962	0.955
100,000		4.230	2.610	1.607	1.312	1.133	1.017	0.967	0.955	0.959	0.964	0.959	0.948
200,000		5.195	2.948	1.642	1.335	1.123	0.993	0.944	0.939	0.946	0.958	0.957	0.940
300,000		5.393	2.976	1.594	1.298	1.093	0.962	0.914	0.915	0.927	0.940	0.936	0.917
1,000,000		12.755	6.145	2.495	1.825	1.350	1.175	1.125	1.100	1.075	1.040	1.025	1.013
Selected		12.755	6.145	2.495	1.825	1.350	1.175	1.125	1.100	1.075	1.040	1.025	1.013

(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 \$2009) As at December 31, 2008</i>	<i>Assumed Portion Applicable to Losses Outstanding As at December 31, 2008</i>	<i>Future Indexing (3% per year) As at December 31, 2008</i>	<i>Estimated Provision</i>
2009	\$357,000	7/7	1.000	\$ 357,000
2010	357,000	6/7	1.030	315,180
2011	357,000	5/7	1.061	270,530
2012	357,000	4/7	1.093	222,916
2013	357,000	3/7	1.126	172,203
2014	357,000	2/7	1.159	118,246
2015	357,000	1/7	1.194	60,897
<b>Total</b>				<b>\$ 1,516,971</b>
Gross Outstanding Liabilities				
			- Case Reserve	\$ 13,448,824
			- IBNR	<u>66,446,421</u>
			- Total	\$ 79,895,244
Unallocated Loss Adjustment Expenses Provision as a % of Gross Outstanding liabilities				
			- Indicated	1.9%
			- <b>Selected</b>	<b>2.0%</b>

(1) Based upon actual CLLAS internal claims management expenses of \$393,000 in 2008 and estimated 2009 expenses of \$357,000.

## CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

## AMOUNT UNRECOVERABLE (Wallbrook)

Total All Years

As at December 31, 2008

<i>Policy Period</i>	<i>Layer (\$000,000)</i>	<i>Total Reserves (Ind. + Leg.)</i>	<i>Proportion Ceded to Wallbrook</i>	<i>Amount Ceded to Wallbrook</i>
July 1987 - Dec 1987	4.4 ex 0.6	\$0	27.50%	\$0
	15 ex 10	\$0	9.17%	\$0
Jan 1988 - June 1988	4.4 ex 0.6	\$0	27.50%	\$0
	15 ex 10	\$0	9.17%	\$0
Subtotal				\$0
July 1988 - Dec 1988	4 ex 1	\$0	27.50%	\$0
	15 ex 10	\$0	8.65%	\$0
Jan 1989 - June 1989	4 ex 1	\$0	27.50%	\$0
	15 ex 10	\$0	8.65%	\$0
Subtotal				\$0
July 1989 - Dec 1989	4 ex 1	\$0	27.50%	\$0
	15 ex 10	\$0	5.62%	\$0
Jan 1990 - June 1990	4 ex 1	\$0	13.75%	\$0
	15 ex 10	\$0	2.81%	\$0
Subtotal				\$0
Grand Total				\$0
Provision for unrecoverable reinsurance				\$0

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY  
GROSS AND NET OF PROPORTIONAL EXPERIENCE  
As at December 31, 2008

Policy Period	GROSS CLLAS EXPERIENCE (1)				NET OF PROPORTIONAL REINSURANCE			
	Paid	Case Reserves	IBNR	Total Incurred	Paid	Case Reserves	IBNR	Total Incurred
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	\$95,840	\$95,840	\$0	\$0	\$26,391	\$26,391
July 1, 1998 - June 30, 1999	\$20,296,669	\$0	\$224,568	\$20,521,237	\$6,254,045	\$0	\$60,359	\$6,314,405
July 1, 1999 - June 30, 2000	\$8,481,742	\$10,843	\$413,816	\$8,906,401	\$3,459,137	\$5,421	\$108,420	\$3,572,978
July 1, 2000 - June 30, 2001	\$0	\$1,000,000	\$1,178,054	\$2,178,054	\$0	\$500,000	\$353,502	\$853,502
July 1, 2001 - June 30, 2002	\$17,553,620	\$1,195,672	\$1,620,834	\$20,370,126	\$5,601,713	\$597,836	\$486,346	\$6,685,895
July 1, 2002 - June 30, 2003	\$867,690	\$5,226,238	\$2,220,363	\$8,314,291	\$867,690	\$5,226,238	\$1,044,379	\$7,138,308
July 1, 2003 - June 30, 2004	\$25,735,303	\$3,311,288	\$3,194,893	\$32,241,483	\$10,352,422	\$744,448	\$1,515,990	\$12,612,860
July 1, 2004 - June 30, 2005	\$974,755	\$875,245	\$5,914,628	\$7,764,628	\$974,755	\$875,245	\$2,782,119	\$4,632,119
July 1, 2005 - June 30, 2006	\$682,577	\$29,537	\$11,070,610	\$11,782,723	\$682,577	\$29,537	\$5,147,870	\$5,859,984
July 1, 2006 - June 30, 2007	\$0	\$1,800,001	\$15,571,186	\$17,371,187	\$0	\$1,800,001	\$7,505,830	\$9,305,831
July 1, 2007 - June 30, 2008	\$0	\$0	\$16,835,783	\$16,835,783	\$0	\$0	\$8,688,336	\$8,688,336
July 1, 2008 - December 31, 2008	\$0	\$0	\$8,105,847	\$8,105,847	\$0	\$0	\$4,527,792	\$4,527,792
Total	\$129,645,125	\$13,448,824	\$66,446,421	\$209,540,369	\$48,515,441	\$9,778,727	\$32,247,335	\$90,541,503

(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  
AGGREGATE AND NET OF AGGREGATE EXPERIENCE  
As at December 31, 2008

Policy Period	STOP LOSS PROPORTION (1)				NET OF PROPORTIONAL & STOP LOSS					
	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	\$7,917 (3)	\$7,917	\$0	\$0	\$18,474 (3)	\$18,474
July 1, 1998 - June 30, 1999	0.300	\$4.7M xs \$3.3M	\$2,954,045	\$0	\$60,359 (4)	\$3,014,405	\$3,300,000	\$0	\$0 (4)	\$3,300,000
July 1, 1999 - June 30, 2000	0.300	\$4.7M xs \$3.3M	\$159,137	\$5,421	\$108,420 (4)	\$272,978	\$3,300,000	\$0	\$0 (4)	\$3,300,000
July 1, 2000 - June 30, 2001	0.300	\$4.7M xs \$3.3M	\$0	\$0	\$106,051 (3)	\$106,051	\$0	\$500,000	\$247,451 (3)	\$747,451
July 1, 2001 - June 30, 2002	0.300	\$4.7M xs \$3.3M	\$2,301,713	\$597,836	\$486,346 (4)	\$3,385,895	\$3,300,000	-\$0	\$0 (4)	\$3,300,000
July 1, 2002 - June 30, 2003	0.300	\$7.5M xs \$5.5M	\$0	\$593,929	\$1,044,379 (4)	\$1,638,308	\$867,690	\$4,632,310	\$0 (4)	\$5,500,000
July 1, 2003 - June 30, 2004	0.300	\$7.5M xs \$5.5M	\$4,852,422	\$744,448	\$1,515,990 (4)	\$7,112,860	\$5,500,000	\$0	\$0 (4)	\$5,500,000
July 1, 2004 - June 30, 2005	0.300	\$7.5M xs \$5.5M	\$0	\$0	\$834,636 (3)	\$834,636	\$974,755	\$875,245	\$1,947,483 (3)	\$3,797,483
July 1, 2005 - June 30, 2006	0.400	\$9.5M xs \$5.5M	\$0	\$0	\$2,059,148 (3)	\$2,059,148	\$682,577	\$29,537	\$3,088,722 (3)	\$3,800,836
July 1, 2006 - June 30, 2007	0.100	\$5M xs \$15.0M	\$0	\$0	\$750,583 (3)	\$750,583	\$0	\$1,800,001	\$6,755,247 (3)	\$8,555,248
July 1, 2007 - June 30, 2008	0.100	\$5M xs \$15.0M	\$0	\$0	\$868,834 (3)	\$868,834	\$0	\$0	\$7,819,503 (3)	\$7,819,503
July 1, 2008 - December 31, 2008	0.100	\$5M xs \$15.0M	\$0	\$0	\$452,779 (3)	\$452,779	\$0	\$0	\$4,075,013 (3)	\$4,075,013
Total			\$17,830,617	\$1,941,634	\$8,295,441	\$28,067,693	\$30,684,824	\$7,837,093	\$23,951,894	\$62,473,810

(1) Ceded to Colchester Reinsurance Limited

(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 allocated to CLLAS to aggregate attachment point, then remainder 100% allocated to Colchester Reinsurance Limited

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY  
NET EXPERIENCE  
As at December 31, 2008

Policy Period	ADDITIONAL NET LIABILITIES				NET CLAS EXPERIENCE			
	Walbrook		ULAE		Total		Total	
	Uncollectible IBNR	Case Reserves	ULAE Case Reserves	ULAE IBNR	Paid	Case Reserves	IBNR (1)	Incurred
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	\$0	\$0	\$0	\$0	\$896,574	\$0	\$0	\$896,574
July 1, 1991 - June 30, 1992	\$0	\$0	\$0	\$0	\$2,470,496	\$0	\$0	\$2,470,496
July 1, 1992 - June 30, 1993	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
July 1, 1993 - June 30, 1994	\$0	\$0	\$0	\$0	\$5,638,230	\$0	\$0	\$5,638,230
July 1, 1994 - June 30, 1995	\$0	\$0	\$0	\$0	\$1,883,180	\$0	\$0	\$1,883,180
July 1, 1995 - June 30, 1996	\$0	\$0	\$0	\$0	\$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	\$1,917	\$0	\$0	\$20,391	\$20,391
July 1, 1998 - June 30, 1999	\$0	\$0	\$0	\$4,491	\$3,300,000	\$0	\$4,491	\$3,304,491
July 1, 1999 - June 30, 2000	\$0	\$217	\$8,276	\$8,276	\$3,300,000	\$0	\$8,493	\$3,308,493
July 1, 2000 - June 30, 2001	\$0	\$20,000	\$23,561	\$23,561	\$0	\$500,000	\$291,013	\$791,013
July 1, 2001 - June 30, 2002	\$0	\$23,913	\$32,417	\$32,417	\$3,300,000	-\$0	\$56,330	\$3,356,330
July 1, 2002 - June 30, 2003	\$0	\$104,525	\$44,407	\$44,407	\$867,690	\$4,632,310	\$148,932	\$5,648,932
July 1, 2003 - June 30, 2004	\$0	\$66,226	\$63,898	\$63,898	\$5,500,000	\$0	\$130,124	\$5,630,124
July 1, 2004 - June 30, 2005	\$0	\$17,505	\$118,293	\$118,293	\$974,755	\$875,245	\$2,083,281	\$3,933,281
July 1, 2005 - June 30, 2006	\$0	\$591	\$221,412	\$221,412	\$682,577	\$29,537	\$3,310,725	\$4,022,839
July 1, 2006 - June 30, 2007	\$0	\$36,000	\$311,424	\$311,424	\$0	\$1,800,001	\$7,102,671	\$8,902,672
July 1, 2007 - June 30, 2008	\$0	\$0	\$336,716	\$336,716	\$0	\$0	\$8,156,218	\$8,156,218
July 1, 2008 - December 31, 2008	\$0	\$0	\$162,117	\$162,117	\$0	\$0	\$4,237,130	\$4,237,130
Total	\$0	\$268,976	\$1,328,928	\$1,328,928	\$30,684,824	\$7,837,093	\$25,549,799	\$64,071,715

(1) Including unallocated loss adjustment expenses and Walbrook uncollectible amounts.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY  
GROSS AND NET LOSS AND LOSS ADJUSTMENT EXPENSE RATIO  
As at December 31, 2008

<i>Policy Period</i>	<i>GROSS EARNED PREMIUM (\$000'S)</i>	<i>GROSS ULTIMATE LOSS (\$000'S)</i>	<i>GROSS LOSS RATIO</i>	<i>NET EARNED PREMIUM (\$000'S)</i>	<i>NET ULTIMATE LOSSES (\$000'S)</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	\$97,757	1%	\$1,627,963	\$20,391	1%
July 1, 1998 - June 30, 1999	\$10,826,416	\$20,525,728	190%	\$4,368,122	\$3,304,491	76%
July 1, 1999 - June 30, 2000	\$12,093,829	\$8,914,894	74%	\$5,100,300	\$3,308,493	65%
July 1, 2000 - June 30, 2001	\$14,968,458	\$2,221,615	15%	\$6,734,718	\$791,013	12%
July 1, 2001 - June 30, 2002	\$14,694,378	\$20,426,456	139%	\$5,919,526	\$3,356,330	57%
July 1, 2002 - June 30, 2003	\$17,346,379	\$8,463,223	49%	\$4,631,546 <sup>(1)</sup>	\$5,648,932	122%
July 1, 2003 - June 30, 2004	\$22,376,007	\$32,371,607	145%	\$6,619,932 <sup>(2)</sup>	\$5,630,124	85%
July 1, 2004 - June 30, 2005	\$24,676,487	\$7,900,426	32%	\$6,832,821	\$3,933,281	58%
July 1, 2005 - June 30, 2006	\$25,025,027	\$12,004,726	48%	\$6,259,056	\$4,022,839	64%
July 1, 2006 - June 30, 2007	\$33,356,139	\$17,718,610	53%	\$12,326,959	\$8,902,672	72%
July 1, 2007 - June 30, 2008	\$27,040,048	\$17,172,499	64%	\$10,121,699	\$8,156,218	81%
July 1, 2008 - Dec. 31, 2008	\$12,258,994	\$8,267,964	67%	\$4,940,655	\$4,237,130	86%
<b>Total</b>	<b>\$266,820,169</b>	<b>\$211,138,274</b>	<b>79%</b>	<b>\$85,451,100</b>	<b>\$64,071,715</b>	<b>75%</b>
December 31, 1996 Retroassessment call	\$7,000,000			\$7,000,000		
June 30, 1998 Retroassessment call	\$1,600,000			\$1,600,000		
<b>Total Including December 31, 1996 and June 30, 1998 Retroassessment calls</b>	<b>\$275,420,169</b>	<b>\$211,138,274</b>	<b>77%</b>	<b>\$94,051,100</b>	<b>\$64,071,715</b>	<b>68%</b>

(1) Excluding reinsurance premium liability of \$(91,754)

(2) Excluding reinsurance premium liability of \$2,721,575

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**  
**GROSS LOSS AND LOSS ADJUSTMENT EXPENSE RATIO**  
 As at December 31, 2008

GROSS	GROSS EARNED PREMIUM	ON-LEVEL PREMIUMS FACTOR	ON-LEVEL PREMIUMS (2008 \$)	GROSS ULTIMATE LOSSES	CLAIMS TREND FACTOR <sup>(1)</sup>	TRENDED ULTIMATE LOSSES (2008 \$)	ON-LEVEL AND TRENDED LOSS RATIOS
July 1, 1996 - June 30, 1997	\$5,276,196	2.519	\$20,291,466 <sup>(2)</sup>	\$0	2.551	\$0	0%
July 1, 1997 - June 30, 1998	\$6,587,610	2.053	\$13,527,166	\$97,757	2.362	\$230,877	2%
July 1, 1998 - June 30, 1999	\$10,826,416	1.343	\$16,141,704 <sup>(3)</sup>	\$20,525,728	2.187	\$44,885,572	278%
July 1, 1999 - June 30, 2000	\$12,093,829	1.368	\$16,544,732	\$8,914,894	2.025	\$18,050,973	109%
July 1, 2000 - June 30, 2001	\$14,968,458	1.372	\$20,535,844	\$2,221,615	1.875	\$4,165,139	20%
July 1, 2001 - June 30, 2002	\$14,694,378	1.479	\$21,733,135	\$20,426,456	1.736	\$35,459,283	163%
July 1, 2002 - June 30, 2003	\$17,346,379	1.336	\$23,176,161	\$8,463,223	1.607	\$13,603,446	59%
July 1, 2003 - June 30, 2004	\$22,376,007	1.081	\$24,181,091	\$32,371,607	1.488	\$48,178,543	199%
July 1, 2004 - June 30, 2005	\$24,676,487	0.985	\$24,303,424	\$7,900,426	1.378	\$10,887,198	45%
July 1, 2005 - June 30, 2006	\$25,025,027	0.977	\$24,439,849	\$12,004,726	1.276	\$15,317,721	63%
July 1, 2006 - June 30, 2007	\$33,356,139	0.733	\$24,448,816	\$17,718,610	1.181	\$20,933,787	86%
July 1, 2007 - June 30, 2008	\$27,040,048	0.906	\$24,510,303	\$17,172,499	1.094	\$18,785,722	77%
July 1, 2008 - Dec. 31, 2008	\$24,517,989 <sup>(4)</sup>	1.000	\$24,517,989	\$16,535,927 <sup>(4)</sup>	1.013	\$16,749,397	68%
						5 Years Average	68%
						All Years Average	90%
						Selected 2009 Gross Loss Ratio	90%

(1) Claims are trended to April 1, 2009 by 8%, as selected in a trend analysis performed as at December 31, 2007.

(2) Includes December 31, 1996 retroassessment call of \$7,000,000, to which the on-level premium factor has not been applied.

(3) Includes December 31, 1998 retroassessment call of \$1,600,000, to which the on-level premium factor has not been applied.

(4) Annualized figure based on six months results.



