

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

8:30 a.m.
Davies Ward Phillips & Vineberg LLP
44th 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 30th results within three weeks of the quarter end, and they also asked for results as at October 31st, 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 30th 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
("CLLAS")**

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

Tuesday, September 16, 2008

Present:

Nick Leblovic (Chairman)	Davies Ward Phillips & Vineberg LLP
Richard Prupas	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
Gerald Badali	Lang Michener LLP
William Scott	McCarthy Tetrault LLP
Daniel MacDonald	McMillan LLP
David Morritt	Osler, Hoskin & Harcourt LLP
Julia Holland	Torys LLP
Les O'Connor	WeirFoulds LLP
Patrick Mahoney	Dion, Durrell + Associates
Norma Ibbetson	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 June 17, 2008 Meeting of the Advisory Board

It was moved by Gordon Goodman seconded by Chris Woodbury that the minutes of the June 17, 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

Restructuring Plans

A sub-committee has been struck and Donald Milner, Gale Rubenstein and Nick Leblovic have all agreed to serve. Some materials have been gathered for the Committee to review and the Board can expect a further report from the Committee after further consultation with Steve Ruby.

CLLAS Website

The costs involved with a CLLAS website were estimated on a preliminary basis at \$30,000 to set up and \$5,000 to maintain. Initially, the site would be set up for members only, with the intention of moving to expand access to reinsurers and/or Pro-Form at a later time.

It was moved by Donald Milner and seconded by David Morritt that implementation of a CLLAS website be approved. The motion was carried unanimously.

Other Insurance Products

Nick Leblovic circulated a memo prior to the Board meeting to the member firms seeking their input on whether they would like CLLAS to look at a group purchase of other insurance products. The feedback generally was to ask DDA on behalf of CLLAS to review existing coverages/limits/premiums and compare them to what is generally available in the commercial market. To the extent that a sufficient number of firms respond, a summary benchmarking report will be prepared and provided to the firms so that they are equipped to negotiate the best possible terms on their firm's behalf. Current information suggests that most firms are with Chubb but through various brokers. Those interested were asked to forward their information to Joe Tontini and he will report at the December meeting.

QST Issue

Every firm has now received their calculations.

Risk Management Audits

All firms will have one audit completed by spring 2010. Twelve firms in total will have been completed by the next reinsurance renewal (nine by John Walker and three by Anthony Davis).

The Risk Management Committee will be looking at the re-audit schedule with a view to defining possible "triggers" the scheduling of audits.

Reinsurance

As has been reported in the press, AIG is experiencing some financial difficulties as a result of the economic situation and has been downgraded. Although the situation is too fluid to react at the moment, an eye is being kept on the following companies with which CLLAS or the firms themselves do business:

- Lexington – CLLAS International
- TRC – CLLAS layers – not significant exposure
- AIG Commercial – Pro Form
- AWAC – Allied World

6. Report of the General Manager's Office

Management Report at June 30, 2008

CLLAS is experiencing a steady increase in subscribers' equity, driven by the overall good claims experience. There has been a net gain of \$4 million for the first six months of 2008, versus about \$1.7 million the previous year. Mr. Mahoney suggested that the Board should consider a DCAT-type analysis to assess the appropriate level of surplus and also to serve as a tool in evaluating appropriate retention levels at the next reinsurance renewal.

Mr. Mahoney pointed out the "reinsurance recoverable" on the balance sheet, most of which relates to the ongoing reinsurance arbitration on file 2004-194. Documentary discoveries are on-going.

Budget Variance

No extraordinary variances were noted.

Reinsurance Placement

The overall rate reduction was around 11%. Reinsurance rate reductions were experienced in all layers. CLLAS reduced its aggregate annual retention on the primary \$5,000,000 of coverage to \$5,000,000 from \$12,000,000. CLLAS reduced its drop-down/in-fill deductible in the event its coverage is broader than that of the underlying law society coverage from \$250,000 to \$25,000.

FSCO Annual Examination

The FSCO examiner has advised that no audit will be conducted this year but that the examiner would still be attending at the General Manager's office for a brief meeting for a high-level discussion. As part of the quarterly P&C1 filings, FSCO receives regular financial information on CLLAS and this review is not triggering any concerns.

Mr. Mahoney noted that some changes to the Ontario *Insurance Act* were implement in the spring of 2008, with a four-year implementation schedule. These changes are being reviewed and the key ones of interest to CLLAS include:

- The need for the Subscribers Agreement to require an Audit Committee;
- The move of the "75%/25% reinsurance rules" from FSCO guidelines into the regulations; and
- Amendments to the rules for related party transactions.

7. Report of the Claims Committee

Barry Bresner reported monitoring is being done on a number of files. He reviewed with the Board several files from the claim activity summary handed out at the meeting:

Item 12 – settled, long outstanding to close circle – seeking recovery

Item 26 – also active – trial in U.S. – don't see merit but U.S. trials are costly

Item 29 – settled with a contribution of approximately \$600,000 by CLLAS

8. Report of the Risk Management Committee

Bill Scott reported for the Committee and provided an update on the scheduled audits through to 2010.

The template initiative has been delayed because of the aggressive audit schedule. The intention is to have the templates available for firm use in new year – they will be circulated for feedback to all firms.

Mr. Scott discussed the risk management guidelines. The most recent one concerned trading in securities. It appears that all firms have some form of guidelines in this area. Mr. Scott said he would circulate to any interested firms his own firm's guidelines on this topic along with some commentary on the process that the firm went through to review and incorporate the CLLAS guidelines into their existing policy.

The committee is seeking any thoughts on the next set of guidelines.

9. Report of the Policy Committee

Gordon Goodman reported for the Committee. The Committee reviewed and approved the final endorsement language from Pro-form's with respect to the multi-year arrangement.

The Claims Management Committee has encountered some policy issues coming out of various coverage opinions and claims matters and these will be referred to the Policy Committee.

The definition of and corresponding coverage relating to "Professional Corporations" will require some review and this will take place in due course.

10. Report of the Peer Review Committee

Nick Leblavic reported. The final draft of the Tillinghast report will be ready for the end of September and will be circulated to the Board and to Dion Durrell. A special meeting will be scheduled for some time in October with Tillinghast to present the report.

11. June 30, 2008 Investment Manager's Report

Mr. Mahoney circulated by email the report on the revisions to the investment policy. The policy has been revised to reflect a more appropriate benchmark and he also noted that the fees on the short-term fund had been reduced. He suggested that, if acceptable, the Board adopt the changes with effect from October 1, 2008.

It was moved by Dan MacDonald seconded by Richard Prupas that the recommended change to CLLAS' Investment Policy Section 2.4 relating to the Long Term Fund benchmark be implemented for October 1, 2008 and that corresponding changes to the reporting of the Investment Manager Quarter End Reports recommended take effect at October 1, 2008. The motion was carried unanimously.

12. Other Business

There was no further business.

13. Next Meeting

The next regularly scheduled meeting of the Board will be on December 9, 2008.

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
44th Floor, 1 First Canadian Place
Toronto, Ontario

Friday, October 31, 2008

Present:

Nick Leblovic (Chairman)	Davies Ward Phillips & Vineberg LLP
Richard Prupas	Blake Cassels & Graydon LLP
Glenn Leslie	Blake Cassels & Graydon LLP
Barry Bresner	Borden Ladner Gervais LLP
Donald Milner	Fasken Martineau DuMoulin LLP
Chris Woodbury	Fraser Milner Casgrain LLP
Gale Rubenstein	Goodmans LLP
Frank Palmey	Lang Michener LLP
William Scott	McCarthy Tetrault LLP
Daniel MacDonald	McMillan LLP
David Morritt	Osler, Hoskin & Harcourt LLP
Julia Holland	Torys LLP
Les O'Connor	WeirFoulds LLP
 Pierre Laurin	 Towers Perrin
 Patrick Mahoney	 Dion, Durrell + Associates
Norma Ibbetson	Dion, Durrell + Associates
Joe Tontini	Dion, Durrell + Associates
Julie-Linda Laforce	Dion, Durrell + Associates

1. Constitution of Meeting

The Chairman brought the meeting to order.

2. Appointment of Secretary

Norma Ibbetson acted as Secretary.

