

## Remarks of the Chair



As the Chair of LAWPRO's Board of Directors I am proud of the company's unflagging determination to support Ontario lawyers and protect the public they serve. LAWPRO has and continues to successfully navigate the many changes and challenges visited upon it as a result of the COVID-19 pandemic.

With more than 30,000 lawyers insured under the primary program, our work to offer an efficient, effective, and accountable mandatory E&O insurance program is described in this report. As a program that specializes in insurance for the legal profession, the company has a deep understanding of malpractice risks and claims trends. It is also well positioned to identify and cope with emerging risks and respond to the evolving nature of legal services work.

While LAWPRO maintains an intimate understanding of the role of and challenges faced by members of the Bar, we are also a regulated insurance company that must address industry issues including solvency requirements and effective claims management. LAWPRO's finances are measured, in part, by the Minimum Capital Test (MCT).

The MCT is used by financial regulators to measure whether a property and casualty insurance company's assets are sufficient to meet its present and future obligations. The MCT ratio compares liability risks including unpaid claims and unearned premiums with credit risks such as investments and receivables. As of December 31, 2021, LAWPRO's MCT was 241%, slightly above the internally set preferred band of 215% to 240%. There are many external factors that can adversely affect our MCT like unpaid claims, interest rates and equity market performance.

In 2023, there will be a completely new factor which will impact upon LAWPRO's MCT. This factor is the implementation of a new *International Financial Reporting Standards* regulation, IFRS 17, which is required by LAWPRO's regulator, the Financial Services Regulatory Authority (FSRA).

IFRS 17 is a new worldwide financial reporting standard applicable to the financial statements and reporting requirements of insurance companies. Like all other insurers, LAWPRO must completely overhaul its financial statements and reporting methodologies effective, January 1, 2023. We are in the process of implementing the new standards and meeting the deadline.

Based on input from our external advisors, actuarial and accounting professionals, we don't expect to have a full understanding of the impact of IFRS 17 on our MCT ratio until at least the middle of 2023. Our strong MCT position at the end of 2021 will help give us the opportunity to make any required adjustments, which might include a premium increase, as we experience the changes brought on by the new regulations.

I invite you to read this report which outlines the claims experience of the last year, our financial position, free risk management programs we are known for, and an overview of LAWPRO's optional programs.

The solid foundation of LAWPRO's financials means you can be confident that the company's mandate of public protection and commitment to premium affordability for the Bar can be met going forward.

*Andrew J. Spurgeon*

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Chair

## Remarks of the President & CEO



In 2021, LAWPRO was deeply involved in the process of implementing two of the largest projects in its history.

The first project is an ambitious plan to modernize our core technology systems and improve the user experience for both our insureds and employees. By working with established technology providers, we are creating purpose-built systems that integrate policy administration, billing, underwriting, claims management, and analytics. The project is complex as it involves transitioning the many data sources that feed our underwriting, claims, actuarial, insured and firm information databases, reviewing and updating hundreds of document templates, and building integrations with our other existing systems and the third parties with which we share data. It's an exciting yet daunting project that will benefit the organization through greater efficiencies from improved workflows and automation. This will help LAWPRO implement new financial reporting requirements which flow from the Financial Services Regulatory Authority's (FSRA) adoption of the International Financial Reporting Standards new IFRS 17 – Insurance Contracts Reporting Standard (IRFS 17).

The second major project we undertook in 2021 was the exciting launch of the better, faster, and lawyer-centric TitlePLUS experience. This project includes an intuitive application website, the implementation of TitlePLUS Legal Counsel Fees to recognize the work of lawyers, separate owner and lender policies for more clarity, faster underwriting and issuance, and fewer administrative roadblocks. Importantly, the new TitlePLUS will be accessible on multiple platforms including titleplus.ca, RealiWeb, and Unity. A Bar-related title insurance company is an important factor in keeping real estate transactions under the purview of lawyers and we are proud of our commitment to supporting them with TitlePLUS title insurance.

I'd like to take this opportunity to reflect on LAWPRO's focus on offering the best coverage at the lowest possible premium. Over the past 10 years, the company's combined operating ratio has averaged at 107%. This means that, on average, we lose 7 cents on every dollar of premium before investment income. This ratio reflects our mandate to offer the best coverage possible at the lowest possible price. LAWPRO investments generally make up this loss and allow us to meet all regulatory requirements and remain a going concern regardless of any threats we might face in the future.

LAWPRO actively looks for ways to support the profession, our communities, employee wellness, and the environment. For example, each year LAWPRO staff nominate and vote on charities to include in the company's charitable giving program. In 2021, employee funds, matched by a corporate donation, supported five employee chosen charities. In addition, LAWPRO embarked on a journey towards Reconciliation in several intentional ways: through an Acts of Intention challenge, donations to Indigenous led charitable organizations, and engaging in a day of learning on the National Day for Truth and Reconciliation.

Lastly, I am proud of the practical help we offer the Bar to lower their risk, help them succeed and support our community. This means providing recorded, free, risk reduction professional development presentations, and easy-to-use resources and tools that help lawyers avoid common errors. Refer to page 23 for a list of our top resources that can be downloaded or viewed for free and at your convenience from the practicepro.ca website.

We continue to focus on finding ways to adapt, be resilient and offer coverage that meets the needs of our insureds.

*Daniel E. Pinnington*

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President & CEO