**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**  
**NET LOSS AND LOSS ADJUSTMENT EXPENSE RATIO**  
As at December 31, 2008

<i>NET</i>	<i>NET EARNED PREMIUM</i>	<i>ON-LEVEL PREMIUMS FACTOR</i>	<i>ON-LEVEL PREMIUMS (2008 \$)</i>	<i>NET ULTIMATE LOSSES</i>	<i>CLAIMS TREND FACTOR <sup>(1)</sup></i>	<i>TRENDED ULTIMATE LOSSES (2008 \$)</i>	<i>ON-LEVEL AND TRENDED LOSS RATIOS</i>
July 1, 1996 - June 30, 1997	\$1,070,215	5.005	\$12,356,764 <sup>(2)</sup>	\$0	2.551	\$0	0%
July 1, 1997 - June 30, 1998	\$1,627,963	3.349	\$5,451,757	\$20,391	2.362	\$48,157	1%
July 1, 1998 - June 30, 1999	\$4,368,122	1.342	\$7,460,639 <sup>(3)</sup>	\$3,304,491	2.187	\$7,226,247	97%
July 1, 1999 - June 30, 2000	\$5,100,300	1.307	\$6,667,905	\$3,308,493	2.025	\$6,699,072	100%
July 1, 2000 - June 30, 2001	\$6,734,718	1.229	\$8,276,414	\$791,013	1.875	\$1,483,010	18%
July 1, 2001 - June 30, 2002	\$5,919,526	1.480	\$8,758,949	\$3,356,330	1.736	\$5,826,417	67%
July 1, 2002 - June 30, 2003	\$4,631,546	2.017	\$9,340,522	\$5,648,932	1.607	\$9,079,867	97%
July 1, 2003 - June 30, 2004	\$6,619,932	1.472	\$9,745,531	\$5,630,124	1.488	\$8,379,292	86%
July 1, 2004 - June 30, 2005	\$6,832,821	1.433	\$9,794,835	\$3,933,281	1.378	\$5,420,266	55%
July 1, 2005 - June 30, 2006	\$6,259,056	1.574	\$9,849,817	\$4,022,839	1.276	\$5,133,039	52%
July 1, 2006 - June 30, 2007	\$12,326,959	0.799	\$9,853,431	\$8,902,672	1.181	\$10,518,129	107%
July 1, 2007 - June 30, 2008	\$10,121,699	0.976	\$9,878,212	\$8,156,218	1.094	\$8,922,432	90%
July 1, 2008 - Dec. 31, 2008	\$9,881,309 <sup>(4)</sup>	1.000	\$9,881,309	\$8,474,260 <sup>(4)</sup>	1.013	\$8,583,658	87%
						5 Years Average	78%
						All Years Average	66%
						Selected 2009 Net Loss Ratio	75%

(1) Claims are trended to April 1, 2009 by 8%, as selected in a trend analysis performed as at December 31, 2007.

(2) Includes December 31, 1996 retroassessment call of \$7,000,000, to which the on-level premium factor has not been applied.

(3) Includes December 31, 1998 retroassessment call of \$1,600,000, to which the on-level premium factor has not been applied.

(4) Annualized figure based on six months results.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

SELECTION FOR PROVISION FOR ADVERSE DEVIATION

As at December 31, 2008

Major Valuation Variables	Low Margin	High Margin	Considerations	Evaluation (1)	Weight(2)	Indicated PFAD	Selected PFAD
Claims Development	2.50%	15.00%	Company practices: Consistency in claims handling procedures and personnel System changes Changes in case reserve estimation	0	1		
				0	1		
				0	1		
			Data: Number of years of past experience on which expected development is based	0	1		
			Volume of business in each year	2	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	2	1		
			Stability of historical development	2	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 Likelihood of external changes which may significantly affect development Net retention of the company for the line of business Change in policy form	2	2		
				2	1		
				1	1		
Reinsurance Recovery	0.00%	15.00%	Ceded claims ratio Potential problem reinsurers Balance sheet exposure for each assuming company	0	1		
Interest Rate	50 BP	200 BP		1	1	5.00%	5.00%
			Investment portfolio Investment climate Method of valuing assets	0	2		
			Matching of investments to claims payments patterns	2	1		
				1	1	1.10%	0.75%

(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>3.00%</i>	<i>2.25%</i>	
1987/88	-	-	-	-
1988/89	-	-	-	-
1989/90	-	-	-	-
1990/91	-	-	-	-
1991/92	-	-	-	-
1992/93	-	-	-	-
1993/94	-	-	-	-
1994/95	-	-	-	-
1995/96	-	-	-	-
1996/97	-	-	-	-
1997/98	97,757	90,147		91,958
1998/99	229,059	208,322		213,221
1999/00	433,152	388,475		398,954
2000/01	2,221,615	1,964,774		2,024,583
2001/02	2,872,836	2,505,400		2,590,340
2002/03	7,595,533	6,588,326		6,819,676
2003/04	6,636,304	5,802,231		5,993,054
2004/05	6,925,671	6,047,881		6,248,051
2005/06	11,322,149	9,997,219		10,299,148
2006/07	17,718,610	15,601,238		16,083,257
2007/08	17,172,499	14,846,015		15,373,720
2008/09	8,267,964	6,983,153		7,272,915
<b>Total</b>	<b>81,493,149</b>	<b>71,023,182</b>		<b>73,408,878</b>

Recommended Margin on Interest Rate Variable

[total column (4) less total column (3)]:

2,385,696

(1) Policy Year

(2) Exhibit VI plus loss adjustment expense reserves at 2.0%

(3) Present Value of column (2) at a 3.00% discount factor.

(4) Present Value of column (2) at a 2.25% discount factor.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

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

	<u>Discounted</u> <u>Liabilities</u>	<u>Recommended Margin</u> <u>Percentage</u>	<u>Amount</u>
(1) Undiscounted Gross Outstanding Liabilities As at December 31, 2008			\$ 81,493,149
(2) Discounted Gross Outstanding Liabilities As at December 31, 2008			71,023,182
(3) Loss Development Recommended Margin	\$ 71,023,182	10.0%	\$ 7,102,318 7,102,318
(4) Reinsurance Recovery Recommended Margin	-	0.0%	- -
(5) Recommended Margin on Interest Rate Variable			2,385,696
(6) Calculated Provision for Adverse Deviation			<u>\$ 9,488,014</u>
(7) Discounted Gross Outstanding Liabilities plus Calculated Provision for Adverse Deviation			<u><u>\$ 80,511,196</u></u>

- (1) From Exhibit X - Page 2, column (2).
- (2) From Exhibit X - Page 2, columns (3).
- (3) Equals (2) times 10% margin.
- (4) Nil, as liabilities are selected on a gross basis.
- (5) From Exhibit X - 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)
		3.00%		2.25%
1987/88	-	-		-
1988/89	-	-		-
1989/90	-	-		-
1990/91	-	-		-
1991/92	-	-		-
1992/93	-	-		-
1993/94	-	-		-
1994/95	-	-		-
1995/96	-	-		-
1996/97	-	-		-
1997/98	1,917	1,768		1,803
1998/99	4,491	4,085		4,181
1999/00	8,493	7,617		7,823
2000/01	43,561	38,525		39,698
2001/02	56,330	49,125		50,791
2002/03	148,932	129,183		133,719
2003/04	130,124	113,769		117,511
2004/05	135,797	118,586		122,511
2005/06	222,003	196,024		201,944
2006/07	347,424	305,907		315,358
2007/08	336,716	291,098		301,445
2008/09	162,117	136,925		142,606
<b>Total</b>	<b>1,597,905</b>	<b>1,392,611</b>		<b>1,439,390</b>

Recommended Margin on Interest Rate Variable

[total column (4) less total column (3)]:

46,778

(1) Policy Year

(2) Exhibit VIII, loss adjustment expense reserves at 2.0%

(3) Present Value of column (2) at a 3.00% discount factor.

(4) Present Value of column (2) at a 2.25% 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, 2008			\$ 1,597,905
(2) Discounted Gross Outstanding Liabilities As at December 31, 2008			1,392,611
(3) Loss Development Recommended Margin	\$ 1,392,611	10.0%	\$ 139,261 139,261
(4) Reinsurance Recovery Recommended Margin	-	0.0%	- -
(5) Recommended Margin on Interest Rate Variable			46,778
(6) Calculated Provision for Adverse Deviation			<u>\$ 186,039</u>
(7) Discounted Gross Outstanding Liabilities plus Calculated Provision for Adverse Deviation			<u><u>\$ 1,578,650</u></u>

- (1) From Exhibit X - Page 4, column (2).
- (2) From Exhibit X - Page 4, columns (3).
- (3) Equals (2) times 10% margin.
- (4) Nil, as liabilities are selected on a gross basis.
- (5) From Exhibit X - 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>		(6) <i>Discounted Reinsurance Recovery</i>
				3.00%	2.25%	
1987/88	-	-	-	-	-	-
1988/89	-	-	-	-	-	-
1989/90	-	-	-	-	-	-
1990/91	-	-	-	-	-	-
1991/92	-	-	-	-	-	-
1992/93	-	-	-	-	-	-
1993/94	-	-	-	-	-	-
1994/95	-	-	-	-	-	-
1995/96	-	-	-	-	-	-
1996/97	-	-	-	-	-	-
1997/98	97,757	20,391	77,367	18,803	19,181	71,344
1998/99	229,059	4,491	224,568	4,085	4,181	204,237
1999/00	433,152	8,493	424,659	7,617	7,823	380,858
2000/01	2,221,615	791,013	1,430,602	699,563	720,859	1,265,210
2001/02	2,872,836	56,330	2,816,506	49,125	50,791	2,456,275
2002/03	7,595,533	4,781,242	2,814,291	4,147,224	4,292,855	2,441,102
2003/04	6,636,304	130,124	6,506,180	113,769	117,511	5,688,462
2004/05	6,925,671	2,958,526	3,967,145	2,583,549	2,669,059	3,464,332
2005/06	11,322,149	3,340,262	7,981,887	2,949,381	3,038,456	7,047,838
2006/07	17,718,610	8,902,672	8,815,939	7,838,803	8,080,992	7,762,434
2007/08	17,172,499	8,156,218	9,016,281	7,051,236	7,301,874	7,794,779
2008/09	8,267,964	4,237,130	4,030,834	3,578,696	3,727,192	3,404,457
<b>Total</b>	<b>81,493,149</b>	<b>33,386,891</b>	<b>48,106,258</b>	<b>29,041,853</b>	<b>30,030,772</b>	<b>41,981,329</b>

Recommended Margin on Interest Rate Variable  
[total column (6) less total column (5)]:

988,919

- (1) Policy Year
- (2) Exhibit VI plus loss adjustment expense reserves at 2.0%
- (3) Exhibit VIII (Net CLLAS experience)
- (4) Column (2) minus column (3).
- (5) Present Value of column (3) at a 3.00% discount factor.
- (5) Present Value of column (3) at a 2.25% discount factor.
- (7) Present Value of column (4) at a 3.00% 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, 2008			\$ 33,386,891
(2) Discounted Net Outstanding Liabilities As at December 31, 2008			29,041,853
(3) Loss Development Recommended Margin	\$ 29,041,853	10.0%	\$ 2,904,185 2,904,185
(4) Reinsurance Recovery Recommended Margin	41,981,329	5.0%	2,099,066 2,099,066
(5) Recommended Margin on Interest Rate Variable			988,919
(6) Calculated Provision for Adverse Deviation			<u>\$ 5,992,170</u>
(7) Discounted Net Outstanding Liabilities plus Calculated Provision for Adverse Deviation			<u><u>\$ 35,034,023</u></u>

- (1) From Exhibit X - Page 6, column (2).
- (2) From Exhibit X - Page 6, column (5).
- (3) Equals (2) times 10% margin.
- (4) From Exhibit X - Page 6, column (7) times 5% margin.
- (5) From Exhibit X - 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, 2008**

	<u>\$ 000's</u>
<b>GROSS</b>	
(1) Gross Unearned Premiums Reported in Annual Return	12,059
(2) Expected Loss and ALAE Ratio /1	90%
(3) Expected Losses and ALAE, [(1) * (2)]	10,853
(4) Expected ULAE, (3) x 2.0% /2	271
(5) Undiscounted Expected Losses and Loss Adjustment Expenses, [(3) + (4)]	11,125
(6) Discounted Claims Liabilities in Connection with Unearned Premium plus Provision for Adverse Deviation, (Exhibit XI page 2)	10,725
(7) Policyholder Service Costs, (1) x 3.0% /3	362
(8) Due to Reinsurer	0
(9) Investment Income on Unearned Premiums @ 3.0%, (23)	36
(10) Gross Liabilities in Connection with Unearned Premium, [(6) + (7) + (8) - (9)]	11,051
<b>RECOVERABLE FROM REINSURERS</b>	
(11) Ceded Unearned Premiums, [(1) - (15)]	7,199
(12) Expected Claims Ceded, [(6) - (20)]	6,645
(13) Doubtful Account	0
(14) Recoverable [(12) - (13)]	6,645
<b>NET</b>	
(15) Net unearned premiums reported in Annual Return	4,860
(16) Expected Loss and ALAE Ratio /1	75%
(17) Expected Losses and ALAE [(15) * (16)]	3,645
(18) Expected ULAE, (4)	271
(19) Undiscounted Expected Losses and Loss Adjustment Expenses [(17) + (18)]	3,916
(20) Discounted Claims Liabilities in Connection with Unearned Premium plus Provision for Adverse Deviation (Exhibit XI page 3)	4,080
(21) Policyholder Service Costs, (7)	362
(22) Due to Reinsurer, (8)	0
(23) Investment Income on Net Unearned Premiums @ 3.0%, [(15) * (1.03^(1/4) - 1)]	36
(24) Change in Reinsurance Costs	0
(25) Net liabilities in Connection with Unearned Premium, [(20) + (21) + (22) - (23) + (24)]	4,406
(26) Deferred Policy Acquisition Expense (DPAE) Reported in Annual Return	365
(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)]	4,495
(30) Maximum Allowable DPAE Based on Claims Experience, Max[(15) - (25) + (27) + (28), 0]	454
(31) Excess of Maximum Allowable DPAE over Reported DPAE, Max[(30) - (26), 0]	89
(32) Premium Deficiency, Max[(25) + (26) - (15) - (27) - (28), 0]	0

/1 From Selected 2009 Loss Ratio trended to April 1, 2009 from Exhibit IX page 2

/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</u> <u>Liabilities</u>		<u>Recommended Margin</u> <u>Percentage</u>	<u>Amount</u>
(1) Expected Gross Liabilities in Connection with Unearned Premium				\$ 11,124,538
(2) Discounted Gross Expected Losses				
(a) Discounted at 4.00%				9,395,826
(b) Discounted at 3.25%				9,785,701
(3) Loss Development	\$ 9,395,826	10.0%	939,583	
Recommended Margin				939,583
(4) Reinsurance Recovery	-	5.0%	-	
Recommended Margin				-
(5) Recommended Margin on Interest Rate Variable				389,875
(6) Calculated Provision for Adverse Deviation				<u>\$ 1,329,458</u>
(7) Discounted Gross Claims Liabilities in Connection with Unearned Premium plus Calculated Provision for Adverse Deviation				<u><u>\$ 10,725,284</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>Discounted</u> <u>Liabilities</u>		<u>Recommended Margin</u> <u>Percentage</u>	<u>Amount</u>	
(1) Expected Net Liabilities in Connection with Unearned Premium					\$ 3,916,406
(2) Discounted Net Expected Losses					
(a) Discounted at 4.00%					3,307,811
(b) Discounted at 3.25%					3,445,067
(3) Loss Development	\$ 3,307,811		10.0%	330,781	
Recommended Margin					330,781
(4) Reinsurance Recovery	6,088,015		5.0%	304,401	
Recommended Margin					304,401
(5) Recommended Margin on Interest Rate Variable					137,256
(6) Calculated Provision for Adverse Deviation					<u>\$ 772,438</u>
(7) Discounted Net Claims Liabilities in Connection with Unearned Premium plus Calculated Provision for Adverse Deviation					<u><u>\$ 4,080,249</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**  
**Premium Liability**  
**As at December 31, 2008**

Layer	2002/2003				2003/2004				TOTAL
	7.5 X 5	12.5 X 12.5	TOTAL		7.5 X 5	12.5 X 12.5	TOTAL		
Total Deposit Premium	\$ 4,718,790	\$ 3,145,860	\$ 7,864,650		\$ 5,796,672	\$ 4,260,420	\$ 10,057,092		\$ 17,921,742
IBNR	\$ 614,530	\$ 503,071	\$ 1,117,601		\$ 855,469	\$ 719,974	\$ 1,575,443		
Reserves to Date	\$ -	\$ -	\$ -		\$ -	\$ 1,057,462	\$ 1,057,462		
Paid to Date	\$ -	\$ -	\$ -		\$ 7,500,000	\$ 11,442,538	\$ 18,942,538		
Discounting factor (unpaid amounts)	0.867	0.867			0.874	0.874			
Total Ultimate Losses	\$ 533,040	\$ 436,361	\$ 969,401		\$ 8,247,951	\$ 12,996,580	\$ 21,244,531		
Applicable Minimum	\$ 4,194,480	\$ 2,796,320	\$ 6,990,800		\$ 5,193,129	\$ 3,814,167	\$ 9,007,296		\$ 15,998,096
Applicable Maximum	\$ 6,553,875	\$ 5,570,807	\$ 12,124,682		\$ 7,459,470	\$ 6,477,522	\$ 13,936,992		\$ 26,061,674
Expected Ultimate Premium <sup>(1)</sup>	\$ 4,194,480	\$ 2,796,320	\$ 6,990,800		\$ 7,459,470	\$ 6,477,522	\$ 13,936,992		\$ 20,927,792
Premium Liability (Asset)	\$ (524,310)	\$ (349,540)	\$ (873,850)		\$ 1,662,798	\$ 2,217,102	\$ 3,879,900		\$ 3,006,050
% Ceded to Reinsurers	80%	82%			80%	82%			
CLLAS Premium Liability (Asset)	\$ (419,448)	\$ (286,623)	\$ (706,071)		\$ 1,330,238	\$ 1,818,024	\$ 3,148,262		\$ 2,442,191
Amount Received (paid) to date by CLLAS									\$ 187,630
Total Premium Liability									\$ 2,629,821

<sup>(1)</sup> 100/70 times Total Ultimate Losses, subject to Maximum and Minimum Premium, per Reinsurance Agreement

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Net Undiscounted Claims Liabilities				Net Discounted Claims Liabilities				
Insurance Classes	Unpaid Claims (case basis)	IBNR	Subtotal	Present Value of (4)	Provision for Adverse Deviation			Actuarial Liabilities
					Development	Reinsurance	Interest Rate	
Professional Liability	\$7,568,116	\$24,220,870	\$31,788,986	\$27,649,242	\$2,764,924	\$2,099,066	\$942,141	\$33,455,373
Unpaid internal adjustment expenses - Total	\$268,976	\$1,328,928	\$1,597,905	\$1,392,611	\$139,261	\$0	\$46,778	\$1,578,650
Total	\$7,837,093	\$25,549,799	\$33,386,891	\$29,041,853	\$2,904,185	\$2,099,066	\$988,919	\$35,034,023
(2)	From Exhibit VIII.							
(3)	From Exhibit VIII.							
(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, 2008  
NET (Policy Year)