3. Report of the Peer Review Committee

Pierre Laurin of Towers Perrin joined the meeting and provided an overview of their Peer Review Report previously circulated to the CLLAS Board members.

Mr. Laurin reviewed the scope of the project and the summary recommendations with the Board. The audit focused on legal structure, administration, claims management, underwriting, reinsurance and Colchester including a review of the service providers, DDA, Miller Insurance and Pro-Form. The report concluded that the CLLAS structure and administration was effective and its management and operations were efficient.

Specific recommendations included:

- Improvement of the documentation within Colchester between the underwriting and risk acceptance side
- Document the annual risk transfer analysis in CLLAS file regarding the Colchester cessions
- Appoint Miller as the reinsurance broker for Colchester on the retrocession
- Increase retentions within first \$35 million layers or achieve rate reductions
- Implement a Capital Management Policy
- Perform regular capital adequacy test such as a Dynamic Capital Adequacy Testing (DCAT)
- Succession plan within Dion Durrell for client servicing
- Improve underwriting information capture and data management
- Introduce a "Rating Downgrade" clause in reinsurance contract
- Create a reinsurance security list
- Prospective and retrospective reinsurance exposure evaluation
- Reinsurance Contracts to be signed prior to contract period inception
- If and when appropriate consider a risk pricing structure by firm versus a blanket rate
- Risk management audits and claims frequency analysis

After discussing the report and recommendations, and taking questions, Mr. Laurin left the meeting.

Dion Durrell provided it's views concerning the Towers Perrin recommendations and advised that written commentary on the recommendations will be included with the December 2008 Advisory Board meeting material.

There was a general discussion about the usefulness of this type of review and there was agreement that this process should be undertaken every five to ten years.

4. Other Business

There was no further business.

5. Next Meeting

The next regularly scheduled meeting of the Board will be on December 9, 2008.

There being no further business, the meeting was terminated.

Chairman

Secretary

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

FINANCIAL MANAGEMENT REPORT

For the Period Ending September 30, 2008

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

FINANCIAL MANAGEMENT REPORT

September 30, 2008

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Exhibit II	Income Statement
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CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
BALANCE SHEET
September 30, 2008

	As at September 30, 2008	As at September 30, 2007
ASSETS		
Cash	\$1,307,295	\$8,355,275
Investments		
Short Term	17,002,084	7,858,844
Bonds	28,479,481	24,404,368
Interest income due and accrued	322,389	278,186
Premiums receivable	12,158,057	13,520,024
Unearned reinsurance premium ceded	10,858,189	12,665,649
Prepaid Expenses	204,750	198,750
Deferred policy acquisition costs	547,158	608,401
Reinsurance recoverable	11,113,844	10,249,887
Other receivable	0	0
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	47,100,000	48,520,000
Total Assets	\$129,093,246	\$126,659,383
LIABILITIES		
Provision for unpaid claims and adjustment expenses	\$81,101,000	\$81,074,000
Provision for unpaid premium liabilities	\$2,629,821	\$3,789,774
Unearned premium	18,187,869	20,243,096
Due to reinsurers	7,258,678	8,241,572
Accounts payable & accrued charges	262,401	274,086
Premium taxes payable	89,930	58,906
Total Liabilities	109,529,698	113,681,434
SUBSCRIBERS' EQUITY		
Surplus	19,362,632	13,066,287
Accumulated Other Comprehensive Income (Loss),	200,916	(88,338)
	19,563,548	12,977,949
TOTAL LIABILITIES AND SUBSCRIBERS' EQUITY	\$129,093,246	\$126,659,383

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
INCOME STATEMENT
FOR THE PERIOD ENDED September 30, 2008

	Year to date Jan. 2008 to <u>September-08</u>	Previous year Jan. 2007 to <u>September-07</u>
Written premium	\$24,317,114	\$27,040,048
Gross Written Premiums	24,317,114	27,040,048
Less: Reinsurance Ceded	14,517,359	16,918,348
Net Written Premiums	9,799,755	10,121,700
Change in Unearned Premiums	(2,296,485)	(1,464,627)
Earned Premiums	7,503,270	8,657,073
Claims Paid	1,209,552	141,539
Change in IBNR	1,881,000	4,207,000
Change in Case Reserve	(201,000)	1,406,000
Change in provision for Unpaid Premium liability	0	0
Incurred Claims	2,889,552	5,754,539
Management and Operating Expenses	1,212,332	1,009,425
Reinsurance Fees	200,750	198,750
Premium Taxes	587,987	703,142
Total Operating Expenses	2,001,069	1,911,317
Underwriting Gain (Loss)	2,612,649	991,217
Investment Income	1,275,031	1,244,641
Net Gain (Loss)	\$3,887,680	\$2,235,858
Subscribers' Equity - Beginning of Period	\$15,474,952	\$10,830,429
Less: Adjustment to opening Policy Liabilities	\$0	\$0
Subscribers' Equity - End of Period	\$19,362,632	\$13,066,287

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF COMPREHENSIVE INCOME (LOSS) AND
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
FOR THE PERIOD ENDED September 30, 2008**

	Year to date Jan. 2008 to <u>September-08</u>	Previous year Jan. 2007 to <u>September-07</u>
Net Income	\$3,887,680	\$2,235,858
Other Comprehensive Income (Loss):		
Unrealized Gains and (Losses) on available-for-sale financial assets arising during the year	108,852	(310,707)
Reclassification of realized gains(losses) to the statement of operations		
Net change in the other comprehensive income for the year	108,852	(310,707)
Total Comprehensive Income (Loss)	<u>3,996,532</u>	<u>1,925,151</u>
Accumulated Other Comprehensive Income (Loss), beginning of year	\$92,064	\$0
Other comprehensive income (loss)	108,852	(88,338)
Balance at end of period	<u>200,916</u>	<u>(88,338)</u>

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS
FOR THE NINE MONTHS ENDED September 30, 2008

	Annual Budget	Year to Date Budget % Accrued to Date	\$	Year to Date Actual \$	Fav/(Unfav) Variance \$
MANAGEMENT SERVICES	382,000	75%	286,500	311,243	(24,743)
PROFESSIONAL SERVICES					
Actuarial Services	94,000	83%	78,020	73,355	4,665
Reinsurance Matters	260,000	83%	215,800	245,163	(29,363)
Strategic Matters	98,000	83%	81,340	54,269	27,071
Special, non-recurring	0	83%	0	0	0
Sub-Total Professional Services	452,000		375,160	372,787	2,373
Total Management & Professional Services * (See Note 1)	834,000		661,660	684,030	(22,370)
GST on Consulting Fees	41,700	75%	31,275	34,202	(2,927)
Total Consulting Services	875,700		692,935	718,232	(25,297)
OTHER EXPENSES					
Audit Expenses	60,000	75%	45,000	53,048	(8,048)
Annual Dinner	5,000	100%	5,000	4,848	152
Premium Taxes	811,201	75%	608,401	587,987	20,414
Chairman's Expenses	1,500	75%	1,125	0	1,125
Chairman's Honourium	60,000	100%	60,000	60,000	0
Reinsurance Expense	10,000	75%	7,500	5,906	1,594
Office Expenses	15,000	75%	11,250	14,130	(2,880)
Claims: Borderaux (LSUC)	13,850	75%	10,388	12,250	(1,863)
Special Services	100,000	75%	75,000	56,051	18,949
Special Services - Peer Review	125,000	75%	93,750	101,937	(8,187)
Miller Insurance Fees (Reins. Comm.) (See Note 2)	278,000	75%	208,500	200,750	7,750
I.B.C Statistical Plan Fees	12,000	75%	9,000	10,972	(1,972)
FSCO Assessment Fees	7,700	75%	5,775	20,304	(14,529)
Investment counsel fees	87,450	75%	65,588	78,579	(12,991)
Investment - Custodial	20,000	75%	15,000	20,819	(5,819)
Risk Management/Loss Prevention	80,000	75%	60,000	55,259	4,741
Sub-total	1,686,701		1,281,276	1,282,837	(1,561)
TOTAL	<u>\$2,562,401</u>		<u>\$1,974,211</u>	<u>\$2,001,069</u>	<u>(26,858)</u>

* 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 first quarter of 2007/2008



