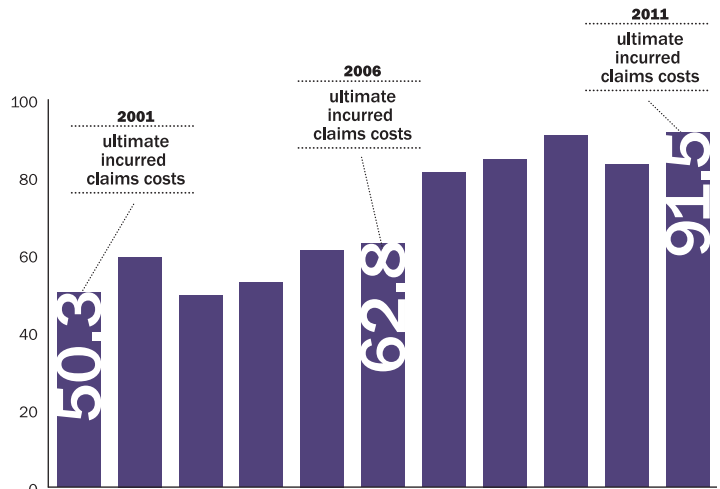


# E&O claims numbers: Going up

## Claims costs in primary program may top \$90 million in 2011

Gross incurred E&O claims costs increased 80 per cent between 2001 and 2009. Costs for 2010 and 2011 are projections, based on claims reported, claims already paid in those years, claims cost trends and actuarial models used to project how claims costs will develop. It should be noted that between 30 and 50 per cent of claims reported in 2010 and 2011 are still unresolved.

Ultimate incurred claims costs\*



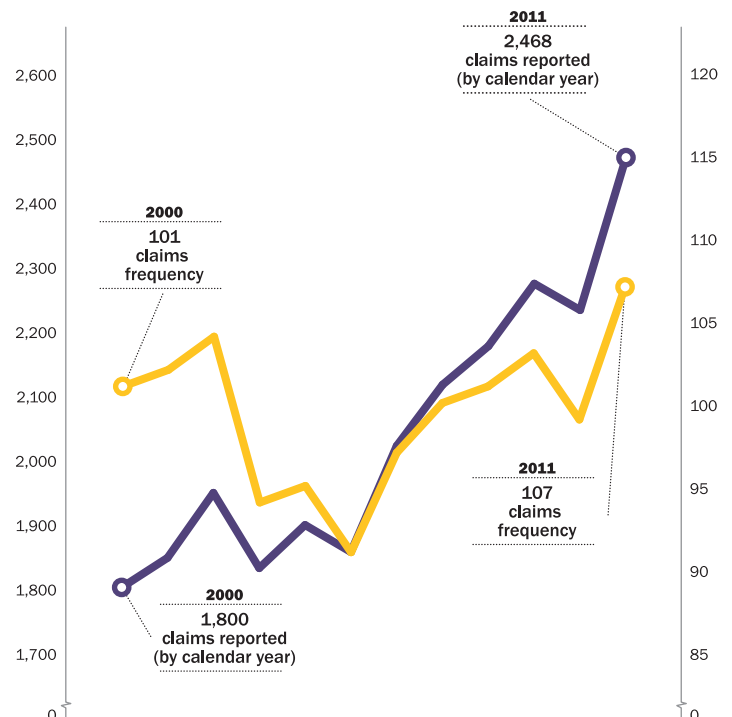
\*As at December 31, 2011

## Lawyers are reporting more claims

The increase in the number of claims reported can be attributed in part to an increase in the number of lawyers insured under the Law Society E&O program – to just over 23,000 in 2011 from about 18,000 in 2001, a 28 per cent increase.

Even when we adjust for this increase – by calculating claims per 1,000 lawyers in practice – we see that the number of claims being reported is higher than it has been at any time in the last decade. Claims frequency in 2011 stood at 107, up from 99 in 2010 and higher than the previous peak of 104 in 2002.

