

What
we
did
in
2022



WE RETURNED (to the office)

Yes, we physically returned to the office. While LAWPRO's offices remained open throughout the pandemic, it was only in 2022 that all staff returned to regular attendance in the office through a hybrid work model. The opportunity to once again work side-by-side strengthened our team, helping us provide insureds with the best protection and claims assistance possible.

Our own return to normality was mirrored in the broader legal profession and in our claims portfolio. Claims continued to rebound from the temporary reduction seen in 2020. The bumpy exit from the worldwide pandemic continued in 2022, with a spike in real estate and fund redirection frauds, an increase in litigation claims reflecting the re-opening of the courts, and the continued trend of more wills and estates claims.

Looking forward, there continues to be uncertainty due to rising inflation, increasing interest rates, and when administrative dismissals will resume. LAWPRO continues to monitor and respond to these matters as they arise.

WE PROTECTED

insureds from thousands of E&O claims

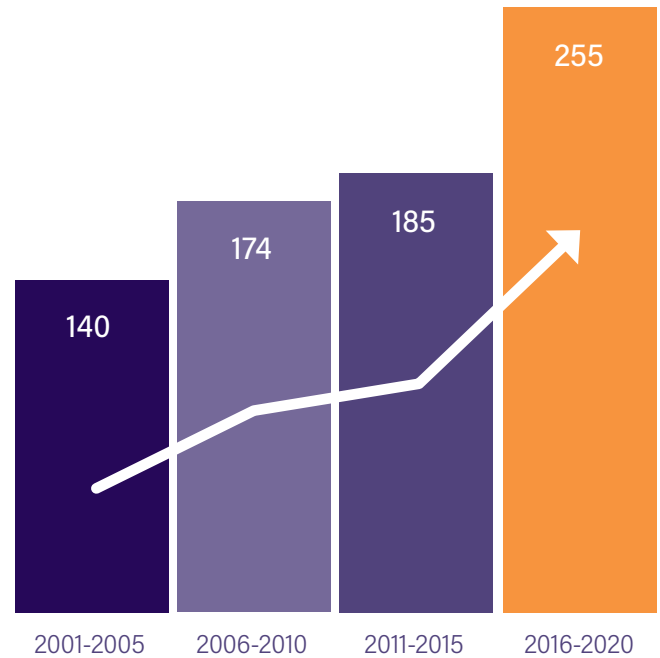
In 2022, we saw 2,910 new claims, a small reduction compared to the previous year. However, claims were still notably higher than the reduced number of 2,661 claims seen in 2020. It's possible that claims were inflated somewhat in 2021 due to a backlog of economic and legal activities that were on pause during the shutdowns of 2020. However, the long-term trend in claims count continues to show steady year-over-year growth as the legal profession expands and the complexities of legal matters continue to multiply.

Notably, the number of high-value claims continues to rise at a steady rate. The 5-year average number of high-value claims per year (claims over \$100,000) increased to 255 for the 2016-2020 period. Many factors contribute to the rising cost of claims, such as years of growing real estate values and an aging population with substantial estates and corresponding legal complications.

LAWPRO stands prepared to respond to this growth and continue to provide the same reliable protection to our insureds.