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November 25, 2008

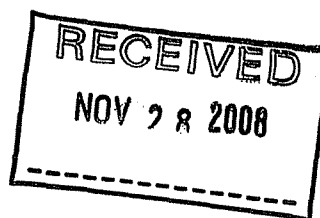
Nicholas J. Leblovic

Dir 416.863.5514

Dir. Fax 416 863 0871

nleblovic@dwpv.com

File No. 99059



DELIVERED

Private & Confidential

Liam McFarlane
Dion Durrell
250 Yonge Street
Suite 2900
Toronto, ON M5B 2L7

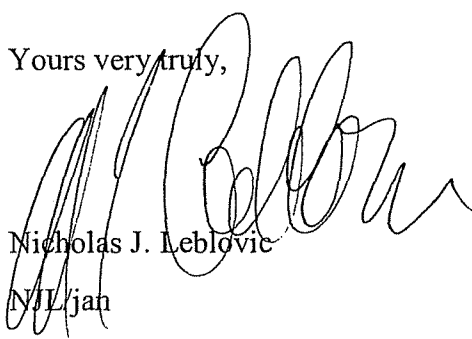
Dear Liam:

Resignation as Actuary to the Canadian Lawyers Liability Assurance Society

I acknowledge receipt of your letter of November 24, 2008 tending your resignation as Actuary to the Canadian Lawyers Liability Assurance Society as of December 9, 2008. Please accept this letter as acceptance of your resignation.

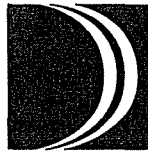
I know that I am speaking on behalf of all of the members of the Advisory Board in thanking you for your exemplary services to CLLAS over the past twelve years and in wishing you the best in your new endeavours.

Yours very truly,


Nicholas J. Leblovic

NJL/jan

cc: Patrick Mahoney ✓
CLLAS



DION DURRELL
Actuaries and Consultants

November 24, 2008

DELIVERED BY COURIER

Private & Confidential

Mr. Nick Leblovic
Chair
Canadian Lawyers Liability Assurance Society
c/o 250 Yonge Street, Suite 2900
Toronto, Ontario M5B 2L7

Re: Resignation as Actuary to the Canadian Lawyers Liability Assurance Society

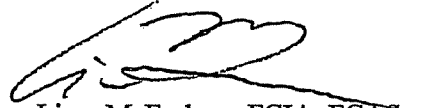
Dear Mr. Leblovic:

I hereby tender my resignation as Actuary to the Canadian Lawyers Liability Assurance Society ("CLLAS") with effect from December 9, 2008, as I have resigned from the actuarial firm of Dion Durrell + Associates in order to pursue other career opportunities.

I understand that Dion Durrell proposes that Ms. Julie-Linda Laforce be appointed as Actuary to CLLAS. I have known Ms. Laforce for most of her professional career and I have the utmost confidence that she will serve CLLAS to the same high standards as it has been accustomed. I will be available to Ms. Laforce to provide her with whatever she requires in order to ensure a seamless transition of responsibilities.

I have enjoyed working with CLLAS over the past twelve years and wish you and all of your colleagues nothing but continued success.

Sincerely,



Liam McFarlane, FCIA, FCAS
Consulting Actuary

Copy: Mr. Haim Belisowski, Financial Services Commission Ontario
Mr. Donald Milner, Chair Audit Committee
Ms. Julie-Linda Laforce, Consulting Actuary
Mr. Patrick Mahoney, Canadian Lawyers Liability Assurance Society

DION, DURRELL + ASSOCIATES INC.

250 Yonge Street, Suite 2900, Toronto, Ontario, Canada M5B 2L7 Tel: 416.408.2626 Fax: 416.408.3721

MEMORANDUM

DATE: December 1, 2008
TO: Patrick Mahoney
FROM: Ryan Durrell
RE: CLLAS Website Update

Status Thus Far

Progress on the design of the CLLAS website has been made. Attached are "screen shots" of the current design including several of the pages which will be ready at the launch of the site (Login, Welcome Page, Board Meeting Schedule, and Board Meeting Area). The final look and feel of the site may change slightly to accommodate the technical limitations of the Internet. We have also been working simultaneously on preparing the behind-the-scenes infrastructure (both software and hardware) which will power the features of the site.

February Goal

By February, the CLLAS.ca, CLLAS.org, and CLLAS.net addresses should be live (i.e. "on" the internet) with the login page as shown in the attachment to this memo. If there is room on the agenda, we hope to be in a position to perform a live demo, over the internet, of the site's board member-related features at the February Board meeting, at which time we should be in a position to distribute usernames and passwords to the Board. Launch of the Board member section of the site should happen sometime shortly thereafter.

Spring Goal

Spring should see the applications section of the site go live so that applications will be downloadable from the site for the 2009-2010 renewal. We are working towards having electronic applications by that time. At this stage, we are leaning towards Acrobat PDF forms because they can be saved to a disk and later completed off-line and they provide the ability to save entered data at any point in the application process. They can also be printed and completed in hard copy if desired. We also aim to provide the previous years' applications for reference and convenience and will work towards including other CLLAS-related applications (e.g. International).

Beyond Spring

After the renewal has been completed we will begin implementing the remaining features, i.e. the claim bordereau download area, policy information section and finally the reinsurer area.

WRT



Canadian Lawyers Liability Assurance Society

Log in

user name:

password:

Chair's Message

This is where the Chair's Message should go. It will announce upcoming meetings, and point out important CLLAS happenings.

Perhaps things like renewals, or "reminder, your application is due this coming Thursday."

News Items

Deal signals massive opportunities

A Canadian law firm has signed an unprecedented deal with a Chinese trade promotion institution, which one business expert says should signal to others in the legal industry the massive opportunities available in the communist country that holds about a... [read more](#)

Parental alienation syndrome on the rise

In late November 2006, a mother wrote to her ex-husband to ask to spend

Welcome

Welcome back Mr. Smith.

What would you like to do today?

Board Meeting

Check here for upcoming meeting dates, download meeting materials, or to review old meeting materials or minutes.

Policy FAQ (frequently asked questions)

Commonly asked questions are answered here, as well as a form for submitting a questions to CLLAS regarding your policy.

Firm Bordereau

As the firm's designated contact, you can download the latest firm claim bordereau here

Applications

You'll be able to download the latest CLLAS applications as well as any international coverage applications.

Report a Claim

Here you will find guidelines for submitting a claim including downloadable letter templates to help ensure all the relevant information is provided.

Reinsurers

As a reinsurer you have been granted access to the reinsurer section, here you will be able to download the latest bordereaux for years in which you have participated as well as the reinsurance submission (limited time only).

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Board Meeting - Schedule of Meetings

2008

Tuesday, February XXst, 2008, 8:30a.m.
(future meeting)

Torys LLP
32nd Floor, Maritime Life Tower
79 Wellington Street West
Toronto, Ontario

Wednesday, June XXst, 2008, 8:30a.m.
(future meeting)

Torys LLP
32nd Floor, Maritime Life Tower
79 Wellington Street West
Toronto, Ontario

Thursday, September XXst, 2008, 8:30a.m.
(future meeting)

Torys LLP
32nd Floor, Maritime Life Tower
79 Wellington Street West
Toronto, Ontario

Friday, December XXst, 2008, 8:30a.m.
([upcoming meeting](#))

Torys LLP
32nd Floor, Maritime Life Tower
79 Wellington Street West
Toronto, Ontario

2007

Monday, February XXst, 2007, 8:30a.m.
([archived meeting](#))

Torys LLP
32nd Floor, Maritime Life Tower
79 Wellington Street West
Toronto, Ontario

Tuesday, February XXst, 2007, 8:30a.m.
([archived meeting](#))

Torys LLP
32nd Floor, Maritime Life Tower
79 Wellington Street West
Toronto, Ontario

Chair's Message

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Parental alienation syndrome on the rise

In late November 2006, a mother wrote to her ex-husband to ask to spend

Board Meeting - Meeting Information

Find a meeting:

Year: 2006 Meeting: February 16, 2006 - Annual Meeting Search:

December 13, 2009

Materials Download

ADVISORY BOARD MEETING

PRINTER FRIENDLY

Date

Tuesday, February 21st, 2006, 8:30a.m.

