



# **REPORT TO CONVOCATION**

---

**SEPTEMBER 2015**



Lawyers' Professional Indemnity Company  
Assurance LAWPRO®

TO: The Treasurer and Benchers of The Law Society of Upper Canada

**RE: 2016 Insurance Program: Transmittal of Report to Convocation**

Many changes in the legal profession have occurred during the last few years and while some are now accepted as commonplace, others continue to be scrutinized and their effects monitored. As we move towards 2016, LAWPRO has reflected on the changing environment in which lawyers (and paralegals) practise and is proposing slight adjustments to stay current with the needs of our insureds. But overall, the 2016 Report to Convocation reflects a mature insurance operation with a stable professional liability program.

***Arriving at the base premium: capital management plays a role***

Just as important for LAWPRO as changes in the environment for Law Society licensees are the many changes in insurance regulation over recent years. The Minimum Capital Test (MCT) is the main solvency test for Canadian insurance companies. The LAWPRO MCT ratio at June 30, 2015 was 249% - a strong result that satisfies LAWPRO's preferred range of 220-230%. A combination of good investment returns and the addition of a three year phase-in period for the 2015 changes to the MCT calculation has worked in our favour. Also, some of the proposals for the new MCT calculation were moderated in the final months before implementation, in comparison to the earlier drafts circulated by the regulator. If all of these "stars" had not "aligned" as they did, we estimate that the MCT would have dropped below the preferred range, to approximately 200%.

Will LAWPRO continue to see such a healthy MCT result? The stock market is a famously difficult beast to predict, but LAWPRO will continue to invest prudently and manage its investment risk as responsibly as possible. That approach to protecting capital is an important part of the premium equation going forward.

In the short term, the good news is that our offer of insurance maintains the same base premium as 2015. In fact, 2016 marks the sixth year in a row with a base premium of \$3,350. So, neither changes in the profession nor in insurance regulation have yet affected that number.

### ***Real Estate Practice Coverage Option reduction***

Anticipated claims costs per year of the program continue to hover close to the \$100 million mark and there is an overall long term upward trend in claims severity (cost per claim). Real estate and civil litigation practice continue to represent the highest risk when compared to other areas of practice. These costs are addressed, in part, with levy surcharges and other tools.

Notwithstanding the long term significance of real estate claims for the program, the premium for the Real Estate Practice Coverage Option (REPCO) will be reduced to \$100. This is a \$150 reduction from the \$250 charged in 2012 through 2015, and is part of LAWPRO's on-going commitment to appropriate risk-rating of the program. This savings will be available to approximately 7,800 real estate practitioners.

How can this happen? Having issued the REPCO endorsement since the spring of 2008, we have more data and a growing ability to predict appropriate reserves for future loss development in this area. Despite real estate being one of the areas of law with the highest rate of claims in the profession, to date there has been only one claim paid under the REPCO endorsement. One must remember that this endorsement targets a relatively narrow risk: the registration of a fraudulent instrument by the insured under the *Land Titles Act*, which action would otherwise be excluded from coverage due to the dishonesty of the insured. And of course, updated risk-rating or a change in coverage terms could result in the premium for the REPCO endorsement being increased in a future year. In the meantime, the reduction to the premium is a \$150 savings that LAWPRO is happy to be able to provide to approximately one-third of the program's insureds.

### ***Changes to support what we see around us***

Two years ago LAWPRO proposed expanding the program to include as insureds the small number of paralegals who are practising in partnership with lawyers. In similar fashion, LAWPRO now proposes to insure paralegal shareholders of combined licensee professional corporations (CLPC). In other words, these are professional corporations with both lawyer and paralegal shareholders and as such, are exposed to the same insurance-related risks as combined licensee partnerships: the possibility of duplication of claims, overlapping coverage and potential stacking of policy limits between paralegal insurer policies and those of lawyers with LAWPRO. Premiums for paralegals holding shares in CLPCs will be the same as they are for paralegal partners.

Another tweak to the program involves facilitating mentorship by lawyers on exemption from the insurance program. We are all aware that mentoring promotes the dissemination of knowledge from more experienced lawyers to those with less experience. LAWPRO already has a structure in the insurance program (with precise requirements) for mentoring by lawyers who are currently insured. The 2016 LAWPRO offer expands that structure to lawyers on exemption from paying insurance premiums, and includes the ability to have claims handled under run-off coverage (subject to the individual's personal run-off availability). For example, this may assist those on parental

or medical leave who are challenged to keep program coverage in place due to costs, but wish to be able to mentor another lawyer who is overseeing the practice.

***What is happening with administrative dismissal claims?***

The exposure relating to the practice of civil litigation has climbed during recent years, with administrative dismissals under Rule 48 of the *Rules of Civil Procedure* being a serious factor.

Changes to Rule 48 which took effect earlier this year may stem the tide and LAWPRO is busy educating Ontario lawyers about those changes through the Rule 48 Transition Toolkit. The Toolkit has been sent electronically to all lawyers who reported civil litigation transaction levies in recent years and mailed in hard copy to all lawyers with the September 2015 LAWPRO magazine. These materials are being further reinforced through presentations and CPD programs.

Even though these resources are available, they can only help when used by lawyers in the field. LAWPRO will continue to monitor this area for the next several years, as (hopefully) claims under the old Rule 48 regime begin to diminish and practitioners transition with care to the new regime.

***Only the beginning***

At the end of the celebration of our 20<sup>th</sup> anniversary of providing the mandatory insurance program for the Law Society, the Board members and management of LAWPRO hope that this is only the beginning of a long and rewarding relationship that ensures the availability of high quality and cost-effective insurance to enhance the viability and competitive position of our professional liability insureds.

***Original signed by Susan McGrath***

Susan T. McGrath  
Chair

***Original signed by Kathleen Waters***

Kathleen A. Waters  
President & CEO

**Contents**

BACKGROUND ..... 3

2016 PROGRAM SUMMARY ..... 5

PART 1 – THE ERRORS & OMISSIONS INSURANCE FUND..... 8

PART 2 – CHANGES TO THE PROGRAM FOR 2016..... 9

    Combined Licensee Professional Corporations ..... 9

    Mentoring While on Exemption ..... 11

PART 3 – THE PROFESSIONAL LIABILITY INSURANCE PROGRAM..... 14

    Program Costs ..... 15

    Risk Rating..... 18

    Reinsurance and Capital Preservation..... 29

    Revenues..... 32

CONCLUSION ..... 41

    Appendix “A” ..... 43

        The Standard Program Coverage for 2016 ..... 443

        2016 Program Options ..... 445

    Appendix “B” ..... 50

        Distribution of Claims by Geographic Region..... 50

        Distribution of Claims by Firm Size ..... 51

        Distribution of Claims by Years Since Date of Call..... 52

        Claims Causes by Reported Claims Count and Area of Law ..... 53

        The 80-20 Rule ..... 56

    Appendix “C” ..... 57

        Premium Rating Examples..... 57

Appendix “D” .....	59
LAWPRO Vision, Mission & Values.....	59
Appendix “E” .....	60
LAWPRO Statement on Corporate Social Responsibility.....	60

# **LAWYERS' PROFESSIONAL INDEMNITY COMPANY ("LAWPRO")**

---

## **REPORT TO CONVOCATION – SEPTEMBER, 2015**

### **BACKGROUND**

1. The Law Society of Upper Canada ("Law Society") governs the legal profession in the public interest. One of the ways it discharges its responsibilities is through the mandatory requirement it places on practising lawyers to obtain professional liability insurance coverage for legal malpractice claims. This coverage is provided by LAWPRO, a provincially licensed insurer that is owned by the Law Society.
2. The coverage that the Law Society's mandatory insurance program ("Program") provides is considered to be both in the best interests of the public and in the best interests of Ontario lawyers – in that the public has reasonable assurance that an insurance policy backstops errors committed by lawyers in practice, and lawyers have assurance that they have a degree of financial protection for their professional liability that is well-suited to most lawyers' practice needs.
3. In recent years, we have seen an upward trend in the number of open claims files, with approximately 3,813 open files as at December 31, 2014, estimated to have a gross value of \$468.5 million. Overall, the Program manages about 83 per cent of the Law Society's over \$810 million in combined assets.
4. Each September since 1995, LAWPRO's Board of Directors has reported to Convocation on changes to the Law Society's Program for the following calendar year. The timing of this report is necessitated by the logistics of renewing upwards of 26,000 policies effective January 1, and the need to negotiate and place any related or corollary reinsurance treaties.
5. This report is also an opportunity for LAWPRO's Board to review with Convocation issues of importance to its insurance operations and receive policy

direction where necessary. Financial information on LAWPRO and the Program is provided to Convocation throughout the year.

6. Convocation established LAWPRO's mandate in 1994 with the adoption of the Insurance Committee Task Force Report ("Task Force Report"). The mandate and principles of operation derived from the Task Force Report are as follows:

- that LAWPRO be operated separate and apart from the Law Society by an independent board of directors;
- that LAWPRO be operated in commercially reasonable manner;
- that LAWPRO move to a system where the cost of insurance reflects the risk of claims; and
- that claims be resolved fairly and expeditiously; however, this was not to be a system of "no-fault" compensation and there would be certain circumstances where coverage was denied or coverage was limited.

For 2016, we have conducted our annual review of the Program to re-validate the approach and rating structure in light of these Task Force recommendations.

7. The LAWPRO Board of Directors believes that these recommendations have been achieved in LAWPRO's operations, and that the proposed Program for 2016 continues to fulfill these principles. This report deals solely with the Program for the Law Society. The LAWPRO optional insurance segment, composed of TitlePLUS<sup>®</sup> title insurance and the Excess professional liability insurance programs, is planned to operate on an expected break-even or better basis.

## **2016 PROGRAM SUMMARY**

8. The following summarizes the 2016 professional liability insurance Program, as provided for in this report.

### ***Premium Pricing for 2016:***

(i) The base premium is \$3,350 per lawyer for 2016, the same base premium charged in 2011 through 2015 (paragraph 110(a)).

(ii) Revenues from real estate and civil litigation transaction levies collected by the Errors & Omissions Fund during the year are budgeted at \$23.4 million for the purposes of establishing the base premium for 2016 and other budgetary purposes (paragraph 110(b)).

(iii) The premium for the Real Estate Practice Coverage Option will be reduced to \$100. This is a \$150 reduction from the \$250 charged in 2012 through 2015 (paragraph 110(c)).

(iv) 100 per cent of the premiums and losses for the Program will again be retained by LAWPRO in 2016, subject to limited capital backstop protection provided by the Errors & Omissions Fund, and reinsurance protecting the Program from multiple losses arising out of a common event or nexus (paragraph 81).