<i>Policy Period*</i>	<i>Policy Period</i>	<i>CASE</i>	<u><i>UNDISCOUNTED</i></u>		<i>TOTAL</i>	<i>CASE</i>	<u><i>DISCOUNTED + PFAD</i></u>		<i>TOTAL</i>
		\$	0	\$	0	\$	0	\$	0
1989/1990	1990		0	0	0	0	0	0	0
1990/1991	1991		0	0	0	0	0	0	0
1991/1992	1992		0	0	0	0	0	0	0
1992/1993	1993		0	0	0	0	0	0	0
1993/1994	1994		0	0	0	0	0	0	0
1994/1995	1995		0	0	0	0	0	0	0
1995/1996	1996		0	0	0	0	0	0	0
1996/1997	1997		0	0	0	0	0	0	0
1997/1998	1998		0	20,391	20,391	0	0	25,000	25,000
1998/1999	1999		0	4,491	4,491	0	0	15,000	15,000
1999/2000	2000		0	8,493	8,493	0	0	28,000	28,000
2000/2001	2001	500,000	0	291,013	791,013	500,000	0	354,000	854,000
2001/2002	2002	(0)	0	56,330	56,330	0	0	179,000	179,000
2002/2003	2003	4,632,310	0	148,932	4,781,242	4,632,000	0	198,000	4,830,000
2003/2004	2004	0	0	130,124	130,124	0	0	413,000	413,000
2004/2005	2005	875,245	0	2,083,281	2,958,526	875,000	0	2,226,000	3,101,000
2005/2006	2006	29,537	0	3,310,725	3,340,262	30,000	0	3,656,000	3,686,000
2006/2007	2007	1,800,001	0	7,102,671	8,902,672	1,800,000	0	7,453,000	9,253,000
2007/2008	2008	0	0	8,156,218	8,156,218	0	0	8,397,000	8,397,000
2008/2009	2009	0	0	4,237,130	4,237,130	0	0	4,253,000	4,253,000
<b>Total</b>	<b>Total</b>	<b>\$ 7,837,093</b>	<b>\$ 25,549,799</b>	<b>\$ 33,386,891</b>	<b>\$ 7,837,000</b>	<b>\$ 27,197,000</b>	<b>\$ 35,034,000</b>		

\* 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, 2008  
NET (Calendar Year)

<i>Calendar Year*</i>	<i>CASE</i>	<i>UNDISCOUNTED IBNR</i>	<i>TOTAL</i>	<i>CASE</i>	<i>DISCOUNTED + PFAD IBNR</i>	<i>TOTAL</i>
1989	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
1990	0	0	0	0	0	0
1991	0	0	0	0	0	0
1992	0	0	0	0	0	0
1993	0	0	0	0	0	0
1994	0	0	0	0	0	0
1995	0	0	0	0	0	0
1996	0	0	0	0	0	0
1997	0	10,195	10,195	0	12,000	12,000
1998	0	12,441	12,441	0	20,000	20,000
1999	0	6,492	6,492	0	21,000	21,000
2000	250,000	149,753	399,753	250,000	191,000	441,000
2001	250,000	173,671	423,671	250,000	266,000	516,000
2002	2,316,155	102,631	2,418,786	2,316,000	188,000	2,504,000
2003	2,316,155	139,528	2,455,683	2,316,000	305,000	2,621,000
2004	437,623	1,106,702	1,544,325	438,000	1,319,000	1,757,000
2005	452,391	2,697,003	3,149,394	452,000	2,941,000	3,393,000
2006	914,769	5,206,698	6,121,467	915,000	5,554,000	6,469,000
2007	900,001	7,629,445	8,529,445	900,000	7,925,000	8,825,000
2008	0	8,315,239	8,315,239	0	8,455,000	8,455,000
<b>Total</b>	<b>\$ 7,837,093</b>	<b>\$ 25,549,799</b>	<b>\$ 33,386,891</b>	<b>\$ 7,837,000</b>	<b>\$ 27,197,000</b>	<b>\$ 35,034,000</b>

\* 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, 2008  
GROSS (Policy Year)

<i>Policy Period*</i>	<i>Policy Period</i>	<i>CASE</i>	<u><i>UNDISCOUNTED</i></u>		<i>TOTAL</i>	<i>CASE</i>	<u><i>DISCOUNTED + PFAD</i></u>		<i>TOTAL</i>
		\$	0	\$	0	\$	0	\$	0
1989/1990	1990								
1990/1991	1991		0	0	0	0	0	0	0
1991/1992	1992		0	0	0	0	0	0	0
1992/1993	1993		0	0	0	0	0	0	0
1993/1994	1994		0	0	0	0	0	0	0
1994/1995	1995		0	0	0	0	0	0	0
1995/1996	1996		0	0	0	0	0	0	0
1996/1997	1997		0	0	0	0	0	0	0
1997/1998	1998		0	97,757	97,757	0	101,000	101,000	101,000
1998/1999	1999		0	229,059	229,059	0	234,000	234,000	234,000
1999/2000	2000	10,843		422,309	433,152	11,000	427,000	438,000	438,000
2000/2001	2001	1,000,000		1,221,615	2,221,615	1,000,000	1,221,000	2,221,000	2,221,000
2001/2002	2002	1,195,672		1,677,164	2,872,836	1,196,000	1,645,000	2,841,000	2,841,000
2002/2003	2003	5,226,238		2,369,295	7,595,533	5,226,000	2,253,000	7,479,000	7,479,000
2003/2004	2004	3,311,288		3,325,016	6,636,304	3,311,000	3,262,000	6,573,000	6,573,000
2004/2005	2005	875,245		6,050,426	6,925,671	875,000	5,978,000	6,853,000	6,853,000
2005/2006	2006	29,537		11,292,612	11,322,149	30,000	11,269,000	11,299,000	11,299,000
2006/2007	2007	1,800,001		15,918,609	17,718,610	1,800,000	15,843,000	17,643,000	17,643,000
2007/2008	2008	0		17,172,499	17,172,499	0	16,858,000	16,858,000	16,858,000
2008/2009	2009	0		8,267,964	8,267,964	0	7,971,000	7,971,000	7,971,000
<b>Total</b>	<b>Total</b>	<b>\$ 13,448,824</b>	<b>\$ 68,044,325</b>	<b>\$ 81,493,149</b>	<b>\$ 13,449,000</b>	<b>\$ 67,062,000</b>	<b>\$ 80,511,000</b>		

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

\*\* 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, DECEMBER 31, 2003, DECEMBER 31, 2004, DECEMBER 31, 2005, DECEMBER 31, 2006  
AND DECEMBER 31, 2007 VALUATIONS

Policy Period <sup>(1)</sup>	Selected Ultimate as at Dec. 31, 2003	Selected Ultimate as at Dec. 31, 2004	Selected Ultimate as at Dec. 31, 2005	Selected Ultimate as at Dec. 31, 2006	Selected Ultimate as at Dec. 31, 2007	Selected Ultimate as at Dec. 31, 2008	Changes in Ultimate From 2003 to 2008	Changes in Ultimate From 2004 to 2008	Changes in Ultimate From 2005 to 2008	Changes in Ultimate From 2006 to 2008	Changes in Ultimate From 2007 to 2008
1987/1988	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
1988/1989	0	0	0	0	0	0	0	0	0	0	0
1989/1990	0	0	0	0	0	0	0	0	0	0	0
1990/1991	897,000	897,000	897,000	897,000	897,000	897,000	0	0	0	0	0
1991/1992	2,470,000	2,470,000	2,470,000	2,470,000	2,470,000	2,470,000	0	0	0	0	0
1992/1993	0	0	0	0	0	0	0	0	0	0	0
1993/1994	6,237,000	6,542,000	6,521,000	5,638,000	5,638,000	5,638,000	(599,000)	(904,000)	(883,000)	0	0
1994/1995	1,901,000	1,935,000	1,899,000	1,883,000	1,883,000	1,883,000	(18,000)	(52,000)	(16,000)	0	0
1995/1996	1,904,000	1,944,000	1,915,000	1,891,000	1,871,000	1,871,000	(33,000)	(73,000)	(44,000)	(20,000)	0
1996/1997	63,000	109,000	82,000	41,000	22,000	0	(63,000)	(109,000)	(82,000)	(41,000)	(22,000)
1997/1998	108,000	151,000	110,000	66,000	41,000	20,000	(88,000)	(131,000)	(90,000)	(46,000)	(21,000)
1998/1999	3,331,000	3,329,000	3,320,000	3,316,000	3,307,000	3,304,000	(27,000)	(25,000)	(16,000)	(12,000)	(3,000)
1999/2000	404,000	3,398,000	3,267,000	3,362,000	3,340,000	3,308,000	2,904,000	(90,000)	41,000	(54,000)	(32,000)
2000/2001	1,042,000	841,000	986,000	852,000	950,000	791,000	(251,000)	(50,000)	(195,000)	(61,000)	(159,000)
2001/2002	3,688,000	3,612,000	3,830,000	3,421,000	3,377,000	3,356,000	(332,000)	(256,000)	(474,000)	(65,000)	(21,000)
2002/2003	5,920,000	4,430,000	3,206,000	5,742,000	5,685,000	5,649,000	(271,000)	1,219,000	2,443,000	(93,000)	(36,000)
2003/2004	6,744,000 <sup>(2)</sup>	5,969,000	10,520,000	8,247,000	6,249,000	5,630,000	(1,114,000)	(339,000)	(4,890,000)	(2,617,000)	(619,000)
2004/2005	n/a	9,390,000 <sup>(2)</sup>	6,039,000	5,872,000	5,154,000	3,933,000	n/a	(5,457,000)	(2,106,000)	(1,939,000)	(1,221,000)
2005/2006	n/a	n/a	6,902,000 <sup>(2)</sup>	6,027,000	4,155,000	4,023,000	n/a	n/a	(2,879,000)	(2,004,000)	(132,000)
2006/2007	n/a	n/a	n/a	11,529,000 <sup>(2)</sup>	11,349,000	8,903,000	n/a	n/a	n/a	(2,626,000)	(2,446,000)
2007/2008	n/a	n/a	n/a	n/a	8,805,000 <sup>(2)</sup>	8,156,000	n/a	n/a	n/a	n/a	(649,000)
2008/2009	n/a	n/a	n/a	n/a	n/a	8,474,000 <sup>(2)</sup>	n/a	n/a	n/a	n/a	n/a
TOTAL	\$ 34,709,000	\$ 45,017,000	\$ 51,964,000	\$ 61,254,000	\$ 65,193,000	\$ 68,306,000	\$ 108,000	\$ (6,267,000)	\$ (9,191,000)	\$ (9,578,000)	\$ (5,361,000)

(1) July 1 to June 30.

(2) Annualized figure based on six months result.

February 17, 2009

***Private & Confidential***

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

Dear Nick,

The purpose of this letter is to set out the proposed fixed fee/budget for the provision of Management and Professional Services to CLLAS for 2009. All amounts are exclusive of GST.

**TOTAL OPERATING BUDGET FOR 2009**

The draft total operating budget for 2009 is presented in Attachment A to this letter. The more noteworthy items in the "Other Expenses" section, as compared with 2008, include the following:

- The Audit Expenses line shows the accrual of the \$60,000 estimate for 2008 audit fees and also an overage related to the under-accrual of audit fees for 2007 (\$50,000 was accrued for 2007 and fees were higher than expected due to changes to audit and accounting standards. The budgeted amount for 2009 reflects the best estimate of the 2009 audit fees.
- The actual Premium Tax expense for 2008 was lower than the budgeted amount due to the reduction in the CLLAS premium at July 1, 2008. Premium taxes are a factor of the CLLAS premium. The 2009 budget amount has been adjusted to reflect the current level of premiums.
- Office expenses were higher than budgeted in 2008 due to travel expenses associated with two mediations outside of Toronto (one requiring attendance in Florida and another in Vancouver). On the budget variance analysis, we have shown separately the cost of a software program for the CLLAS website, a cost that was not anticipated when the budget was originally set. Going forward, this software has an annually renewable maintenance fee, which is again shown as a separate line item on the 2009 budget.

- The Special Services line finished the year slightly over budget. This line tracks the costs of external counsel retained by CLLAS and in 2008, activity related to the QST issue, the reinsurance arbitration and coverage opinions.
- For 2008, we added a separate line to track the costs of the Towers Perrin peer review, with costs in the year of about \$102,000 (i.e. within the budgeted range). No further costs are expected in this area for 2009.
- Miller fees for the 08/09 policy year were agreed at \$273,000 (i.e. lower than the \$278,000 expected when the budget was struck). The fees attributable to the 2008 calendar year are \$269,000 (half of the 07/08 fee and half of the 08/09 fee). We have included a budget for 2009 based on the fees for the current policy year, although fee for 08/09 has not been finalized as yet.
- IBC and FSCO fees exceeded budget for the year. Both these organizations operate on a cost-recovery basis and assessments in 2008 were materially higher than in past years. Note also that assessments are based on premiums net of reinsurance and CLLAS' net premium is falling slower than its gross premium due to increased retentions.
- 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 the portfolio under management.
- The Risk Management/Loss Prevention line finished the year just about on budget, and reflects costs associated with three risk management audits and John Walker's fees for outsourced risk management activities (primarily associated with the risk management seminar held in April 2008. Depending on the number of audits planned for the coming year, it is suggested that the budget be maintained at the current level for 2009.

No other significant variances are expected in the areas of "Other Expenses".

## **PROFESSIONAL AND MANAGEMENT SERVICES OVERVIEW OF 2008**

### **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 \$47,552 over its budget of \$382,000, with the details by line as follows:

Activity	2008	2008	Variance
	Budget	Actual	
Financial	\$ 98,000	\$ 98,000	\$ 0
General Admin.	\$ 49,000	\$ 49,000	\$ 0
Claims Admin.	\$187,000	\$187,000	\$ 0
Claims Analysis*	\$ 48,000	\$ 95,552	\$ 47,552
Total	\$382,000	\$429,552	\$ 47,552

\* Variable

Activity on the Claims Analysis line was \$47,552 over budget. This overage was due to increased claims management activity on a relatively small number of complicated claims in the year. We do expect activity on this line to be volatile (hence the reason for it being variable) but we thought it appropriate to address in some detail the activity on the major claim files, with reference to claim number only for confidentiality reasons.

- 99-052 consideration of settlement opportunities;
- 2000-042 on-going monitoring of claim and attendance at multi-party mediation which resulted in settlement;
- 2003-206 intensive management of complicated file with coverage issues (underlying insurance exhausted);
- 2003-222 on-going management of a difficult cross-border file, including mediation and settlement initiatives and allocation discussions with US insurer (underlying insurance exhausted);
- 2004-054 monitoring of prolonged settlement approval procedure;
- 2004-194 continuing management of prolonged and multifaceted litigation (with multiple claimants), including coverage work (underlying insurance exhausted);
- 2006-040 management of coverage issues and settlement of file at mediation;
- 2007-027 coverage activity.

With the exception of the Financial Reporting line, activities on most other budget lines were within expectations. Costs associated with managing the financial aspects of CLLAS have been increasing steadily over the past few years. This year was no exception and was highlighted by FSCO's requirement, due to the economic situation, that all Ontario insurers file "flash" financial results on an interim basis twice late in 2008. Further details on this issue are provided in the section addressing the proposed budget for 2009.

Attached as Attachment C to this letter is a brief summary of the activity associated with each of the above areas.

## 2. Professional Services

On an aggregate basis, fees for Professional Services finished the year essentially on budget, with a small “overage” on the reinsurance line being largely offset by the other two lines, which finished under budget. Details by line are as follows:

Activity	2008	2008	Variance
	Budget	Actual	
Actuarial	\$ 94,000	\$ 91,614	-\$ 2,386
Reinsurance	\$260,000	\$274,115	\$ 14,115
Strategic Matters	\$ 98,000	\$ 89,544	-\$ 8,456
Total	\$452,000	\$455,273	\$ 3,273

- (a) **Actuarial Services.** Actuarial Services finished the year slightly under budget, notwithstanding some minor additional work associated with the filing of the “flash” financial result required by FSCO late in 2008.
- (b) **Reinsurance Services.** Activity on the reinsurance was about 5% above budget for the year. Fees on this line were virtually unchanged from 2007, but down from 2006, when it was necessary to replace reinsurance capacity. The renewal was successful, with an overall rate decrease of about 11%. There were a few unusual issues in the year, e.g. the ABCP issue and the economic situation (notably AIG’s troubles) which led to a heightened level of discussion with reinsurers and CLLAS members. Aside from these issues, activity on this line was generally within expectations.
- (c) **Strategic Services.** The Strategic Services line ended the year about 8% under budget. This is historically the most volatile line for CLLAS and fees are typically somewhat over or under the budgeted amount. Activity tracked to this line in FY08 included:
- FY08 Business Plan
  - Goodman and Carr dissolution issues
  - QST issue
  - Review of changes to Ontario Insurance Act
  - Participation in risk management seminar
  - Support for Peer Review Committee
  - Investment manager performance benchmarking
  - Restructuring considerations
  - Initial website planning initiative
  - High-level review of firms’ GL policies

**PROPOSED BUDGET FOR 2009**

The proposed budget for 2009 for Management Services and Professional Services is presented in Attachment B, together with 2008 figures for ease of comparison. Further details relating to the two components follow:

**1. Management Services**

For 2009, we are proposing an increase to \$414,000 from \$382,000. This increase (\$32,000, or 8.4%) is in part the result of wage inflation but more particularly the result of increased activity on a number of lines.

Demands on the financial reporting line continue to increase due to changes (past and future) 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. In considering that adjustment, we note that in 2008, we had to file two additional interim financial reports with FSCO and the proposed fee for 2009 does not take that level of activity into account.

The General Administration line now also reflects an annual cost of \$4,000 for maintaining and up-dating the CLLAS website. We are also proposing an adjustment to the budget for Claims Analysis, which is a line that is adjusted on a quarterly basis to reflect the level of claims activity on large files. The \$48,000 budget amount has remained unchanged for many years and has in fact been exceeded in each of the past three years.

Details by line are presented below:

Activity	2008	2009	Change
	Budget	Budget	
Financial	\$ 98,000	\$115,000	\$ 17,000
General Admin.	\$ 49,000	\$ 55,000	\$ 6,000
Claims Admin.	\$187,000	\$190,000	\$ 3,000
Claims Analysis*	\$ 48,000	\$ 54,000	\$ 6,000
Total	\$382,000	\$414,000	\$ 32,000

\* Variable

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

**2. Professional Services**

The proposed budget for Professional Services is as set out below, with an increase of \$4,000 proposed on existing budget lines, plus a separate one-time budget of \$40,000 proposed for the financial modeling work as outlined below. Details by line are as follows:

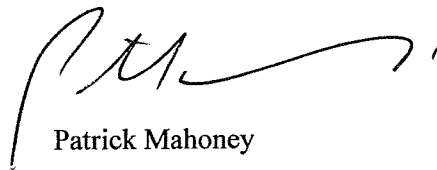
	<b>2008 Budget</b>	<b>2008 Actual</b>	<b>2009 Proposed</b>
Actuarial	\$ 94,000	\$ 91,614	\$ 96,000
Reinsurance	\$260,000	\$274,115	\$270,000
Strategic	\$ 98,000	\$ 89,544	\$ 90,000
Subtotal	\$452,000	\$455,273	\$456,000
Non-recurring	\$ 0	\$ 0	\$ 40,000
Total	\$452,000	\$455,273	\$496,000

Last year was a busy year for CLLAS, but overall the level of activity associated with the Professional Services lines proved to be within expectations. We are proposing minor adjustments to each line, primarily to reflect wage inflation. The strategic line has been adjusted to the 2008 actual. As always, we believe that it is appropriate to budget conservatively. 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.