Location

Torys LLP
32nd Floor, Maritime Life Tower
79 Wellington Street West
Toronto, Ontario

Agenda

- Item 1: Constitution of Meeting
Responsibility: Michael Thorley
- Item 2: Appointment of Secretary
Responsibility: Michael Thorley
- Item 3: Approval of the Minutes of the December 6, 2005 Advisory Board Meeting (TAB 1)
Responsibility: Michael Thorley
- Item 4: Business Arising Out of the Minutes (TAB 1)
Responsibility: Michael Thorley
- Item 5: Risk Management Audits
Responsibility: John Walker
- Item 6: Report of the General Manager's Office
 - i. Financial Statements as at December 31, 2005 (TAB 2)
 - ii. Actuarial Report(TAB 3)

- TAB 1.doc
- TAB 2.pdf
- TAB 3.pdf
- TAB 4.dpf
- TAB 5.doc
- TAB 6.pdf
- TAB 7.pdf



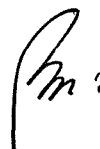
Dion Durrell

Actuaries and Consultants

Dion, Durrell + Associates Inc.
250 Yonge Street, Suite 2900
Toronto, Ontario, Canada M5B 2L7
dion-durrell.com

T 416 408 2626
F 416 408 3721

MEMORANDUM

DATE: December 1, 2008
TO: CLLAS Advisory Board
FROM: Patrick Mahoney and Joe Tontini 
RE: Commentary on Towers Perrin Report
COPY: Julie-Linda Laforce

Following are some high-level comments on the conclusions and recommendations contained in the September 10, 2008 Towers Perrin report titled "CLLAS – Review of the Insurance/ Reinsurance Structure". We are pleased with the overall conclusions of the Report with respect to the efficiency and effectiveness of CLLAS' structure and management. The Report serves as a "fresh pair of eyes" on the more detailed operations of CLLAS and makes a number of recommendations with which we agree.

The commentary in this memo tracks the recommendations at Section 7.2 of the Report (pages 57 and 58) and is intended to serve as a discussion draft for an action list with respect to the items highlighted in the Report.

1. *Improve documentation within Colchester of risk acceptance and underwriting file.* We will discuss this issue with Colchester's management with a view to ensuring that documentation is appropriate. **Timeline:** Prior to the 2009 reinsurance renewal.
2. *Document a risk transfer analysis re Colchester cessions in CLLAS' file each year.* Risk transfer is being reviewed by the actuary each year but the results of this review have traditionally been documented only in the event the analysis reveals an issue. CLLAS' actuaries have agreed to documenting this analysis in the annual valuation report. **Timeline:** February 2009.
3. *Appoint Miller as broker for Colchester retrocession.* We do not see the current situation as presenting a formal conflict, but given the nature of the Colchester retrocession, we believe that this move makes sense. We have discussed this matter with Miller, and they are amenable to the change. **Timeline:** Discuss prior to year end, finalize transition prior to the 2009 reinsurance renewal.
4. *Increase retention levels within first \$35 million or achieve rate reductions.* See commentary at Item 6 below.
5. *Implement a capital management policy which would define risk appetite and capital structure.* See commentary at Item 6 below.

6. *Perform regular Dynamic Capital Adequacy Testing (DCAT).*

We have in the past recommended an increase in retention levels (when reinsurance pricing was significantly out-of-line with actuarial analysis) and the Board has generally been open to these discussions. Having said that, we believe that the CLLAS Board is conservative by nature and generally does not wish to retain risk where it can be reinsured on an economic basis.

As discussed, we intend to propose that the actuaries enhance their financial modelling capabilities by building a model of the CLLAS structure that will allow for the “real time” assessment of the implications of proposed reinsurance terms on CLLAS’ retentions, rates and surplus levels.

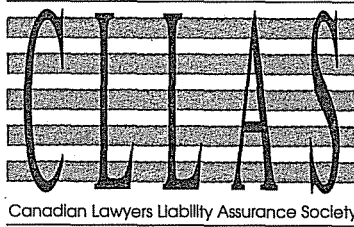
CLLAS currently has a surplus management plan which is reviewed and updated from time-to-time. One result of the enhanced modelling capabilities will be to make this plan more dynamic and responsive to current conditions. Another will be to allow for DCAT-like analysis.

Timeline: We will include an estimate for this work as part of the 2009 budget/planning process (discussed at the February 2009 Board meeting) and, subject to approved, plan to have the model available for use during the 2009 renewal discussions.

7. *Implement succession plan within Dion Durrell for client servicing.* We believe that the out-sourced management structure gives CLLAS considerably greater continuity than an in-house structure. Dion Durrell does manage succession internally and has more depth (including more depth with direct exposure to CLLAS) than the Board likely realizes. Critical functions (including claims management, actuarial, reinsurance placement) all currently involve, to some degree, at least two key senior resources. We believe that succession planning is not an issue at this time. **Timeline:** Not applicable.
8. *Improve underwriting information capture and data management.* Underwriting information is captured for certain purposes (e.g. reinsurance placement) and we are looking at capturing additional information for other purposes (e.g. risk management). We have no issue with gathering information provided that there is a reasonable expectation that the information will be used in the future, bearing in mind that what is collected will in all likelihood need to be shared with reinsurers. The implementation of the CLLAS website will assist in capturing data in an electronic format and we propose to review this issue as we move the annual renewal application into an electronic format via the website. **Timeline:** Prior to issuing applications for the 2009 renewal.
9. *Negotiate a rating downgrade clause in reinsurance contracts.* Note that it is always possible to terminate a reinsurance contract mid-term and the downgrade clause would simply affect the amount of refunded premium. Having said that, we agree with this recommendation and will incorporate this into our renewal discussions. **Timeline:** Part of the 2009 reinsurance renewal process.
10. *Create a reinsurer security list.* The long-term solvency of any particular reinsurer cannot be guaranteed and CLLAS manages this exposure by dealing with high-quality reinsurers and by

trying to avoid undue reliance on any one company. We agree with more formally documenting CLLAS' ratings standards and ensuring that Miller understands those standards. **Timeline:** February Board meeting.

11. *Perform prospective and retrospective reinsurance exposure evaluation.* Each year we and the actuaries review our exposure to reinsurers. The recommendation seems to contemplate as well looking at the total exposure over time with a view to possibility reducing cessions to certain reinsurers. The difficulty with this is that it might affect our ability to do business with some of our best and longest-standing reinsurers – exactly those you want to be dealing with when claims arise. We suggest that this issue is best managed by use of judgment in managing the overall reinsurance placement. As part of the work proposed under Items 4-6 above, we intend to review aggregate exposures to particular reinsurers over time. **Timeline:** Prior to next reinsurance renewal.
12. *Have contracts signed before effective date.* Contract certainty is a worthwhile objective but is by no means the norm. CLLAS obtains signed cover notes from all markets prior to inception and those cover notes document the nature of any contractual changes from expiring wordings/agreements. We believe that current practice is consistent with the market approach. **Timeline:** Not applicable.
13. *Based on current information, a risk pricing structure is not recommended.* We agree with this conclusion and believe that it is consistent with CLLAS' philosophy. **Timeline:** Not applicable.
14. *Risk management would currently be better handled through risk management audits and "policing" by CLLAS.* We believe that CLLAS' risk management efforts have come a long way and are progressing in a manner appropriate to the culture of CLLAS and its member firms. **Timeline:** Not applicable.
15. *Perform in-depth analysis of claims frequency by risk types to detect emerging trends and potentially implement risk based pricing in future.* Given the nature and small number of losses in the CLLAS layer, we doubt that a move to a risk based pricing can be justified. However, we do track cause of loss information and this issue can be reviewed in the future. **Timeline:** Not applicable.



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

Date: December 1, 2008

To: **Advisory Board**

Nicholas Leblovic
William Scott
Donald Milner
Gordon Goodman
Les O'Connor
David Morritt
Julia Holland

Barry Bresner
Daniel MacDonald
Chris Woodbury
Carol Lyons
Glenn Leslie
Gale Rubenstein

From: Patrick Mahoney

Re: **Ontario *Insurance Act* – Amendments**

On May 8, 2008, amendments to the *Insurance Act* and regulations came into effect. The amendments focus on investment powers, related party rules and corporate governance issues and apply (in some cases in modified form) to reciprocals. It appears as though the new rules do not take effect until May 5, 2012, i.e. there is a four year transition period, although insurers are free to adopt the rules prior to that date as long as all the new rules are adopted and the Superintendent of Insurance is provided with 30 days' notice.