### ***Combined Licensee (i.e., Paralegal/Lawyer) Professional Corporations:***

(v) To better avoid the possibility of duplication of claims, overlapping coverage and potential stacking of policy limits with paralegal insurer policies, for 2016 the Program policy will be amended to insure all licensee shareholders (i.e., including paralegal shareholders) of combined licensee professional corporations that are duly authorized by the Law Society. To assist in avoiding possible costs of cancellation of insurance, any such paralegal shareholders

whose existing insurance expires mid-year in 2016 will not be required to carry the Program insurance until expiry of their existing insurance in 2016 (paragraph 22).

***Mentoring While on Exemption:***

(vi) To facilitate mentoring by exempt lawyers, for 2016 the Program will be amended so that claims arising out of mentoring services provided by lawyers while exempt from the payment of insurance premium levies under the Program (that would otherwise not be extended coverage due to a lawyer's exempt status), will be deemed to be professional services provided by the lawyer as a practising lawyer insured under the Program, for the purposes of such lawyer's run-off coverage (paragraph 32).

***LAWPRO Risk Management Credit:***

(vii) The LAWPRO Risk Management Credit will be continued for the 2016 Program, with a \$50 premium credit per approved CPD program, subject to a \$100 per lawyer maximum amount, to be applied for pre-approved legal and other educational programs taken and successfully completed by lawyers between September 16, 2015, and September 15, 2016, for which the lawyer has successfully completed the online Risk Management Credit Declaration Form (paragraph 53).

***Other Program Features (or Adjustments):***

(viii) Subject to the changes identified earlier in the report, the remaining exemption criteria, policy coverage, coverage options, and premium discounts and surcharges in place in 2015 will remain unchanged for the 2016 Program (paragraph 115).

***The Errors & Omissions Insurance Fund:***

**(ix) The investment income of the Errors & Omissions Fund which is surplus to the obligations of the Fund will be made available to the Law Society during 2016 (paragraph 12).**

***Conclusion:***

**(x) The LAWPRO Board considers the Program changes to be appropriate and consistent with its mandate as set out in the 1994 Insurance Committee Task Force Report. The LAWPRO Board offers this Program of insurance for 2016 and asks for Convocation's acceptance of this Report at the September Convocation, so that the 2016 Program can be implemented by January 1, 2016 (paragraph 116).**

## **PART 1 – THE ERRORS & OMISSIONS INSURANCE FUND**

9. LAWPRO provides service to the Law Society with respect to the Errors & Omissions Fund of the Law Society, which is currently in run-off mode. (The Errors & Omissions Fund was responsible for the insurance Program prior to 1990, and for a group deductible of up to \$250,000 per claim prior to 1995.)

10. In recent years the Errors & Omissions Fund resources have been utilized to settle outstanding claims (for Program policies in place between July 1, 1989 and December 31, 1994), maintain its investment in LAWPRO share capital, make available \$15 million of funds to backstop the potential of significant deterioration in the loss experience under recent years' Program policies, guarantee the level of supplementary premiums such as transaction levies, and make premium contributions where appropriate (see the Reinsurance and Capital Preservation section starting at paragraph 73 for more details). Where the investment income has been considered surplus to the Errors & Omissions Fund's commitments, it has typically been aggregated for use to the benefit of the Law Society for general purposes.

11. As of June 30, 2015, the Errors & Omissions Fund had outstanding claims liabilities of \$0.3 million. The number of open files for 1994 and prior years stood at two. Since there are sufficient assets in the Errors & Omissions Fund to fully meet the outstanding liabilities, the LAWPRO Board is again satisfied that the investment income generated by the Errors & Omissions Fund is surplus to the needs of the Errors & Omissions Fund and can be used by the Law Society for its general purposes.

**12. Accordingly, the investment income of the Errors & Omissions Fund which is surplus to the obligations of the Fund will be made available to the Law Society during 2016.**

## **PART 2 – CHANGES TO THE PROGRAM FOR 2016**

13. In developing the details of the 2016 Program, LAWPRO has, as always, considered the changing environment in which lawyers practise and any comments received from the profession during the previous year. The general structure of the current Program appears to generally meet the needs and practice realities of the profession for 2016.

14. However, for the 2016 Program, two substantive modifications in the structure of the Program or in the form and substance of the policy are contemplated.

### **Combined Licensee Professional Corporations**

15. Since 2014, the Program has insured paralegals (Class P1 licensees) who are in partnership with lawyers (Class L1 licensees) in what are referred to as “Combined Licensee Partnerships” (“CLPs”). In practice, the Law Society provides LAWPRO with notice of which firms are considered to be CLPs and directs the paralegal partners to apply for Program coverage with LAWPRO.

16. As partners in the firm would have exposure when any members of the firm are sued, this change was made to better avoid the possibility of duplication of claims, overlapping coverage and potential stacking of policy limits with paralegal insurer policies. This change was also made appreciating the broader insurance protection afforded to lawyers under the Program policy and the exposure lawyer partners may have for any uninsured activities of firm paralegals.

17. To date, paralegals in 22 firms have applied for coverage. All but one of these firms remain active. Of the 21 active combined licensee firms, at least nine of these are in fact not partnerships, but rather professional corporations. In total, it is estimated that about 20 paralegals currently hold shares in combined licensee professional corporations (“CLPCs”).

18. The *Business Corporations Act* (Ontario), the *Law Society Act* (“Act”) and Part II of By-law 7 made pursuant to the Act permit lawyers and licensed paralegals to practice law or provide legal services through a professional corporation provided the professional corporation has received a Certificate of Authorization from the Law Society. Under the current wording of By-law 6, which sets out the requirement that paralegals in CLP firms are required to maintain their practice coverage with LAWPRO, and Endorsement No. 13 of the 2015 Policy, which describes the coverage provided to paralegal partners, reference is made only to “partners” and “partnerships”, and not to “professional corporations” or “shareholders”.

19. LAWPRO believes that the risk associated with lawyers and paralegals holding shares in CLPCs is similar to the risk presented to lawyers and paralegals who are in partnership together. If a claim is made against any “owner”, that claim could ultimately involve the firm itself, and any claim against the firm could involve all owners. If different insurers insure the various shareholders, a duplication of claims and overlapping coverage between insurers can be expected and the potential of an unintended stacking of policy limits exists. It could also lead to lawyers contributing to claims where the error was actually made by one of the paralegal shareholders, without the Program receiving an appropriate premium for this additional risk.

20. Given this similarity in risk, premiums will be similarly applied to paralegals holding shares in CLPCs as they are to paralegal partners in CLPs. In that regard, based upon risk, a base rate of \$600 has been established for paralegals not involved in the handling of claims for statutory accident benefits within the meaning of the *Insurance Act*, R.S.O. 1990, c., 1.8 and a base rate of \$1,000 has been established for paralegals involved in the handling of such claims.<sup>1</sup> Base premiums are adjusted to reflect years in practice, part-time practice, claims history, etc., based upon risk. As well, transaction levies would apply as they do to lawyers in the firm.

---

<sup>1</sup> These base rates have been determined with the benefit of paralegal and other claims data, as well as an assessment of adequacy of market rates. It can be expected that base premiums, as well as discounts and surcharges, will be adjusted annually to reflect the growing claims data available, inflation and other factors commensurate with risk.

21. Features of the Program will generally apply to paralegal shareholders in CLPCs as they do to lawyer shareholders in the firm. For example, the LAWPRO Risk Management Credit will similarly be available to paralegal shareholders in CLPCs as it is to lawyer shareholders, and lawyer and paralegal shareholders in CLPCs will need to carry the same deductible option and innocent party sublimit.

**22. For 2016, the Program policy will be amended to insure all licensee shareholders (i.e., including paralegal shareholders) of combined licensee professional corporations that are duly authorized by the Law Society. To assist in avoiding possible costs of cancellation of insurance, any such paralegal shareholders whose existing insurance expires mid-year in 2016 will not be required to carry the Program insurance until expiry of their existing insurance in 2016.**

### **Mentoring While on Exemption**

23. Mentoring promotes the dissemination of knowledge from more experienced lawyers to those with less experience. It can be a way for lawyers to expand their network and it can sometimes help lawyers that may otherwise feel isolated. A successful mentoring relationship should yield positive results for the mentor, the mentee and the mentee's clients, and hopefully creates a cycle that will see the mentee one day also passing along his or her knowledge to a new generation of lawyers.

24. While many of the advantages clients gain through their lawyer's mentoring relationship are anecdotal in nature (i.e. there currently is no factual basis for showing that mentoring actually avoids claims and saves the Program money), LAWPRO is satisfied that mentoring may have a potential risk-management benefit.

25. LAWPRO has taken a number of steps to date under the Program to facilitate mentoring. These steps have been at little cost to the Program and have been designed to allay the concerns of potential mentors regarding the possible effect of claims arising from the mentoring relationship on their deductible obligations and future years' premiums. In this regard, since 2002 the Program has provided that such claims will

have no impact on a mentor's deductible obligations and/or future year's premiums, if the mentor and mentee:

- (a) have a written mentorship agreement in place (LAWPRO's "*Managing a Mentoring Relationship*" booklet includes a sample mentorship agreement);
- (b) ensure that the mentor has no contact with the mentee's clients; and
- (c) ensure that the mentee is responsible for individually and independently satisfying himself/herself of the soundness of any suggestions put forward by the mentor.

26. By this approach, LAWPRO effectively supports practising lawyers who wish to mentor others. However, it does not address barriers that may keep lawyers who have left active private practise from entering into mentoring relationships.

27. Lawyers who are currently on exemption from payment of the Program premiums are generally unable to "engage in the practice of law" (as this term is used in the rules for exemption eligibility and By-law 6 made pursuant to the Act) other than in specific circumstances, such as in-house lawyers and lawyers employed in government or education acting only for and on behalf of their employer.

28. In this regard, a lawyer who gives legal advice respecting the laws of Ontario or Canada or provides any professional services of a barrister or solicitor for others would be considered to be engaged in the practice of law.<sup>2</sup> Provided an exempt mentoring lawyer does not have contact with the mentee's clients and the mentee independently verifies (or discounts) any suggestions made by the exempt mentor (with each party's role typically set out in the mentorship agreement), then it would appear that the mentor has not engaged in the practice of law.

29. Even with these safeguards in place, a claim may be made against the mentor for advice provided to a mentee during a period of exemption.

---

<sup>2</sup> Subsection 1(2) of By-law 6 made under the Act.

30. There would be no coverage for the exempt lawyer under the Program policy in its current form, since the run-off coverage afforded to exempt lawyers generally precludes coverage for claims arising out of professional services provided by the lawyer while exempt from the requirement to pay insurance premium levies under the Program.

31. Given the perceived benefits to the legal profession and the small likely cost to the Program in having more experienced lawyers enter into well-structured and well-managed mentoring relationships with those less experienced, it is the intention that claims made against exempt lawyers that arise out of mentoring services provided while on exemption be afforded coverage under the exempt lawyer's run-off coverage, subject to LAWPRO's established mentoring protocols being met.