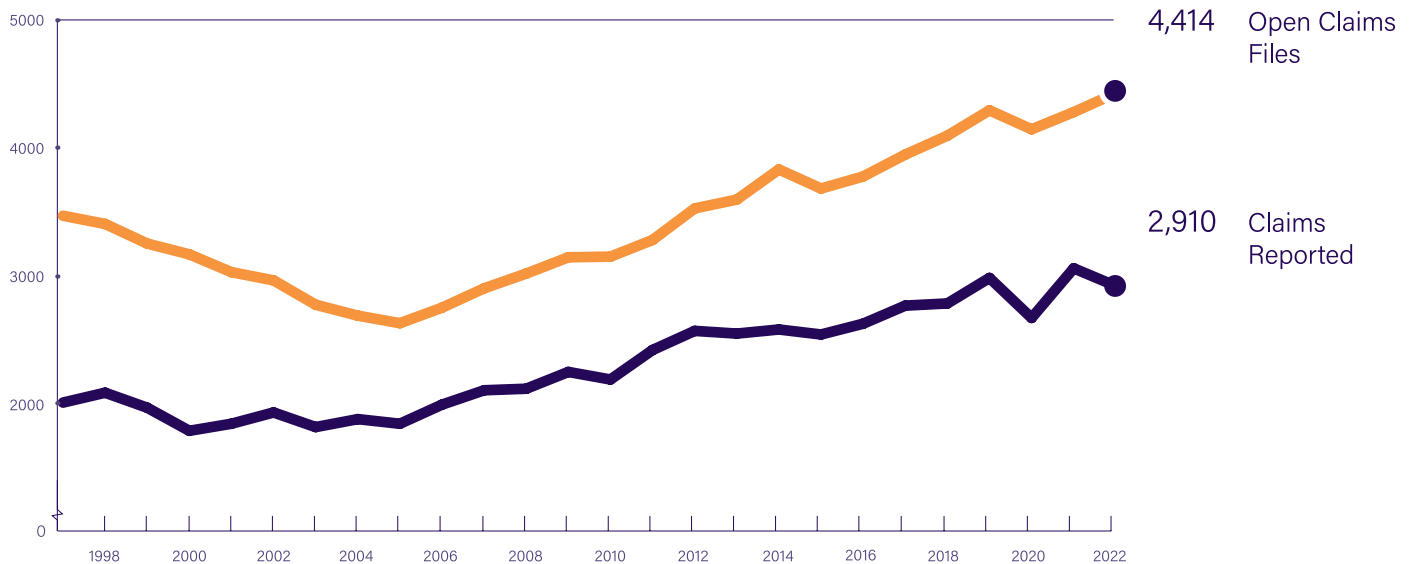
Average number of claims

with a value greater than \$100,000



Number of claims reported and open claims

Total number of open claims at Dec. 31, 2022



WE ANALYZED

claim trends

reported claims **30%**

RELATED TO REAL ESTATE

reported claims **25%**

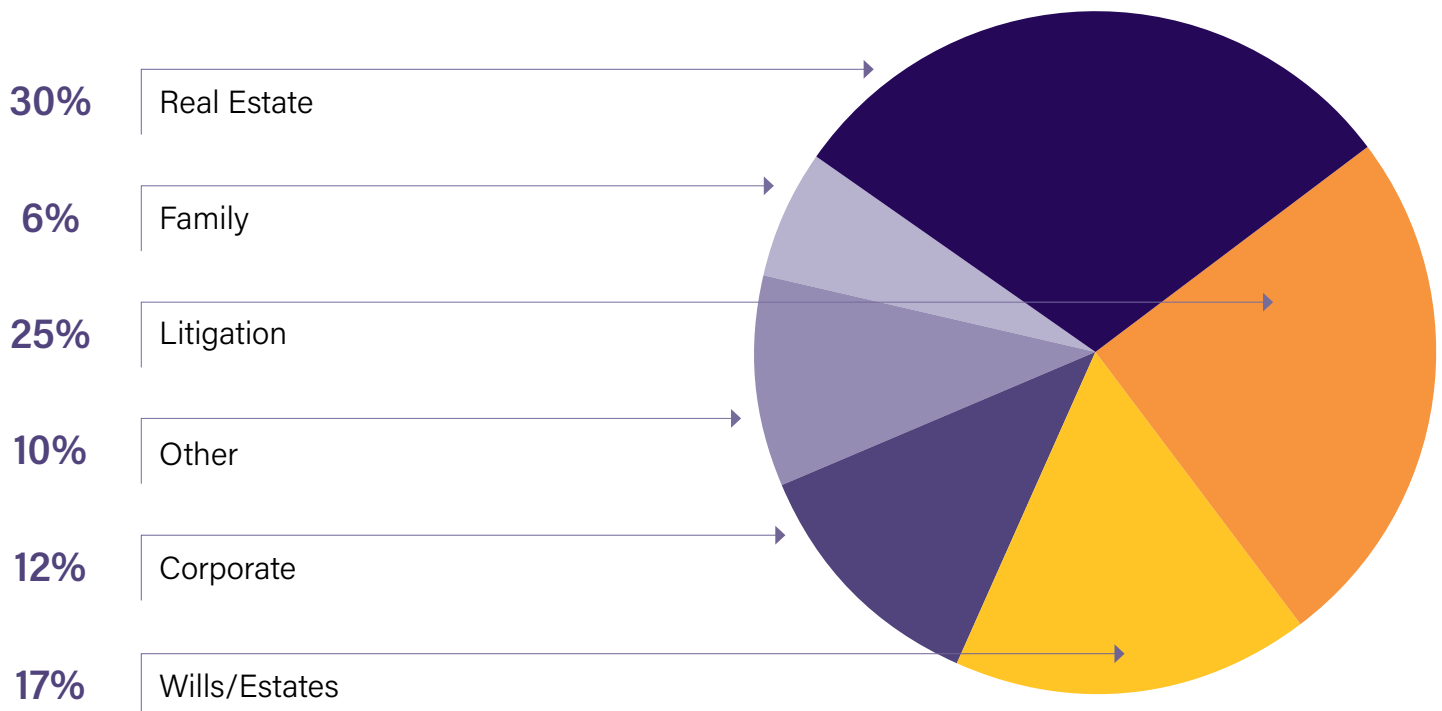
RELATED TO LITIGATION

LAWPRO is always keeping an eye on claims statistics. By tracking changes over time, LAWPRO can respond to macro-trends and provide relevant claims prevention assistance to the profession.

In 2022, the largest percentage of reported claims continued to be related to real estate (30%) and litigation (25%). However, the number of litigation claims is still fewer than that seen in

2019, which may reflect the continuing hold on administrative dismissals, a policy initiated in response to the pandemic. Once the hold is eventually lifted, we may see a corresponding additional increase in claims numbers.

