



Remarks of the Chair

2020 was a year like no other in living memory, but the business of law managed to continue, even if the way we accomplished it felt completely unfamiliar.

Likewise, LAWPRO continued to operate, even though the pandemic impacted us in many ways including closed courts and a real estate market that sprung back to life quickly after a short-lived lull in the spring. As expected, we saw a decline in the number of claims and transaction levies. However, some of what we saw was unexpected such as an increase in the number of lawyers we insure by 2% from the previous year.

Gross written premiums were slightly lower in 2020: \$113.9 million, compared to the \$114.7 million seen in 2019. Net claims expenses of \$100.9 million were above last year's total of \$99.4 million. Even as LAWPRO transitioned to work from home and adapted to new processes, we were able to cut general expenses to 10% under budget and 3% below 2019. LAWPRO had sufficient capital available to cover requirements as demonstrated by the Minimum Capital Test (MCT) of 229% at year end, within our preferred range of 210% to 240%.

As the financial statements in the following pages demonstrate, LAWPRO continues to fulfill the mandate given by Convocation more than two decades ago. To do so we navigate a careful balancing act: keeping revenues (i.e., premiums, levies, and investment returns) high enough to be commercially viable and satisfy regulators that the company is financially healthy, while handling claims and carefully controlling premiums to maintain affordability and properly reflect the cost of risk. In doing so, we effectively operate as a not-for-profit entity, while being regulated as a for profit insurance company.

Even with the changes and challenges brought on by the COVID-19 pandemic, we remain financially healthy as we plan for scenarios similar to what we are now experiencing as part of our corporate governance processes and risk management strategies put in place by our Board. As a measure of our success, I am pleased, that for the 20th consecutive year, insurance rating agency AM Best Co. issued LAWPRO an "A" rating for financial strength and "a" issuer credit rating in November of 2020. This independent rating is provided to companies that have an "excellent" ability to meet ongoing insurance obligations and reflects our long-term financial stability.

LAWPRO is steady and secure and we remain ready to pay claims and help our insureds, even in and after the exceptional circumstances we experienced in 2020.

LAWPRO emerged as a separate, commercially run, regulated insurance company out of the legal professional liability insurance crisis that occurred in the late 1980's and early 1990's. At that time, the liability indemnity program was run in-house in the Law Society and the lawyers of Ontario were faced with a \$200 million dollar liability shortfall.

In response to this crisis, the Law Society set up the Lawyers' Professional Indemnity Company (now LAWPRO) as a fully regulated insurance company in order to prevent similar circumstances from happening again.

LAWPRO has been remarkably successful in achieving the mandate the Law Society gave it in 1994. It is a success the Benchers who made the decision to set up LAWPRO in the early 1990's can justifiably be proud of. Today, because of their foresight, and the prudent and skilled management of LAWPRO's executive leadership and the thoughtful and accomplished oversight of its largely independent Board of Directors, LAWPRO offers many advantages to the bar including:

- Guaranteed availability of affordable insurance to all lawyer licensees;
- Consistent coverage, terms, and conditions for all;
- Claims prevention efforts and resources;
- Automatic, free Run-off coverage; and
- Company stability.

LAWPRO will continue to serve and support Ontario lawyers in 2021 and beyond as together we tackle the challenges of the COVID-19 pandemic. Good claims service and financial stability not only protects Ontario lawyers, but also indirectly, the public.

Andrew J. Spurgeon

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Chair