The budget shown as non-recurring relates to the financial modeling that has been discussed at the Board meetings and in the Towers Perrin report. The details of this project are discussed in a separate memo.

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

i:\insadmin\internal\cllasbudget\FY09\leblovic09

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY (CLLAS)**  
**OPERATING BUDGET - EXPENSES**  
**January 1, 2009 - December 31, 2009**

Attachment A  
DRAFT

	<u>FY 08 Budget</u>	<u>FY 08 Actual</u>	<u>Fav/ (Unfav) Variance</u>	<u>Proposed FY 2009 Budget</u>	<u>% Change from FY08Bdgt</u>
<b>MANAGEMENT SERVICES</b>					
Financial	98,000	98,000	0	115,000	17.35%
General Administration	49,000	49,000	0	55,000	12.24%
Claims Administration	187,000	187,000	0	190,000	1.60%
Claims Analysis	48,000	95,552	(47,552)	54,000	12.50%
<b>Sub-Total Management Services</b>	<b>382,000</b>	<b>429,552</b>	<b>(47,552)</b>	<b>414,000</b>	<b>8.38%</b>
<b>PROFESSIONAL SERVICES</b>					
Actuarial Services	94,000	91,614	2,386	96,000	2.13%
Reinsurance Matters	260,000	274,115	(14,115)	270,000	3.85%
Strategic Matters	98,000	89,544	8,456	90,000	-8.16%
Special Non-recurring	0	0	0	40,000	100.00%
<b>Sub-Total Professional Services</b>	<b>452,000</b>	<b>455,273</b>	<b>(3,273)</b>	<b>496,000</b>	<b>9.73%</b>
<b>Total Management &amp; Professional Services</b>	<b>834,000</b>	<b>884,825</b>	<b>(50,825)</b>	<b>910,000</b>	<b>9.11%</b>
GST on Consulting Fees	41,700	44,241	(2,541)	45,500	9.11%
<b>Total Consulting Services</b>	<b>875,700</b>	<b>929,066</b>	<b>(53,366)</b>	<b>955,500</b>	<b>9.11%</b>
<b>OTHER EXPENSES</b>					
Audit Expenses	60,000	68,048	(8,048)	64,000	6.67%
Annual Dinner	5,000	4,848	152	5,000	0.00%
Premium Taxes	811,201	770,372	40,829	729,543	-10.07%
Chairman's Expenses	1,500	1,719	(219)	2,000	33.33%
Chairman's Honourium	60,000	60,000	0	60,000	0.00%
Reinsurance Expense	10,000	5,906	4,094	10,000	0.00%
Office Expenses	15,000	19,267	(4,267)	15,000	0.00%
Office Expenses - Website management software	0	9,000	(9,000)	1,800	100.00%
Claims: Borderaux (LSUC)	13,850	13,450	400	13,850	0.00%
Special Services	100,000	107,757	(7,757)	100,000	0.00%
Special Services - Peer Review	125,000	101,937	23,063	-	-100.00%
Miller Insurance Fees (Reins. Comm.) (See Note 2)	278,000	269,000	9,000	273,000	-1.80%
I.B.C Statistical Plan Fees	12,000	14,900	(2,900)	15,000	25.00%
FSCO Assessment Fees	7,700	15,728	(8,028)	15,000	94.81%
Investment counsel fees	87,450	105,699	(18,249)	108,675	24.27%
Investment - Custodial	20,000	28,514	(8,514)	30,000	50.00%
Risk Management/Loss Prevention	80,000	77,162	2,838	80,000	0.00%
<b>Sub-total</b>	<b>1,686,701</b>	<b>1,673,306</b>	<b>13,395</b>	<b>1,522,868</b>	<b>-9.71%</b>
<b>TOTAL</b>	<b>\$2,562,401</b>	<b>\$2,602,372</b>	<b>(\$39,971)</b>	<b>\$2,478,368</b>	<b>-3.28%</b>



**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**
**2009 Fiscal Year Operating Budget  
for Professional and Management Services  
(net of GST)**

	<b>2008 Budget</b>	<b>2008 Actual</b>	<b>Proposed 2009 Budget</b>
<b>MANAGEMENT SERVICES</b>			
Financial	\$ 98,000	\$ 98,000	\$115,000
General Administration	\$ 49,000	\$ 49,000	\$ 55,000
Claims Administration	\$187,000	\$187,000	\$190,000
Claims Analysis*	<u>\$ 48,000</u>	<u>\$ 95,552</u>	<u>\$ 54,000</u>
<b>Total Management Services</b>	<b>\$382,000</b>	<b>\$429,552</b>	<b>\$414,000</b>
<b>PROFESSIONAL SERVICES</b>			
Actuarial	\$ 94,000	\$ 91,614	\$ 96,000
Reinsurance	\$260,000	\$274,115	\$270,000
Strategic	<u>\$ 98,000</u>	<u>\$ 89,544</u>	<u>\$ 90,000</u>
Subtotal	\$452,000	\$455,273	\$456,000
Special Non-recurring	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 40,000</u>
<b>Total Professional Services</b>	<b><u>\$452,000</u></b>	<b><u>\$455,273</u></b>	<b><u>\$496,000</u></b>
<b>TOTAL</b>	<b><u>\$834,000</u></b>	<b><u>\$884,825</u></b>	<b><u>\$910,000</u></b>

\* Variable.

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

Presented below 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)
- preparation of financial statements (quarterly and annual)
- facilitating FSCO audit and managing relationship with FSCO Examiner
- managing year-end audit (Deloitte's) 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

### **3. Claims Administration**

The claims administration line covers all claims activity except for senior consultant time spent on the few claims that meet the criteria set out in Section 4 below. It 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 are 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.

## MEMORANDUM

**DATE:** February 17, 2009  
**TO:** CLLAS Advisory Board  
**FROM:** Patrick Mahoney *PM*  
**RE:** Financial Modeling  
**COPY:** Julie-Linda Laforce

This memo discusses the scope of work for the enhanced financial modeling that has been recommended for CLLAS.

### Background

The Towers Perrin review recommended, among other things, that CLLAS:

- Depending on reinsurance pricing, consider increasing its retention levels within the first \$35 million;
- Implement a surplus management policy which defines risk appetite;
- Perform regular capital adequacy testing (such as DCAT or an economic capital evaluation); and
- Perform a regular evaluation of CLLAS' reinsurance exposure.

The Board and management have indicated their support for the general direction of these recommendations. Further, Dion Durrell believes that some of the above elements, such as capital adequacy testing and more refined reinsurer exposure evaluation, are likely to become part of the regulatory framework for entities like CLLAS in the coming years. Dion Durrell recommends that an enhanced financial model of CLLAS be created to serve as the financial management tool for the Board to further the above recommendations.

This memo defines the scope, timeline and expected fees associated with this initiative.

### Proposed Approach

Dion Durrell has developed proprietary software referred to as DIVA which is a sophisticated stochastic financial modeling tool. We have used this software to create financial models for numerous clients, include three reciprocal insurance exchanges and the Attorneys' Liability Assurance Society (ALAS) for the purpose of, among other things, assessing surplus adequacy, evaluating and refining surplus policies and optimizing reinsurance structures.

The following steps are proposed for CLLAS:

- Create a financial model of the CLLAS structure that will allow dynamic modeling of assets (e.g. investments) and liabilities (e.g. claims) that reflects CLLAS' retention and reinsurance structure, and rating methodologies;
- Stress test CLLAS' surplus plan for potential adverse scenarios in order to allow the Board and management to assess the risks to which CLLAS' financial position and structure is exposed (measured in terms of rate stability and probability of retroassessment) with results expressed in terms of confidence levels;
- Apply the model in the up-coming reinsurance renewal to allow for the "real time" assessment of the implications of proposed reinsurance terms on CLLAS' retentions, rates and surplus levels, including assessment of risk transfer to Colchester;
- Discuss findings and recommendations at the June Board meeting (via presentation format).

### **Benefits to CLLAS**

The model will become a business management tool for CLLAS to assist in making decisions with respect to:

- Designing the optimal reinsurance structure (re. risk retention/transfer) in prevailing market conditions;
- Reinsurance pricing and negotiations;
- Premium setting;
- Surplus management and adequacy testing; and
- Compliance with current and future regulatory requirements. (For example, OSFI, the federal regulator, is considering a move from a "rules-based" system for overseeing reinsurance to a "principles-based" approach. If FSCO follows this lead, the proposed model will assist the Board in meeting its prudential obligations.)

Once the model has been built, it will be a straight-forward task to keep it up-to-date with current information.

### **Timeline and Expected Fees**

Subject to approval, we anticipate beginning work as soon as the year-end activity is completed (i.e. the end of February). Our intention is to have the model operational to assist in planning and finalizing the up-coming reinsurance renewal. A presentation report of findings and recommendations will be made at the June Board meeting.

We estimate the fees for this initiative (i.e. the creation of the model, deploying the model in the reinsurance renewal, and the preparation and presentation of the report at the June Board meeting) to be in the range of \$35,000 to \$40,000, exclusive of GST and any required disbursements. We anticipate that the future costs of maintaining the model on an on-going basis will be incremental and accommodated within the current actuarial and reinsurance services budget line amounts.

We look forward to discussing this initiative with you at the up-coming Board meeting.

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**

**2008/2009 Reinsurers Security Rating  
as of February 9, 2009**

<b>Reinsurer</b>	<b>A.M. Best Rating</b>	<b>S&amp;P Rating</b>
Lloyd's	A (Excellent)	A+ (Strong)
Aspen Re	A (Excellent)	A (Strong)
Hannover Ruck	A (Excellent)	AA- (Very Strong)
Arch Insurance Company of Canada	A (Excellent)	A (Strong)
Allied World Assurance Company Ltd.	A (Excellent)	A- (Strong)
CRC (Bermuda) Reinsurance Ltd.	A (Excellent)	Rating Not Available
GCAN Insurance Company	A (Excellent)	BBB (Good)
SCOR Canada Reinsurance Company	A- (Excellent)	A- (Strong)
Swiss Reinsurance Company Canada <sup>(Note 1)</sup>	A+ (Superior)	AA- (Very Strong)
Toa Reinsurance Company of America	A (Excellent)	A+ (Strong)
Transatlantic Reinsurance Company <sup>(Note 2)</sup>	A (Excellent)	A+ (Strong)

Note 1: Currently under review by both A.M. Best and S&P.

Note 2: Downgraded from previous report in September 2008 when A.M. Best rating was A+ (Superior) and S&P rating was AA- (Very Strong). A.M. Best has classified their current outlook as "negative".



# Canadian Lawyers Liability Assurance Society

Report to the Audit Committee of the Advisory Board  
Results of the 2008 Audit

February 20, 2009



Deloitte & Touche LLP  
Brookfield Place  
181 Bay Street  
Suite 1400  
Toronto, ON M5J 2V1

Tel: (416) 601-6150  
Fax: (416) 601-6151  
[www.deloitte.ca](http://www.deloitte.ca)

February 20, 2009

The Members of the Audit Committee of the Board of Directors  
Canadian Lawyers Liability Assurance Society

Dear Committee Members:

We are pleased to present this report to you on the completion of the 2008 external audit of Canadian Lawyers Liability Assurance Society.

This report summarizes the results of our audit and includes representations and comments designed to assist you in discharging your responsibilities as audit committee members. We look forward to discussing our report with you and responding to your questions.

This report has been provided to the Audit Committee of CLLAS on a confidential basis. It is intended solely for the use of the Audit Committee to assist it in discharging its responsibilities with respect to the financial statements and is not intended for any other purpose. We disclaim any responsibility or obligation to any third party who may rely on this report. The matters addressed in this report are a byproduct of the financial statement audit and the audit would not necessarily identify all matters that may be of interest to the Audit Committee in fulfilling its responsibilities.

Yours sincerely,

A handwritten signature in cursive script that reads "Deloitte &amp; Touche LLP".

Chartered Accountants

Licensed Public Accountants

Member of  
**Deloitte Touche Tohmatsu**



# Contents of Our Report

■ Status of the Audit, Its Scope and Related Representations	1
■ Management's and Directors' Responsibilities for Financial Information	3
■ Our Audit Opinions	4
■ Matters to be Communicated to the Audit Committee	5
■ Key Areas of Audit Focus	7
■ Reporting and Control Matters	12
■ Outstanding Items	13
■ In Conclusion	14
■ Appendix A – Confirmation of Independence	

# Status of the Audit, Its Scope and Related Representations

- The 2008 audit of the financial statements is substantially complete, pending receipt of the management representation letter and completion of a few remaining audit procedures and reviews.
- We anticipate that our audit opinion will be unqualified.
- We continue to be independent of CLLAS and provide formal confirmation of this in Appendix A.
- The audit approach was consistent with our plan and complies with Canadian generally accepted auditing standards and our firm's standards for the audit of insurance entities.
- We considered the work of the Appointed Actuary in formulating an opinion on the financial statements. Our audit incorporated additional work by our consulting actuary Ms. Barb Addie, in accordance with the CICA assurance and related services guideline ("AuG-43"). We complied with the joint policy statement of the CICA and the Canadian Institute of Actuaries.

# Status of the Audit, Its Scope and Related Representations, Cont'd

- No limitations were placed on the scope of our audit. We had complete access during the year to officers and employees, and to all books and records required to perform our audit. We received full cooperation and appropriate representations from management.

# Management's and Directors' Responsibilities for Financial Information

- As you are aware, management is responsible for the preparation and presentation of the financial statements. We have requested a letter from management acknowledging this responsibility which includes representations on outstanding litigation and other contingent exposures.
- Our understanding is that you recognize your responsibility as Directors for reviewing and approving financial statements and overseeing management responsibility for:
  - the preparation and presentation of financial statements;
  - maintenance of appropriate internal controls; and
  - assessment of significant related party transactions.

# Our Audit Opinions

- Our opinion on the 2008 financial statements will:
  - be signed following approval by the Audit Committee; and
  - state that the financial position, results of operations and cash flows are fairly stated in all material respects.
- Regulatory Reporting
  - Financial statements in the P&C-1 annual return are, in substance, the same as these financial statements. Our report on these financial statements will also be unqualified.

# Matters to be Communicated to the Audit Committee

- Overleaf, we provide a list of matters that are required to be reported to the Audit Committee by our professional standards and our findings on such matters. Our findings are based on the audit work considered necessary by us to render our opinion on the Society's financial statements.

# Matters to be Communicated to the Audit Committee

Reportable Matter	Comments
1. Significant weaknesses in internal controls relating to the preparation of financial statements.	None noted.
2. Illegal acts.	None noted.
3. Significant transactions inconsistent with the ordinary course of business, including fraud or possible fraud.	None noted.
4. Unusual related party transactions.	None noted.
5. New significant accounting principles or policies.	Capital and financial instruments disclosures.
6. Disagreements with management.	None noted.
7. Management consultation with other accountants about any significant auditing or accounting matters.	None noted.
8. Unusual transactions that significantly increase the risk of loss.	See discussion of Hollinger claim reinsurance recoveries
9. Actions that, if they became public, might cause embarrassment.	None noted.
10. Non-compliance with regulatory requirements.	None noted.
11. Major issues discussed with management that influence audit appointment.	None.
12. Management's judgments and accounting estimates.	See key areas of audit focus.
13. Misstatements, including unadjusted audit differences.	See reporting and control matters.
14. Difficulties encountered during the audit.	None.
15. Limitations placed on the scope of our audit.	None.

# Key Areas of Audit Focus

Our audit covered all significant areas of the CLLAS operations. Particular audit focus was placed upon actuarial liabilities and reinsurance.

## Actuarial & Claims

- As per our Audit Plan and in accordance with the requirements of CICA AuG-43, our consulting actuary reviewed and tested the work of the Appointed Actuary.
- The work has been successfully completed and we are able to conclude:
  - The assumptions used to calculate the policy liabilities are reasonable and appropriate to the circumstances;
  - Our recalculation of the policy liabilities did not produce materially different results on a net basis and are within the range of accepted actuarial practice on a gross basis;
  - The estimate of the equity in the UPR and the maximum allowable deferred policy acquisition expenses are appropriate.



# Key Areas of Audit Focus (cont'd)

## Unpaid Claims and Adjustment Expenses

- Claims files handling by CLLAS staff appear complete and related reserve amounts appear appropriate, based on our audit tests.

## Premiums

- There were no retro-assessments in 2008.
- Accounts receivable also includes outstanding balances relating to the January 1, 2008 semi-annual premium installment.
- There was no merger activity during 2008, the insured lawyer count has increased marginally.
- Consistent with the soft market trend and positive claims experiences, the premium rate has declined.

# Key Areas of Audit Focus (cont'd)

## Reinsurance

- CLLAS' continues to retain 100% of the first \$5M of claims before adjustment for self-insured retention and available law society mandatory coverage.
- The Society's maximum exposure on current period claims after reinsurance is \$11,850,000 on losses up to \$220M.
- Colchester provides annual aggregate stop-loss coverage of \$25,000,000 excess of \$15,000,000 applied to 100% of the Society's net liability for that portion of each loss which is in excess of \$250,000.

# Key Areas of Audit Focus (cont'd)

## Reinsurance Cont'd

- We reviewed the audited financial statements of Colchester as at June 30, 2008.
- We have discussed with the General Manager the dispute with the lead reinsurer on the Hollinger claim and the related outstanding reinsurance recoveries. The matter is currently proceeding towards binding arbitration. It is our view that this represents a material contingency which should be disclosed in the financial statements in a manner consistent with CICA 3290.15 and .22.

## Premium Deficiency

- Based upon analyses prepared by the actuary, the Society has concluded that no premium deficiency exists in the current year.

# Key Areas of Audit Focus (cont'd)

## Tax Status

- As disclosed in Note 7 of the financial statements, the Society does not pay tax on its investment or operating income. It does pay 3% premium tax to the Province of Ontario and the Ontario subscribers also pay 8% provincial sales tax.
- The tax filing position adopted by the Society is consistent with that adopted by other reciprocal insurance exchanges regulated by FSCO.
- We have recommended in prior years that with the significant turnover of executive committee members since the inception of the Society, it may be prudent to have the documentation of the Society and its member's tax positions updated periodically.

# Reporting and Control Matters

- We have not encountered any accounting or control issues that we believe could involve material exposure relative to the 2008 financial statements.
- We do not have any misstatements or unadjusted errors to report.

# Outstanding Items

- As of February 18, the following items are outstanding:
  - Bank confirmation from TD Bank related to money market funds as at December 31, 2008. Follow up has taken place both from our side as well as by the General Manager.
  - Management representation letter
  - Engagement letter

# In Conclusion

- We thank Dion Durrell + Associates, Inc. for their contribution towards ensuring that our respective duties and responsibilities are discharged in a comprehensive and efficient manner.
- We would also be pleased to receive comments and suggestions from Audit Committee members. This is particularly important because you, and the firms you represent, are our primary client.
- We would be pleased to address any questions you might have.