Notwithstanding the long lead time, we believe it is useful to summarize briefly the changes and the potential impact of the changes on CLLAS. At a general level, with one exception (concerning the related party rules) we do not expect any material impact on CLLAS, although minor amendments to the Subscribers Agreement will be required. This summary is intended to be a "heads-up" based on a preliminary review of the legislation but should be confirmed in discussions with legal and accounting advisors as the full impact of the changes is more broadly reviewed and understood.

The relevant provisions of the *Act* and the new regulations that affect reciprocals, are listed below:

Insurance Act:

- A. Part XIII – Reciprocal Insurance Exchanges
- B. Part XVII – Investments
- C. Part XVII.1 – Related Party Transactions

Regulations:

- D. O. Reg. 123/08 Corporate Governance – Part II.2 of the *Act*
- E. O. Reg. 122/08 Investment and Lending Activities – Property and Casualty Insurers and Fraternal Societies
- F. O. Reg. 126/08 Minimum Capital Test
- G. O. Reg. 124/08 Reciprocal Insurance Exchanges
- H. O. Reg. 129/08 Reinsurance
- I. O. Reg. 130/08 Related Parties – Part XVII.1 of the *Act*

Following is a brief summary of the new rules.

1. Corporate Governance – Part II.2 of the *Act* (O. Reg. 123/08)

By virtue of s. 121.23(1), which defines “insurer” as incorporated, the corporate governance provisions in this regulation (requirements for audit committees and conduct review committees with a majority of independent members) do not directly apply to reciprocals. The spirit of the requirements has been adapted to the reciprocal model in O. Reg. 124/08, discussed below.

2. Investment and Lending Activities – Property and Casualty Insurers and Fraternal Societies (O. Reg. 122/08)

The investment rules contained in the *Act* apply to reciprocals “with the necessary modifications” (s. 387(2)). In general, the investment rules are being modernized to bring them in line with the “prudent person” standard in place in most other Canadian jurisdictions. The rules are complicated to follow but they are consistent with those in other Canadian jurisdictions. The investment policy should be reviewed against the new requirements but it is expected that no amendments to the policy or to investment practices will be required.

3. Minimum Capital Test (O. Reg. 126/08)

This regulation was amended merely to reflect the fact that the 75%/25% limits on reinsurance (discussed below) have been converted from a Superintendent’s Guideline to a regulation. The substance of the minimum capital test remains unchanged.

4. Reciprocal Insurance Exchanges (O. Reg. 124/08)

The main purpose of this regulation is to translate the enhanced corporate governance requirements in O. Reg. 123/08 into requirements that make sense for reciprocals. The regulation states that the Subscribers Agreements must contain the following requirements:

- (a) The advisory board of the exchange shall appoint an audit committee from among the members of the advisory board.
- (b) The advisory board of the exchange shall authorize and direct the audit committee,
 - (i) to exercise the powers and perform the duties described in subsections 3 (5), (6), (7) and (9) of Ontario Regulation 123/08 (Corporate Governance – Part II.2 of the Act) made under the Act, and
 - (ii) to notify the exchange's auditor of every meeting of the committee and invite the auditor, at the exchange's expense, to attend and be heard at the meeting.

The CLLAS Subscribers Agreement will need to be amended to include these requirements. Due to certain existing provisions in the Agreement, it is not necessary to process an amendment solely for the above purpose, instead the amendment can be made coincident with the next amendment of the Agreement. Given that CLLAS has an Audit Committee in place already, only minor changes to practice will be required. The terms of reference of the Audit Committee should be reviewed against the provisions of O. Reg. 123/08 noted above to ensure that all new requirements are properly reflected.

5. Reinsurance (O. Reg. 129/08)

This regulation replaces FSCO's reinsurance guidelines (which state that no more than 75% of risks may be reinsured, and no more than 25% of risks may be reinsured with reinsurers, as measured by gross premium volume). The substance of the requirements is unchanged. CLLAS has, in the distant past, nudged over the 75% threshold and this issue will have to be managed even more carefully once the regulation take effect.

6. Related Parties – Part XVII.1 of the Act (O. Reg. 130/08)

The changes to the Act, together with this new regulation, amend the definition of "related party". CLLAS' relationship with Colchester will have to be reviewed in light of the new provisions. Even if the conclusion is reached that Colchester does not fall within the definition of related party, the Act (s. 437.13) gives the Superintendent of Insurance the authority to designate a party to be a related party of an insurer if the Superintendent is of the opinion that:

- (a) an interest or relationship exists between the person and the insurer that can reasonably be expected to affect the exercise of the best judgment of the insurer with respect to a transaction; or
- (b) the person is acting in concert with a related party of the insurer with respect to entering into a transaction with the insurer and it would be contrary to this Part or the regulations for the related party to enter into the transaction with the insurer.

The first item above has been cited by FSCO examiners in the past in discussions on CLLAS' relationship with Colchester.

The implications of the related party rules are complicated. It is necessary to obtain the Superintendent's approval of reinsurance transactions. The criteria for this approval are set out at s. 7 of O. Reg. 130/08 and include consideration of:

- (a) The type of reinsurance and the amount of consideration received for the reinsurance.
- (b) Whether it is reasonable to believe that the transaction or series of transactions would expose the insurer to an undue degree of risk.
- (c) Whether it is reasonable to believe the transaction or series of transactions would hinder the supervision and regulation of the insurer.
- (d) Whether the transaction or series of transactions is otherwise in compliance with prudent reinsurance standards.

It is also necessary that the transaction be on terms and conditions that are at least as favourable to the insurer as market terms. There are criteria in the *Act* for assessing this (s. 437.18(5)) but clearly the analysis must be undertaken and documented at the time of entering into the transaction.

CLLAS
CANADIAN LAWYERS LIABILITY
ASSURANCE SOCIETY

INVESTMENT REPORT
FOR QUARTER ENDING SEPTEMBER 30, 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

CLLAS
CANADIAN LAWYERS LIABILITY
ASSURANCE SOCIETY

COMMENTARY FOR THE QUARTER ENDING SEPTEMBER 30, 2008

Review of Market Yields

Following an upward correction in yields during the previous quarter, bond yields with maturities out to seven years resumed their downward trend during the third quarter. The most significant reduction occurred at the short end of the curve where Treasury Bill yields dropped 59 basis points. Meanwhile, 5-year Canada yields declined 28 basis points, while 10-year yields held practically level.

As a result of these shifts, the upward slope of the curve steepened during the third quarter. At September 30, 10-year issues provided a 186 basis point yield advantage over Treasury Bills, up from 126 basis points at the end of June.

	Jan. 1/95	Mar. 31/08	June 30/08	Sept. 30/08
3-Month Treasury Bills	6.80%	1.87%	2.48%	1.89%
5-year Canadas	8.99%	2.91%	3.45%	3.17%
10-year Canadas	9.09%	3.43%	3.74%	3.75%

After allowing for capital added of \$929,567 less \$14,066 accrued bond interest debited on the purchases, the Long Term Investment Fund declined \$46,152 during the third quarter.

At September 30, 2008, the average term to maturity of the Long Term Investment Fund stood at 4.0 years, compared to 4.2 years three months earlier.

During the quarter, \$3.5 million was added to the Short Term Investment Fund. Approximately \$930,000 of this addition was transferred to the Long Term Investment Fund to purchase a Canada guarantee issue and a provincial bond, having maturities in the 3-3/4 to 4-1/2 year range. In the corporate section, a financial bond matured and was replaced with the same credit having a term of approximately 5 years.