**32. Accordingly, for 2016 the Program will be amended so that claims arising out of mentoring services provided by lawyers while exempt from the payment of insurance premium levies under the Program (that would otherwise not be extended coverage due to a lawyer's exempt status), will be deemed to be professional services provided by the lawyer as a practising lawyer insured under the Program, for the purposes of such lawyer's run-off coverage.**

## **PART 3 – THE PROFESSIONAL LIABILITY INSURANCE PROGRAM**

33. Persistent increases in the number and cost of claims over the last decade are putting significant pressure on the Program. The Program is also subject to ongoing uncertainty regarding investment income and transaction levies. Because of the elimination of the Premium Stabilization Fund, there is no longer a significant pool of money in the Law Society's Errors & Omissions Fund which can routinely be used on an annual basis to insulate the Program from negative impacts.

34. As LAWPRO works through these challenging times, its prudent and conservative approach to the issues of the day has stood it in good stead. LAWPRO has maintained a solid capital base, with a minimum capital test ("MCT") as of June 30, 2015 of 249 per cent. This MCT result is above the regulators' minimum level of 100 per cent and supervisory threshold of 150 per cent, and above LAWPRO's internal minimum target of 180 per cent. LAWPRO has a robust asset-liability matching program to ensure that the funds are available to satisfy the claims obligations undertaken to date. Also, LAWPRO has received a consistent "A" (Excellent) rating from A.M. Best Co. each year since 2000.

35. In 2015, LAWPRO has retained its "stable" outlook based on its commanding market profile and recent improvement in operating and underwriting results. (An "outlook", which looks more to the future, is different from a "rating".) However, A.M. Best Co. did note LAWPRO's unfavourable loss ratio trends would continue to place pressure on its capital base. While the MCT of 249 per cent as of June 30, 2015, represents only a slightly unfavourable result compared with the 251 per cent as at December 31, 2014, note that a 36 percentage point drop under the new 2015 MCT rules is being phased-in by the regulators through to the end of 2017. Further note that LAWPRO's level of capital is somewhat lower than various Canada-wide averages, such as the overall insurer average of over 270 per cent, the personal lines average of over 250 per cent or the commercial lines average of over 300 per cent.<sup>3</sup> The proposals

---

<sup>3</sup> As reported by MSA Research Inc.

outlined in the following pages are designed to address the present challenges in a prudent fashion and maintain LAWPRO's ability to meet the needs of the Program in the years to come.

36. To establish the recommended Program for 2016, the LAWPRO Board considered several factors, such as:

- the cumulative effect of the recent underwriting and investment results, and the economic environment, on the Program;
- the expected future loss cost;
- the revenue sources which are expected to supplement the base levies; and
- the inherent uncertainties in predicting the results of the Program each year.

37. To ensure the Program's long-term viability, LAWPRO and the Board took a prudent approach to projections of revenue, as well as claims frequency and severity, taking into account factors such as emerging claims trends, general economic conditions, the tax environment and inflationary pressures on the claims portfolio.

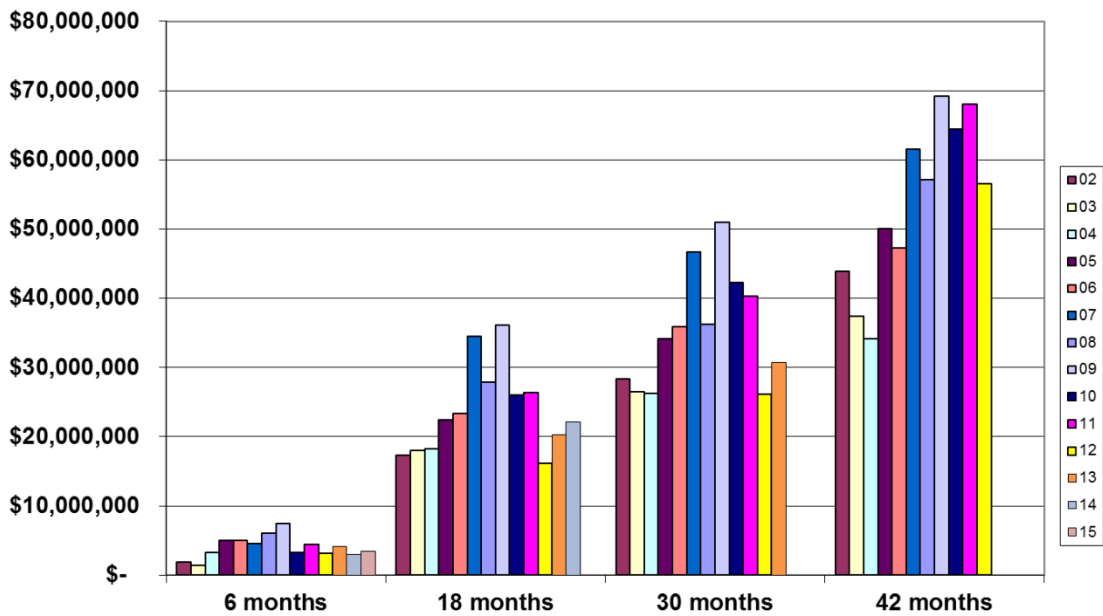
38. As part of its ongoing planning process, LAWPRO looked at a five-year time horizon. Any LAWPRO forecast is reviewed and revised periodically based on new information as it emerges. The subject forecast reflects the trends detailed in this report, and takes a conservative approach to projecting the frequency and cost of claims under the Program. This prudent approach is dictated by uncertainties associated with predicting (a) general economic and inflationary trends, and (b) claims associated with recommended or recent Program changes, as applicable.

### **Program Costs**

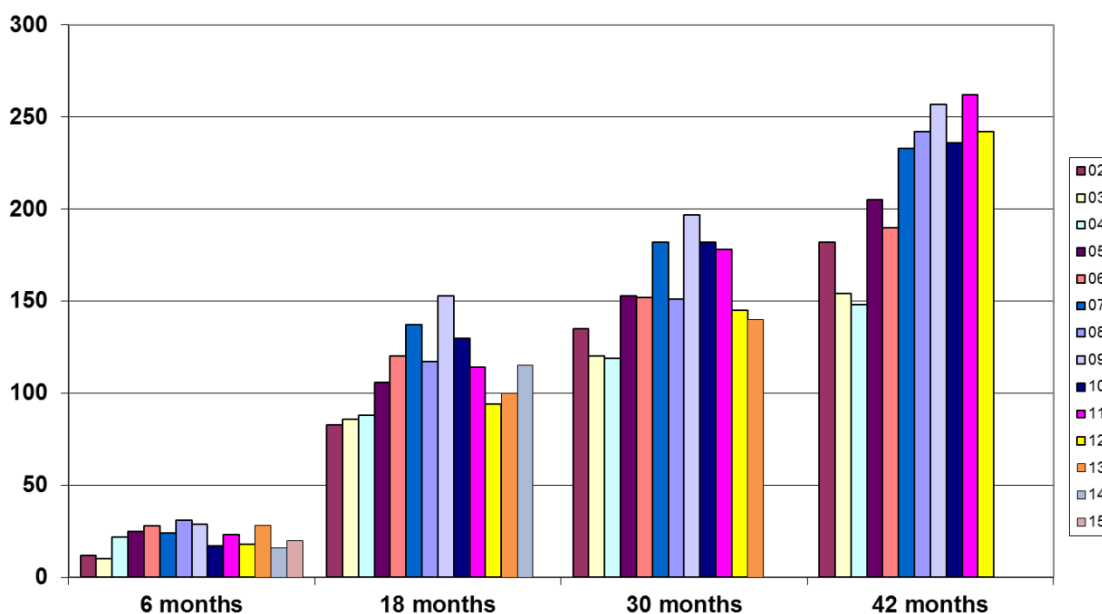
39. LAWPRO's revenue requirements for the 2016 Program are based on the anticipated cost of claims for the year, as well as the cost of applicable taxes and Program administration.

40. Loss experience has trended up noticeably in terms of frequency since 2004, with more claims reported than in the earlier part of the decade. It is too early to form a final view on the development of the most recent fund years' claims, such as 2013 through 2015. However, despite a very recent stabilization in the number of claims involving \$100,000 or more (as seen in the following charts), there is an overall longer term upward trend in claims severity (cost per claim).

**Dollar Value of Claims Valued at Greater than \$100,000  
by Age and Fund Year**

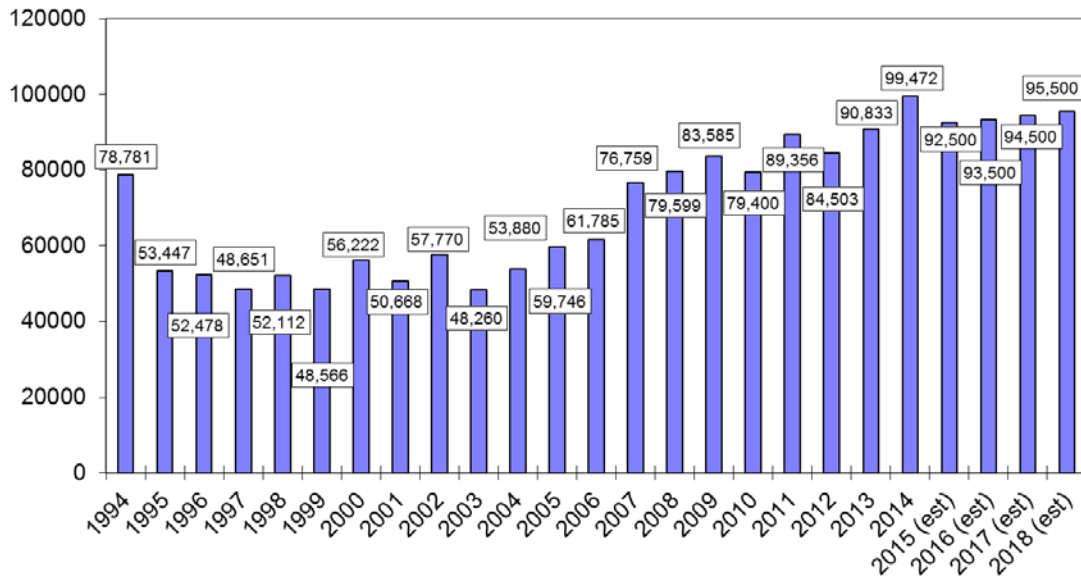


**Count of Claims Valued at Greater than \$100,000  
by Age and Fund Year**



41. For 2016, LAWPRO expects direct claims costs alone to be \$93.5 million (see chart following). LAWPRO estimates total Program funds (that is, claims costs plus general expenses) required for 2016 to be \$121.1 million. This estimate is slightly above the current forecast of total Program funds needed for 2015, which is approximately \$119.0 million.