# Appendix A

Confirmation of Independence



# Confirmation of Independence

February 20, 2009

The Audit Committee of  
Canadian Lawyers Liability Assurance Society

Dear Audit Committee Members:

We have been engaged to audit the financial statements of Canadian Lawyers Liability Assurance Society (the Society) for the year ended December 31, 2008.

Canadian generally accepted auditing standards (GAAS) require that we communicate at least annually with you regarding all relationships between the Society and our Firm that, in our professional judgment, may reasonably be thought to bear on our independence.

In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by the appropriate provincial institute 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.

# Confirmation of Independence (cont'd)

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since February 21, 2008, the date of our last letter.

We are not aware of any relationships between the Society and our Firm that, in our professional judgment, may reasonably be thought to bear on independence, that have occurred from February 21, 2008 to February 20, 2009.

The total fees charged to the Society for audit services were \$51,800 for the December 31, 2008 audit.

GAAS requires that we confirm our independence to the audit committee in the context of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario. Accordingly, we hereby confirm that we are independent with respect to the Society within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario as of February 20, 2009.

This report is intended solely for the use of the audit committee, the board of directors, management, and others within the Society and should not be used for any other purposes.

We look forward to discussing with you the matters addressed in this letter at our upcoming meeting on February 20, 2009.

Yours truly,

A handwritten signature in cursive script that reads "Deloitte & Touche LLP".

Chartered Accountants  
Licensed Public Accountants

Financial statements of

**Canadian Lawyers Liability  
Assurance Society**

# Canadian Lawyers Liability Assurance Society

December 31, 2008

## Table of contents

Auditors' Report.....	1
Balance sheet.....	2
Statements of comprehensive income and of accumulated other comprehensive income.....	3
Statement of operations and subscribers' equity .....	4
Statement of cash flows.....	5
Notes to the financial statements .....	6-15

## Auditors' Report

To the Advisory Board of the  
Canadian Lawyers Liability Assurance Society

We have audited the balance sheet of the Canadian Lawyers Liability Assurance Society (the "Society") as at December 31, 2008 and the statements of operations and subscribers' equity, comprehensive income and of accumulated other comprehensive income, and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants  
Licensed Public Accountants  
February 13, 2009

# Canadian Lawyers Liability Assurance Society

## Balance sheet

as at December 31, 2008

	2008	2007
	\$	\$
<b>Assets</b>		
Cash at Bank	7,156,634	3,880,117
Short-term investments (Note 3)	14,371,754	13,015,785
Bonds (Note 3)	30,737,108	24,874,410
Interest income due and accrued	248,097	215,873
Premiums receivable (Note 5)	6,505,277	10,668,627
Unearned reinsurance premiums ceded	7,199,019	8,412,949
Prepaid expenses	249,370	323,764
Deferred policy acquisition costs	364,772	405,601
Reinsurance recoverable (Note 12)	10,738,527	9,678,364
Provision for unpaid claims and adjustment expenses recoverable from reinsurers (Note 4)	45,477,000	48,647,000
	<b>123,047,558</b>	<b>120,122,490</b>
<b>Liabilities</b>		
Provision for unpaid claims and adjustment expenses (Note 4)	80,511,000	80,968,000
Unearned premium	12,059,120	13,446,144
Due to reinsurers	8,513,910	9,642,789
Accounts payable and accrued charges	564,151	498,544
	<b>101,648,181</b>	<b>104,555,477</b>
<b>Subscribers' equity</b>		
Minimum surplus	50,000	50,000
Additional surplus	19,973,669	15,424,949
Accumulated other comprehensive income	1,375,708	92,064
	<b>21,399,377</b>	<b>15,567,013</b>
<b>Total liabilities and subscribers' equity</b>	<b>123,047,558</b>	<b>120,122,490</b>

See accompanying notes to financial statements.

# Canadian Lawyers Liability Assurance Society

Statements of comprehensive income and of  
accumulated other comprehensive income  
year ended December 31, 2008

	2008	2007
	\$	\$
<b>Comprehensive income</b>		
Unrealized gains and losses on available-for-sale financial assets arising during the year	1,283,644	(175,918)
Reclassification adjustment for realized gain/loss included in income	-	-
Other comprehensive income (loss)	1,283,644	(175,918)
Net income for the year	4,548,720	5,491,522
<b>Comprehensive income</b>	<b>5,832,364</b>	<b>5,315,604</b>
<b>Accumulated other comprehensive income</b>		
Balance at beginning of year	92,064	-
Transitional adjustment	-	267,982
Other comprehensive income (loss)	1,283,644	(175,918)
<b>Balance at end of year</b>	<b>1,375,708</b>	<b>92,064</b>

See accompanying notes to financial statements.

# Canadian Lawyers Liability Assurance Society

## Statement of operations and subscribers' equity

year ended December 31, 2008

	2008	2007
	\$	\$
<b>Premiums</b>		
Written premium	24,318,114	27,040,048
Reinsurance ceded	14,517,359	16,918,348
Net written premiums	9,800,755	10,121,700
Change in unearned premiums	173,095	1,079,625
Earned premium	9,973,850	11,201,325
Expenses		
Claims (Note 4)	4,516,547	4,894,879
Operating Expenses	1,832,000	1,618,418
Premium taxes	770,371	905,943
	7,118,918	7,419,240
Underwriting gain for the year	2,854,932	3,782,085
Investment income (Note 3)	1,693,788	1,709,437
Net income for the year	4,548,720	5,491,522
Other comprehensive income	1,283,644	92,064
Subscribers' equity, beginning of the year	15,567,013	10,830,427
Transitional adjustments (Note 4)	-	(847,000)
<b>Subscribers' equity, end of the year</b>	<b>21,399,377</b>	<b>15,567,013</b>

See accompanying notes to financial statements.



# Canadian Lawyers Liability Assurance Society

## Statement of cash flows

year ended December 31, 2008

	2008	2007
	\$	\$
<b>Operating</b>		
Net income for the year	4,548,720	5,491,522
Changes in non-cash working capital components		
Change in amortization of bond discount	9,406	(33,082)
Interest income due and accrued	(32,224)	(58,548)
Premiums receivable	4,163,350	(3,985,624)
Unearned reinsurance premiums ceded	1,213,930	2,015,220
Prepaid expenses	74,394	(191,264)
Deferred policy acquisition costs	40,829	94,741
Reinsurance recoverable	(1,060,163)	683,584
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	3,170,000	3,558,000
Provision for unpaid claims and adjustment expenses	(457,000)	975,000
Unearned premiums	(1,387,024)	(3,094,845)
Due to reinsurers	(1,128,879)	(1,316,235)
Accounts payable and accrued charges	65,607	(185,347)
Premium taxes payable	-	(258,607)
	<b>9,220,946</b>	<b>3,694,515</b>
<b>Investing</b>		
Purchase of bonds	(6,827,779)	(8,872,691)
Maturities and disposal of bonds	2,200,000	1,350,000
Purchase of short-term investments	(54,177,757)	(41,019,829)
Disposal of short-term investments	52,812,381	34,260,058
Amortization of bond premium	48,726	53,650
	<b>(5,944,429)</b>	<b>(14,228,812)</b>
Net increase (decrease) in cash	3,276,517	(10,534,297)
Cash balance, beginning of year	3,880,117	14,414,414
<b>Cash balance, end of year</b>	<b>7,156,634</b>	<b>3,880,117</b>
<b>Cash balance comprises</b>		
Cash at Bank	7,156,634	3,880,117

See accompanying notes to financial statements.

# Canadian Lawyers Liability Assurance Society

## Notes to the financial statements

December 31, 2008

### 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 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.

### 2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following policies:

#### *Investments*

The investment portfolio, bonds and short term investments, are classified as available-for-sale 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.

Available-for-sale 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 other than a temporary decline in value, are reclassified from accumulated other comprehensive income and recorded in net investment income in the statement of operations.

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.

Available-for-sale bonds are assessed for impairment at least on a quarterly basis. When there is objective evidence that an available-for-sale bond is impaired and the decline in value is considered other than temporary, the loss accumulated in OCI is reclassified to net investment income. Once an impairment loss is recorded to income, it is not reversed. 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. Objective evidence of impairment includes financial difficulty of the issuer, bankruptcy or defaults and delinquency in payments of interest or principal.

#### *Revenue recognition*

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. A corresponding portion of reinsurance premiums are deferred as unearned reinsurance premiums ceded. 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. Premium taxes are only deferred to the extent that unearned premiums exceed anticipated future claims and expenses less investment income on funds backing unearned premiums.

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.

# Canadian Lawyers Liability Assurance Society

## Notes to the financial statements

December 31, 2008

### 2. Significant accounting policies (continued)

#### *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 balance sheet 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. 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.

The amounts recoverable from reinsurers are calculated based upon the same principles as the gross liability and are reflected as an asset in the balance sheet.

#### *Changes in accounting policies*

##### Capital Disclosures and Financial Instrument Disclosure and Presentation

On January 1, 2008, the Society adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections: Section 1535, Capital Disclosures; Section 3862, Financial Instruments – Disclosure and Presentation, and Section 3863, Financial Instruments Presentation.

Handbook Section 1535 requires the disclosure of objectives, policies and procedures for managing capital; information on what the entity regards as capital; whether the entity has complied with any capital requirements; and the consequences of non-compliance with these capital requirements.

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation. Section 3863 carries forward unchanged the presentation requirements of Section 3861 while Section 3862 requires enhanced financial instrument disclosures of the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The new required disclosures are included in Notes 9 and 10.

#### *Future accounting changes*

##### International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that publicly accountable enterprises will be required to adopt IFRS. IFRS will replace current Canadian GAAP for those enterprises. The Office of the Superintendent of Financial Institutions and the Financial Services Commission of Ontario have confirmed that a reciprocal is considered a publicly accountable enterprise and is expected to adopt IFRS in accordance with the AcSB requirements. For the Society, IFRS will be effective for the annual period commencing January 1, 2011, including the preparation and reporting of one year of comparative figures. The Society is currently in the process of evaluating the impacts and implications of its conversion to IFRS.

# Canadian Lawyers Liability Assurance Society

## Notes to the financial statements

December 31, 2008

### 3. Investments

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

	2008		2007	
	Fair value and carrying value	Amortized cost	Fair value and carrying value	Amortized cost
	\$	\$	\$	\$
Bonds	30,737,108	29,361,400	24,874,410	24,782,346
Short term investments	14,371,754	14,371,754	13,015,785	13,015,785
	<b>45,108,862</b>	<b>43,733,154</b>	<b>37,890,195</b>	<b>37,798,131</b>

The difference between amortized cost and market value of the AFS investments in Bonds consists of gross unrealized gains of \$1,450,230 (2007: \$243,198) and losses of (\$74,522) (2007: (\$151,134)).

Bonds have an average effective interest market yield of 3.01% (2007: 4.39% market yield). The Society limits its long-term investments to securities issued or guaranteed by the Government of Canada, any province of Canada or Canadian corporations.

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:

	2008	2007
	Fair value	Fair value
	\$	\$
Under 1 year	2,042,208	2,213,822
1 to 5 years	22,357,029	12,611,326
Over 5 years	6,337,871	10,049,262
	<b>30,737,108</b>	<b>24,874,410</b>

The maturity profile of short term investments is 100% under 1 year for both 2008 and 2007.

# Canadian Lawyers Liability Assurance Society

## Notes to the financial statements

December 31, 2008

### 3. Investments (continued)

c) Net investment income has the following components:

	2008	2007
	\$	\$
Interest income		
Bonds	1,248,254	1,077,187
Cash, cash equivalent and short-term investments	502,166	649,753
	1,750,420	1,726,940
Amortization of (premium)/discount on investments	(58,132)	(20,568)
Realized capital gain (loss)	-	-
	1,692,288	1,706,372
Miscellaneous investment income	1,500	3,065
Total net investment income	1,693,788	1,709,437

### 4. 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.

# Canadian Lawyers Liability Assurance Society

## Notes to the financial statements

December 31, 2008

### 4. Unpaid claims and adjustment expenses (continued)

b) Activity in the provision for unpaid claims and adjustment expenses is summarized as follows:

	2008	2007
	\$	\$
Provision for unpaid claims and adjustments expense, beginning of year		
Gross	80,968,000	77,525,000
Reinsurance ceded	48,647,000	50,584,000
Net provisions, beginning of year	32,321,000	26,941,000
Net incurred claims and claim adjustment expenses		
Provision for current year claims made	8,455,000	9,788,000
Increase (decrease) in provision for prior year claims made	(5,039,453)	(5,355,121)
Increase (decrease) in provision due to discount rate change	1,101,000	462,000
Total net incurred	4,516,547	4,894,879
Transitional adjustment to opening policy liabilities	(1,803,547)	847,000
Net payment attributable to		
Current year claims made	-	-
Prior years' claims made	(1,803,547)	(361,879)
Total net payments	(1,803,547)	(361,879)
Net provision for unpaid claims and adjustments expenses, end of year	35,034,000	32,321,000
Reinsurance ceded, end of year	48,477,000	48,647,000
Gross provision for unpaid claims and adjustments expenses, end of year	83,511,000	80,968,000

### c) Provision for unpaid claims and adjustment expenses

The fair value of unpaid claims and adjustment expenses, gross and recoverable from reinsurers, is not practicable to determine with sufficient reliability. 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").

# Canadian Lawyers Liability Assurance Society

## Notes to the financial statements

December 31, 2008

### 4. Unpaid claims and adjustment expenses (continued)

*December 31, 2008*

	<u>Undiscounted</u>	<u>Discounted at 3.0%</u>	<u>Provisions for adverse deviation</u>	<u>Value per accepted actuarial practice</u>
	\$	\$	\$	\$
Provision for unpaid claims and adjustment expenses				
Gross	81,493,149	71,023,000	9,488,000	80,511,000
Recoverable from reinsurers	48,106,258	41,981,000	3,496,000	45,477,000
Net	33,386,891	29,042,000	5,992,000	35,034,000

*December 31, 2007*

	<u>Undiscounted</u>	<u>Discounted at 4.0%</u>	<u>Provisions for adverse deviation</u>	<u>Value per accepted actuarial practice</u>
	\$	\$	\$	\$
Provision for unpaid claims and adjustment expenses				
Gross	85,736,000	71,481,000	9,487,000	80,968,000
Recoverable from reinsurers	53,826,000	44,941,000	3,706,000	48,647,000
Net	31,910,000	26,540,000	5,781,000	32,321,000

### 5. Premiums receivable

All subscribers are large reputable Canadian law firms, and no significant credit risk is expected. All amounts are due by January 1, 2009.

### 6. Reinsurance program

- The Society has obtained proportional reinsurance coverage which limits its net liability to a maximum amount of \$11,850,000 effective July 1, 2008 (July 1, 2007: \$10,500,000) on any one loss.
- 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. On July 1, 2008, Colchester received from the Society premiums of \$2,248,950 (July 1, 2007: \$2,600,748).

# Canadian Lawyers Liability Assurance Society

## Notes to the financial statements

December 31, 2008

### 6. Reinsurance program (continued)

#### b) (continued)

Colchester has provided aggregate stop-loss reinsurance protection for a portion of the Society's retained risk. On July 1, 2008 (and July 1, 2007), this reinsurance had an attachment point of \$15,000,000 and an annual aggregate limit of \$25,000,000 and applied to 100% of the Society's net liability for that portion of each loss which is in excess of \$250,000 ground up.

c) Reinsurance does not discharge the primary liability of the Society.

### 7. 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.

### 8. Subscribers' 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.

### 9. Financial instrument 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 made appropriate provision for any such losses, and therefore, no material credit risk exists. One of the primary reinsurers is Colchester Reinsurance Limited as discussed in Note 6. The credit risk related to Colchester is managed by maintaining a trust account and a quarterly review of their financial condition.



# Canadian Lawyers Liability Assurance Society

## Notes to the financial statements

December 31, 2008

### 9. Financial instrument 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.

	2008
	\$
Premiums receivable	45,108,862
Interest income due and accrued	248,097
Premiums receivable	6,505,277
Reinsurance recoverable	10,738,527
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	45,477,000
Total credit exposure	108,077,763

##### 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:

	2008
	%
Bonds, treasury bills and cash (< 1 year)	6.6
Canadas (> 1 year)	42.1
Provincials (> 1 year)	37.0
Corporates (> 1 year)	14.3
Total portfolio	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 balance sheet. 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 3.

#### c) Market risk

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.

# Canadian Lawyers Liability Assurance Society

## Notes to the financial statements

December 31, 2008

### 9. Financial Instrument Risk Management (continued)

#### c) Market risk (continued)

##### i) Interest rate risk (continued)

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.

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 (\$1,049,962) 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 (\$1,515,953) recorded through net income. Conversely, a 1% decrease in interest rates would increase the market value of the fixed income portion of the investment portfolio by \$1,283,812 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 \$1,642,089 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 and the Society had \$Nil equity holdings as at December 31, 2008.

##### iii) Currency risk

The Society does not have any material exposure to foreign currency.

### 10. Surplus management and adequacy

Subscribers' Equity is comprised of Surplus and Accumulated Other Comprehensive Income. At December 31, 2008 the Subscribers' Equity was \$21,399,377. 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 Board of Directors 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 Financial Services Commission of Ontario (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, 2008 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.

# Canadian Lawyers Liability Assurance Society

## Notes to the financial statements

December 31, 2008

### 11. 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) Reinsurance recoverable
- e) Due to reinsurers
- f) Accounts payable and accrued charges
- g) Premium taxes payable

### 12. Contingencies

Certain of the Society's reinsurers have disputed their obligation to reimburse the Society for their share of a large claim settled in late 2005. The dispute is proceeding to binding arbitration with resolution expected in 2009. Management of the Society is confident that the amount reflected as a reinsurance recoverable in the financial statements will ultimately be collected. It is possible that changes in future conditions could require a change in the recognized amount.

### 13. Comparative figures

Certain of the prior years figures have been reclassified to conform with the current year's presentation.



---

**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**

---

**To:** CLLAS Advisory Board

**Board Member**

David Morritt	Donald Milner
Barry Bresner	Carol Lyons
Les O'Connor	Gordon Goodman
Glenn Leslie	Gale Rubenstein
Julia Holland	Nicholas Leblovic
William Scott	Daniel MacDonald
Chris Woodbury	

**From:** Patrick Mahoney 

**Re:** International Financial Reporting Standards (IFRS)  
Progress Report

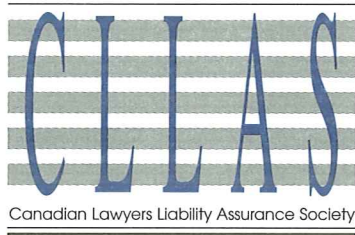
**Date:** February 20, 2009

The FSCO requires that all regulated financial institutions file a progress report with respect to the International Financial Reporting Standards (IFRS) by the end of February.

