

Solid performance despite ongoing challenges

COVID-19 and its wide-spread impact continued to force LAWPRO to adapt the Primary Program in 2021. Changes were made to improve the customer experience, strengthen LAWPRO's capital position, and streamline processes for greater operational efficiency.

In 2021, Ontario began a slow recovery which translated into more work for many lawyers. M&A activity was up, the real estate market was hot, courts opened up or litigants were able to proceed remotely. However, the recovery is not complete and there are hurdles facing legal consumers and practitioners including court delays, uncertainty about administrative processes (such as when administrative suspensions will resume), a near-perfect environment for using electronic communications to perpetrate frauds, and continuing health and wellness concerns for law firm members who are often isolated.

Claims

Through the extended period of adaptation to pandemic challenges, LAWPRO successfully implemented new processes to maintain the same high level claims handling we are known for. While our place of work did not return to normal, we found that claims numbers started to regain their usual pace.

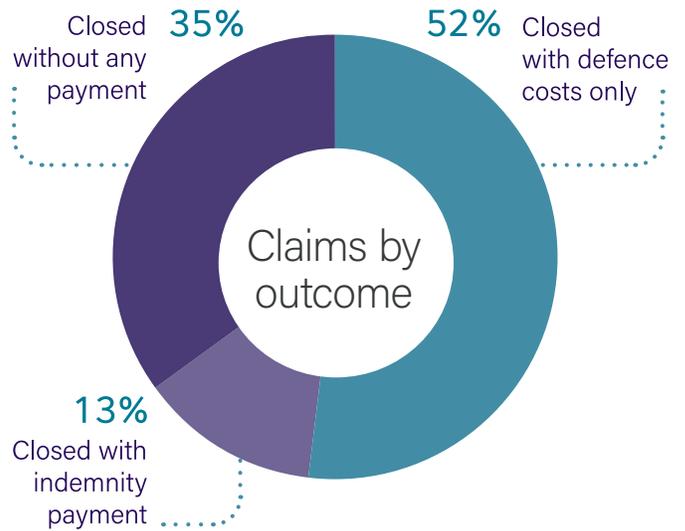
LAWPRO dealt with 3,193 new reported claims in 2021, an increase of 15% over 2020, and slightly more than the 3,121 reported in 2019.

The types of claims we saw, and didn't see

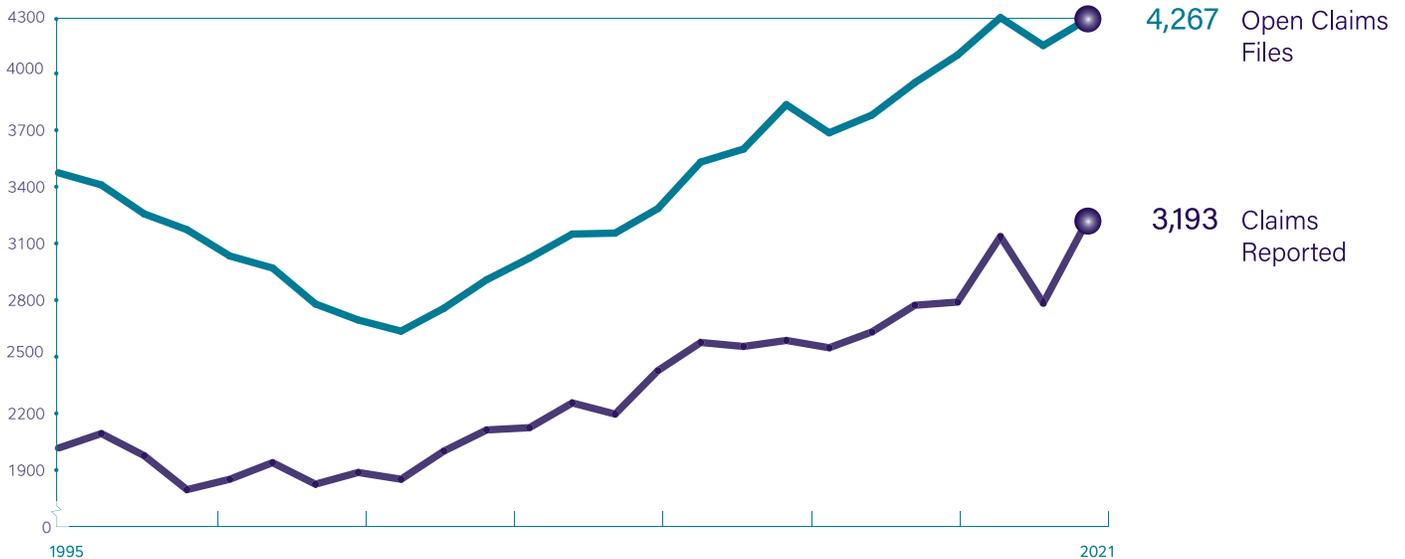
The largest percentage of reported claims in 2021 continued to be related to real estate (27%) and litigation (also 27%). The number of real estate-related claims increased to 719 from 609 in 2020, while the number of litigation-related claims increased to 699 from 549 in 2020. The number of litigation claims is still fewer than the 822 seen in 2019 which may reflect the pandemic-related hold on administrative dismissals, as courts are not yet pursuing administrative dismissals. Once the hold has been lifted, we may see a corresponding increase in claims numbers.