**Claims Cost of Ontario Program, by Fund Year (\$000's)**



## Risk Rating

### (a) Background

42. As already discussed in this report, the Task Force Report concluded that the cost of insurance under the Program should generally reflect the risks.

43. Specifically the Task Force Report indicated that "...as a fundamental, shaping principle, the cost of insurance should generally reflect the differences in risk history, differing risks associated with different areas of practice, and differing volumes of practice. But no insurance program can be solely risk-reflective and there must be some sharing and spreading of risk."<sup>4</sup>

44. In keeping with this approach, LAWPRO regularly conducts detailed analyses of the risks associated with the Program. The earlier results of these analyses are summarized in previous Reports to Convocation. These analyses concluded that the

<sup>4</sup> 1994 Task Force Report, page 17.

practice of real estate and civil litigation represented a disproportionate risk when compared to other areas of practice, and that lawyers with a prior history of claims have a greater propensity for future claims than do other lawyers.

45. The objective of risk rating was finally achieved in 1999 by applying various discounts and additional levies (such as the real estate and civil litigation transaction levies and claims history levy) to the Program.

46. Risk rating, however, is not static. Because the relationship between the cost of claims and different areas of practice may change, LAWPRO must continue to monitor the Program to ensure that risk rating continues to be achieved. The results of these earlier risk analyses are re-evaluated each year, and the factors used to assess risk and determine premium under the Program are re-evaluated for degree of relevance. The factors currently used to match risk to premium include area of practice, years in practice, claims history, liability for partners and associates, and size of practice.

47. As in the past, LAWPRO's risk analysis also examined the degree of specialization, size of firm, and geographic location of practice as possible factors to be used in assessing risk and setting premiums. The potential factors were examined individually and on a combined basis to determine any correlation or dependencies.

48. In 2015, this review has reaffirmed the overall validity of the rating structure currently in place, subject to certain adjustments in magnitude. The results of the customary re-evaluation of the earlier risk analyses are addressed in this report at paragraphs 54 to 72.

**(b) Practice Trends**

49. LAWPRO's present risk analysis reaffirms the results of its last report indicating that the practice of real estate and civil litigation represent a disproportionate risk when compared to other areas of practice. These two areas of practice represent 69 per cent of the claims reported and 64 per cent of the claims costs under the Program in 2014.

50. In particular:

- a) Real estate claims costs have trended upwards since 2001, with real estate accounting for nearly 30 per cent of costs in many of those years. Since 2004, claims costs in this area of practice have increased almost 50 per cent;
- b) In 2014, the exposure relating to the practice of civil litigation again was substantially more than that traditionally seen, with civil litigation accounting for 43 per cent of the claims reported and 45 per cent of the claims costs under the Program;
- c) In 2014, the nature of claims against civil litigators was also reaffirmed, with missed limitation period claims (including administrative dismissals) accounting for almost 36 per cent of litigation claims, whereas general conduct or handling of the matter accounted for about 64 per cent of these claims; and
- d) Lawyers with a prior claims history continue to have a considerably greater propensity for claims than other practising lawyers. Lawyers with claims in the prior 10 years were more than three times more likely to report a claim during the past year than those with no claims in the prior 10 years.

51. The result of this analysis is summarized in the graphs contained in **Appendix “B”** of this report.

**(c) Risk Management Initiatives**

52. A principal mandate of LAWPRO is to help the legal profession manage the risk associated with practice. This is accomplished by providing lawyers with information, tools and resources that help them manage risk and practice in a more risk-averse fashion. Among LAWPRO's major risk management initiatives are:

- **TitlePLUS® Program:** TitlePLUS insurance is a competitive title insurance product that has made a positive difference in the Ontario real estate market. It expands the choice offered to consumers and lawyers. It influences the behaviour of other title insurers. It educates consumers and has expanded policy coverages available to them. It also educates lawyers on title insurance and real estate trends. The TitlePLUS program promotes real estate lawyers and recommends that consumers seek the advice of lawyers when closing their real estate transactions.

TitlePLUS staff have also given presentations at various CPD programs on title insurance and fraud prevention measures in real estate transactions. These are designed to provide the legal profession, including new lawyers entering practice, with the tools they need to manage risk and avoid claims under both the professional liability and TitlePLUS programs.

"TitlePLUS Today", the department's news bulletin, is sent regularly to subscribing lawyers across Canada, providing legal and underwriting updates on current national real estate issues. Also, in recognition of the role support staff play in real estate transactions, the department publishes "TitlePLUS Tips", a bulletin written especially for support staff in the offices of subscribing lawyers. To increase lawyer and clerk understanding of the products and risk management techniques, links to how-to videos and risk management videos were distributed via these newsletters.

In 2014, LAWPRO continued with its consumer education program which involved a media campaign highlighting the role of lawyers in real estate transactions and TitlePLUS insurance. Overall, the consumer education

program involved 169 articles, generating over 12.9 million impressions. Additionally, articles on wills, family law and starting a business highlighted other ways in which lawyers can be of service to the public.

- **practicePRO® Program:** Now in its 17<sup>th</sup> year, LAWPRO's successful risk management and claims prevention initiative is a recognized source of high-quality risk management tools and resources, both inside and outside of Ontario. This year, practicePRO staff helped lawyers avoid malpractice claims through articles in *LAWPRO Magazine* and other law-related publications, information on the practicePRO website and AvoidAClaim blog, social media, live presentations, and an exhibitor presence at CPD programs and other law-related events. The practicePRO program has significant presence in the legal community by maintaining relationships and actively working with its various constituents, including the Law Society, the Ontario and Canadian Bar Associations, local law associations, legal goods and service providers, the legal and mainstream press and others.
- **LAWPRO Magazine:** With its strong risk management focus, LAWPRO's flagship publication continues to play an important role in helping lawyers avoid malpractice claims. Through an Annual Review issue of the magazine published each spring, LAWPRO provides lawyers with an overview of claims trends and an explanation of how these affected their premiums and LAWPRO's financial results. This Annual Review issue also provides information on LAWPRO's efforts to prevent claims and to advance lawyers' interests with the government and public opinion. The September 2014 issue of *LAWPRO Magazine*, titled *The Changing Face of the Profession* focused on collaborating effectively with colleagues and clients, regardless of their culture or personal identity characteristics. It highlighted scenarios where cultural issues can cause claims.
- **Fraud:** In terms of the risk they present to the Program, fraud-related claims are an ongoing and significant concern for LAWPRO. LAWPRO continues to take steps to combat fraud through measures within its own operations, its

relationship with the legal profession, and by working as occasions arise with law enforcement, land registry, banking, insurance and other organizations and industries also affected by fraud. The Fraud Fact Sheet was updated in early 2015 with information on new trends and scams. This resource was downloaded nearly 6,000 times from the practicePRO website and handed out at numerous CPD programs and events sponsored by the practicePRO and TitlePLUS programs in 2014. The AvoidAClaim blog continues to be an important tool for alerting lawyers to the latest email and online fraud scams as they happen. It averages almost 660 visitors a day and had 200 fraud-related posts made to it in 2014. Lawyers from all over Ontario and elsewhere visit the blog after searching the names of fraudsters pretending to be prospective clients, often because the matters appear to be suspicious. The information provided by LAWPRO has helped many Ontario lawyers avoid being duped.

- **Rule 48 Admin Dismissals:** Effective January 1, 2015, a new Rule 48.14 brought significant changes to the administrative dismissal regime in Ontario. LAWPRO strongly encouraged lawyers to take steps to familiarize themselves with the change requirements under the new Rule 48.14, and in particular the transition provisions. This message was incorporated into speaking engagements, *LAWPRO Magazine* and webzines, the AvoidAClaim blog and on social media. An eight-page Rule 48 Transition Toolkit is currently in distribution.
- **Consultations:** The practicePRO program actively worked with various entities to ensure that professional liability and risk management concerns were taken into account when policy issues were under discussion. LAWPRO made submissions to the Law Society on a variety of formal and informal consultations, including the corporate and insurance issues that ABS implementation would raise. LAWPRO presented risk management information to students at the Law Practice Programs at Ryerson and the University of Ottawa and worked to get claims and risk management information into the Lakehead University law school curriculum.

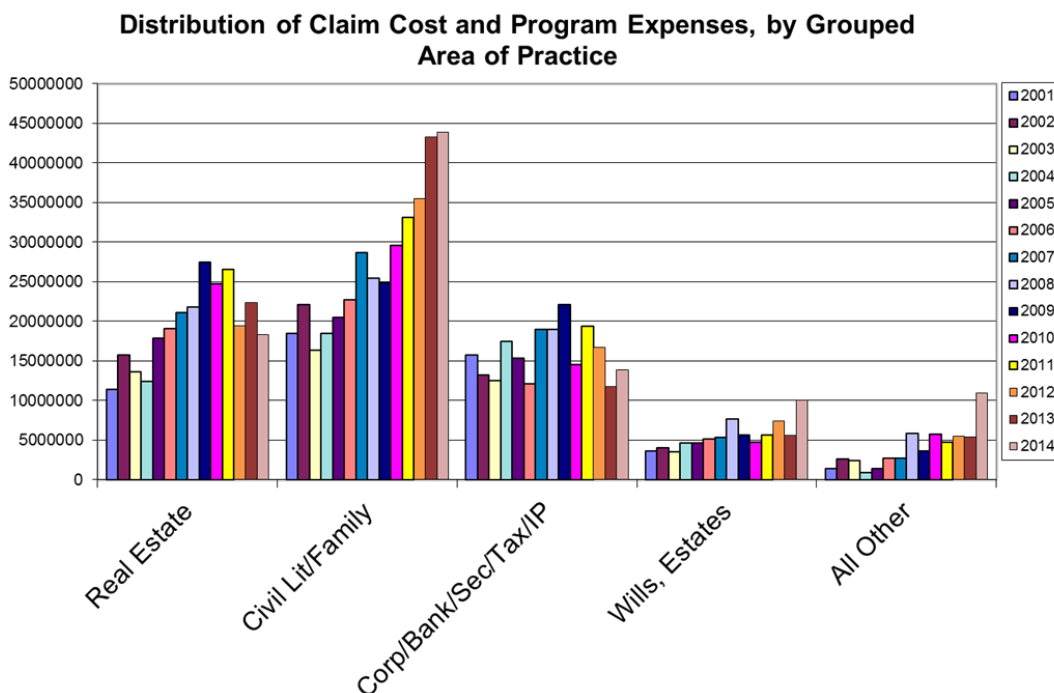
- **practicePRO Lending Library:** To help lawyers improve their practices, this library makes 150 of the best books on law practice, technology and risk management topics available on loan for free to all Ontario lawyers. In 2014, 115 books went out on loan to 82 lawyers.
- **The LAWPRO Risk Management Credit:** This premium credit offered under the Program is another significant LAWPRO risk management initiative. In 2001, a premium credit of \$50 was first offered to lawyers using the practicePRO Online Coaching Centre, an Internet-based, self-coaching tool that helps lawyers enhance their business and people skills. The premium credit was broadened in the following year to provide a \$50 credit (to a maximum of \$100 per lawyer per year) for designated law-related CPD programs completed by the lawyer. For a credit on premiums for 2016, lawyers (and paralegal partners in combined licensee partnerships) must have participated in LAWPRO-approved CPD programs between September 16, 2014 and September 15, 2015. In addition to the Online Coaching Centre and Homewood Health e-Courses, 281 programs qualified for the credit during this period. These programs had approximately 55,000-60,000 attendees.