Attached for your information is the CLLAS Progress Report.

Regards,

Patrick



# **Canadian Lawyers Liability Assurance Society**

## **International Financial Reporting Standards (IFRS) Progress Report**

**February 2009**

# IFRS PROGRESS REPORT

---

## TABLE OF CONTENTS

---

	<u>Page</u>
1. IFRS Project Structure .....	1
2. IFRS Project Status .....	1
3. Significant Accounting Impacts.....	1
a) Potential Accounting Impacts.....	2
b) Financial Statement Presentation.....	4
c) First Time Adoption.....	4
4. Significant Accounting Changes .....	5

# CLLAS: IFRS PROGRESS REPORT

## OVERVIEW

The purpose of this report is to comply with a request from the Society's regulator, the Financial Services Commission of Ontario (FSCO), for the first progress report on the plan to adopt IFRS. FSCO has indicated that progress reports will be required every six months.

### 1. IFRS Project Structure

The primary responsibility for implementing IFRS for CLLAS will reside with CLLAS' management. The Project Sponsor will be Patrick Mahoney who is the General Manager of the Reciprocal. The Project Manager will be David Spratt who is a Chartered Accountant and who provides financial oversight to the reciprocal and will be assisted by Cecilia Jeganathan who is a Certified Management Accountant and responsible for maintaining the financial records.

We will rely on the Society's auditors, Deloitte, to the extent required as subject matter experts and keep them informed regarding implementation progress and involve them as considered appropriate.

The project team will report to the CLLAS Audit Committee who will in turn report to the Board. Status reports will be provided to the Audit Committee as required and at least every six months.

An implementation plan and timeline are provided as Attachment 1.

### 2. IFRS Project Status:

The project is currently on schedule. The first phase, Initial Assessment, has been completed.

### 3. Significant Accounting Impacts

Based on the Initial Assessment, the IFRS accounting impacts to CLLAS will be primarily disclosure in nature. However, some implications will not be fully understood until the Detailed Assessment has been performed and additional details relating to IFRS for insurance are known (ie IFRS Stage II requirements for Insurance Contracts).

The following is a summary of the findings of the Initial Assessment:

#### a) Potential Accounting Impacts

##### i) Financial Instruments:

##### *Potential Impact*

IFRS and GAAP differ regarding the treatment of financial asset impairments regarding timing of recognition, measurement of the impact and the treatment of

## **CLLAS: IFRS PROGRESS REPORT**

reversals. Under IFRS, the recognition of impairment may occur earlier than GAAP since there is no requirement for a decline in value to be other than temporary. In addition, IFRS requires a reversal of any impairment charge should the circumstances change which is different than GAAP which prohibits reversals.

IFRS permits the re-designation of investments as held for trading although the use of this designation is more restrictive than GAAP.

### ***CLLAS Assessment and Action***

The CLLAS investment portfolio is conservative and currently does not have any exposure to the equity market. There is some risk of impairment to the bond holdings, however, the investments are well managed in terms of selecting secure issuers, minimum assets quality standards exist in the investment policy and any ratings below the minimum are reported quarterly. Therefore, management believes that the risk of impairment to the current holdings is small.

The processes regarding the tracking and reporting of investments will be reviewed and amended if required to ensure that should any such impairment occur, that an appropriate change can be determined and tracked.

CLLAS currently designates investments as available for sale. The potential ability to re-designate as held for trading will be considered but it is not expected that such a change will be made.

### **ii) Insurance Contracts:**

#### ***Potential Impact***

The current IFRS insurance standard is IFRS 4. This standard is expected to be replaced by a new standard which is not expected to be available until after the initial adoption of IFRS on January 1, 2011. Therefore, these comments are limited to the current IFRS 4 standard and will need to be reassessed when the new standard becomes available.

There are differences between IFRS and GAAP regarding the definition of an insurance contract. A contract that does not meet the IFRS definition of an insurance contract would be accounted for as a financial instrument. There are also differences in the accounting for deposit components in insurance contracts where IFRS requires that a deposit component to be unbundled and accounted for as a financial instrument.

The GAAP standards for insurance contracts are permitted under IFRS with some restrictions applying for initial adoption. These restrictions include: discounting of claims (not required under IFRS but can be adopted upon



## **CLLAS: IFRS PROGRESS REPORT**

implementation, however, if discounting is currently used it must be continued); inclusion of investment margins in discount rates (similarly permitted under IFRS but a change to undiscounted is not permitted).

IFRS requires that a liability adequacy test be conducted at each reporting period to ensure that expected cash flows are sufficient to cover the reported insurance liabilities.

IFRS will require additional financial statement disclosures related to insurance contracts such as the reconciliation of changes in insurance liabilities and reinsurance assets; policies and procedures for managing insurance risk (concentration and sensitivity and information on credit, liquidity and market risk in IFRS 7); claims development information.

### ***CLLAS Assessment and Action***

It is unlikely that the CLLAS insurance contracts would not meet the IFRS definition of an insurance contract. However, all contracts will be reviewed as part of the Detailed Assessment and evaluated based on the IFRS definition.

CLLAS currently applies discounting of claims and will continue this practice under IFRS. CLLAS currently utilizes the investment returns of the investment portfolio to determine the discount rate and will continue to do so under IFRS.

A liability adequacy test acceptable under IFRS will need to be established but it is expected that the current procedures for the calculation of the insurance liabilities should be sufficient for this purpose.

The additional disclosure requirements under IFRS will be evaluated and the information required will be obtained. The new GAAP disclosure requirements of sections 1535, 3862 and 3863 effective December 31, 2008 are similar to the requirements of IFRS 7 and are now in place.

### **iii) Provisions and Contingencies:**

#### ***Potential Impact***

There are differences between IFRS and GAAP regarding the determination of provisions. The IFRS criteria for establishing a provision is lower as “more likely than not” vs “probably” under GAAP. Also where a range of estimates exist, GAAP requires that the low end of the range be used while IFRS requires the use of the mid-point.

#### ***CLLAS Assessment and Action***

The provision determination differences are not expected to affect any provision calculations for insurance claims in the ordinary course of business. However,

## **CLLAS: IFRS PROGRESS REPORT**

any large or unusual claims could be affected. An evaluation of known claims will be performed to determine if there are any additional provisions required under the IFRS standards.

### **b) Financial Statement Presentation**

#### ***Potential Impact***

IFRS requires a presentation of expenses on the statement of operations which is different from GAAP. Expenses are presented by function or by nature.

#### ***CLLAS Assessment and Action***

A determination will need to be made regarding presenting expenses by function or by nature and the format of the quarterly management accounts and annual audited accounts amended accordingly.

### **c) First Time Adoption**

#### ***Potential Impact***

The transitional requirements, exemptions available for first time adoption, disclosures and reconciliation requirements are reflected in IFRS 1. Generally, the initial IFRS financial statements will require the disclosure of IFRS policy choices, elective exemptions taken and reconciliations of reported earnings and equity with GAAP.

The chosen accounting policies are generally applied retrospectively, which can be onerous. However, there are a number of elective exemptions which can be used to avoid retroactive application (such as reduced disclosure requirements for claims development).

#### ***CLLAS Assessment and Action***

A careful evaluation of the transition requirements and elective exemptions will be made to ensure that the selected accounting policies are appropriate for CLLAS. The elective exemptions will be utilized to the extent possible and appropriate.

## **4. Significant Accounting Changes**

An initial qualitative assessment of the differences between IFRS and GAAP are provided for each of the items identified above in section 3. Additional details for each of these items will be generated during the next phase of the implementation project, Detailed Assessment. Decisions that are reached regarding choices made will be documented and will be contained in subsequent status reports.

# Attachment 1: CLLAS - IFRS Implementation Plan



2008	2009	2010	2011
<ul style="list-style-type: none"><li>• Assess IFRS conversion to identify major areas affected.</li><li>• Develop a project plan including resources, milestones and deliverables.</li></ul>	<ul style="list-style-type: none"><li>• Perform a detailed “Gap Analysis” on accounting and disclosures.</li><li>• Determine information requirements for system and process changes.</li><li>• Amend project plan as required.</li></ul>	<ul style="list-style-type: none"><li>• Determine accounting and disclosure choices.</li><li>• Compile historical data as required.</li><li>• System and process redesign as required.</li><li>• Amend accounting policies and procedures.</li><li>• Staff training.</li><li>• Amend project plan as required.</li></ul>	<ul style="list-style-type: none"><li>• Conversion roll out (open B/S on IFRS basis).</li><li>• Parallel run on GAAP and IFRS basis.</li><li>• Test IFRS systems and processes.</li><li>• Prepare and review F/S on IFRS basis.</li><li>• Document revised controls, systems and processes.</li><li>• Go Live as of Jan. 1, 2011.</li></ul> <ul style="list-style-type: none"><li>• Assess level of compliance with IFRS reporting standards.</li><li>• Amend systems and processes as required.</li><li>• Monitor and report on IFRS compliance.</li></ul>



## **CLLAS**

### **Risk Management Policy**

#### **Trading In Publicly Held Securities**

To reduce the potential exposure of CLLAS firms to adverse publicity or, worse still, claims arising out of improper trades in publicly held securities by partners and employees, the Risk Management Committee recommends that each firm have a policy in place which includes at a minimum the following elements:

#### **1. General Context**

- (a) Duty of confidentiality;
- (b) Prohibition against tipping or trading with knowledge of material undisclosed information.

#### **2. Trading Policy**

- (a) A procedure for clearing all trades in
  - (i) Securities of publicly listed clients; and
  - (ii) Securities of publicly listed entities which are not clients but in respect of which a member or members of the firm have material undisclosed information due to a transaction they are working on (e.g. the take-over target of a firm client). **[NTD: is this too difficult to comply with?]**
- (b) Persons covered by the policy
  - (i) All personnel at the firm;
  - (ii) It is strongly recommended that the policy cover spouses, children, other relatives and other persons sharing the same residence as a partner or employee. Exemptions may be considered for those persons in this category who can demonstrate that they make their own investment decisions or for other situations specifically authorized by the firm's management. **[NTD: is this too broad?]**

- (c) Consideration may be given to exempting the following:
  - (i) Trades in fully managed accounts;
  - (ii) Trades through automatic investment plans or in mutual funds, GIC's, government bonds or similar types of securities.
- (d) A restriction on short selling is advised.
- (e) Consider restricting or discouraging short term trading.
- (f) Consequences of failure to comply with policy.

*groups:documents:cllas:rm-audit:cllas-risk mgmt policy.doc*

## **PRIVILEGED AND CONFIDENTIAL**

**[Draft example of a Restrictions on Securities Trading Policy that requires the maintenance of a Restricted Trading List. This example is provided to CLLAS Members for information purposes only to assist them in reviewing or developing their own policies on securities trading. CLLAS is not endorsing or recommending that CLLAS Members adopt the provisions of this example.]**

### **Restrictions on Securities Trading Policy**

#### **GENERAL**

##### **Purpose:**

To set out the Firm's policy relating to the purchase or sale of securities of publicly-traded entities.

##### **Application of Policy:**

This policy applies to everyone who works at the firm (that is, all partners, employees and others who work at the firm, including lawyers, articling and summer students, secretaries, law clerks, support staff and administrative staff) (collectively "Firm Personnel")) and covers all purchases and sales of securities of publicly-traded entities (other than as described below). It is designed to safeguard against the appearance of impropriety and embarrassment to the Firm, and is similar to policies adopted by other law firms. We will periodically review the effectiveness of this policy as developments occur in this area and as experience is acquired.

The Policy is to be read in conjunction with the Confidentiality and Insider Trading Policy.

#### **POLICY**

##### **Restrictions on Securities Trading:**

It is possible that Firm Personnel may innocently engage in trading activities which, although not illegal (because of the absence of confidential inside information on the part of the particular person), could give rise to the appearance of impropriety, and result in embarrassment to the Firm, because confidential inside information is known to one or more other persons in the Firm. There is also a risk that it would be argued that information known to one member of the Firm may be presumed to be known to all members of the Firm.

In order to avoid such any event, Firm Personnel must not either buy or sell securities (other than securities of mutual funds, guaranteed investment certificates, Canada Savings Bonds or other Canadian government bonds or treasury bill investments) of any publicly traded entity (whether in Canada, the U.S. or elsewhere) that is identified on the "Restricted List" (see below) without written clearance from one of the persons

designated by the Chief Executive Officer to administer this policy from time to time (each a "Compliance Officer").

It is intended that these trading restrictions will extend to cover any situation where Firm Personnel participate in investment decisions of other persons (such as a spouse, other relative or friend or a trust, estate or charitable organization), but not any securities transactions effected by such persons where Firm Personnel does not participate in the investment decision.

In some cases, Firm Personnel may give an investment counsel discretion to trade in securities on their behalf without prior consultation as to specific transactions. Trades under such arrangements are not subject to this policy although Firm Personnel should be aware they may be required to establish in the case of any particular trade that the investment counsel did not in fact consult them in advance of making the trade.

**Restricted List:**

A "Restricted List" of publicly-traded entities is maintained by the Firm, but will not be made available to lawyers generally. The Restricted List has essentially two categories:

- (1) Publicly-traded entities which are current clients of the Firm or of which a member of the Firm is appointed a director or a person in a similar capacity; and
- (2) Other publicly-traded entities about which one or more persons in the Firm currently possess material non-public information because of the Firm's involvement or proposed involvement in a specific transaction. This category would include entities which, although not current clients, are known by one or more persons in the Firm to be involved in a transaction that is likely to affect the market price of the entity's securities or could affect the decision of a reasonable investor to purchase or sell securities of the entity (for example, a target in a take-over bid).

The Restricted List will identify one or more partners (the "Responsible Partner") for each entity named on the list.

In either case, the Responsible Partner(s) or the lawyer who becomes aware of the information described in (2) above is responsible for ensuring that in the appropriate circumstances the entity is included on or removed from the Restricted List.

**Clearance Procedure:**

A request for clearance to purchase or sell securities of a publicly-traded entity may be made to a Compliance Officer by telephone, e-mail or in person.

Upon receiving such a request, the Compliance Officer will:

- (a) If necessary, confirm the appropriate details of the proposed trade with the lawyer who has made the request;

- (b) Record in writing in a log maintained for that purpose the date and time of the request and the identity of the person making the request;
- (c) If the entity is not on the Restricted List, promptly give written clearance for the proposed trade to the person making the request;
- (d) If the entity is on the Restricted List, request the Responsible Partner for instructions whether the proposed trade may take place and, upon receiving such instructions, promptly notify the person making the request in writing whether clearance for the proposed trade is given; and
- (e) Record in the log each step taken to address the request.

If the Responsible Partner is in any doubt about the appropriateness of the proposed trade, the Responsible Partner will consult with a senior securities partner in the Firm before instructing the Compliance Officer whether clearance is given.

Unless and until clearance is given, the trade may not be take place. If clearance is given, the trade order must be given within [3] business days after the person is notified thereof. If for any reason the trade order is not given within that time frame, the trade may not be made without a further clearance.

**Acknowledgement:**

To ensure that each of us is familiar with this policy, all Firm Personnel are asked to review and to sign and send to ●, a written acknowledgement thereof.

**Consultation:**

While compliance with this policy and the law is an individual responsibility, interpretive questions may arise such as whether certain information is material. A member of management should be consulted on such questions.



## **PRIVILEGED AND CONFIDENTIAL**

**[Draft example of a Restrictions on Securities Trading Policy that does not require the maintenance of a Restricted Trading List and, instead, relies on conflicts searches. This example is provided to CLLAS Members for information purposes only to assist them in reviewing or developing their own policies on securities trading. CLLAS is not endorsing or recommending that CLLAS Members adopt the provisions of this example.]**

### **Restrictions on Securities Trading Policy**

#### **GENERAL**

##### **Purpose:**

To set out the Firm's policy relating to the purchase or sale of securities of publicly-traded entities.

##### **Application of Policy:**

This policy applies to everyone who works at the firm (that is, all partners, employees and others who work at the firm, including lawyers, articling and summer students, secretaries, law clerks, support staff and administrative staff) (collectively "Firm Personnel")) and covers all purchases and sales of securities of publicly-traded entities (other than as described below). It is designed to safeguard against the appearance of impropriety and embarrassment to the Firm, and is similar to policies adopted by other law firms. We will periodically review the effectiveness of this policy as developments occur in this area and as experience is acquired.

The Policy is to be read in conjunction with the Confidentiality and Insider Trading Policy.

#### **POLICY**

##### **Restrictions on Securities Trading:**

It is possible that Firm Personnel may innocently engage in trading activities which, although not illegal (because of the absence of confidential inside information on the part of the particular person), could give rise to the appearance of impropriety, and result in embarrassment to the Firm, because confidential inside information is known to one or more other persons in the Firm. There is also a risk that it would be argued that information known to one member of the Firm may be presumed to be known to all members of the Firm.

In order to avoid such an event, Firm Personnel must not either buy or sell securities (other than securities of mutual funds, guaranteed investment certificates, Canada Savings Bonds or other Canadian government bonds or treasury bill investments) of any

publicly traded entity (whether in Canada, the U.S. or elsewhere) without first following the clearance procedure described below.

It is intended that these trading restrictions will extend to cover any situation where Firm Personnel participate in investment decisions of other persons (such as a spouse, other relative or friend or a trust, estate or charitable organization), but not any securities transactions effected by such persons where Firm Personnel does not participate in the investment decision.

In some cases, Firm Personnel may give an investment counsel discretion to trade in securities on their behalf without prior consultation as to specific transactions. Trades under such arrangements are not subject to this policy although Firm Personnel should be aware they may be required to establish in the case of any particular trade that the investment counsel did not in fact consult them in advance of making the trade.

### **Clearance Procedure:**

**[Option A: each lawyer or staff member is responsible for clearing his or her proposed trades.]**

Before trading (i.e. buying or selling) any security of a publicly traded entity, you must order a Conflicts Search from Records Management against the name of the publicly traded entity. **[You must identify this as a Securities Trading Search.]**

You may receive a call or email from [x] (the Confidential Matter Partner) advising you that the trade cannot proceed.

Upon receiving the Conflicts Search, check to see if the entity is listed as either a client, an adverse party, or a party with some other interest.

If the entity is not listed on the Conflicts Search and you have not received a call or email from [x] advising you that the trade cannot proceed, you may trade in the securities of the entity; provided that the trade order is given within [3] business days from the date of the Conflicts Search.

If the entity is listed on the Conflicts Search and you have not received a call or email from [x] advising you that the trade cannot proceed, you must contact the Responsible Lawyer shown beside the name of the entity on the Conflicts Search for instructions as to whether or not the proposed trade may take place. Unless and until clearance is given, the trade may not be take place. If the Responsible Lawyer is in any doubt about the appropriateness of the proposed trade, the Responsible Lawyer will consult with a senior securities partner in the Firm before instructing you whether clearance is given. The Responsible Lawyer will send an email to you stating whether or not the proposed trade may take place.