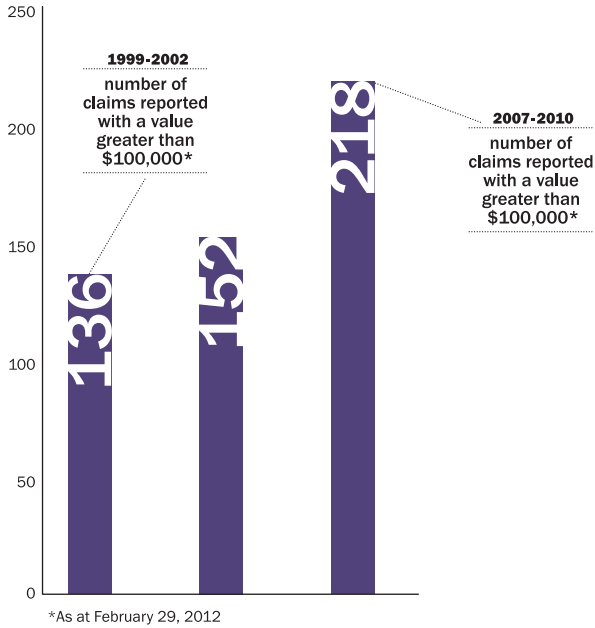
Number of claims reported & frequency\*



\*As at December 31, 2011

## Claims are more complex and costly

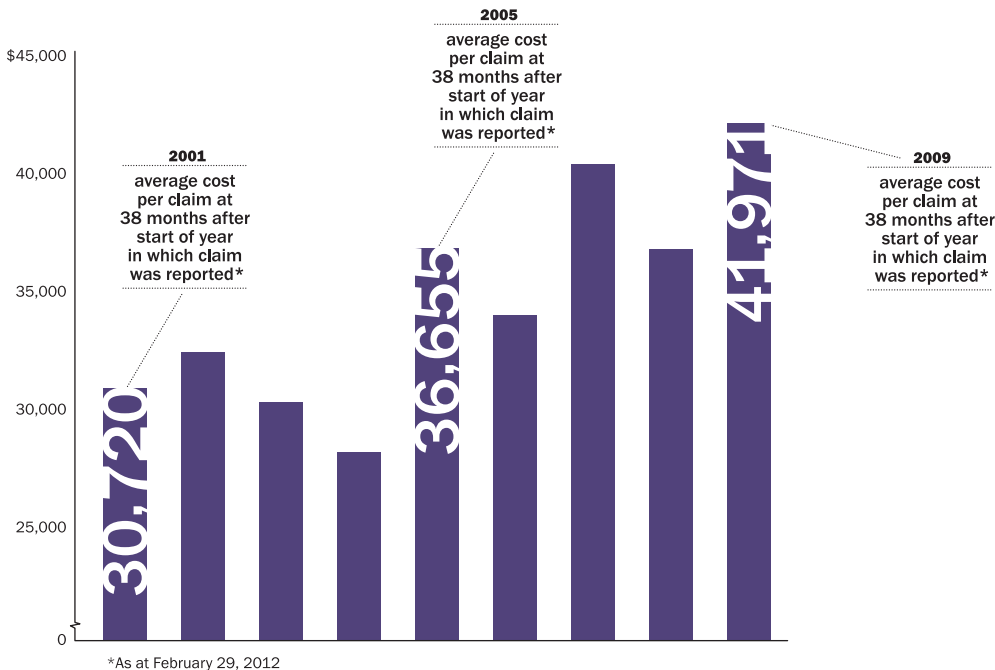
### \$100,000+ claims up 122%\*



Between 1999 and 2009, claims in the \$100,000 to \$500,000 range increased 122 per cent (from 127 in 1999 to 275 in 2009):

- Claims in \$100,000 to \$250,000 range were up 132 per cent
- Claims in the \$250,000 to \$500,000 range were up 89 per cent
- Claims over \$500,000 were up 89 per cent.