Distribution of claims by area of practice



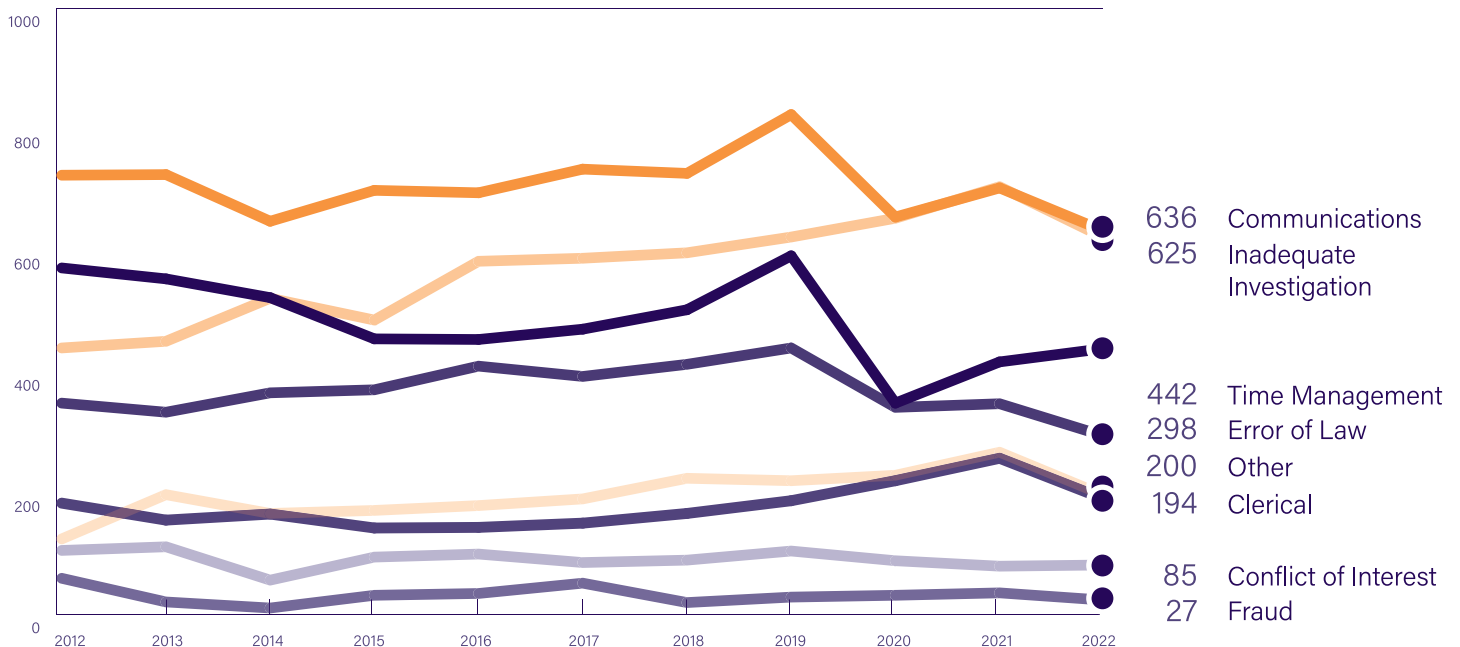
WE COLLECTED DATA

on causes of loss for insureds

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

As in recent years, inadequate investigation, communication errors and time management mistakes caused the most claims. However, three years ago, in 2020, we saw a sharp decrease in the number of claims caused by time management and communication-related errors. This was largely due to changes brought on by the pandemic, such as the tolling of limitation periods and the closing of the courts. Reduced litigation activity translated to fewer litigation claims. The reduction in communication-related claims in 2022 was such that, for the first time in recent years, it was surpassed by “inadequate investigation” as the most common cause of claims. Last year, we started to see what appears to be a gradual return to the pre-pandemic distribution, with communication-related errors once again the number one cause of claims.

Reported claims count by cause of loss



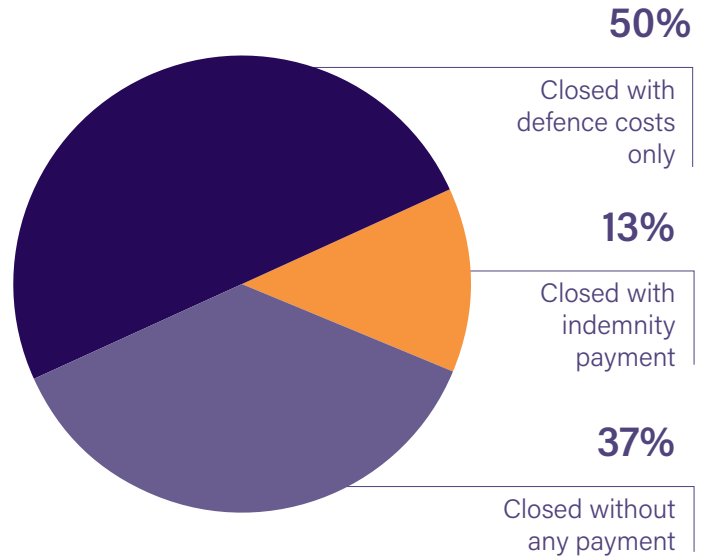
WE CLOSED CLAIMS

and gave insureds peace of mind

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. In 2022, 87% of claim files that came in were closed without any indemnity payments, whether by settlement or judgment. In fact, 37% of claims were closed without payment of any kind.

For claims that proceeded to litigation, LAWPRO was successful on five of seven claims taken to trial in 2022, as well as 20 of 22 summary judgment motions and five of eight summary judgment appeals.