If clearance is given, the trade order must be given within [3] business days from the date of the Conflicts Search. If for any reason the trade order is not given within that time frame, the trade may not be made without a further clearance.

A copy of the Conflicts Search and any emails from Responsible Lawyers will be **[retained by the lawyer/staff member] [send to [x] – e.g. the Compliance Officer].**

**[Option B: Compliance Officer is responsible for clearing proposed trades.]**

Before trading (i.e. buying or selling) any security of a publicly traded entity, you must request clearance from the Compliance Officer. Unless and until clearance is given, the trade may not be take place.

Upon receiving such a request, the Compliance Officer will order a Conflicts Search from Records Management against the name of the publicly traded entity.

The Compliance Officer may receive a call or email from [x] (the Confidential Matter Partner) advising that the proposed trade cannot proceed.

Upon receiving the Conflicts Search, the Compliance Officer will check to see if the entity is listed as either a client, an adverse party, or a party with some other interest.

If the entity is not listed on the Conflicts Search and the Compliance Officer has not received a call or email from [x] advising that the trade cannot proceed, the Compliance Officer will advise you by email that you may trade in the securities of the entity; provided that the trade order is given within [3] business days from the date of the clearance email.

If the entity is listed on the Conflicts Search and the Compliance Officer has not received a call or email from [x] advising that the trade cannot proceed, the Compliance Officer will contact the Responsible Lawyer shown beside the name of the entity on the Conflicts Search for instructions as to whether or not the proposed trade may take place. If the Responsible Lawyer or Compliance Officer are in any doubt about the appropriateness of the proposed trade, the Responsible Lawyer and the Compliance Officer will consult with a senior securities partner in the Firm before instructing the requesting lawyer or staff member whether clearance is given. The Responsible Lawyer will send an email to the Compliance Officer stating whether or not the proposed trade may take place.

The Compliance Officer will advise the lawyer or staff member by email whether or not clearance has been given. If clearance is given, the trade order must be given within [3] business days from the date of the clearance email. If for any reason the trade order is not given within that time frame, the trade may not be made without a further clearance.

A copy of the Conflicts Search and any emails from Responsible Lawyers will be retained by the Compliance Officer.

**Acknowledgement:**

To ensure that each of us is familiar with this policy, all Firm Personnel are asked to review and to sign and send to •, a written acknowledgement thereof.

**Consultation:**

While compliance with this policy and the law is an individual responsibility, interpretive questions may arise such as whether certain information is material. A member of management should be consulted on such questions.

*groups:documents:ellas:risk mgmt:restric on trading policy-v2.doc*



---

## MEMORANDUM

---

**DATE:** February 19, 2009  
**TO:** CLLAS Advisory Board  
**FROM:** Bill Scott  
**RE:** **Canadian Lawyers Liability Assurance Society (CLLAS)  
Report of the Risk Management Committee**

On February 3, 2009 the Risk Management Committee met to discuss various risk management issues which are discussed under a separate heading below.

### Risk Management Template

The Committee discussed the status of the risk management template. John Walker had circulated a draft copy of the risk management template and requested feedback from the Committee members.

There was general discussion as to whether it was feasible to hold an hour and a half risk management seminar which can cover all important topics in one seminar.

It may be that this type of seminar would be better suited for some firms than others.

There was also discussion as to whether or not CLLAS should identify one firm that could possibly volunteer to put on the first risk management seminar and whether CLLAS would subsidize such seminar in a similar fashion to the way CLLAS subsidizes the risk management audits. Possibly organizing one risk management seminar would assist in a better understanding of what would work best for our CLLAS members.

### Risk Management Audits

John Walker reported that he is continuing the risk management timeline as follows:

February, 2009	WeirFoulds
April, 2009	Cassels, Brock
June, 2009	McMillan
November, 2009	Goodmans
March, 2010	Torys
Date to be Advised	Borden Ladner

There was discussion about what would occur after all risk management audits have been completed in 2010. One option would be to start over again. The other option would be to undertake selective audits. Selective audits would allow John to reconnect with the member firms with respect to his recommendations in the initial audit. Some firms may need more follow up attention than others depending on the outcome of the original audit. There appeared to be a general consensus that a selective audit process would be the better approach.

#### Trading in Securities Policies

Attached is a copy of the materials that were previously produced by John Walker. There is considerable discussion about whether or not there should be a recommendation by the risk management committee that the Trading and Securities Policy be adopted by all member firms. It was decided that generally speaking it may be better not to make it mandatory in that there remains some controversy as to whether or not such a policy is legally necessary. There was also a discussion that there may be reputational risks which each firm may be exposed to which may justify having a Trading in Securities Policy. Having said that, most of the CLLAS member firms appear to have some type of Trading in Securities Policy in place.

#### Other Risk Management Policies

There was discussion about other risk management policies which could be developed by the CLLAS Risk Management Committee. They were as follows:

1. Opinions Policy
2. Confidentiality Policy
3. Personal Interests Policy
4. Investing in Clients (by the Firm)
5. Reporting and Handling of Claims and Disciplinary Matters
6. Policy on Acting as a Fiduciary
7. Engagement Letters

It was agreed that John Walker would work with the Risk Management Committee to begin working on these policies.

### Management of Collective Risk

There was discussion about management of collective risk going forward and how CLLAS could accomplish this. This was discussed in the context that CLLAS has reaffirmed that it will not underwrite premiums the basis of claims experience.

One possible option open to CLLAS would be to examine each firms' claims experience in risk management policies and procedures to assess whether any particular firm needs improvement. This could be accomplished in different ways including having a third party assist by working with any identified firm.

**MEMORANDUM**

**DATE:** February 9, 2009  
**TO:** Patrick Mahoney  
**FROM:** David Spratt  
**RE:** CLLAS Investment Manager Benchmark Update February, 2009

**OVERVIEW**

The previous benchmarking report provided a high level review of the performance of the fund manager, Martin, Lucas & Seagram Ltd. The recommendations in the report were approved by the Board of Directors and we then conducted discussions with the investment manager which resulted in the following changes being put into effect:

**1. Benchmark Changes****1a) Long Term Fund:**

The quarterly investment reports will now reflect a blended benchmark for the Long Term Fund which is more reflective of the actual holdings in the portfolio and will, therefore, provide a more meaningful comparison. The new benchmark will be 60% short term (30% DEX Short Term Federal Bond Index and 30% Short Term Provincial Bond Index) and 40% mid term (20% DEX Mid Term Federal Bond Index and 20% Mid Term Provincial Bond Index).

**1b) Short Term Fund:**

The Short Fund has historically not been compared to any benchmark. For comparative purposes, the performance of the Short Term Fund will now be compared to the 30-day Treasury Bill Index.

**2. Reporting Changes****2a) Short Term Performance**

A time weighted rate of return has historically not been reported on the Short Term Fund. A quarterly return will now be calculated and reported on a new page of the quarterly report together with the quarterly return of the Long Term Fund, both compared with the new benchmarks discussed above.

**2b) Returns Net of Fees**

Returns on the portfolio have historically been reported on a gross of fees basis (and only on the Long Term Fund). The new performance page referred to in 2a) will now report fees on



both a Gross and Net basis for the Long Term and Short Term funds (this will start as of March 31, 2009).

### **2c) Compliance Reporting Regarding Quality of Holdings**

Subsequent to providing the benchmarking report, there was a question raised regarding the process for monitoring and reporting of any deterioration in the quality of the portfolio holdings, especially in light of the recent market turmoil. It should also be noted that the Investment Policy specifies minimum quality ratings of investment but only at the time of purchase. The compliance section of the investment report has historically not reported any deterioration in the quality of investment holdings since this would not represent a non-compliance situation.

Upon discussions with the investment manager, it was confirmed that the investment policy is structured in this way intentionally so that any deterioration in the quality of an investment would not result in an immediate forced sale which could be detrimental. However, it was determined that any deterioration below the minimum investment quality at time of purchased will now be reported in the compliance section of the quarterly report for information purposes with appropriate commentary. This will facilitate the notification of any such situation to the attention of the Board.

In addition, the investment manager was requested to provide comments on their general processes for the selection of investments and subsequent monitoring of their quality. The letter attached to this memo was provided for this purpose and should be self explanatory.

### **2d) Quarterly Activity Reconciliation – Long Term Fund**

Through the discussions with the investment manager, we became aware of a report that they produce which provides a roll forward of quarterly activity on the Long Term Fund which has not been included in the quarterly report to date. The report, Performance Report Gross of Fees, provides a roll forward of the portfolio value at the end of the prior quarter to the value at the end of the current quarter reflecting the relevant activity (contributions, withdrawals, realized and unrealized gains, interest received and accrued). We believe that such information is informative and have requested that this be included in the quarterly investment reports going forward. A copy of the report as at December 31, 2008 is attached.

### **3. Investment Management Fees**

Through our discussions with the investment manager regarding the activity for managing the Long Term and Short Term funds, it became apparent that the management activity of the Short Term fund is not as onerous due to the more basic nature of the holdings (ie Treasury Bills and BS's) which are less complex to analyze, select and monitor. Accordingly, the investment manager agreed to a reduction in the fees charged on the Short Term fund from 25 bps to 20 bps and is now in effect.

#### **4. Documentation Changes**

The items discussed above required changes to be made to both the Investment Policy and Investment Agreement with the investment manager which have been made and executed.

Martin, Lucas & Seagram Ltd.  
PERFORMANCE REPORT  
GROSS OF FEES  
***CLLAS - LONG TERM INVESTMENT FUND***  
*From 09-30-08 to 12-31-08*

Portfolio Value on 09-30-08	28,500,840
Accrued Interest	322,389
Contributions	1,105,809
Withdrawals	-422,263
Realized Gains	-2,423
Unrealized Gains	1,158,055
Interest	402,448
Dividends	0
Change in Accrued Interest	-74,292
Portfolio Value on 12-31-08	30,742,467
Accrued Interest	248,097
Average Capital	28,843,957
Total Gain before Fees	1,483,788
<b>IRR for 0.25 Years</b>	<b>5.14%</b>

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

INVESTMENT REPORT  
FOR QUARTER ENDING DECEMBER 31, 2008

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

Suite 620, 48 Yonge Street  
Toronto, Ontario  
M5E 1G9

Tel.: 416-363-6216  
Fax: 416-363-4538  
e-mail: [info@mlsinvest.com](mailto:info@mlsinvest.com)

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

**COMMENTARY FOR THE QUARTER ENDING DECEMBER 31, 2008**

**Review of Market Yields**

Government bond yields across all maturities continued to move in a downward trend throughout the fourth quarter. At the short end of the curve, 3-month Treasury Bills fell 106 basis points to a record low of 0.83% at year end. Maturities in the 1 to 5-year range recorded the most significant declines, which averaged 163 basis points, while 10-year yields fell back 106 basis points.

Following these significant declines, the upward slope of the yield curve held level over the fourth quarter. At December 31, 10-year issues provided a 186 basis point advantage over Treasury Bills, unchanged from three months earlier.

	Jan. 1/95	Dec. 31/07	Sept. 30/08	Dec. 31/08
3-Month Treasury Bills	6.80%	3.82%	1.89%	0.83%
5-year Canadas	8.99%	3.87%	3.17%	1.69%
10-year Canadas	9.09%	3.99%	3.75%	2.69%

After taking into account the capital addition of \$1,105,809 less \$19,815 accrued interest debited on the bond purchases, the valuation of the Long Term Investment Fund rose by \$1,155,633 or 4.1% on a capital basis during the fourth quarter.

At December 31, 2008, the average term to maturity of the Long Term Investment Fund stood at 4.0 years, unchanged from three months earlier.

During the quarter, some \$1.1 million was transferred from the Short Term Investment Fund to the Long Term Investment Fund. Just over half of this transfer was invested in Canada guarantees and the balance was used to purchase an Ontario issue. Among the existing holdings, a corporate and provincial matured. These proceeds were reinvested in two Ontario issues.

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

<b><i>Distribution as at December 31, 2008</i></b>	<b><i>Valuation</i></b>	<b><i>%</i></b>
Short Term Investment Fund	\$13,229,182	30.1%
Long Term Investment Fund	30,742,467	69.9%
<b>TOTAL COMBINED VALUATION</b>	<b>\$43,971,649</b>	<b>100.0%</b>

***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)
- Distribution of Securities in the Long Term Investment Fund by Credit Risk and by Maturity
- Compliance Statement
- Summary Performance Report:  
– Short and Long Term Investment Fund Returns vs. Their Respective Benchmarks
- Bond Market Commentary and Future Policy
- Security Holdings in the Short and Long Term Investment Funds Listed and Valued Separately as at December 31, 2008
- 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	Dec. 31/07	Sept. 30/08	Dec. 31/08
<b><i>Valuation of Long Term Investment Fund</i></b>	<b><i>\$3,466,369</i></b>	<b><i>\$24,874,598</i></b>	<b><i>\$28,500,840</i></b>	<b><i>\$30,742,467</i></b>
Cumulative Capital Added (Net) since January 1, 1995		\$20,431,048	\$23,972,833	\$25,058,827

Quarterly Capital Change		+\$ 190,218	-\$ 46,152	+\$1,155,633
Quarterly Capital % Change		+ 0.8%	- 0.2%	+ 4.1%

## LONG TERM INVESTMENT FUND

### TIME-WEIGHTED RATES OF TOTAL RETURN FOR PERIODS ENDING DECEMBER 31, 2008 (ANNUALIZED)

	Five Years	Four Years	Three Years	Two Years	One Year	Last 3 Months
<b><i>Long Term Investment Fund</i></b>	<b><i>5.0</i></b>	<b><i>5.0</i></b>	<b><i>5.6</i></b>	<b><i>6.4</i></b>	<b><i>9.3</i></b>	<b><i>5.1</i></b>
DEX Canada Short Bond Index	5.2	5.2	6.3	7.5	10.5	5.7
DEX Provincial Short Bond Index	4.9	4.8	5.7	6.6	8.9	4.6

## ***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	Dec. 31/07	Sept. 30/08	Dec. 31/08
<b>Bonds, Treasury Bills &amp; Cash</b> Less than 1 year term	29.0%	8.9%	6.2%	6.6%
<b>Canadas</b> Greater than 1 year term	54.7%	39.0%	41.2%	42.1%
<b>Provincials</b> Greater than 1 year term	16.3%	36.7%	35.9%	37.0%
<b>Corporates</b> Greater than 1 year term	-	15.4%	16.7%	14.3%
<b>TOTAL PORTFOLIO</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

### **LONG TERM INVESTMENT FUND**

#### **DISTRIBUTION OF SECURITIES BY MATURITY**

(Based on Market Values)

SINCE THE JANUARY 1, 1995, STARTING DATE

	Jan. 1/95	Dec. 31/07	Sept. 30/08	Dec. 31/08
Under 1 year	29.0%	8.9%	6.2%	6.6%
1 - 3 years	19.8%	19.5%	29.1%	28.5%
3 - 5 years	29.3%	31.2%	32.9%	35.7%
5 - 7 years	11.4%	20.7%	22.2%	18.5%
7 - 10 years	10.5%	19.7%	9.6%	10.7%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Average Maturity (yrs)</b>	<b>2.6</b>	<b>4.2</b>	<b>4.0</b>	<b>4.0</b>
<b>Average Duration</b>	<b>2.3</b>	<b>3.7</b>	<b>3.5</b>	<b>3.6</b>



## CLLAS

### COMPLIANCE WITH INVESTMENT POLICY STATEMENT

#### COMPLIANCE REPORT AT DECEMBER 31, 2008

	Investment Limits	Investment Funds	Compliance
<b><i>Short Term Investment Fund</i></b>			
Maximum Term of Any Issue	1 year	0.29 years	Yes
Minimum Size	20% of Total	30.1%	Yes
Minimum Canada & Provincial Percentage	50%	55.6%	Yes
Minimum Provincial Quality	A	None held	Yes
Minimum Bank CD & BA Quality	R1	R1	Yes
<b><i>Long Term Investment Fund</i></b>			
Maximum Term of Any Issue	10 years	8.3 years	Yes
Minimum Cda and Cda Guarantee Percentage	40%	45.4%	Yes
Maximum Provincial Percentage	40%	38.7%	Yes
Minimum Provincial Quality *	A	A	Yes
Maximum Corporate Percentage	20%	15.9%	Yes
Minimum Corporate Quality *	A	AA	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 Fund represented 30.1% of the two Funds combined, which is above the 20% minimum required.

At December 31, none of the bond holdings' current credit ratings were below the minimum requirement.

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

Provincial Bond: Manitoba @ A Hi

Corporate Bond: Citigroup @ A

## ***CLLAS***

### **LONG TERM INVESTMENT FUND**

#### **TIME-WEIGHTED RATES OF TOTAL RETURN FOR PERIOD ENDING DECEMBER 31, 2008**

	Last 3 Months
<b><i>Long Term Investment Fund</i></b>	<b><i>5.1%</i></b>
<b>Benchmark Portfolio *</b>	<b>6.0%</b>

\* 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, 2008**

	Last 3 Months
<b><i>Short Term Investment Fund</i></b>	<b><i>0.6%</i></b>
<b>Benchmark Portfolio **</b>	<b>0.5%</b>

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

- Note: Above returns are gross of Investment Counsel Fees -

## BOND MARKET COMMENTARY AND FUTURE POLICY

In many respects, the past few months have been a remarkable period for the security markets. Almost every major asset class has been negatively affected as the credit crises deepened and deleveraging in the financial sector accelerated. North American stock prices are off 40% from their highs and commodity prices have fallen 60%. Major foreign currencies have recorded swings of 30% to 40%. Even bond prices have not been immune to this pandemic as weak corporate issues have also experienced sharp declines. Amidst this turmoil, government bonds have been one of the few safe havens and prices have surged as yields across all maturities reached some of their lowest levels ever.

Looking ahead, we expect the near term direction of government and corporate bond yields will be most heavily influenced by the length and depth of the economic contraction. In the past, stock markets have proven to be reliable leading indicators and usually predict with considerable accuracy the length and severity of an economic downturn. From an historical perspective, post-war recessions have averaged approximately 10 months in duration, and the average stock market decline was 30%. If we delve back further in history, the typical recession lasted closer to 18 months. Within these averages, the length and intensity can vary significantly. If one goes back to 1929, when the market plunged 89%, the recession lasted four years. Perhaps the closest precedent in terms of what our markets have signalled was during the oil embargo in 1973. During this period the major stock averages dropped 45%, and the recession lasted 16 months

Most fundamental indicators confirm that we are in the midst of a steep economic downturn and some economists have raised the spectre of a 1930's scenario. The National Bureau of Economic Research, the official arbiter of U.S. recessions, recently declared the U.S. recession officially began in December 2007, which was two months after the U.S. stock market peaked. If it follows a similar pattern to the 1973-74 downturn, the recession could last 16 to 18 months, which means the economy could begin to improve this summer.