Meeting challenges, closing claims

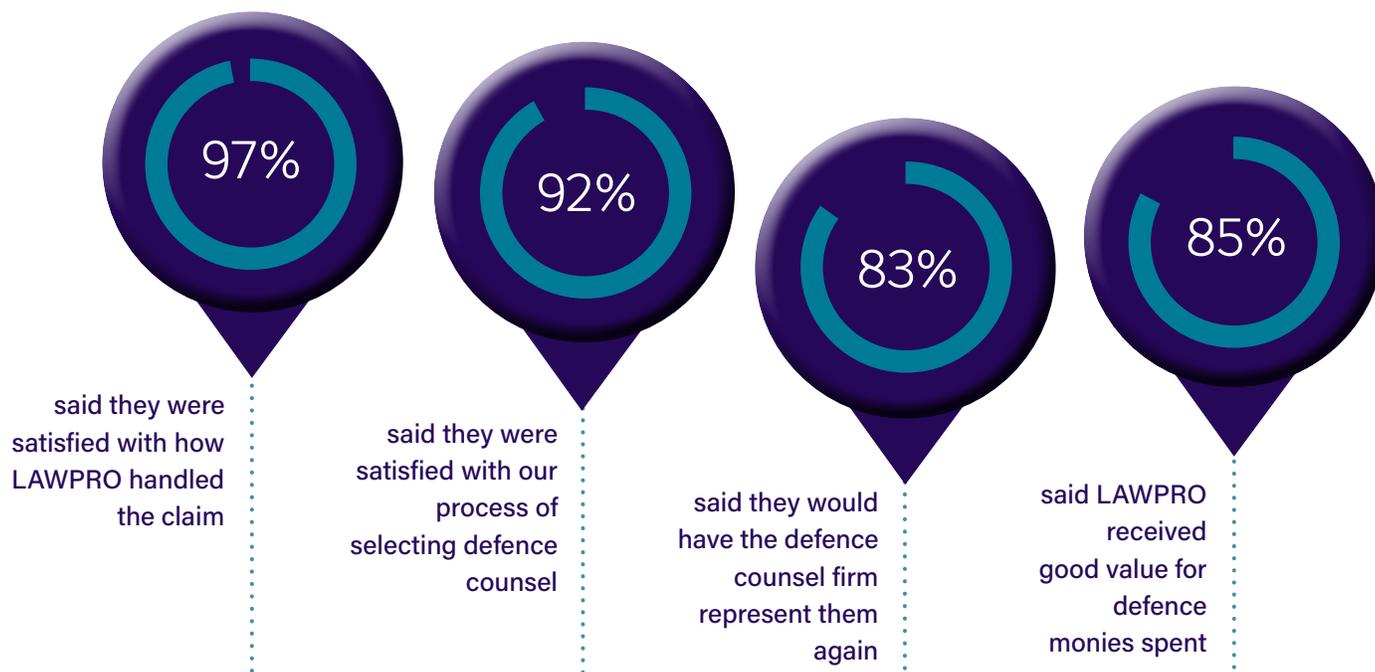
Despite the restrictions imposed throughout much of the year by stay-at-home orders and similar health and safety requirements, LAWPRO closed more claims in 2021 than in any of the past 10 years and closed 5% more files than in 2020. Of these files, 87% were closed without any indemnity payment, and 35% were resolved without payment of any kind.



Number of claims reported and open claims



LAWPRO survey results:



LAWPRO's claims management philosophy is to resolve claims quickly in situations where there is liability, defend vigorously if the claim has no merit, and avoid economic settlements.

