

TRANSFORMATION

Evolving to meet tomorrow's challenges

The world has gone through many changes in the past few years. From COVID, to inflationary pressures; from remote workplaces, to the rise of generative AI; revolutionary change happens seemingly overnight. In 2023, LAWPRO took steps towards building the tools, systems, and data we will use to meet these revolutionary changes in our world.

Last year, our biggest step involved migrating to a new cloud-based policy administration and claims management platform, along with a refreshed My LAWPRO portal. This a new platform that will allow improved customer support, file management, and data analysis. This changeover was years in the making and its impact cannot be understated. While some elements of the changeover continue, we are pleased that the first stage of this substantial task was successfully completed in 2023—thanks not only to the superlative efforts of LAWPRO staff, but also the patience and understanding of our insureds during this changeover.

But software upgrades were far from the only evolutions we saw in 2023. From new threats of fraud, new trends in claims data, new Financial Reporting Standards (IFRS 17), and new court processes, LAWPRO was at the forefront of change with a view to the future.

Protecting insureds from a growing number of E&O claims

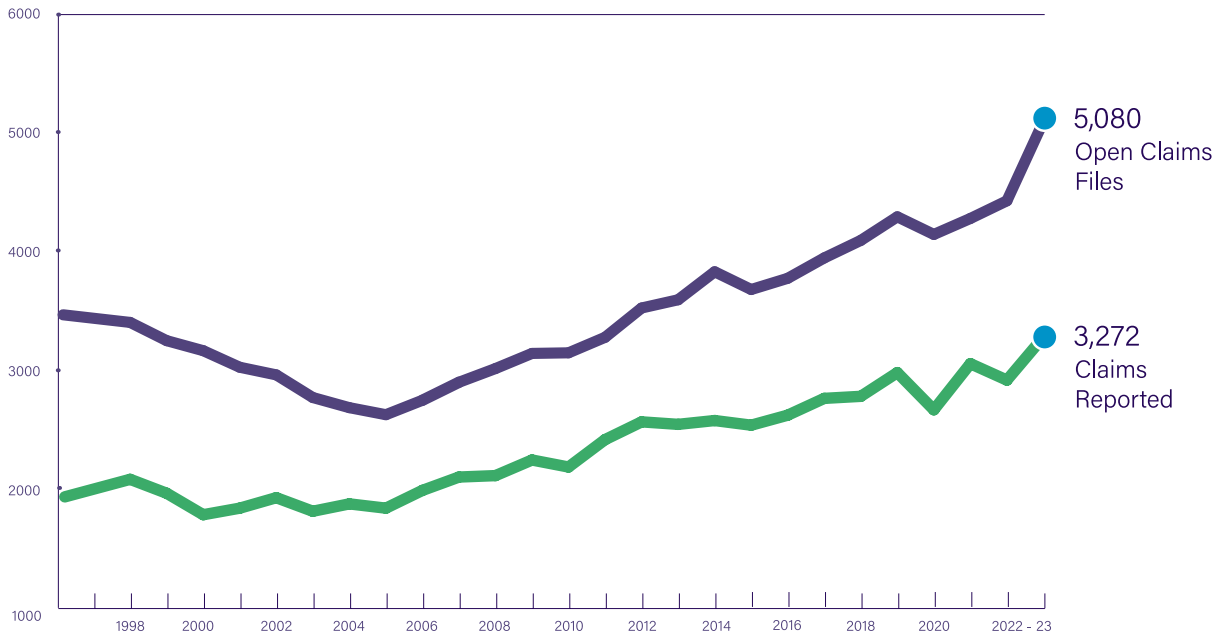
LAWPRO saw 3,272 claims in 2023, a dramatic increase from the 2,910 claims seen in 2022 and a new high, surpassing the 3,048 claims in 2021 and the pre-pandemic high of 2,973 claims we saw in 2019. It appears that the see-saw nature of claims numbers over the past three years has been in response to pandemic-related closures and consequent reopening of both businesses and courts. Regardless, it's clear that any short-term drop in claims last year was transitive, and we must prepare for a growing number of claims in the future.