However, conditions have been far from typical this time around as events in the credit markets are new to everyone, including the most seasoned market veterans. The current economic slump has already exceeded the post-war average and the unique characteristics of this downturn may well diminish the usefulness of historical precedents. As a result, we believe it is premature to expect the economy to rebound anytime soon. However, there are many conflicting factors to consider when weighting how the economic cycle will actually unfold and the following points highlight some of the positive and negative factors facing investors.

Starting first with some of the positives:

1. Governments world-wide now recognize the scope of the challenges ahead and seem committed to do whatever is necessary to protect the financial system from collapse. There has been an unprecedented level of government intervention to backstop the credit markets. These measures have included expansive monetary policies, deposit guarantees, arranged bailouts and mergers, direct equity investments and, in some countries, the nationalization of major financial institutions.

2. The proliferation of government bailout packages along with the latest Fed measures specifically designed to lower private sector interest rates are having a positive impact on the credit markets. After spiking higher in October, LIBOR rates have moved significantly lower, mortgage rates have fallen, corporate spreads have narrowed and the issuance of commercial paper is climbing. As a result, confidence is starting to return to certain segments of the credit markets.
3. These expansive monetary measures are soon to be bolstered by the introduction of huge fiscal stimulus packages in most of the world's major economies. In the U.S., the new administration plans a combination of tax cuts and infrastructure spending in excess of \$800 billion over the next two years. This would dwarf last year's \$152 billion stimulus plan.
4. Energy and food costs are down, giving relief to consumers and business, which in turn has eliminated any near term inflationary concerns. The recent drop in oil prices from the highs is of particular significance since this alone will save the U.S. consumer close to \$200 billion.
5. The washout in equity mutual funds, triggered by margin calls and near panic among individual investors, is a contrary indicator and in the past signalled that the stock market had entered a bottoming phase, which usually leads an economic recovery by 4 to 6 months.

There are, however, major uncertainties which will weigh on the economic outlook. Some noteworthy negatives include:

1. Over the past few months there has been a marked deterioration in the global economic backdrop. The developed nations are experiencing their first synchronized contraction since WWII and economic growth in many previously high-growth developing nations has slowed to a crawl or turned negative. As a result, the financial crisis has evolved into a much broader economic crisis.
2. The current economic downturn is far from the norm. Historically, rising unemployment causes defaults to increase. However, in this cycle default rates moved significantly higher well before the economy weakened. Now that the economic downturn is well entrenched with job losses accelerating, this increases the possibility of a self-reinforcing negative loop, where economic strains trigger more defaults which lead to more economic distress.
3. There is still a considerable amount of bad news yet to come for consumers and business. Defaults are growing among commercial mortgages and consumer non-mortgage debt, such as auto and credit card loans. As a result, it is still difficult to determine what the eventual losses will be to the banking system.
4. A bottom in the U.S. housing market remains a key component for a recovery. While there has been a marked improvement in affordability, foreclosures continue to rise and mortgage availability remains poor. Furthermore, most leading indicators, such as pending home sales and inventories, continue to deteriorate and there is little evidence that prices will soon stabilize.

5. Consumers are carrying far more debt this recession as a percentage of their household wealth than in previous ones. In many respects, we believe the past few months represent a watershed event for future consumer behaviour and expect that consumers will become much more conservative as they rebuild their savings and repair their balance sheets.
6. Outside of the improvement in money markets, the credit backdrop remains challenging. The yield spreads between Treasury bonds and private sector debt is still wide for both high quality bonds and low rated debt. Furthermore, very little of the drop in administered rates has trickled down to the average borrower. This coupled with banks' ongoing reluctance to lend indicates that monetary policy is still "pushing on a string".

In weighing these factors, we expect that a prolonged period of deleveraging, coupled with an extraordinary level of government involvement, will most likely produce a drawn out saucer-shaped economic recovery. Bond yields historically track nominal GDP and, as a result, we believe the backdrop for government bonds will remain favourable based on the near term prospects for the economy. Prevailing yields seem to be discounting this environment and we expect bond prices will move in a sideways trading range, subject to periodic selloffs as investors weigh the implications of increased deficit spending and the ensuing issuance of huge amounts of government debt.

Looking further ahead, we expect global efforts to unfreeze credit markets and stimulate the economy will ultimately work. Therefore, from a medium term prospective, we believe current yields on government issues have reached unsustainably low levels and that spreads over corporate issues will eventually narrow. However, as mentioned previously, we believe this will take time and at this juncture the possibility of a prolonged period of deflation cannot be ruled out. As a result, we think it is prudent to wait for more evidence that the worst of the credit crisis is behind us and that the weakening economy will not trigger a self-reinforcing downturn in credit and business conditions. In the meantime, we think it is important for long term fixed income investors to remain patient and maintain a laddered maturity structure with a focus on high quality rather than assuming more credit or duration risk. We believe the portfolio's present balance and individual holdings reflect this stance.

RWB: sc

January 26, 2009

---

*Please let us know if the Portfolio's investment objectives should be reviewed due to a change in financial circumstances, income needs, or risk tolerance.*

**CLLAS - SHORT TERM INVESTMENT FUND****Portfolio Holdings at December 31, 2008**

<b>Quantity</b>	<b>Security</b>	<b>Unit Cost</b>	<b>Price</b>	<b>Market Value</b>	<b>Annual Income</b>
<b>CASH</b>					
	Cash Account			4,089	0
<b>MONEY MARKET ISSUES</b>					
1,260,000	Canada Treasury Bill 1.25% due January 8, 2009	99.71	99.98	1,259,785	15,705
500,000	Bank of Nova Scotia BA 2.25% due January 12, 2009	99.61	99.95	499,745	11,206
885,000	Bank of Nova Scotia BA 2.25% due January 21, 2009	99.45	99.91	884,211	19,803
1,015,000	CIBC BA 2.31% due January 21, 2009	99.51	99.91	1,014,096	23,331
780,000	Canada Treasury Bill 2.15% due January 22, 2009	99.60	99.95	779,633	16,703
1,155,000	Canada Treasury Bill 1.45% due February 5, 2009	99.72	99.92	1,154,104	16,701
1,125,000	Royal Bank BA 2.15% due February 11, 2009	99.48	99.82	1,123,007	24,061
500,000	Canada Treasury Bill .60% due February 19, 2009	99.89	99.89	499,448	2,997
885,000	CIBC BA 2.00% due February 20, 2009	99.52	99.79	883,104	17,615
680,000	Toronto Dominion Bank BA 1.75% due February 23, 2009	99.60	99.77	678,460	11,852
1,150,000	Canada Treasury Bill 1.00% due March 19, 2009	99.73	99.82	1,147,898	11,469
785,000	Royal Bank BA 1.10% due March 24, 2009	99.75	99.75	783,041	8,613
2,525,000	Canada Treasury Bill .50% due April 16, 2009	99.85	99.75	2,518,561	12,606
				<hr/> 13,225,093	<hr/> 192,662
<b>TOTAL PORTFOLIO</b>				<b>13,229,182</b>	<b>192,662</b>

Martin, Lucas & Seagram Ltd.  
**PURCHASE AND SALE**  
**CLLAS - SHORT TERM INVESTMENT FUND**  
*From 10-01-08 To 12-31-08*

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
<b>PURCHASES</b>					
10-01-08	10-02-08	780,000	CIBC BA 3.40% due December 31, 2008	99.17	773,515.08
10-15-08	10-16-08	1,260,000	Canada Treasury Bill 1.25% due January 8, 2009	99.71	1,256,386.32
10-22-08	10-23-08	885,000	Bank of Nova Scotia BA 2.25% due January 21, 2009	99.45	880,117.46
10-29-08	10-30-08	780,000	Canada Treasury Bill 2.15% due January 22, 2009	99.60	776,871.42
11-04-08	11-05-08	1,015,000	CIBC BA 2.31% due January 21, 2009	99.51	1,009,993.01
11-07-08	11-10-08	500,000	Bank of Nova Scotia BA 2.25% due January 12, 2009	99.61	498,065.00
11-13-08	11-14-08	1,125,000	Royal Bank BA 2.15% due February 11, 2009	99.48	1,119,133.13
11-21-08	11-24-08	885,000	CIBC BA 2.00% due February 20, 2009	99.52	880,752.89
11-26-08	11-27-08	1,155,000	Canada Treasury Bill 1.45% due February 5, 2009	99.72	1,151,797.18
11-28-08	12-01-08	680,000	Toronto Dominion Bank BA 1.75% due February 23, 2009	99.60	677,273.20
12-10-08	12-11-08	1,150,000	Canada Treasury Bill 1.00% due March 19, 2009	99.73	1,146,920.30
12-15-08	12-16-08	500,000	Canada Treasury Bill .60% due February 19, 2009	99.89	499,466.50
12-23-08	12-24-08	2,525,000	Canada Treasury Bill .50% due April 16, 2009	99.85	2,521,096.35
12-30-08	12-31-08	785,000	Royal Bank BA 1.10% due March 24, 2009	99.75	783,041.42
					<b>13,974,429.26</b>
<b>SALES</b>					
10-02-08	10-02-08	775,000	Canada Treasury Bill 2.1% due October 2, 2008	100.00	775,000.00
10-16-08	10-16-08	1,250,000	Canada Treasury Bill 2.05% due October 16, 2008	100.00	1,250,000.00
10-23-08	10-23-08	885,000	Royal Bank BA 2.95% due October 23, 2008	100.00	885,000.00
10-30-08	10-30-08	775,000	Canada Treasury Bill 2.15% due October 30, 2008	100.00	775,000.00
11-05-08	11-05-08	1,000,000	TD Bank BA 2.95% due November 5, 2008	100.00	1,000,000.00
11-10-08	11-10-08	500,000	Royal Bank BA 3.00% due November 10, 2008	100.00	500,000.00

Martin, Lucas & Seagram Ltd.  
**PURCHASE AND SALE**  
**CLLAS - SHORT TERM INVESTMENT FUND**  
*From 10-01-08 To 12-31-08*

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
11-14-08	11-14-08	1,120,000	CIBC BA 2.95% due November 14, 2008	100.00	1,120,000.00
11-24-08	11-24-08	840,000	Royal Bank BA 2.85% due November 24, 2008	100.00	840,000.00
11-27-08	11-27-08	1,150,000	Canada Treasury Bill 1.45% due November 27, 2008	100.00	1,150,000.00
12-01-08	12-01-08	595,000	Royal Bank BA 2.90% due December 1, 2008	100.00	595,000.00
12-11-08	12-11-08	1,010,000	Canada Treasury Bill 2.15% due December 11, 2008	100.00	1,010,000.00
12-15-08	12-15-08	805,000	Bank of Nova Scotia BA 3.15% due December 15, 2008	100.00	805,000.00
12-15-08	12-15-08	700,000	PRN Canada Housing Trust 1.95% Ser. 6 due December 15, 2008	100.00	700,000.00
12-24-08	12-24-08	2,500,000	Canada Treasury Bill 1.40% due December 24, 2008	100.00	2,500,000.00
12-31-08	12-31-08	780,000	CIBC BA 3.40% due December 31, 2008	100.00	780,000.00
					<b>14,685,000.00</b>



Martin, Lucas & Seagram Ltd.  
**CASH RECONCILIATION**  
***CLLAS - SHORT TERM INVESTMENT FUND***  
*From 10-01-08 To 12-31-08*

Cash Balance at October 1, 2008		12,329.33
ADD: Proceeds from Sales	14,685,000.00	
Bond Interest Credited (from Long Term Investment Fund)	422,262.50	
Cash Interest on Daily Balance	<u>233.97</u>	<u>15,107,496.47</u>
		15,119,825.80
LESS: Cost of Purchases	13,974,429.26	
Transfer to Long Term Investment Fund	1,105,808.93	
Investment Counsel Fees	27,803.86	
Trust Company Charges	<u>7,695.19</u>	<u>15,115,737.24</u>
Cash Balance at December 31, 2008		<b>4,088.56</b>

**CLLAS - LONG TERM INVESTMENT FUND****Portfolio Holdings at December 31, 2008**

<b>Quantity</b>	<b>Security</b>	<b>Unit Cost</b>	<b>Price</b>	<b>Market Value</b>	<b>Annual Income</b>
<b>GOVERNMENT BONDS</b>					
1,000,000	Canada 5-1/2% due June 1, 2009	99.83	101.93	1,019,260	55,000
500,000	Canada Housing Trust Sr. 9 3.75% due March 15, 2010	99.30	103.14	515,685	18,750
450,000	Canada 5-1/2% due June 1, 2010	99.77	106.31	478,386	24,750
500,000	Canada 4% due September 1, 2010	100.30	104.87	524,340	20,000
1,000,000	Canada Housing Trust Sr. 13 4.05% due March 15, 2011	99.02	105.43	1,054,290	40,500
1,000,000	Canada 6% due June 1, 2011	103.73	111.31	1,113,060	60,000
1,500,000	Canada Housing Trust Sr. 14 4.60% due September 15, 2011	101.74	107.48	1,612,260	69,000
500,000	Farm Credit Canada 4.20% due February 15, 2012	101.20	107.04	535,175	21,000
2,200,000	Canada Housing Trust Sr. 16 4.00% due June 15, 2012	100.57	106.46	2,342,120	88,000
750,000	Canada Housing Trust Sr. 18 4.55% due December 15, 2012	102.72	109.02	817,628	34,125
900,000	Canada Housing Trust Sr. 19 3.60% due June 15, 2013	99.87	105.87	952,803	32,400
500,000	Canada Housing Trust Sr. 22 3.55% due September 15, 2013	104.51	105.77	528,865	17,750
600,000	Canada Mtge & Housing 4.30% due April 1, 2015	100.95	109.19	655,128	25,800
650,000	Canada Mtge & Housing Corp. 4.10% due October 1, 2015	98.39	107.70	700,044	26,650
1,000,000	Canada 4% due June 1, 2016	99.58	111.16	1,111,590	40,000
				<hr/> 13,960,633	<hr/> 573,725
<b>PROVINCIAL BONDS</b>					
500,000	Ontario 6.20% due November 19, 2009	100.77	104.40	521,990	31,000
500,000	British Columbia 6.375% due August 23, 2010	104.22	107.58	537,880	31,875
500,000	Ontario 6.10% due November 19, 2010	102.12	107.90	539,490	30,500
1,200,000	Ontario 4.4% due December 2, 2011	101.02	105.83	1,269,924	52,800
1,250,000	Ontario 4.50% due December 2, 2012	103.37	106.76	1,334,475	56,250
1,275,000	Ontario 4-3/4% due June 2, 2013	102.35	107.72	1,373,456	60,563

**CLLAS - LONG TERM INVESTMENT FUND****Portfolio Holdings at December 31, 2008**

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
1,000,000	Manitoba 5.05% due December 3, 2013	101.61	108.89	1,088,900	50,500
750,000	Ontario 5% due March 8, 2014	102.63	108.81	816,038	37,500
750,000	Manitoba 4.80% due December 3, 2014	104.46	107.24	804,323	36,000
1,350,000	Ontario 4.5% due March 8, 2015	101.62	105.70	1,426,937	60,750
1,100,000	Ontario 4.4% due March 8, 2016	100.45	104.03	1,144,297	48,400
1,000,000	Ontario 4.30% due March 8, 2017	100.38	102.50	1,025,000	43,000
				11,882,708	539,138
<b>CORPORATE BONDS</b>					
250,000	GE Capital Cda Fndg 5.65% due October 23, 2009	99.55	100.32	250,805	14,125
250,000	Citigroup Finance Canada 4.29% due November 2, 2009	101.20	99.65	249,130	10,725
300,000	Bank of Nova Scotia 4.25% Sen. Dep. Note due November 23, 2010	100.45	101.50	304,485	12,750
300,000	Royal Bank 4.17% Sen. Dep. Note due January 11, 2011	100.10	101.45	304,341	12,510
500,000	Bank of Montreal 4.69% due January 31, 2011	104.21	102.11	510,555	23,450
300,000	CIBC 5.00% Senior Dep Nts due September 10, 2012	100.23	102.13	306,384	15,000
400,000	Wells Fargo Financial Canada MTN 4.40% due December 12, 2012	99.78	96.10	384,412	17,600
750,000	Toronto Dominion Bank Dep. Note 4.854% due February 13, 2013	101.35	103.52	776,423	36,405
250,000	Bank of Nova Scotia 4.56% due October 30, 2013	100.07	101.55	253,870	11,400
300,000	Wells Fargo Financial Canada MTN 4.33% due December 6, 2013	99.97	94.19	282,582	12,990
500,000	Royal Bank 3.96% due January 27, 2014	99.49	100.03	500,165	19,800
500,000	CIBC 4.75% due December 22, 2014	101.80	99.36	496,785	23,750
300,000	GE Capital Cda Fndg 4.65% due February 11, 2015	102.20	93.06	279,189	13,950
				4,899,126	224,455
<b>TOTAL PORTFOLIO</b>				<b>30,742,467</b>	<b>1,337,318</b>

Martin, Lucas & Seagram Ltd.  
**PURCHASE AND SALE**  
**CLLAS - LONG TERM INVESTMENT FUND**  
*From 10-01-08 To 12-31-08*

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
<b>PURCHASES</b>					
10-14-08	10-17-08	250,000	Ontario 4.50% due December 2, 2012	102.58	256,450.00
11-28-08	12-03-08	500,000	Ontario 4.30% due March 8, 2017	99.87	499,350.00
12-15-08	12-18-08	500,000	Canada Housing Trust Sr. 22 3.55% due September 15, 2013	104.51	522,569.00
12-15-08	12-18-08	500,000	Ontario 4.30% due March 8, 2017	100.88	504,400.00
12-16-08	12-19-08	50,000	Canada Mtge & Housing Corp. 4.10% due October 1, 2015	106.45	53,225.00
					<b>1,835,994.00</b>
<b>SALES</b>					
10-15-08	10-15-08	250,000	Golden Credit Card Trust Sr. Notes 4.159% due October 15, 2008	100.00	250,000.00
12-01-08	12-01-08	500,000	Ontario 5.70% due December 1, 2008	100.00	500,000.00
					<b>750,000.00</b>

Martin, Lucas & Seagram Ltd.  
**CASH RECONCILIATION**  
***CLLAS - LONG TERM INVESTMENT FUND***  
*From 10-01-08 To 12-31-08*

Cash Balance at October 1, 2008			0.00
ADD:	Proceeds from Sales	750,000.00	
	Transfer from Short Term Investment Fund	<u>1,105,808.93</u>	<u>1,855,808.93</u>
			1,855,808.93
LESS:	Cost of Purchases	1,835,994.00	
	Accrued Bond Interest on Purchases	<u>19,814.93</u>	<u>1,855,808.93</u>
Cash Balance at December 31, 2008			<b>0.00</b>