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

<i>Distribution as at September 30, 2008</i>	<i>Valuation</i>	<i>%</i>
Short Term Investment Fund	\$13,866,946	32.7%
Long Term Investment Fund	28,500,840	67.3%
TOTAL COMBINED VALUATION	\$42,367,786	100.0%

CLLAS
CANADIAN LAWYERS LIABILITY
ASSURANCE SOCIETY

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

- Investment Performance and Total Return 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
- Bond Market Commentary
- Policy for the Long Term Investment Fund
- Security Holdings in the Short and Long Term Investment Funds
Listed and Valued Separately as at September 30, 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	Mar. 31/08	June 30/08	Sept. 30/08
<i>Valuation of Long Term Investment Fund</i>	<i>\$3,466,369</i>	<i>\$26,577,460</i>	<i>\$27,631,491</i>	<i>\$28,500,840</i>
Capital Added (Net) since January 1, 1995		\$21,528,983	\$23,057,333	\$23,972,833
Balance: Net Capital Appreciation since January 1, 1995		\$ 1,582,108	\$ 1,107,789	\$ 1,061,638
Cumulative % Increase since January 1, 1995 (Time-weighted Basis)		20.0%	18.0%	17.8%
Cumulative % Increase in DEX Short Bond Index		2.7%	1.2%	1.1%

TIME-WEIGHTED RATES OF TOTAL RETURN
FOR PERIODS ENDING SEPTEMBER 30, 2008
(ANNUALIZED)

	Five Years	Four Years	Three Years	Two Years	One Year	Last 3 Months
<i>Long Term Investment Fund</i>	<i>4.1</i>	<i>4.2</i>	<i>3.8</i>	<i>4.2</i>	<i>5.9</i>	<i>1.0</i>
DEX Canada Short Bond Index	4.1	4.3	4.2	4.9	6.4	1.5
DEX Provincial Short Bond Index	4.1	4.1	4.0	4.6	5.8	1.2

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	Mar. 31/08	June 30/08	Sept. 30/08
Bonds, Treasury Bills & Cash Less than 1 year term	29.0%	5.6%	7.3%	6.2%
Canadas Greater than 1 year term	54.7%	42.0%	40.5%	41.2%
Provincials Greater than 1 year term	16.3%	37.7%	35.5%	35.9%
Corporates Greater than 1 year term	-	14.7%	16.7%	16.7%
TOTAL PORTFOLIO	100.0%	100.0%	100.0%	100.0%

DISTRIBUTION OF SECURITIES BY MATURITY
(Based on Market Values)
SINCE THE JANUARY 1, 1995, STARTING DATE

	Jan. 1/95	Mar. 31/08	June 30/08	Sept. 30/08
Under 1 year	29.0%	5.7%	7.3%	6.2%
1 - 3 years	19.8%	25.5%	24.3%	29.1%
3 - 5 years	29.3%	28.1%	36.2%	32.9%
5 - 7 years	11.4%	27.8%	22.3%	22.2%
7 - 10 years	10.5%	12.9%	9.9%	9.6%
TOTAL	100.0%	100.0%	100.0%	100.0%

CLLAS

COMPLIANCE WITH INVESTMENT POLICY STATEMENT

COMPLIANCE REPORT AT SEPTEMBER 30, 2008

	Investment Limits	Investment Funds	Compliance
<i>Short Term Investment Fund</i>			
Maximum Term of Any Issue	1 year	0.23 years	Yes
Minimum Size	20% of Total	32.7%	Yes
Minimum Canada & Provincial Percentage	50%	58.7%	Yes
Minimum Provincial Quality	A	None held	Yes
Minimum Bank CD & BA Quality	R1	R1	Yes
<i>Long Term Investment Fund</i>			
Maximum Term of Any Issue	10 years	7.7 years	Yes
Minimum Cda and Cda Guarantee Percentage	40%	44.8%	Yes
Maximum Provincial Percentage	40%	37.6%	Yes
Minimum Provincial Quality *	A	A	Yes
Maximum Corporate Percentage	20%	17.6%	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.

At September 30, the Short Term Fund represented 32.7% of the two Funds combined, which is above the 20% minimum required.

BOND MARKET COMMENTARY

Since the credit crises hit just over one year ago, North American and international equity and debt markets have experienced extreme volatility, culminating in a near record decline for the stock market after the initial failure of the U.S. Congress to pass a \$700 billion rescue package in late September. Throughout the past year, investors have consistently underestimated the depth and reach of the credit problems that first surfaced in the U.S. sub-prime mortgage market and, on numerous occasions, prematurely concluded that credit concerns would soon begin to subside.

In the U.S., the monetary authorities have adopted many new measures in the hope of restoring confidence. These have included substantial interest rate cuts, massive injections of liquidity, arranged bailouts and emergency financing to government-sponsored mortgage lenders. Despite these moves, strains in the credit markets continued to snowball. As a result, last month the U.S. Treasury was forced to nationalize Fannie Mae and Freddie Mac in order to avert a complete breakdown in the mortgage market. While these unprecedented actions provided a brief reprieve, the capital markets were again destabilized by the demise of several more major U.S. investment banks, the U.S. government rescue of AIG, which was the world's largest insurance company, and the intervention in several bank mergers by the FDIC.

In recent weeks, the U.S. authorities have become even more proactive and switched from an ad hoc response to each financial failure to a more comprehensive and intrusive bailout plan that is unprecedented in scale. The U.S. Treasury proposal to spend up to \$700 billion to buy failed mortgages and mortgage-related securities from financial institutions initially failed to pass Congress last month. However, the revised Treasury plan, which now includes direct government investment in U.S. banks, was passed. This is designed to allow the banks time to recapitalize, improve depositors' protection, and free up their willingness and ability to lend.

As the crisis has spread throughout the globe, many countries have also taken extraordinary measures to restore confidence, including a coordinated effort in early October by central banks around the world to lower interest rates by $\frac{1}{2}\%$ as an emergency response. Canada participated in this move and has since lowered the bank rate another $\frac{1}{4}\%$. In addition, the G7 finance ministers announced comprehensive measures to guarantee deposits in order to encourage banks to lend to each other, and countries such as Ireland, France, Belgium, Finland and the UK have all intervened in one way or another to provide support to their banking systems. To keep the Canadian banks competitive in the acquisition of longer-term funds, our central bank just announced that insurance would be provided on wholesale lending.

These measures have just started to bare fruit and there are preliminary signs of improvement in the credit markets. The yields on commercial paper have started to decline and inter-bank lending rates are also moving down. Meanwhile, economic conditions have been deteriorating for months and there is strong evidence that the U.S. economy has entered a recession and that global growth is heading much lower. This has provided a positive environment for government bond prices, and yields have been pushed down by a number of developments. These include an ongoing flight to quality, a significant drop in commodity prices, particularly energy, which has reduced inflation rates, and growing slack in the labour and product markets. Among corporate bonds, the results have been mixed as spreads over government issues have widened reflecting investors' increased aversion to risk.

POLICY FOR THE LONG TERM INVESTMENT FUND

With the rally in government bond prices since the end of the quarter, yields at the shorter end of the curve have dropped to historically low levels in the 2% to 3% range, while 10-year yields are well under 4%. From a medium term prospective, we think these yield levels are unsustainably low, keeping in mind the coming supply of government debt issues required to finance the various bailout and fiscal packages and the longer term inflationary implications of the massive amounts of liquidity being created by the central banks. However, we expect these negative factors will be offset near term by asset liquidation and debt repayments in the private sector. Over the short term, we expect the backdrop for government bonds will remain favourable on balance based on the near term prospects for the economy, inflation and monetary policy. We believe incoming economic data will become progressively worse and that inflation expectations will continue to drop as deflationary pressures build. This in turn will fuel further cuts in administered interest rates. The extreme volatility and uncertain outlook for stocks also adds near term support as investors seek a safe haven in government bonds.

At the end of September, the average term of the Long Term Investment Fund was 4 years with government issues representing over 82% of the Fund and the balance in corporates, which consist primarily of high quality financial issues. We think this term and asset mix is appropriate in light of the near term outlook. With the recent thawing in the credit markets and latest actions by the Bank of Canada, we remain comfortable with the security of the corporate holdings.

RWB: sc

October 23, 2008

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.

Martin, Lucas & Seagram Ltd.