Prior to the implementation of the LAWPRO Risk Management Credit, most CPD programs focused solely on substantive law. Due to the Risk Management Credit and the Law Society's new focus on mandatory ethics and professionalism content, a significant number of Ontario CPD programs have been broadened to include risk management and claims prevention content.

**53. In addition to the other risk management initiatives described above, the LAWPRO Risk Management Credit will be continued for the 2016 Program, with a \$50 premium credit per approved CPD program, subject to a \$100 per lawyer maximum amount, to be applied for pre-approved legal and other educational programs taken and successfully completed by lawyers between September 16, 2015, and September 15, 2016, for which the lawyer has successfully completed the online Risk Management Credit Declaration Form.**

**(d) Revalidating Risk Rating**

54. It is important to periodically re-evaluate the Program by area of practice to ensure that it continues to be effective in its risk rating. The following chart shows the distribution of ultimate expected claims costs by detailed area of practice commencing in 2001 (being Fund Year Z).

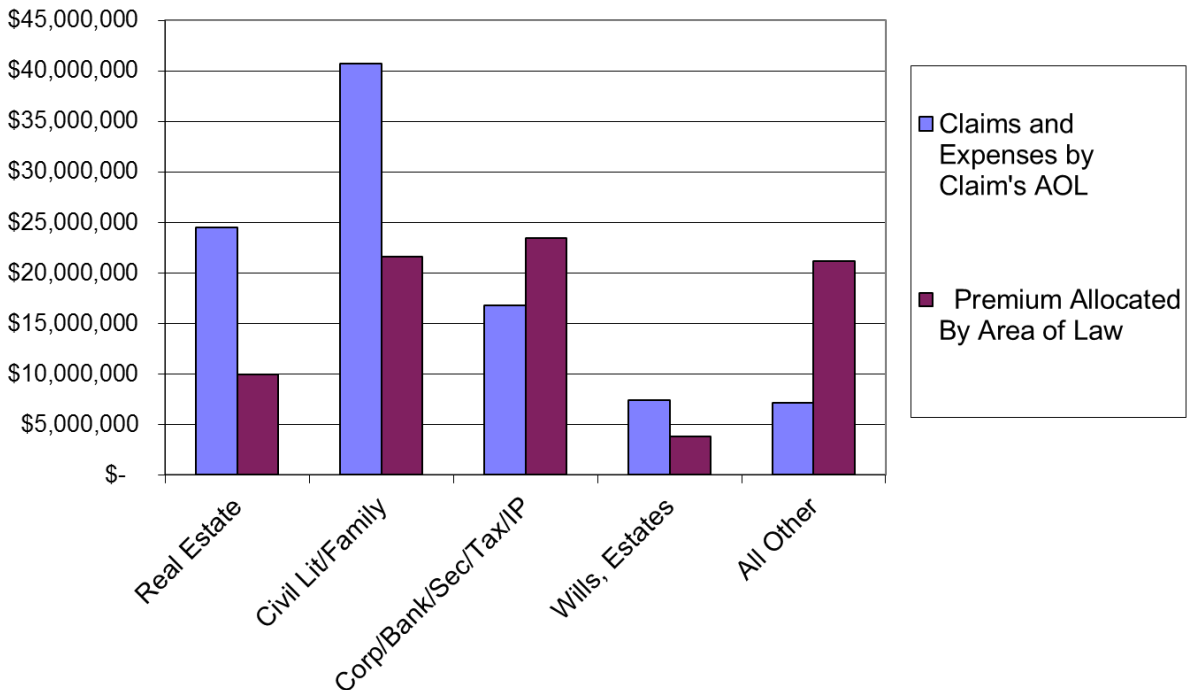


55. Apparent from this chart are the significant claims costs in many practice areas and the fact that real estate and litigation continue to be higher risk on a consistent basis over a multi-year period.

56. The fact that few lawyers practice exclusively in one area provides a compelling reason to group together common or related areas of practice. However, to ensure that risk rating is being achieved, the Program's anticipated losses and related costs must be compared to the premiums. Based on the most recent loss experience under the Program (including that seen under the Program up to December 31, 2014), the following chart compares the anticipated losses and costs distributed by area of law to the proposed base premiums by primary area of practice. The premiums in this chart

include the proposed base premiums with real estate practice coverage, innocent party and base premium adjustments, but exclude transaction levies and claims history surcharges.

**Comparison of Projected 2016 Premium by Lawyer's Primary Area of Practice to Claims and Expenses by Claim's Area of Law**



57. The shortfall between the anticipated claims costs and expenses to base premiums is particularly significant for the areas of real estate law and civil litigation.

58. The latest Program statistics indicate that without the benefit of the transaction and claims history levy revenues, the 2016 base premium would be about \$9,000 for those whose primary area of practice is real estate.

59. Past Reports to Convocation have discussed the importance of using the transaction and claims history surcharge levies as premiums, to avoid any substantial

dislocation among the bar in the higher areas of practice which would otherwise occur with risk rating.<sup>5</sup>

60. By including the transaction and claims history surcharge levies in most recent years, a shortfall for real estate and civil litigation claims costs is typically overcome. Therefore, it is proposed to maintain the levies at the same level for 2016.

61. In April 2008, LAWPRO introduced a Real Estate Practice Coverage Option (“REPCO”). One REPCO claim has arisen as of June 30, 2014, representing a limit loss of \$250,000, which was paid out. LAWPRO is maintaining an actuarial loss reserve for potential incidents that have occurred but have not yet been reported to LAWPRO. (Since the essence of REPCO coverage is to compensate for an act of fraud by the insured lawyer, it is unlikely that there will be an immediate report by the lawyer involved; therefore, LAWPRO is making a conservative assumption that there will often be delays in reporting under this coverage.)

62. To acknowledge the promising results to date, the price of the REPCO coverage has been reduced over time. For its first two years, it was \$500 per insured. In 2010 this was reduced by a prudent \$100 to \$400. In 2012 it was reduced by a further \$150 to \$250, which has been its price until 2015. Actuarial analysis has confirmed that a further reduction in 2016 would be merited.

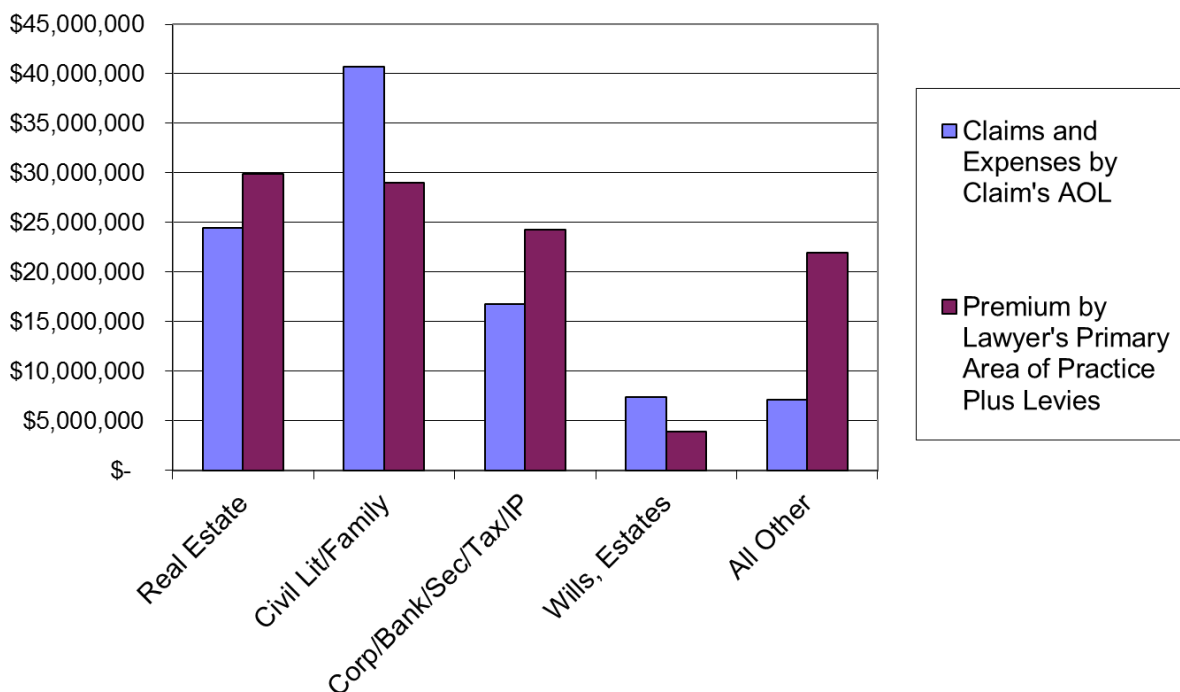
63. Accordingly, the premium for REPCO will be reduced to \$100.

64. The following chart compares the anticipated premiums sorted by the lawyer’s primary area of practice (plus the claims history surcharge, REPCO premium as revised and transaction levies) to the anticipated claims costs and expenses for each area of law.

---

<sup>5</sup> 1999 LAWPRO Report to Convocation, pp. 18-22; 1998 LAWPRO Report to Convocation, pp. 37-37; and 1996 LAWPRO Report to Convocation, pp. 32-36.

**Comparison of Projected 2016 Premium by Lawyer's Primary Area of Practice + Allocated Levies to Claims and Expenses by Claim's Area of Law**



65. This comparison indicates that, with the benefit of the transaction and claims history surcharge levies, and including the REPCO premium, there is a more acceptable correlation between revenues and claims for the major practice areas. Although some moderation in civil litigation claims costs can be expected over time with the recent change in Rule 48, the recent years' spike in civil litigation costs will need to be monitored to determine whether any action should be taken on this category.

66. The graph does indicate some subsidy by area of practice, especially by the practitioners in the "All Other" category. This subsidy changes somewhat over time and may vary considerably from year to year for the smaller practice areas, if they were broken down in greater detail.

67. The area of wills and estates has experienced an increase in claim costs over the past decade. Given the relatively small number of practitioners in this area, a few large claims often skew the results. LAWPRO will continue to monitor these results and propose any action, if appropriate, at a future date.