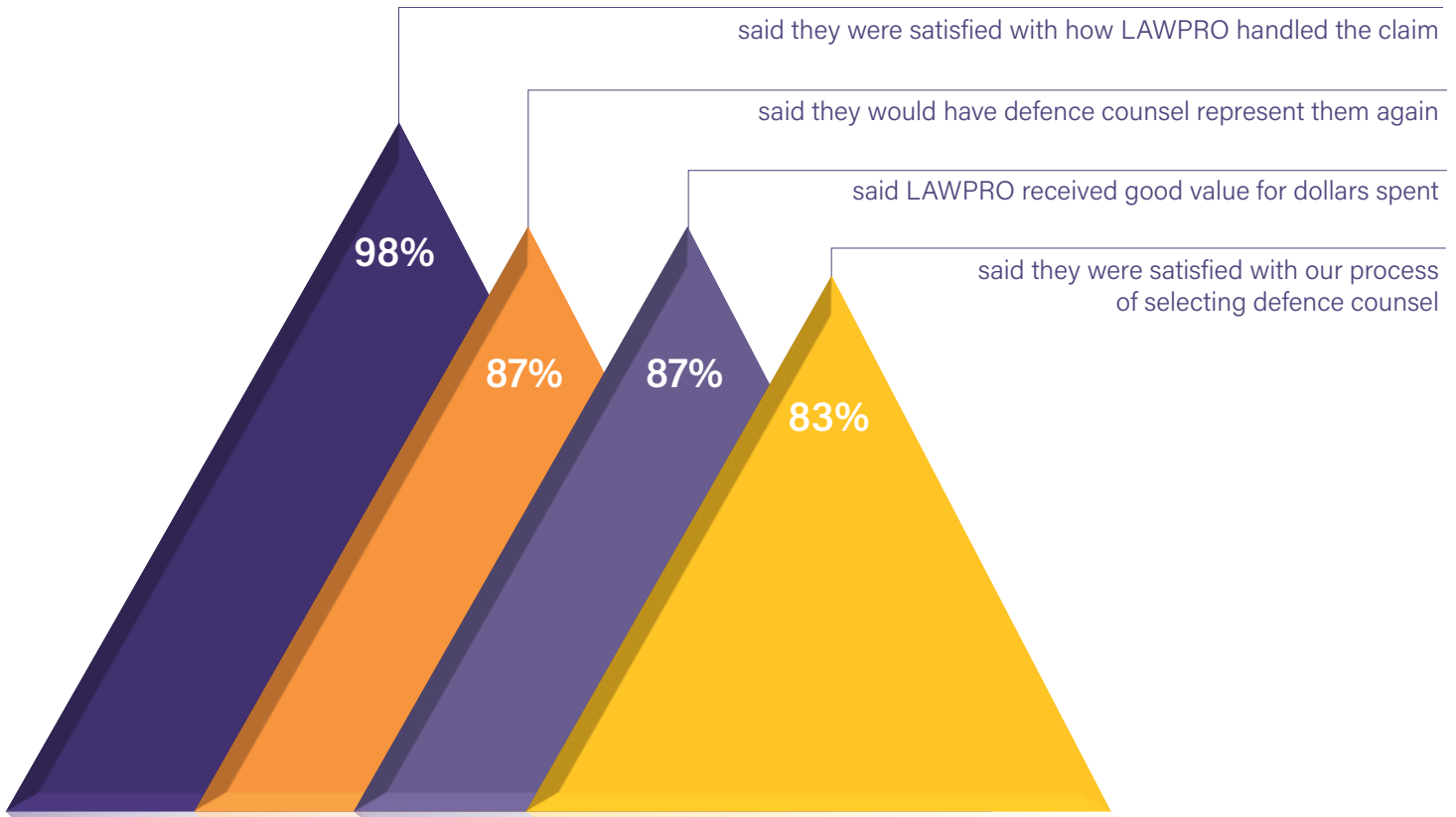
Claims by outcome



WE DELIVERED SERVICE

and value

The annual survey of LAWPRO E&O insureds with a closed claim indicated the following:



WE PROVIDED PREMIUM STABILITY

to more lawyers than ever before

Under the primary E&O program, LAWPRO insured over 31,000 lawyers and paralegals.

Rapid inflation was a global phenomenon in 2022, and its impacts were felt by the Ontario legal profession and LAWPRO. To address increasing claims costs and meet minimum capital requirements set by our regulator, the Financial Services Regulatory Authority of Ontario, the base premium was increased

to \$3,250 for 2023. This will allow LAWPRO to continue to rely on the expertise of its external counsel and respond to the needs of our insureds. Despite this increase, the annual LAWPRO premium paid by most Ontario lawyers is lower today than it was in the past – something you won't find with just about any other type of insurance. In fact, as recently as 2016, the base LAWPRO premium was \$3,350 -- \$100 more than today.