CLLAS - SHORT TERM INVESTMENT FUND

Portfolio Holdings at September 30, 2008

<u>Quantity</u>	<u>Security</u>	<u>Unit Cost</u>	<u>Price</u>	<u>Market Value</u>	<u>Annual Income</u>
CASH					
	Cash Account			12,329	0
MONEY MARKET ISSUES					
775,000	Canada Treasury Bill 2.1% due October 2, 2008	99.52	99.99	774,915	16,197
1,250,000	Canada Treasury Bill 2.05% due October 16, 2008	99.48	99.91	1,248,905	25,492
885,000	Royal Bank BA 2.95% due October 23, 2008	99.28	99.77	882,996	25,919
775,000	Canada Treasury Bill 2.15% due October 30, 2008	99.47	99.84	773,727	16,574
1,000,000	TD Bank BA 2.95% due November 5, 2008	99.62	99.64	996,447	29,388
500,000	Royal Bank BA 3.00% due November 10, 2008	99.28	99.59	497,970	14,892
1,120,000	CIBC BA 2.95% due November 14, 2008	99.55	99.55	1,114,992	32,891
840,000	Royal Bank BA 2.85% due November 24, 2008	99.29	99.45	835,377	23,771
1,150,000	Canada Treasury Bill 1.45% due November 27, 2008	99.72	99.71	1,146,683	16,629
595,000	Royal Bank BA 2.90% due December 1, 2008	99.29	99.38	591,291	17,132
1,010,000	Canada Treasury Bill 2.15% due December 11, 2008	99.43	99.64	1,006,356	21,590
805,000	Bank of Nova Scotia BA 3.15% due December 15, 2008	99.35	99.23	798,814	25,192
700,000	PRN Canada Housing Trust 1.95% Ser. 6 due December 15, 2008	99.58	99.58	697,027	13,592
2,500,000	Canada Treasury Bill 1.40% due December 24, 2008	99.63	99.56	2,489,115	34,872
				<hr/> 13,854,616	<hr/> 314,131
TOTAL PORTFOLIO				13,866,946	314,131

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
From 07-01-08 To 09-30-08

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
07-02-08	07-02-08	525,000	CIBC BA 2.95% due September 30, 2008	99.28	521,210
07-09-08	07-10-08	775,000	Canada Treasury Bill 2.1% due October 2, 2008	99.52	771,272
07-10-08	07-11-08	280,000	CIBC BA 3.00% due September 30, 2008	99.34	278,149
07-11-08	07-15-08	1,250,000	Canada Treasury Bill 2.05% due October 16, 2008	99.48	1,243,500
07-24-08	07-25-08	885,000	Royal Bank BA 2.95% due October 23, 2008	99.28	878,609
07-30-08	07-31-08	775,000	Canada Treasury Bill 2.15% due October 30, 2008	99.47	770,869
08-13-08	08-14-08	500,000	Royal Bank BA 3.00% due November 10, 2008	99.28	496,410
08-20-08	08-21-08	545,000	TD Bank BA 2.70% due September 19, 2008	99.79	543,833
08-22-08	08-25-08	840,000	Royal Bank BA 2.85% due November 24, 2008	99.29	834,074
08-27-08	08-27-08	680,000	Bank of Nova Scotia BA 2.70% due September 26, 2008	99.79	678,545
08-29-08	09-02-08	595,000	Royal Bank BA 2.90% due December 1, 2008	99.29	590,776
09-03-08	09-04-08	1,010,000	Canada Treasury Bill 2.15% due December 11, 2008	99.43	1,004,203
09-17-08	09-18-08	1,150,000	Canada Treasury Bill 1.45% due November 27, 2008	99.72	1,146,815
09-19-08	09-19-08	1,120,000	CIBC BA 2.95% due November 14, 2008	99.55	1,114,949
09-19-08	09-19-08	2,500,000	Canada Treasury Bill 1.40% due December 24, 2008	99.63	2,490,825
09-19-08	09-19-08	1,000,000	TD Bank BA 2.95% due November 5, 2008	99.62	996,220
09-25-08	09-26-08	700,000	PRN Canada Housing Trust 1.95% Ser. 6 due December 15, 2008	99.58	697,027
09-29-08	09-30-08	805,000	Bank of Nova Scotia BA 3.15% due December 15, 2008	99.35	799,755
					15,857,039
SALES					
07-02-08	07-02-08	525,000	Royal Bank BA 3.25% due July 2, 2008	100.00	525,000
07-10-08	07-10-08	775,000	Canada Treasury Bill 2.2% due July 10, 2008	100.00	775,000

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
From 07-01-08 To 09-30-08

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
07-11-08	07-11-08	510,000	CIBC BA 3.30% due July 11, 2008	100.00	510,000
07-11-08	07-11-08	700,000	Royal Bank BA 2.70% due July 11, 2008	100.00	700,000
07-15-08	07-15-08	750,000	FirstBank BA 3.25% due July 15, 2008	100.00	750,000
07-15-08	07-15-08	500,000	Royal Bank BA 3.25% due July 15, 2008	100.00	500,000
07-24-08	07-24-08	885,000	Canada Treasury Bill 3.00% due July 24, 2008	100.00	885,000
07-31-08	07-31-08	750,000	Bank of Nova Scotia BA 2.85% due July 31, 2008	100.00	750,000
08-14-08	08-14-08	500,000	CIBC BA 2.90% due August 14, 2008	100.00	500,000
08-21-08	08-21-08	500,000	Canada Treasury Bill 2.40% due August 21, 2008	100.00	500,000
08-25-08	08-25-08	570,000	Bank of Nova Scotia BA 2.75% due August 25, 2008	100.00	570,000
08-25-08	08-25-08	270,000	CIBC BA 2.90% due August 25, 2008	100.00	270,000
08-28-08	08-28-08	660,000	Royal Bank BA 2.75% due August 28, 2008	100.00	660,000
09-02-08	09-02-08	590,000	CIBC BA 2.85% due September 2, 2008	100.00	590,000
09-04-08	09-04-08	1,000,000	Canada Treasury Bill 2.45% due September 4, 2008	100.00	1,000,000
09-18-08	09-18-08	1,000,000	Canada Treasury Bill 2.35% due September 18, 2008	100.00	1,000,000
09-19-08	09-19-08	575,000	Royal Bank BA 2.90% due September 19, 2008	100.00	575,000
09-19-08	09-19-08	545,000	TD Bank BA 2.70% due September 19, 2008	100.00	545,000
09-26-08	09-26-08	680,000	Bank of Nova Scotia BA 2.70% due September 26, 2008	100.00	680,000
09-30-08	09-30-08	525,000	CIBC BA 2.95% due September 30, 2008	100.00	525,000
09-30-08	09-30-08	280,000	CIBC BA 3.00% due September 30, 2008	100.00	280,000
					13,090,000

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - SHORT TERM INVESTMENT FUND
From 07-01-08 To 09-30-08

Cash Balance at July 1, 2008			1,476.35
ADD:	Proceeds from Sales	13,090,000.00	
	Capital Added	3,500,000.00	
	Bond Interest Credited	239,813.75	
	Cash Interest on Daily Balance	<u>214.64</u>	<u>16,830,028.39</u>
			16,831,504.74
LESS:	Cost of Purchases	15,857,039.49	
	Transfer to Long Term Investment Fund	929,566.80	
	Investment Counsel Fees	25,368.14	
	Trust Company Charges	<u>7,200.98</u>	<u>16,819,175.41</u>
Cash Balance at September 30, 2008			12,329.33