Causes of loss

The investigation of claims can take up to a year or more after an initial report. For this reason, LAWPRO is cautious when interpreting short term fluctuations in the cause-of-loss data.

However, inadequate investigation, communication errors and time management mistakes continue to cause the most claims on a consistent basis.

In 2021, there was a sharp drop in claims caused by lack of time management largely due to changes brought on by the pandemic, such as the tolling of limitation periods reducing the quantity of claims brought on by missed limitation periods.

Communications challenges and inadequate investigation

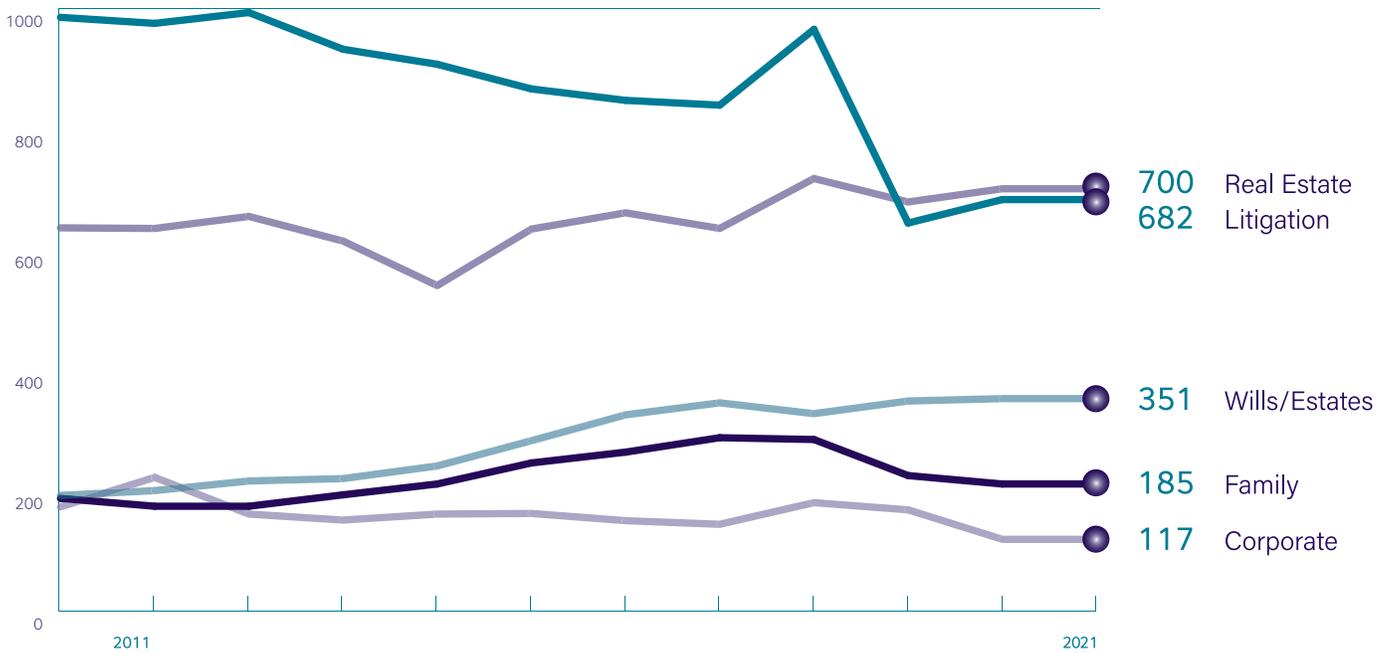
Communications and inadequate investigation continued to cause challenges for insureds. We often see claims related to lawyers who have not uncovered all the facts or developed a sufficient understanding of a client's matter. This is categorized as inadequate investigation and led to 649 claims in 2021.

Whether it is misreading or not reading information on a document, not conducting a search or not researching thoroughly it is important to make sure clients understand their risks and that those discussions are documented.

