

## Remarks of the Chair

The report that follows shows how our insureds can count on LAWPRO for stability, knowledge, and support during challenging times.

One of the most stressful experiences in a lawyer's career is when they discover they've made a mistake. On an annual basis, more than 3,000 lawyers call us to report a real or potential claim. Providing a financially dependable insurance company with a claims department that understands the unique challenges of legal malpractice claims is what we do.

Litigation and real estate continue to be the areas of law with the most claims. Overall, miscommunications and inadequate investigation have been almost tied for the last two years as the most common errors causing claims. The claims summaries in this report will give you insights on how LAWPRO handles claims and when we went to court on behalf of our insureds.

The financial environment in 2022 was very different from anything we've experienced in recent years. Interest rates began their rapid increase with the Bank of Canada key rate growing to 4.25% from a low of 0.25%. This rate increase decreased the value of the Company's investments, but at the same time also reduced its claims liabilities.

LAWPRO and our insureds continue to deal with the ongoing impacts of the pandemic. For instance, litigation claims have decreased as a result of the courts slowly reopening after being closed during the early part of the pandemic. We don't know how this will impact us in coming years, but we are expecting an increase in claims when administrative dismissals recommence. Looking ahead, we are certain that the environment in which lawyers work will continue to change rapidly. This is one of the reasons it's important the Law Society has a properly funded E&O insurer. In times of change, a steady and dependable insurance program is imperative to providing an environment where insureds can thrive and continue to do what needs to be done to stay afloat while providing essential legal services to their clients. A.M Best, the well-known rating agency for insurance companies in North America rated LAWPRO A (Excellent) with a stable outlook again last year, as they have done for the last 22 consecutive years.

Insurance is built on underwriting risks and forecasting the cost of future errors. Although this is a complicated and difficult task, the desired outcome is clear: LAWPRO supports lawyers and protects the public they serve when claims occur. It is my honour to help lead the organization that continues to provide an excellent and stable insurance program for the legal profession in Ontario.

## Remembering Malcolm Heins

Malcolm Heins was LAWPRO's first President and CEO and a driving force behind the creation of the Company and its growth for over 20 years. He was appointed CEO of the Law Society of Ontario in 2001, retiring in 2012. His impact on LAWPRO from its first days and through the years will not be forgotten. We are grateful for his contributions and leadership.



*Andrew J. Spurgeon*

Andrew J. Spurgeon  
Chair



# Remarks

## of the CEO

2022 continued to be a year of adaptation and innovation at LAWPRO. With the growing impact of new technology, rapid inflation, and increased political divisions, the world in which we work appears to be in the midst of a reset. Serving our customers well in such times of turmoil is my goal each day.

Coming out of the pandemic, LAWPRO remains in a solid position to continue to protect insureds at the lowest possible premium. Ontario lawyers can sleep easy knowing that the financial rigour to which LAWPRO is held by the Financial Services Regulatory Authority of Ontario (FSRA) means they can depend on their insurer to protect them when a claim arises, even if that occurs years after they have switched firms or left practice.

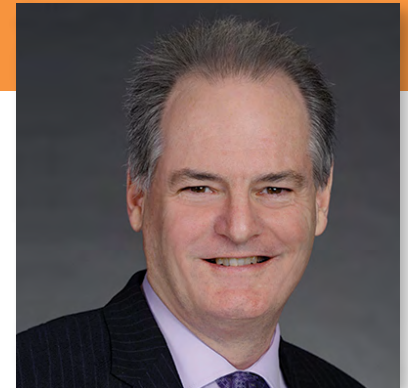
LAWPRO statistics indicate that over half of Ontario lawyers will have at least one claim brought against them during their career. Maintaining a financially stable insurer is therefore vital for the protection of the public and the continued viability of the profession.

LAWPRO is in the middle of a multi-year technology transformation. We are building a purpose-built system that integrates policy administration, underwriting, claims management and billing. It will result in increased efficiencies and give us advanced data analytics capabilities.

We continue to support real estate lawyers with TitlePLUS and are doing all we can to reduce the growing problem of real estate fraud. As we believe it helps with claims prevention, LAWPRO continued its financial support of the Member Assistance Program. In today's changing environment, our practicePRO program remains as relevant as ever as it continues to offer free resources to help lawyers avoid claims. Most importantly, LAWPRO continues to meet the mandate of providing protection for insureds while maintaining solvency and keeping premiums as low as possible. Over the past five years, the Company's combined operating ratio has averaged at 107%. This means that, on average, we lose seven cents on every dollar of premium before investment income. LAWPRO investments generally make up this loss and allow us to meet all regulatory requirements and remain a going concern. This ratio reflects our mandate to offer the best coverage possible at the lowest possible price.

I want to note new financial reporting requirements we must comply with. On January 1, 2023, the new International Financial Reporting Standards 17 (IFRS 17) were implemented for all insurance companies to standardize accounting globally to improve comparability and increase transparency. This new standard may have an effect on the capital requirements placed on the Company by our regulators in the next few years.

Economic uncertainty, the required implementation of IFRS 17, and changes resulting from the pandemic may give rise to increased challenges for LAWPRO going forward. Like other insurers, we will continue to explore how to adapt our operations to the changing demands of the environment in which we work.



*Daniel E. Pinnington*

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President & CEO