CLLAS - LONG TERM INVESTMENT FUND

Portfolio Holdings at September 30, 2008

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
GOVERNMENT BONDS					
1,000,000	Canada 5-1/2% due June 1, 2009	99.83	101.82	1,018,210	55,000
500,000	Canada Housing Trust Sr. 9 3.75% due March 15, 2010	99.30	100.89	504,470	18,750
450,000	Canada 5-1/2% due June 1, 2010	99.77	104.37	469,670	24,750
500,000	Canada 4% due September 1, 2010	100.30	102.22	511,080	20,000
1,000,000	Canada Housing Trust Sr. 13 4.05% due March 15, 2011	99.02	101.66	1,016,600	40,500
1,000,000	Canada 6% due June 1, 2011	103.73	107.86	1,078,610	60,000
1,500,000	Canada Housing Trust Sr. 14 4.60% due September 15, 2011	101.74	103.09	1,546,275	69,000
500,000	Farm Credit Canada 4.20% due February 15, 2012	101.20	102.01	510,035	21,000
2,200,000	Canada Housing Trust Sr. 16 4.00% due June 15, 2012	100.57	101.09	2,223,914	88,000
750,000	Canada Housing Trust Sr. 18 4.55% due December 15, 2012	102.72	103.11	773,318	34,125
900,000	Canada Housing Trust Sr. 19 3.60% due June 15, 2013	99.87	99.13	892,143	32,400
600,000	Canada Mtge & Housing 4.30% due April 1, 2015	100.95	101.09	606,516	25,800
600,000	Canada Mtge & Housing Corp. 4.10% due October 1, 2015	97.72	99.41	596,442	24,600
1,000,000	Canada 4% due June 1, 2016	99.58	102.93	1,029,330	40,000
				<hr/> 12,776,612	<hr/> 553,925
PROVINCIAL BONDS					
500,000	Ontario 5.70% due December 1, 2008	97.60	100.49	502,425	28,500
500,000	Ontario 6.20% due November 19, 2009	100.77	103.41	517,025	31,000
500,000	British Columbia 6.375% due August 23, 2010	104.22	105.55	527,765	31,875
500,000	Ontario 6.10% due November 19, 2010	102.12	105.62	528,085	30,500
1,200,000	Ontario 4.4% due December 2, 2011	101.02	102.08	1,224,924	52,800
1,000,000	Ontario 4.50% due December 2, 2012	103.57	102.40	1,023,980	45,000
1,275,000	Ontario 4-3/4% due June 2, 2013	102.35	103.27	1,316,642	60,563

CLLAS - LONG TERM INVESTMENT FUND

Portfolio Holdings at September 30, 2008

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
1,000,000	Manitoba 5.05% due December 3, 2013	101.61	104.45	1,044,470	50,500
750,000	Ontario 5% due March 8, 2014	102.63	104.32	782,370	37,500
750,000	Manitoba 4.80% due December 3, 2014	104.46	102.84	771,270	36,000
1,350,000	Ontario 4.5% due March 8, 2015	101.62	101.28	1,367,294	60,750
1,100,000	Ontario 4.4% due March 8, 2016	100.45	99.82	1,098,009	48,400
				<hr/> 10,704,258	<hr/> 513,388
CORPORATE BONDS					
250,000	Golden Credit Card Trust Sr. Notes 4.159% due October 15, 2008	100.00	100.00	249,998	10,398
250,000	GE Capital Cda Fndg 5.65% due October 23, 2009	99.55	99.17	247,918	14,125
250,000	Citigroup Finance Canada 4.29% due November 2, 2009	101.20	98.51	246,278	10,725
300,000	Bank of Nova Scotia 4.25% Sen. Dep. Note due November 23, 2010	100.45	99.17	297,516	12,750
300,000	Royal Bank 4.17% Sen. Dep. Note due January 11, 2011	100.10	99.16	297,492	12,510
500,000	Bank of Montreal 4.69% due January 31, 2011	104.21	99.95	499,760	23,450
300,000	CIBC 5.00% Senior Dep Nts due September 10, 2012	100.23	99.40	298,197	15,000
400,000	Wells Fargo Financial Canada MTN 4.40% due December 12, 2012	99.78	96.54	386,140	17,600
750,000	Toronto Dominion Bank Dep. Note 4.854% due February 13, 2013	101.35	98.16	736,178	36,405
250,000	Bank of Nova Scotia 4.56% due October 30, 2013	100.07	97.24	243,100	11,400
300,000	Wells Fargo Financial Canada MTN 4.33% due December 6, 2013	99.97	94.84	284,529	12,990
500,000	Royal Bank 3.96% due January 27, 2014	99.49	99.90	499,520	19,800
500,000	CIBC 4.75% due December 22, 2014	101.80	95.68	478,415	23,750
300,000	GE Capital Cda Fndg 4.65% due February 11, 2015	102.20	84.98	254,931	13,950
				<hr/> 5,019,970	<hr/> 234,853
TOTAL PORTFOLIO				28,500,840	1,302,165

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - LONG TERM INVESTMENT FUND
From 07-01-08 To 09-30-08

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
07-09-08	07-11-08	500,000	Farm Credit Canada 4.20% due February 15, 2012	101.20	506,005.50
07-09-08	07-11-08	400,000	Ontario 4.50% due December 2, 2012	102.33	409,320.00
08-21-08	08-26-08	250,000	Bank of Nova Scotia 4.56% due October 30, 2013	100.07	250,175.00
					1,165,500.50
SALES					
08-22-08	08-22-08	250,000	Bank of Nova Scotia Dep. Note 4.295% due August 22, 2008	100.00	250,000.00
					250,000.00

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - LONG TERM INVESTMENT FUND
From 07-01-08 To 09-30-08

Cash Balance at July 1, 2008			0.00
ADD:	Proceeds from Sales	250,000.00	
	Transfer from Short Term Investment Fund	<u>929,566.80</u>	<u>1,179,566.80</u>
			1,179,566.80
LESS:	Cost of Purchases	1,165,500.50	
	Accrued Bond Interest on Purchases	<u>14,066.30</u>	<u>1,179,566.80</u>
Cash Balance at September 30, 2008			0.00



Dion Durrell

Review of Commercial Insurance Policies

Canadian Lawyers Liability Assurance Society (CLLAS)

December 9, 2008

Overview

Background and Objectives

Policy Coverages

General Information

Property Insurance

Liability Insurance

Other Coverages

Premiums

Next Steps

Background and Objectives

The purpose of the exercise is to review the Commercial Insurance Policies purchased by the CLLAS firms to determine:

- Best practice (coverage, price, security, etc)
- Discuss if alternative arrangements are feasible

Next steps:

- This is a high level review – we can benchmark each firm to assist in individual renewal negotiation and do nothing else
- Explore a group purchasing approach
- Explore a form of self-insurance

Policy Coverages

Property Insurance

- Contents
- Business income with extra expense
- Electronic data processing equipment
- Crime
- Other coverages

Liability Insurance

- Premises liability
- Other coverages

Umbrella Liability

Special Coverages

General Information

Participation

- 10 out of 13 firms participated

Insurance carrier

- All 10 firms are insured with Chubb
- Three policy forms: Customarq (3), Masterkey (3), Other (4)

Insurance broker

- 9 different insurance brokers are involved including Aon, Baird MacGregor, Gallagher Lambert, Hub (Quebec), Hub (HKMB), Jones Brown, Magnes Group (P&T only), Thomas I. Hull, and TRG

Policy term

- Jan, Mar, April, May, June, July, Oct and Nov

Property Insurance

Coverages

- Contents
- Electronic data processing equipment
- Business income and extra expense
- Fine arts, accounts receivables, valuable papers, money and securities

Limits

- By location, on replacement cost
- Blanket and bundled limits

Deductibles

- \$1,000 to \$10,000 except for
- Special deductibles for earthquake and flood

Exclusions (Masterkey) and other conditions

Liability Insurance

Coverages

- Bodily injury and property damage
- Advertising injury and personal injury
- Medical expenses
- Employee benefits errors and omissions
- Employers liability
- Non-owned auto
- Umbrella

Limits

- \$10MM to \$51MM including umbrella limits

Deductibles

- \$1,000 to \$10,000

Exclusions and other conditions

Other Coverages

Kidnap and ransom

Event cancellation

Patent and Trademark Agents Insurance

Worldwide coverages for non-Canadian offices

U.S. workers compensation

Terrorism coverage

Premium

Premiums

- Range from \$45,000 to \$193,000

Premiums per lawyer

- Range from \$134/lawyer to \$578/lawyer

Reason for range likely due to

- Range of tenants improvements
- Range of coverages
- Range of limits

How to reduce premiums

- Higher deductibles
- Group purchasing
- Self-insurance

Next Steps

Best practice

- Establish broad specifications
- Benchmark each firm against broad (best practice) specifications
- This would assist in renewal negotiations

Group purchasing

- Would need to appoint a single broker
- Usually savings of 10% to 20 % are feasible but lack of competition may be a challenge (Chubb vs. others e.g.. Lloyd's)
- RFP process with Dion Durrell as independent consultant
- Dion Durrell/Alternative Risk Services as broker

Self-Insurance

- CLLAS plus reinsurance
- CLLAS as group deductible plus group insurance