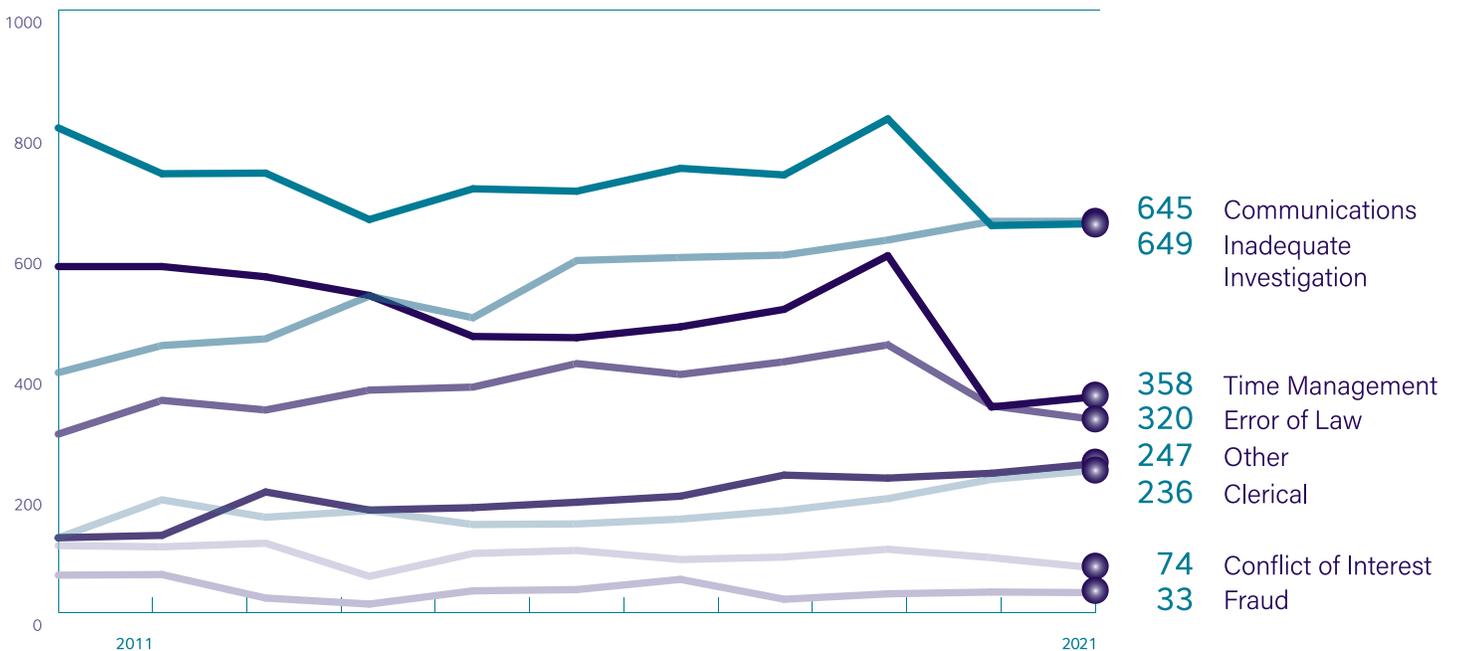
We encourage lawyers, to ask about clients' circumstances to ensure everything is taken into account. Not knowing key information can cause significant problems. To reduce this risk, ask open-ended questions during client intake and throughout the retainer. Inform your client early which documents you will need from them and follow-up with them with further questions as they arise. A reporting letter to confirm understanding of the facts and instructions for next steps a valuable risk management step.

Communication breakdown is another common cause of claims and led to 645 claims in 2021. Keeping clients up-to-date on the status of their matters by explaining obligations and deadlines that will arise and the potential ramifications are important details to avoid these types of errors. Take detailed notes and confirm client conversations in writing to minimize misunderstandings and manage client expectations. And again, a final reporting letter detailing what the lawyer did and the advice given can be a great help if a claim occurs. When sending correspondence to your client or third parties ask them to confirm receipt of that correspondence and don't hesitate to follow-up. Provide clients with written retainer agreements including the cost of your services. For model retainer agreements, refer to our practicePRO.ca [Retainers and Non-engagement](#) page.

Distribution of claims by area of practice



Reported claims count by cause of loss



Coverage and insurance options

Expanded coverage for all Ontario lawyers

The number of “full premium equivalent” (FPE) lawyers insured under the LAWPRO mandatory E&O program increased by almost 3% to 29,384 in 2021.

LAWPRO expanded the scope of the primary E&O policy by including Innocent Party coverage within the mandatory base coverage. While this necessitated a small increase in the base premium level by \$50 to \$3,000, it meant an overall savings of \$75 for over 20,000 Ontario lawyers, as well as broader protection for every insured.