68. Appreciating the foregoing variables and possibilities of comparison by area of practice, it appears that the Program does substantially meet its objectives of risk rating, and that the proposed Program will continue to do so in the coming year. Although some subsidy may exist for certain areas of practice, when taking into account operating costs and commercial realities, the cost of insurance under the Program is considered to generally reflect the risk. Notably, the Task Force Report acknowledged that "...no insurance program can be solely risk-reflective and there must be some sharing and spreading of risk."<sup>6</sup>

69. Other aspects reviewed in the analysis included the exposure based on the size of the firm, year of call, geographic location and prior claims history. The overall results of this analysis reaffirm the premium discounts already in place, including the surcharge applied to practitioners with a prior claims history. The results of this analysis are reproduced in select graphs in **Appendix "B"**.

70. Although the volume (size) of practice may not be wholly determinative of risk, the transaction levies do reflect the volume of business transacted in a practice, as well as the higher risk associated with real estate conveyancing and civil litigation.

71. Accordingly, the LAWPRO Board is satisfied with the continued use of transaction and claims history levy revenues as premium, with the result that the cost of insurance under the Program continues to generally reflect the risk.

72. Various examples of premiums which would be charged to members depending on the nature of their practice are summarized in **Appendix "C"** of this report.

### **Reinsurance and Capital Preservation**

73. LAWPRO annually assesses its need for reinsurance based on its capital position and its claims results and volatility.

---

<sup>6</sup> 1994 Insurance Committee Task Force Report, at page 17.

74. In its early years, LAWPRO purchased Program-wide quota share reinsurance. A stronger financial position and more stable claims experience enabled LAWPRO to cease reinsuring the Program with quota share reinsurance starting in 2003. In addition to relying on LAWPRO's own capital, the resources of the Errors & Omissions Fund up to a \$15 million cap were effectively relied on starting in 2003. An enhanced retrospective premium endorsement provided that for certain years actual loss experience above a certain threshold would be borne by the Errors & Omissions Fund through additional premiums. On the other hand, actual loss experience below a certain threshold would trigger a refund of premiums to the Errors & Omissions Fund. The Errors & Omissions Fund used the Premium Stabilization Fund ("PSF") as a mechanism to fulfill its potential obligation for additional premiums and as a place to hold premium refunded.

75. Given the current uncertain environment for future claims, transaction levies and investment income, and the rapidly declining balance of the PSF, it was decided in September 2009 that LAWPRO would achieve greater Program stability by retaining any future favourable claims development. As a result, the refund aspect of the retrospective premium endorsement was not continued in the 2010 Program.

76. As already noted, under the endorsement as drafted in certain years before 2010, additional premium payments relating to past insurance fund years were potentially required as final claims costs emerged. Accordingly, recognizing the decreased size of the PSF and not wanting to place undue pressure on the Errors & Omissions Fund as a whole, the threshold for the additional premium aspect of the retrospective premium endorsement was increased in 2010.

77. For 2016, it is proposed that there continue to be a \$15 million dollar cap on the Errors & Omissions Fund's exposure to provide additional premium to LAWPRO. As in 2010 through 2015, to the extent that the net loss ratio exceeds the anticipated loss ratio for the year by an absolute 10 per cent, the Errors & Omissions Fund would cover the losses. The 2010 through 2016 backstop provisions will be evaluated separately, with the \$15 million limit shared by the six fund years. The lower likelihood of a payout

by the Errors & Omissions Fund in this regime, as it commenced on January 1, 2010, makes the protection more akin to a catastrophic coverage, providing payout only in the unlikely scenario that an insurance fund year experienced significant deterioration from its initial expectations.

78. By relying on its own resources and the \$15 million backstop from the Errors & Omissions Fund as described above, LAWPRO will not need to pursue the expensive course of purchasing reinsurance on a Program-wide basis.

79. For 2016, LAWPRO will again look to purchase reinsurance protection against the possibility of multiple losses arising out of a common event or nexus, as it has since 2005 (the "Clash Excess of Loss Reinsurance"). This protection against aggregated losses extends across both the professional liability and TitlePLUS programs, and offers some measure of protection against a series of claims, such as fraud-related claims where the fraudster targets more than one lawyer, or a single defect in title affecting an entire condominium project.

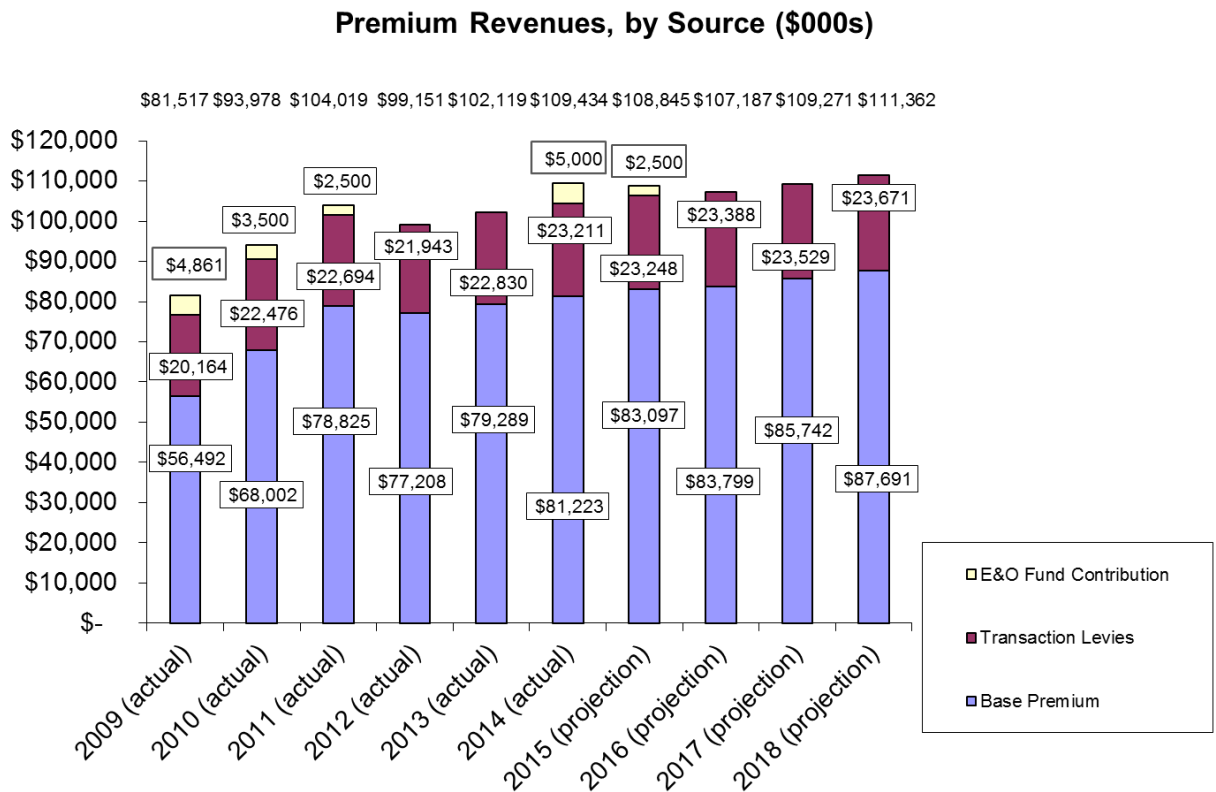
80. Since January 1, 2013, LAWPRO has purchased an additional \$20 million limit above what had been the existing \$10 million limit under the Clash Excess of Loss Reinsurance (for a possible total limit of \$30 million in coverage above LAWPRO's retained exposure). This additional \$20 million layer covers multiple claims that directly or indirectly relate to class proceedings. In 2016, LAWPRO will again look to purchase the higher layer of protection, at least against the possibility of class proceedings against multiple insureds.

**81. Accordingly, 100 per cent of the premiums and losses for the Program will again be retained by LAWPRO in 2016, subject to limited capital backstop protection provided by the Errors & Omissions Fund, and reinsurance protecting the Program from multiple losses arising out of a common event or nexus.**

## Revenues

82. To meet the total expected Program obligations for 2016, LAWPRO first evaluates its likely investment income, and then considers premium sources. By way of contrast with some recent years, there will be no contribution from the Errors & Omissions Fund to minimize the base premium, rather premium revenues to meet fiscal requirements for 2016 will come only from two principal sources: the base premium<sup>7</sup> and levy surcharges.

83. The projected premium revenues from these two sources are as follows:



### (a) Investment Income

84. LAWPRO takes full advantage of the time between the collection of premiums and the payment of claim costs by investing any available funds into a well-diversified

<sup>7</sup> "Base premiums" includes base premiums with applied discount or charges, as well as innocent party and REPCO premiums.

portfolio of fixed income and equity securities. LAWPRO uses the resulting investment income to help pay operating and claims expenses, thereby reducing the amount of funds that must come from premium sources.

85. LAWPRO provides further stability to the Program by segregating into a separate portfolio (the liability-matched portfolio) sufficient money to pay anticipated future claims costs, with any surplus capital held in a different portfolio. The securities in the liability-matched portfolio consist of high-quality government and corporate fixed income securities, with the future cash inflows to LAWPRO arranged to coincide with the expected payout patterns of the future claim costs. The surplus portfolio consists of a prudent mix of fixed income and equity securities.

86. During recent years, investment returns have weakened as the worldwide credit crunch resulted in some depressed equity and fixed income prices. In addition, with central banks such as the Bank of Canada lowering their overnight interest rates to rock-bottom levels, the rates of return on fixed income securities have also dropped significantly. For LAWPRO, the downward pressure on returns is exacerbated as fixed income securities mature and need to be reinvested at these low rates. Rate cuts by the Bank of Canada will put further pressure on investment income, and it will likely be some time before interest rates available upon purchasing new fixed income securities equal the rates that have been available to LAWPRO in the past.

87. LAWPRO's prudent investing philosophy helped protect its portfolios (both liability-matched and surplus as described above) from significant losses of principal during the economic turbulence of recent years. Further, LAWPRO's portfolio has been well-positioned to participate in the recent recovery in the equity markets. However, as a result of continued market uncertainty, LAWPRO has set its expected return on investments for 2016 at 3.15 per cent, slightly lower than the 3.25 per cent originally projected for 2015, and significantly lower than the 5 per cent (or higher) in previous years.

**(b) Levy Surcharge**

88. The Ontario real estate market has been quite resilient in the last few years, but there are indications that the market will be varied in the near term. Statistics published by Canada Mortgage and Housing Corporation in June 2015 indicate that the number of resale transactions increased by 3.8 per cent in 2014, and is forecast to increase 1.8 per cent in 2015 but then decrease by almost 3.1 per cent in 2016. Regarding new housing starts, after a 3.2 per cent decrease in 2014, results are forecast to increase by 4.3 per cent in 2015 before dropping 1.8 per cent in 2016.