### Average cost per claim is up 37%\*

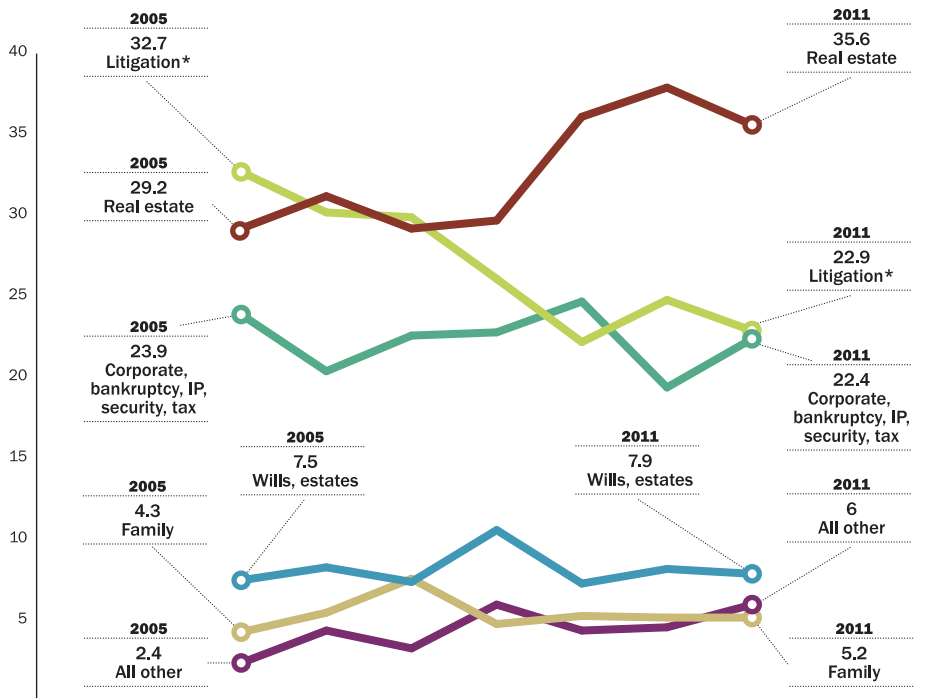


Between 2001 and 2009, the average cost of a claim increased 37 per cent:

- In 2001, the average cost was \$30,720
- In 2005, the average cost was \$36,655
- In 2007, the average cost was \$40,202
- In 2009, the average cost was \$41,971

## Real estate, litigation represent biggest risk

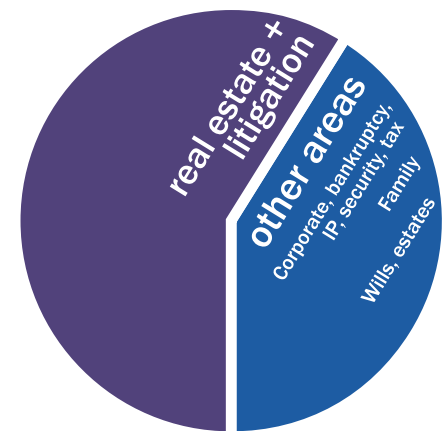
Distribution of claims by area of practice\*  
(% of gross claims costs)



\* As of February 29, 2012

Real estate + Litigation =

**59%** of costs in 2011



## Increase in real estate claims outpaces other areas of practice

Real estate	185% increase	(\$11.9M to \$33.9M)
Litigation	26% increase	(\$16.6M to \$20.9M)
Corporate, bankruptcy, IP, security, tax	38% increase	(\$16.6M to \$22.9M)
Family	51% increase	(\$3.3M to \$5.0M)
Wills, estates	89% increase	(\$3.6M to \$6.8M)
Other	238% increase	(\$1.3M to \$4.4M)

Between 2001 and 2009, real estate claims costs increased 185 per cent (based on numbers available as of February 28, 2012). Housing prices in Ontario for the same period increased 90 per cent (source: CREA).