To go with this increase in claims, the total cost of the 2023 professional liability program increased by approximately 10% in 2023. This was partially due to an increase in the rates paid to outside claims counsel to meet inflationary pressures. However, even accounting for these rate increases, indemnity payments are still on the rise.

Notably, the number of high-value claims (in the \$750,001 to \$1 million range) was substantially higher last year. There was a 92% increase in the cost of large file settlements in 2023 compared with 2022 (\$11.6 million in settlements compared to \$6.1 million in 2022), and an 86% increase in the *number* of settlements, with 13 large file settlements in 2023, compared with 7 in 2022.

Number of claims reported and open claims

Total number of open claims at Dec. 31, 2023

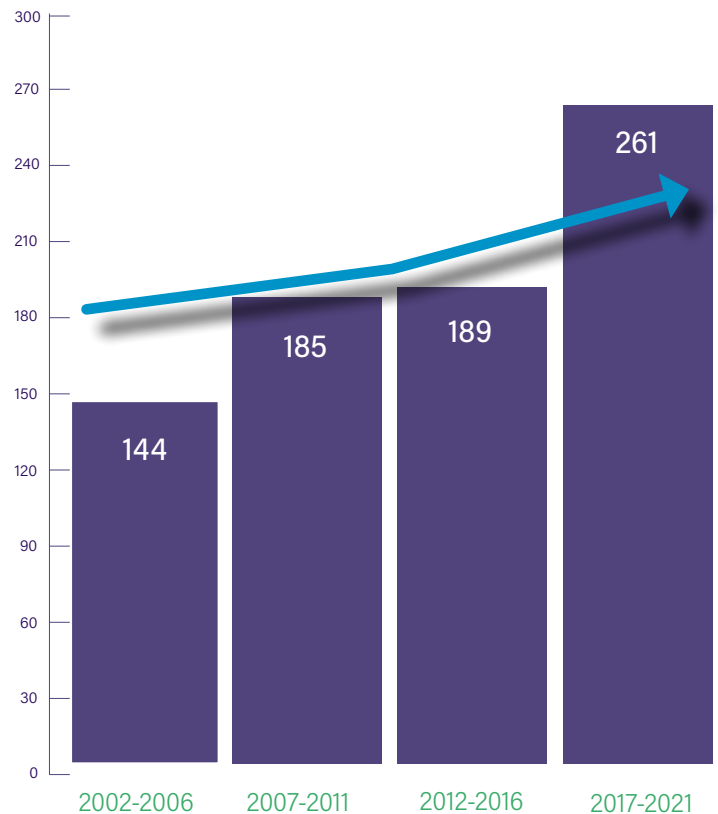


LAWPRO's response to this increase is threefold: First, LAWPRO has hired additional claims counsel to respond to these new claims in a timely and effective manner. Second, LAWPRO is taking steps to reduce the number of incoming claims. LAWPRO does this through coordinated strategies to educate the profession on current claims trends and threats such as fraud. Although fraud is not the highest frequency claim, it is one of the costliest areas of claims. The best defence is always avoiding a potential claim from the beginning.

Third, LAWPRO has updated the primary policy to respond to the increasing risk of fraud by way of social engineering. In general terms, social engineering is a fraud that is perpetrated by deceiving a target into revealing information or taking action for illegitimate reasons. It is often associated with phishing or email impersonation and can lead to incorrectly wiring funds or transferring property.

Average number of claims

with a value greater than \$100,000



Beginning in 2024, Ontario lawyers must take steps to protect their firm and their clients from Social Engineering to maintain a \$1 million limit for these claims. These steps include establishing instructions for the transfer of funds at the outset of the retainer and confirming any changes to these instructions by telephone call or in-person. For more information, please see our [Social Engineering Toolkit](#).

These policy changes targeting Social Engineering are intended to both inform the profession of the risks they face, as well as encourage behaviour to help avoid these frauds from being perpetuated.