89. At present, the levy surcharges include a \$50 civil litigation transaction levy and a \$65 real estate transaction levy, as well as a claims history levy surcharge.<sup>8</sup> Revenues from these levy surcharges are applied as premiums, to supplement the base levy.

90. Civil litigation and claims history levy surcharge revenues have been quite stable over time, while the revenue from real estate transaction levies declined by approximately 50 per cent between 1999 and 2009 (prior to the increase in levy for the 2010 Program).

91. The increased use of title insurance is considered to be largely responsible for a reduction in the count of real estate transaction levies since 1999. Lawyers acting for those obtaining an interest or charge in the land in many instances are not required to pay a transaction levy, where the interests of all parties obtaining an interest or charge in the property are title-insured, and the acting lawyer or lawyers are provided with the appropriate release and indemnity protection by the title insurer, based on a standard form agreement entered into between the title insurer and the Law Society on behalf of Ontario lawyers.

92. It is estimated that more than 90 per cent of residential real estate transactions in Ontario are title-insured.<sup>9</sup> In recent years, the number of real estate transaction levies

---

<sup>8</sup> The claims history levy surcharge ranges from \$2,500 for a lawyer with one claim paid in the last five years in practice, to \$25,000 for a lawyer with five claims paid in the last five years in practice (an additional \$10,000 is levied for each additional claim paid in excess of five).

<sup>9</sup> LAWPRO makes this estimate based on the correlation between real estate sales data and transaction levy filings.

collected has moved in tandem with residential real estate sales. This indicates a maturity or saturation of this market for title insurance.

93. More recently, the number of transaction levies stabilized as a result of the solid Ontario real estate sales. As of July 2015, transaction levy revenues are slightly above expectations at \$0.9 million over budget.

94. To account for ongoing uncertainties in the real estate market and the prospect of a shortfall, a conservative approach has been taken in estimating revenues from levy surcharges for 2016.

95. As described above in this report, the use of transaction levies ensures an element of risk rating in the Program, as both real estate and civil litigation continue to represent a disproportionate risk when compared to other areas of legal practice. The use of levies also avoids the substantial dislocation which likely would occur if the base premiums were increased to reflect the risk, and reflects the consensus reached with the affected sectors of the bar and others in the profession as the most equitable way to achieve risk rating when introduced in 1995.

96. For 2016, LAWPRO estimates transaction levy revenues at \$23.4 million.

**(c) *Errors & Omissions Fund***

97. Since the introduction of the 1999 Program, any receipts in excess of those budgeted from the transaction levies and claims history surcharges collected in the year were held within the PSF component of the Errors & Omissions Fund. They were managed on a revolving account basis and applied to the Program. These funds were used to guard against any future shortfall in levy receipts in a given year, appreciating the difficulties in forecasting transaction levy revenues in a changing economic climate, and acted in some years as a buffer against the need for increases in base premium revenues.

98. Because of the obligation to meet its retrospective premium obligation for 2009, which involved a payout of \$13 million given the one-time retrospective impact of the

HST, the PSF was exhausted as of December 31, 2009. While in recent years the Errors & Omissions Fund has held well over \$60 million of surplus, the vast majority of those funds have already been committed for specific purposes, such as the \$15 million Program backstop (see paragraphs 73 through 81) and the Errors & Omissions Fund's investment in LAWPRO shares.

99. Given the low remaining available surplus balance, effective the 2014 Program the guarantee mechanism relating to claims history surcharges was discontinued. In 2014, LAWPRO reported to Convocation that discontinuing the remainder of the Errors & Omissions Fund's guarantee mechanism (i.e., relating to transaction levies) would better align the Program with both the risk transfer requirements pursuant to IFRS 4 "*Insurance Contracts*" and the Office of the Superintendent of Financial Institutions' ("OSFI") views on related party transactions.

100. Therefore, the Program discontinued the transaction levy guarantee mechanism effective January 1, 2015 and an amount of \$2.5 million (LAWPRO's current best estimate of the remainder notionally being held for this previously revolving account) was drawn from that surplus and applied towards the premium under the 2015 Program. This helped to address the continued high claims costs experienced by the Program and near-term capital pressures (see below). Note that the current LAWPRO five-year projection does not assume further contributions from the Errors & Omissions Fund to support the base rate premium, or any backstop for levy surcharges of any type.

**(d) Capital Requirements**

101. As a final consideration before determining the base premium, LAWPRO must consider its capital needs. Canadian regulators use the Minimum Capital Test ("MCT") in order to assess capital adequacy of a property and casualty insurer. The MCT is a risk-based ratio calculation which compares the insurer's capital or net assets available to the "capital required." Through the capital required component of the test, regulators prescribe certain additional capital or margins that must be held based on the various types of assets and liabilities on the insurer's balance sheet.

102. A significant margin requirement relates to the approximate 20 per cent additional capital that must be held for all the net claims liabilities on the books that relate to commercial liability (which includes professional liability coverage). Given the steady historical growth of LAWPRO's net claims liabilities over the last decade or so, even a net income of \$5 million can often lead to a decline in LAWPRO's MCT ratio. As a very general rule of thumb, LAWPRO requires in the neighbourhood of \$5 million to \$7 million of either net income or increased after-tax net unrealized gains on its surplus portfolio<sup>10</sup> to achieve a stable to slightly increasing MCT ratio.

103. The determination of a specific insurer's "ideal" MCT ratio is no easy task, as the current industry metrics are primarily designed simply to identify levels that are too low. Canadian regulators require that insurers do not fall below various MCT levels, such as the 100 per cent minimum and 150 per cent supervisory levels. In addition, working in conjunction with LAWPRO, the regulators have accepted 180 per cent as the internal target level. All of these figures represent minimum MCT levels, not ideal operating targets in and of themselves.

104. Subject to future regulatory direction in this regard, the Board believes that a long-term operating MCT target in the neighborhood of 220 to 230 per cent balances LAWPRO's risk profile and its unique ability to set premiums and raise capital, which differs significantly from those of other commercial insurers in Canada. An MCT in this range would allow LAWPRO some capacity to absorb unexpected losses or changes in market conditions, and have time to implement a strategy to restore capital levels to the desired range.

105. While LAWPRO's MCT at 249 per cent as of June 2015 is above the Board's preferred long term range, key near-term trends must also be considered. For example, effective January 1, 2015 the Canadian insurance regulators have implemented a new manner in which the MCT ratio is calculated. Under the new capital regime LAWPRO's MCT ratio dropped about 36 percentage points, though the ratio is temporarily elevated as regulators are phasing in this adjustment over three years (LAWPRO's current MCT

---

<sup>10</sup> Increases in net unrealized gains relating to the liability-matched portfolio, as well as realized gains, are included in net income.

would be just under 220 per cent without this adjustment). In addition, OSFI has released *Guideline E-19 Own Risk Solvency Assessment (ORSA)*, which is fundamentally changing the manner in which an insurer's regulatory internal target ratio will be calculated. As a result, LAWPRO's regulatory capital will be under significant pressure in the near to medium term.

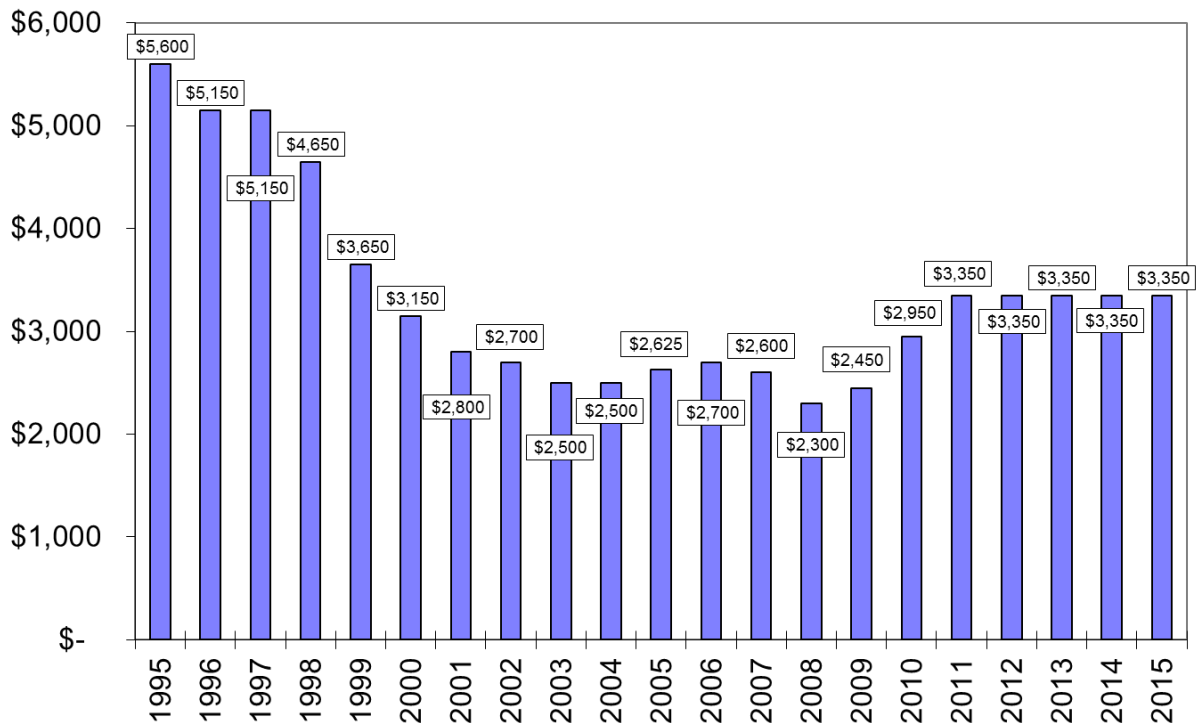
106. Given LAWPRO's current capital levels as well as near-term challenges, the premium for 2016 and onwards must be set at a level that generates significantly more than a break-even result, allowing LAWPRO to continue a phase of capital ratio stabilization and replenishment.

**(e) Base Premiums**

107. Based on the previous discussion of Program costs, sources of revenue and capital needs, the base premium will be set at \$3,350 per member to account for a continued elevated level of claims experience and the likelihood of continuing economic uncertainty. In summary, the 2016 proposed base premium is based on the following key assumptions:

- 26,053 practising insured lawyers (full-time equivalents);
- \$121.1 million in anticipated total Program costs (paragraph 41);
- \$23.4 million in budgeted transaction levy revenues (paragraph 96); and
- 3.15 per cent return on investment (paragraph 87).