KEEPING COSTS DOWN

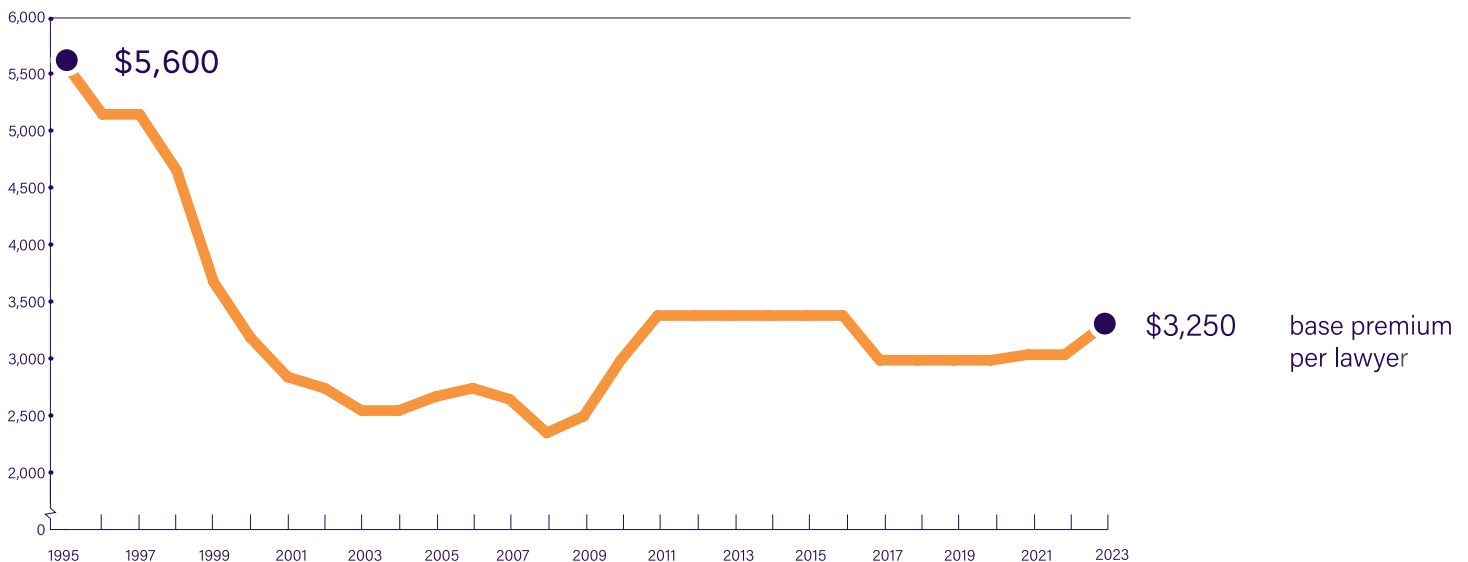
Did you know?

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 \$3,250 (adjusted for inflation) is approximately only 36% of what it was in 1995.