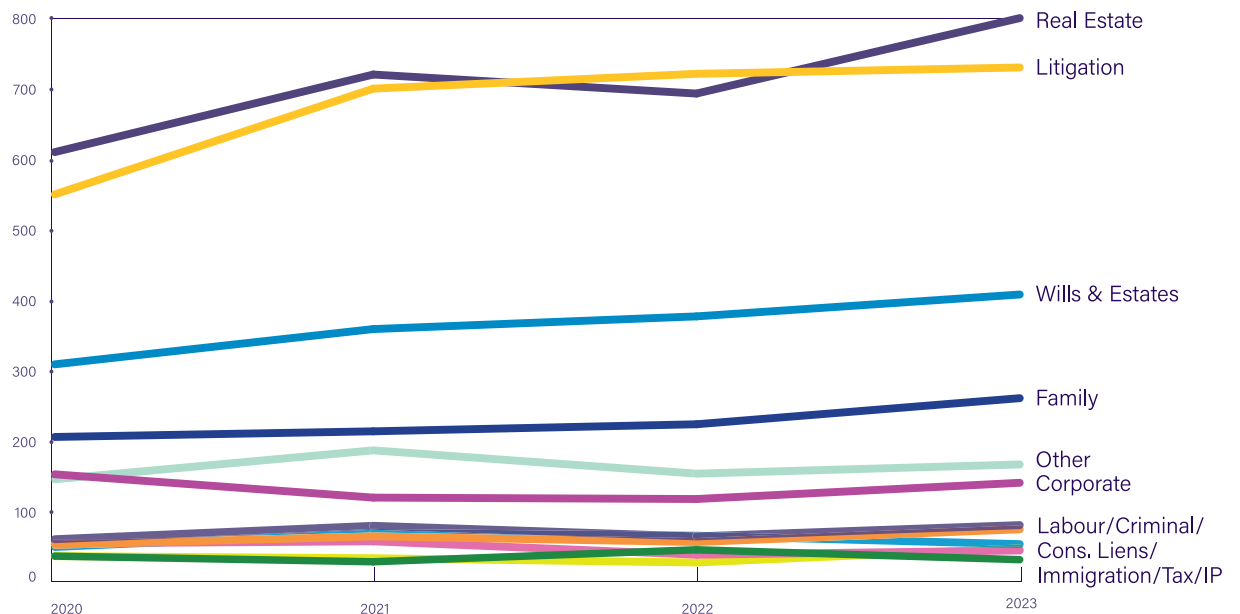
Analyzing data on the causes of claims and where they occur

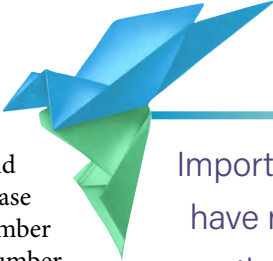
To stay abreast of current trends and to best inform the profession of malpractice threats, LAWPRO is always keeping an eye on claims statistics. By tracking changes over time, LAWPRO can respond to macro-trends and provide relevant claims prevention assistance to the profession.

In 2023, the largest percentage of reported claims continued to be related to real estate (28%) and litigation (26%). With respect to litigation, this reflects a decrease in the proportion of total claims (from 29% in 2022). However, this is due to the total number of litigation claims remaining stable year-over-year (to 729 from 719), while the total number of claims increased.

In contrast, real estate claims notably increased in 2023, to 799 from 693. While this increase in real estate claims was partially due to an increase in fraud—targeting lawyers and their clients—it is primarily a consequence of an increasingly active real estate market.

Distribution of claims by area of law





We also continue to see an increasing number of claims in wills and estates claims. 407 such claims were reported in 2023, an 8% increase from 2022. With an aging population comes an increase in the number of large estates, and as the number of large estates increases, the number of potentially litigious beneficiaries also increases. LAWPRO will continue to keep an eye on this area of law in the years to come.

Importantly, the courts have now announced that administrative dismissals will resume in May 2024. As such, we expect time management related claims to increase over the coming months, potentially reverting to pre-pandemic trend levels.