The annual LAWPRO premium paid by most Ontario lawyers is significantly lower today than it was in the past – something not found with just about any other type of insurance. In fact, in 2016 the base LAWPRO premium was \$3,350 -- \$350 more, or 10% higher than today.

If the base premium of \$5,600 charged when LAWPRO was created were to be adjusted for inflation today, the premium would be \$9,105.59. In other words, today’s premium of \$3,000 (adjusted for inflation) is 32.95% of what it was in 1995.

One of the hallmarks of the LAWPRO E&O program is its flexibility. Lawyers have several options to tailor their insurance coverage to their specific needs – often with the added benefit of reducing the actual premium payable below the base premium level.

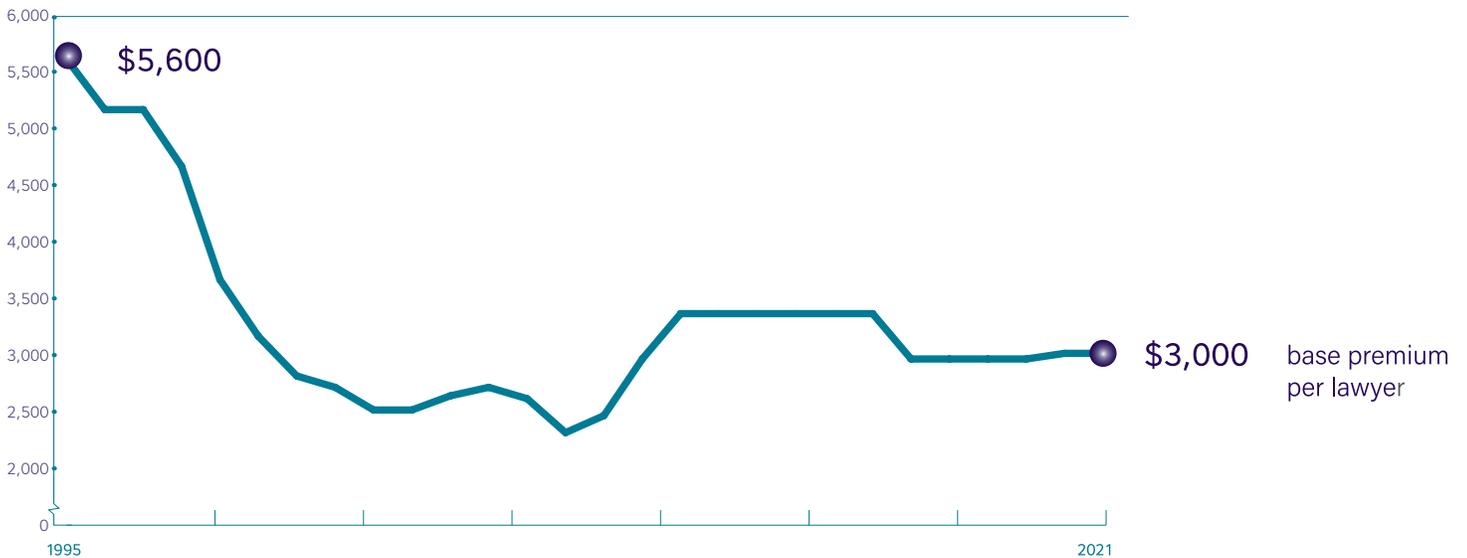
Coverage for new and retiring lawyers

For new or retiring lawyers, LAWPRO offers reduced premiums to address their reduced risk profiles. New lawyers see fewer claims than those with more experience, which may be partly due to having less responsibility over various files than their senior colleagues. LAWPRO responds to the reduced risk inherent in new lawyers by providing premium discounts to those with less than four years of practice. This discount ranges from 50% of base premium (for lawyers with less than one full year in practice) to 20% of base premium (for lawyers with between three and four years in practice).

For lawyers that are retiring or leaving private practice and provide notice of such, LAWPRO offers Run-Off coverage of \$250,000 per claim and in the aggregate, at no charge. Additional coverage options are available for lawyers who need more protection beyond that amount.

Base premium since inception

(as at December 31, 2021)



Excess Insurance

Since it was established in 1997, LAWPRO's optional Excess insurance program has posted consistent annual growth in revenues and numbers of law firms (and lawyers) insured under the program. An impressive 1,625 firms received their Excess insurance from LAWPRO as at the end of 2021—218 of which chose the maximum \$9 million limit option.

