

# A desire for:



# service

# at the price of a reliable:



## What is LAWPRO to do?



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The title of this editorial reflects the reality of my world. Times are tough for many legal practitioners (not to mention many would-be clients of those practitioners) and affluent times are not necessarily around the next corner. The financial reset button has truly been hit, in many ways.

LawPRO is no different from any other financial services provider: Our customers would prefer to pay less, but the services they need and the challenges in meeting those needs are not declining in any fashion.

How do we at LawPRO meet those challenges? We monitor ourselves in ways that are too numerous to review here in a comprehensive fashion, but a couple are of particular importance.

Part of the value that a mandatory captive program brings to the Ontario bar is that there is no need for broker commissions in setting up or operating the program. However, we try to do better than commission-avoidance in delivering value.

One of the metrics we have reported on for several years now is how our general expenses compare to other similarly positioned insurance companies. So, we seek data on other small insurance companies who do not pay commissions to brokers. In our “Financial Results Explained” article, we report that we ended



2012 with a general expense ratio of 21 per cent. In recent years, our comparator group has normally had an average expense ratio of 24 per cent. So, this is one of the ways we try to add value to the operation of the mandatory program. As many readers will recall, each \$1 million spent on the mandatory program adds about \$45 to the base premium, so having a lower than average general expense ratio is money in our customers’ pockets.

If you look at past years, we have often reported general expense ratios in the 19 per cent range. Because the 2012 percentage is higher, does this mean we are losing ground?

Well, it takes two figures to calculate the general expense ratio: general expenses over premium. If the premium number – being the denominator – goes down, the percentage goes up. And that is what happened in 2012.

Because the base premium (\$3,350) has remained the same since 2011, many of our primary program customers would be surprised at the idea that premiums have gone down. But there were changes to discount structures and a reduction in the Real Estate Practice Coverage Option premium announced in the fall 2011 Report to Convocation (to take effect January 1, 2012). So, in fact Ontario lawyers paid \$5 million less premium in 2012. That savings was experienced by part-time practitioners, newer calls, and lawyers in areas of practice that serve many of the more financially modest clients in our province (immigration, criminal defence and real estate).

So, our general expense ratio went up, but for the positive reason that our overall premium from the primary program was coming down. And that is money in the pockets of lawyers trying to deliver very cost-effective services to price-sensitive clients, building a first practice or maintaining one on a part-time basis.

One of the main ways LawPRO keeps its expenses under control is by being very cautious about the overall size of its operations. LawPRO ended 2012 with its lowest employee headcount in many years, although we do have some vacancies posted. Notwithstanding the barrage of new regulation hitting the insurance industry, and the increasing number of insured lawyers and the claims they produce, LawPRO has managed to remain relatively stable in terms of size.

The questioning among you may say, “That is all well and good. But why are Ontario lawyer premiums higher than the insurance levies in other Canadian jurisdictions?” In our “Insurance Biz” article on page 34, we provide some perspective on that issue. In brief, it’s the old saying that you can’t compare apples to oranges and ask why they aren’t both the same.

As to why we feel that we are providing a service that goes beyond what you may expect, I invite you to read our Year in Review content in the next several pages.

As we reflect on 2012 and work diligently for success in 2013, we will keep the interests of our insureds paramount, being sensitive to the constraints of the times we are living in while continuing to strive for excellence in all our services.

**Kathleen A. Waters**  
President & CEO