



## F – Comprehensive income: \$7.2 million

The investment gains noted in D above show up in an important financial yardstick: a company's comprehensive income, which is an important measure of the company's worth and stability.

LAWPRO's comprehensive income at the end of 2009 stood at \$7.2 million – the result of strong gains in its investment portfolio.

This positive result also shows up in another important measure – the equity that our shareholder has in the company. This figure increased by \$7.2 million to \$141.1 million at year end – tangible proof of the viability and financial strength of the investment that Ontario lawyers have in LAWPRO.

## Key benchmarks

As a result of these solid financial results, LAWPRO continues to meet or exceed the Minimum Capital Test benchmark set by our regulators: In fact, our MCT at the end of 2009 stood at 206 per cent – well above our target of 175 per cent and the FSCO minimum target of 150 per cent. This MCT level allows LAWPRO to absorb a degree of financial adversity.

However, to maintain its Minimum Capital Test (which requires LAWPRO to have a proportionate amount of capital beyond what is needed to pay the year's claims), LAWPRO needs to add about \$5 to \$7 million to its equity every year. In other words, as each year's claims are added to our claims liabilities\* our capital also has to grow by the relevant proportionate amount.

There are two ways to do this – by having net income on the income statement, or other comprehensive income through unrealized gains. It is very difficult to predict the latter. Therefore, it is important that in most years, LAWPRO budget to expect a net income in the millions of dollars.

\* As of the end of 2009, the cost of current and previous year claims that are not yet resolved was up 10 per cent to \$384 million from \$349 million in 2008.

STATEMENT OF (LOSS)/INCOME		
Stated in thousands of Canadian dollars		
For the year ended December 31	2009	2008
Premiums earned – gross	107,453	90,739
Premiums earned – ceded	(5,960)	(5,683)
<b>Net premiums earned</b>	<b>101,493</b>	<b>85,056</b>
Net claims and adjustment expenses (note 4)	108,686	81,880
Premium taxes	3,225	2,724
General expenses	15,434	15,809
Reinsurance commissions earned	(3,252)	(4,913)
	<b>124,093</b>	<b>95,500</b>
<b>Underwriting loss</b>	<b>(22,600)</b>	<b>(10,444)</b>
Investment income (note 2)	11,873	20,658
Other income	83	31
<b>(Loss) / Income before income taxes</b>	<b>(10,644)</b>	<b>10,245</b>
Income tax (recovery) / expense (note 7)		
Current	(3,268)	2,877
Future	(899)	343
	<b>(4,167)</b>	<b>3,220</b>
<b>Net (loss) / income</b>	<b>(6,477)</b>	<b>7,025</b>

*See accompanying notes to financial statements*

STATEMENT OF COMPREHENSIVE INCOME/(LOSS)		
Stated in thousands of Canadian dollars		
For the year ended December 31	2009	2008
<b>Net (loss) / income</b>	<b>(6,477)</b>	<b>7,025</b>
Other comprehensive income / (loss), net of income tax:		
Net changes in unrealized gains and losses on available for sale financial assets, net of taxes of (\$3,256) (2008: \$3,815)	6,669	(7,574)
Reclassification adjustment for (gains) and losses included in net income, net of taxes of (\$3,446) (2008: \$701)	6,096	(1,392)
<b>Other comprehensive income / (loss)</b>	<b>13,665</b>	<b>(8,966)</b>
<b>Comprehensive income / (loss)</b>	<b>7,188</b>	<b>(1,941)</b>

*See accompanying notes to financial statements*

  

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY					
Stated in thousands of Canadian dollars					
	Capital stock	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Shareholder's Equity
Balance at December 31, 2007	5,000	30,645	101,392	(1,217)	135,820
Net income	—	—	7,025	—	7,025
Other comprehensive loss for the year	—	—	—	(8,966)	(8,966)
Balance at December 31, 2008	5,000	30,645	108,417	(10,183)	133,879
Net loss	—	—	(6,477)	—	(6,477)
Other comprehensive income for the year	—	—	—	13,665	13,665
Balance at December 31, 2009	5,000	30,645	101,940	3,482	141,067

*The aggregate of retained earnings and accumulated other comprehensive income (loss) as at December 31, 2009 is \$105,422 (December 31, 2008 – \$98,234).*