\$3,250
2023 BASE PREMIUM

\$3,350
7 YEARS AGO

Base premium since inception



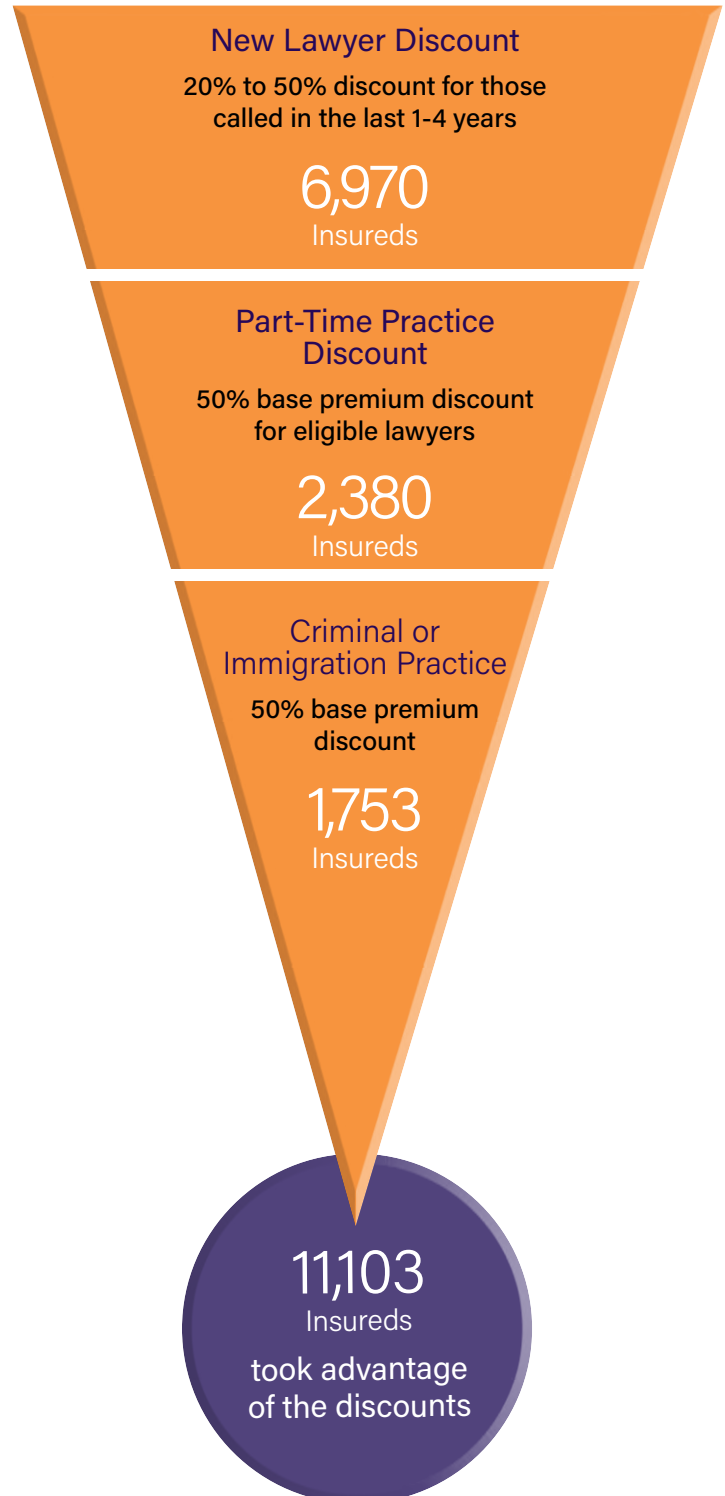
WE REDUCED THE COST

of insurance for many Ontario lawyers

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. The number of lawyers availing themselves of these options continues to increase.

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 retired or leave private practice, 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. A number of increased Run-Off buy up options are available should a lawyer wish to maintain the same limits they had in private practice.



WE OFFERED

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 1,689 firms, representing 3,925 lawyers received their excess insurance from LAWPRO as at the end of 2022.

With 118 new firms opting to buy excess coverage from LAWPRO, our client base saw approximately 8% growth from the previous year. The Company's retention rate on excess business of 91% 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 17% of 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.

WE SPOKE TO YOU



Consisting of approximately 25 team members, the Underwriting & Customer Service department is responsible for maintaining accurate records for all insureds, policy drafting, underwriting optional coverages, processing filings, answering questions from licensees, and much more.

The 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.

For years, the annual volume of correspondence received by the Underwriting & Customer Service department has been in the range of 20,000 to 25,000 pieces. But in 2022, it was more than 28,000.

Title Insurance



The TitlePLUS product and service was completely reengineered in 2021 with new features, policy wording, pricing structure, and website. Since then, TitlePLUS has continued to adapt to the changing real estate market in Ontario. Our policies also help address the growing risks associated with fraud for home owners.

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. It 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.

Correspondence received by the UCS department is more than just coverage questions. 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, refund requests, and many others.

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