With 164 new firms opting to buy excess coverage from LAWPRO, our client base saw approximately 3% growth from the previous year. The Company's retention rate on excess business of 94% is evidence that this program meets the needs of the small and medium-sized firms of fewer than 50 lawyers that it is designed to serve.

LAWPRO's Excess program insures approximately 15% of the lawyers employed in firms of 50 or fewer lawyers. Prudent underwriting and solid claims management have helped ensure that the Excess program is a successful line of business for LAWPRO.

TitlePLUS title insurance

The TitlePLUS product and service was completely reengineered in 2021 with new features, policy wording, pricing structure, and website. Our goal was to make TitlePLUS more competitive and useful. The new TitlePLUS needed to be more customer oriented, easier to use, more accessible, and address lawyer misconceptions. This meant we needed to not only address the technology platform, but the policy itself, how lawyers ordered it and how they interacted with us. The new platform was developed based on feedback from legal professionals and was built to address their need for fast, convenient title insurance without sacrificing comprehensive coverage. TitlePLUS title insurance is the only wholly Canadian-owned title insurance product in Canada. Learn more about the new TitlePLUS on page 24.

TitlePLUS is underwritten by LAWPRO and protects not only Canadian homeowners and lenders, but also lawyers through included legal services coverage that covers errors and omissions made by the lawyer for the entire transaction, excluding properties in Quebec and Existing Owner policies.

Many lawyers pay less than the base premium

Coverage discounts

New Lawyer Discount

20% to 50% discount for those called in the last 1-4 years

6,973
Insureds

Part-Time Practice Discount

50% base premium discount for eligible lawyers

2,394
Insureds

Criminal or Immigration Practice

50% base premium discount

1,767
Insureds

11,134 insureds took advantage of the discounts above

Service

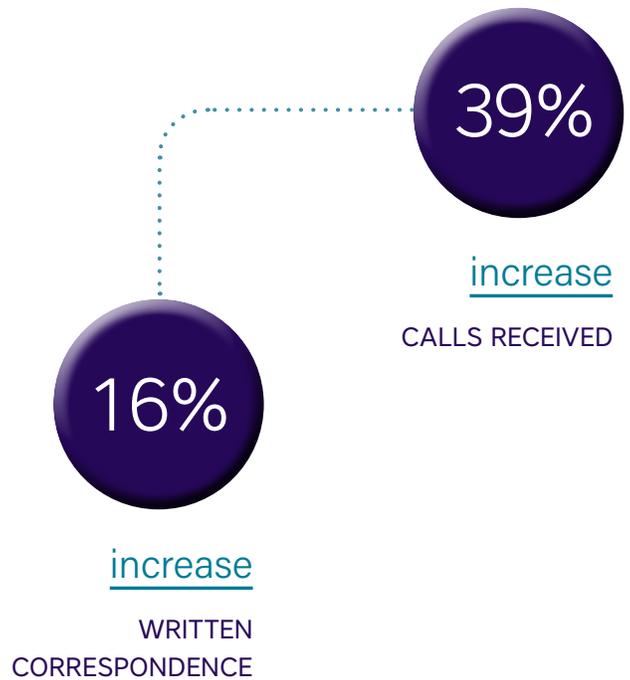
New technologies, same great service

LAWPRO's Underwriting & Customer Service department is the point of contact for licensees seeking to renew, change or inquire about their insurance options. A new account is established soon after a lawyer is called to the Ontario bar, and existing accounts are adjusted as lawyers move their practice or move out of private practice entirely. In 2021, the primary policy for more than 29,384 FPE lawyers in private practice was renewed following the Law Society of Ontario's convocation.

In 2021, Customer Service completed its second year as a virtual call and support system. In addition to the added complications of coordinating a remote workforce, LAWPRO saw a 16.4% increase in written correspondence and an almost 39% increase in calls received. That's over 30,000 pieces of correspondence to manage. Correspondence received is more than just coverage queries. It includes applications such as increased run-off, new applications for primary coverage, excess applications, increased innocent party limits, exemption forms, notices about lawyers leaving and joining firms, and refund requests.

LAWPRO addressed this increase in volume through the introduction of a new cloud-based virtual call system and automated queue callbacks to better respond to customer inquiries in effective, convenient, and expedient ways.

LAWPRO takes its commitment to customer service seriously. Consisting of approximately 25 team members, the department is responsible for maintaining accurate records for all insureds, policy drafting, program guides, forms, underwriting optional coverages, processing filings, and answering questions from licensees.



Communications by Topic