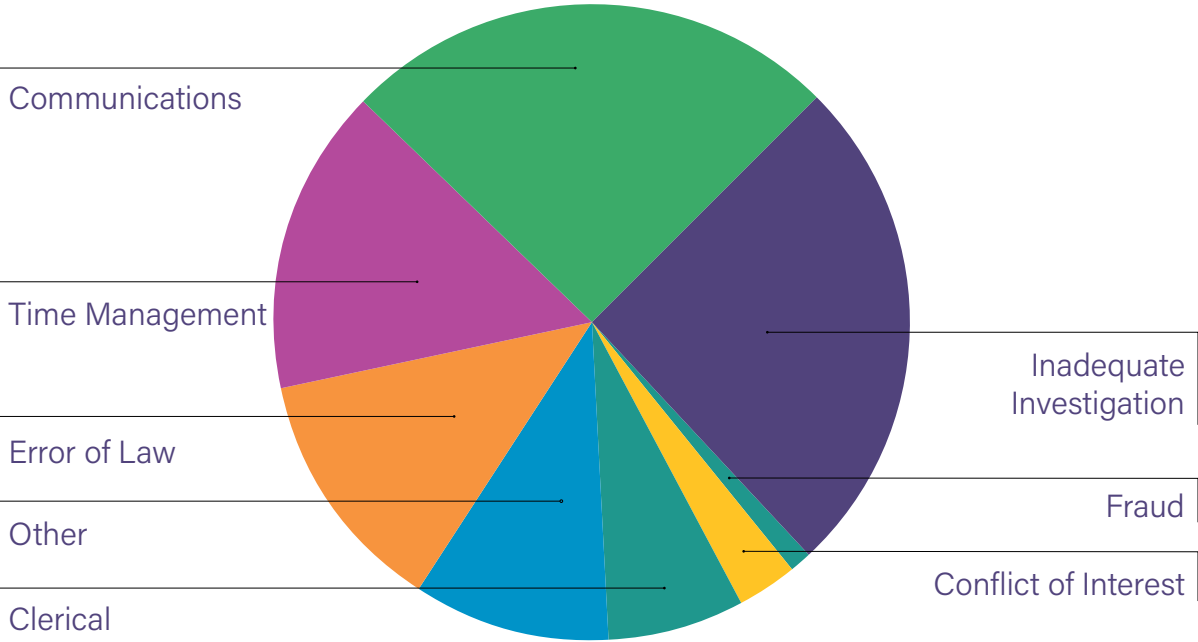
Causes of loss

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.

As in recent years, inadequate investigation, communication errors and time management mistakes caused the most claims. However, four 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 reducing the quantity of claims brought on by missed limitation periods. The reduction in communication and time management claims in 2020 and 2021 was such that “inadequate investigation” briefly became the most common cause of claims. Inadequate investigation claims typically relate to lawyers who have not uncovered all the facts or developed a sufficient understanding of a client’s matter.

In 2023, time management claims continued to be depressed compared with pre-pandemic levels. One potential explanation for the reduced number of time management claims is the continuing pause on administrative dismissals the courts continued through 2023 (where courts will dismiss cases that haven’t been set down for trial 5 years after commencement). Importantly, the courts have now announced that administrative dismissals will resume in May 2024. As such, we expect time management related claims to increase over the coming year, potentially reverting to pre-pandemic trend levels.

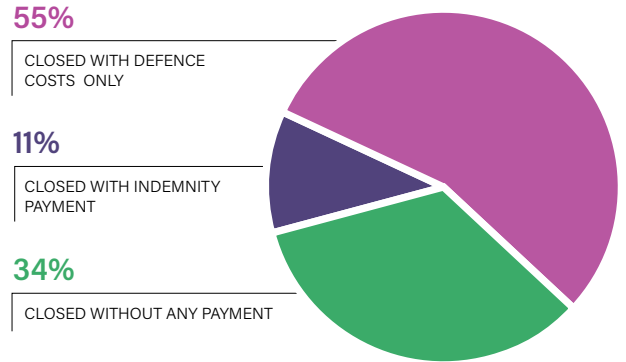
Reported claims count by cause of loss



Closing claims and giving insureds peace of mind

As a policy, LAWPRO does not pursue economic settlements and will defend insureds vigorously from false or frivolous claims. In 2023, 89% of claims files that came in were closed without any indemnity payments, whether by settlement or judgment. In fact, 34% of claims were closed without payment of any kind.

Claims by outcome



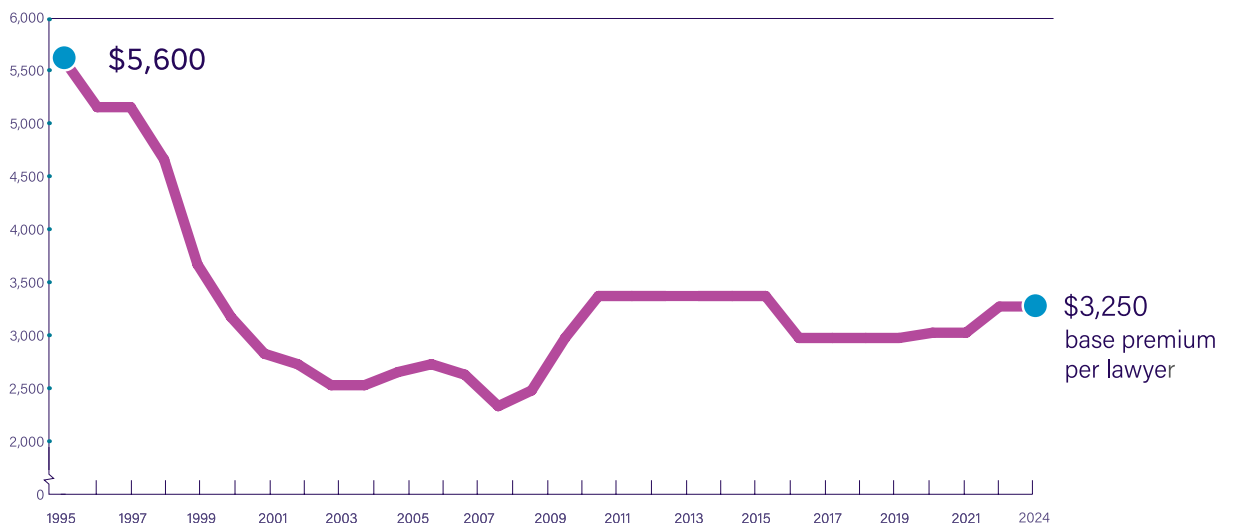
Covering more lawyers than ever before

Under the primary E&O program, LAWPRO insured over 31,000 people in 2023. Every year, the number of Ontario lawyers grows. As the number of lawyers grows, the number of claims grows. As the number of claims grows, LAWPRO must evolve and adjust to meet this challenge.

For the 2023 year, the base premium was increased to \$3,250. This premium remains the same for 2024.

This premium level allowed LAWPRO to respond to inflationary pressures. 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.

Base premium since inception





Offering discounts to meet your needs

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 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.

Did You Know?

If the base premium charged when LAWPRO was created were to be adjusted for inflation today, it would be \$10,157.40. In other words, today's premium of \$3,250 (adjusted for inflation) is approximately 68% less than what it was in 1995.

<p>New Lawyer Discount 20% to 50% discount for those called in the last 1-4 years</p>	<p>7,000 insureds</p>	<p>Risk Management Credit</p> <p>To encourage participation in CPD programs that include risk management content, LAWPRO offers a \$50 premium credit (to a maximum of \$100) for each qualifying program taken</p> <p>6,673 insured and 12,000 credits</p>
<p>Part-Time Practice Discount 50% base premium discount for eligible lawyers</p>	<p>2,400 insureds</p>	
<p>Criminal or Immigration Practice 50% base premium discount</p>	<p>1,800 insureds</p>	



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. Over 1,700 firms receive their excess insurance from LAWPRO.

With consistent year-over-year growth, and a retention rate on excess business of over 90%, the program is shown to meet the needs of the small and medium-sized firms that it is designed to serve.

In fact, LAWPRO's Excess program insures almost 20% 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.



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. Policies such as existing home coverage 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.



Working for you – Our Customer Service department

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 the past two years this has increased to almost 30,000.

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.

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.

Correspondence received by the 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. All of this was done while migrating to a new cloud-based policy administration and claims management platform. As these new tools come into place, our Customer Service department looks forward to providing more timely responses to customer inquiries and needs.