### Base Premium, by Fund Year



108. At this time, the Board is satisfied that this base premium rate appropriately recognizes the uncertainties in emerging claims experience and economic conditions, and allows the Program to continue to operate on a self-sustaining basis while protecting LAWPRO's overall financial position. The rate is consistent with information provided in the Report to Convocation in recent years. It was repeatedly noted that the historically low base premium (for example, less than \$2,500 per insured lawyer) may not be sustainable in future years, as higher claims costs had already begun to emerge. In particular, the beneficial 2008 base premium level was a method of giving the benefit to the bar during 2008 of some superior 2007 investment results and favourable claim reserve development for earlier fund years. As noted earlier, investment returns in the current market are lower than in 2006 and 2007, and claims experience in terms of frequency and severity has deteriorated. Also, the full impact on the Program of Ontario's adoption of HST has now been evaluated and factored into the premium calculations. It should be noted that a base premium of \$3,350 per lawyer in 2016 is significantly lower than premiums charged in the past. In fact, if inflation were removed,

this premium would be the equivalent to about \$2,250 in 1995 dollars, compared to the \$3,350 actually being charged now.

109. In setting a base rate for 2016, LAWPRO tested its five-year planning horizon under various scenarios. Overall LAWPRO results are projected to exceed break-even, thus allowing LAWPRO to both stabilize and strengthen its capital position for the possible challenges of coming years. Many factors influence this forecast, most significantly interest rates and claims experience. The results of this forecast cannot be considered definitive in nature and further base rate increases may be required in future years.

**110. Accordingly:**

- a) The base premium is \$3,350 per lawyer for 2016, the same base premium charged in 2011 through 2015;**
- b) Revenues from real estate and civil litigation transaction levies collected by the Errors & Omissions Fund during the year are budgeted at \$23.4 million for the purposes of establishing the base premium for 2016 and other budgetary purposes; and**
- c) The premium for the Real Estate Practice Coverage Option will be reduced to \$100. This is a \$150 reduction from the \$250 charged in 2012 through 2015.**

**(f) *Other Program Features (or Adjustments)***

111. With the exception of the changes specifically described in this report, all aspects of the Program for 2016 will remain unchanged from the Program now in place.

112. As detailed in **Appendix "A"**, subject to the noted changes, the current Program for lawyers in private practice encompasses the following:

- standard practice coverage, including Mandatory Innocent Party Coverage; and

- coverage options, including Innocent Party Buy-Up, Part-Time Practice, Restricted Area of Practice and Real Estate Practice.

113. The current Program also provides for premium discount and surcharges. Discount and surcharges as a percentage of premium include:

- New Lawyer discount;
- Part-Time Practice discount;
- Restricted Area of Practice Option discount;
- adjustments for deductible options and minimum premiums; and
- a surcharge in the event that no completed application form is filed.

114. Discounts and surcharges as stated dollar amounts include:

- the Mandatory Innocent Party premium;
- optional Innocent Party Buy-Up premium;
- the Real Estate Practice Coverage premium;
- premium discount for early lump sum payment;
- e-filing discount; and
- Continuing Professional Development discount.

**115. Subject to the changes identified earlier in the report, the remaining exemption criteria, policy coverage, coverage options, and premium discounts and surcharges in place in 2015 will remain unchanged for the 2016 Program.**

## **CONCLUSION**

116. The LAWPRO Board considers the Program changes to be appropriate and consistent with its mandate as set out in the 1994 Insurance Committee Task Force Report. The LAWPRO Board offers this Program of insurance for 2016 and asks for

Convocation's acceptance of this Report at the September Convocation, so that the 2016 Program can be implemented by January 1, 2016.

ALL OF WHICH LAWPRO'S BOARD OF DIRECTORS RESPECTFULLY SUBMITS TO CONVOCATION.

September 2015

Susan T. McGrath  
Chair of the Board  
Lawyers' Professional Indemnity Company

Ian D. Croft  
Vice-Chair of the Board  
Lawyers' Professional Indemnity Company

## **Appendix “A”**

### **The Standard Program Coverage for 2016<sup>11</sup>**

#### *Eligibility*

- Required of all lawyer sole practitioners, lawyers practising in association or partnership, paralegals acting in partnership with lawyer(s), paralegals holding shares in professional corporations with lawyer(s) and lawyers practising in a Law Corporation, who are providing services in private practices.
- Required of all other lawyers (e.g. retired lawyers, in-house corporate counsel and other lawyers no longer in private practice) who do not fully meet the Program exemption criteria.
- Available to lawyers who do meet the exemption criteria but opt to purchase the insurance coverage.

#### *Coverage Limit*

- \$1 million per CLAIM/\$2 million aggregate (i.e. for all claims made in 2016), applicable to CLAIM expenses, indemnity payments and/or cost of repairs together.

#### *Standard DEDUCTIBLE*

- \$5,000 per CLAIM applicable to CLAIM expenses, indemnity payments and/or costs of repairs together.

#### *Standard base premium*

- \$3,350 per insured lawyer.

---

<sup>11</sup> Terms entirely capitalized are as defined in the Program policy.

### *Transaction Premium Levy*

- \$65 per real estate transaction and \$50 per civil litigation transaction;
- No real estate transaction levy generally payable by transferee's lawyer if title-insured.

### *Premium reductions for new lawyers*

- Premium for lawyers with less than 4 full years of practice (private and public):
  - ◇ less than 1 full year in practice: premium discount equal to 50 per cent of base premium;
  - ◇ less than 2 years in practice: premium discount equal to 40 per cent of base premium;
  - ◇ less than 3 full years in practice: premium discount equal to 30 per cent of base premium;
  - ◇ less than 4 full years in practice: premium discount equal to 20 per cent of base premium.

## **Mandatory Innocent Party Coverage**

### *Eligibility*

The minimum coverage of \$250,000 per claim/in the aggregate must be purchased by paralegals in partnership with lawyer(s), paralegals who own shares in professional corporations with lawyer(s) and all lawyers practising in association or partnership (including general, CLP, MDP and LLP partnerships), or in the employ of other lawyers.

The minimum coverage must also be purchased by all lawyers practising in a Law Corporation, where two or more lawyers practise in the Law Corporation.

### *Premium*

\$250 per insured lawyer.

## 2016 Program Options

### 1. Deductible option

*\$Nil deductible*

- Increase in premium equal to 15 per cent of base premium (\$502.50 increase).

*\$2,500 deductible applicable to claim expenses, indemnity payments and/or costs of repairs together*

- Increase in premium equal to 7.5 per cent of base premium (\$251.25 increase).

*\$2,500 deductible applicable to indemnity payments and/or costs of repairs only*

- Increase in premium equal to 12.5 per cent of base premium (\$418.75 increase).

*Standard Program: \$5,000 deductible applicable to claim expenses, indemnity payments and/or costs of repairs together*

- Base premium of \$3,350 per insured lawyer.

*\$5,000 deductible applicable to indemnity payments and/or costs of repairs only*

- Increase in premium equal to 10 per cent of base premium (\$335 increase).

*\$10,000 deductible applicable to claim expenses, indemnity payments and/or costs of repairs together*

- Decrease in premium equal to 7.5 per cent of base premium (\$251.25 decrease).

*\$10,000 deductible applicable to indemnity payments and/or costs of repairs only*

- Increase in premium equal to 7.5 per cent of base premium (\$251.25 increase).

*\$25,000 deductible applicable to claim expenses, indemnity payments and/or costs of repairs together*

- Decrease in premium equal to 12.5 per cent of base premium (\$418.75 decrease).

**2. Innocent Party Sublimit Coverage Options**

***Innocent Party Coverage Sublimit Buy-Up: For lawyers practising in associations, partnerships and Law Corporations***

Lawyers practising in association or partnership (including general, CLP, MDP and LLP partnerships) or a Law Corporation (with more than one practising lawyer), paralegals in partnership with lawyers, or paralegals holding shares in professional corporations with lawyers, can increase their Innocent Party Coverage in two ways:

Increase coverage sublimit to:	Additional annual premium:
\$500,000 per claim/aggregate	\$150 per insured lawyer
\$1 million per claim/aggregate	\$249 per insured lawyer

***Optional Innocent Party Sublimit Coverage: For sole practitioners and lawyers practising alone in a Law Corporation***

*Coverage sublimits*

- \$250,000 per claim/in the aggregate
- \$500,000 per claim/in the aggregate
- \$1 million per claim/in the aggregate

### **3. Practice Options**

#### ***Restricted Area of Practice Option***

##### *Eligibility*

Available only to lawyers who agree to restrict their practice to criminal<sup>12</sup> and/or immigration law<sup>13</sup> throughout 2016.

##### *Premium*

Eligible for discount equal to 50 per cent of base premium, to a maximum of \$1,675.<sup>14</sup>

#### ***Part-Time Practice Option***

##### *Eligibility*

Available only to part-time practitioners who meet the part-time practice criteria.

##### *Premium*

Eligible for discount equal to 50 per cent of base premium, to a maximum of \$1,675.

#### ***Real Estate Practice Coverage Option***

##### *Eligibility*

All lawyers who intend to practice real estate law in Ontario in 2016 must be eligible for and apply for this coverage option.

“ELIGIBLE” means eligible to practice real estate law in Ontario, as permitted by the Law Society. Categories of lawyers who would not be eligible to practice real estate law in Ontario, include:

---

<sup>12</sup> Criminal law is considered to be legal services provided in connection with the actual or potential prosecution of individuals, municipalities and government for alleged breaches of federal or provincial statutes or municipal by-laws, generally viewed as criminal or quasi-criminal.

<sup>13</sup> Immigration law is considered to be practice of law dealing with any and all matters arising out of the *Immigration and Refugee Protection Act* (S.C. 2001, c.27) and regulations, and procedures and policies pertaining in this report, including admissions, removals, enforcement, refugee determination, citizenship, review and appellate remedies, including the application of the *Charter of Rights and Freedoms* and the *Bill of Rights*.

<sup>14</sup> The maximum premium discount for Restricted Area of Practice, Part-Time Practice options and the New Practitioners' discount combined cannot exceed 50 per cent of the base premium.

- Those who are in bankruptcy;
- those who have been convicted or disciplined in connection with a real estate fraud;
- those under investigation, where the Law Society obtains an interlocutory suspension order or a restriction on the lawyer's practice prohibiting the lawyer from practicing real estate, or an undertaking not to practise real estate.

*Premium*

\$100 per insured lawyer.

**4. Premium Payment Options**

***Instalment Options***

- Lump sum payment by cheque or pre-authorized bank account debit: eligible for \$50 discount
- Lump sum payment by credit card
- Quarterly instalments
- Monthly instalments

**5. E-filing Discount**

- \$25 per insured lawyer (if filed by November 1, 2015)

**6. LAWPRO Risk Management Credit**

- \$50 per course, subject to a \$100 per insured lawyer maximum discount, will be applied under the 2016 insurance Program.
- LAWPRO will collect data for pre-approved legal and other educational risk management courses taken and successfully completed by the insured lawyer between September 16, 2015, and September 15, 2016, where the lawyer

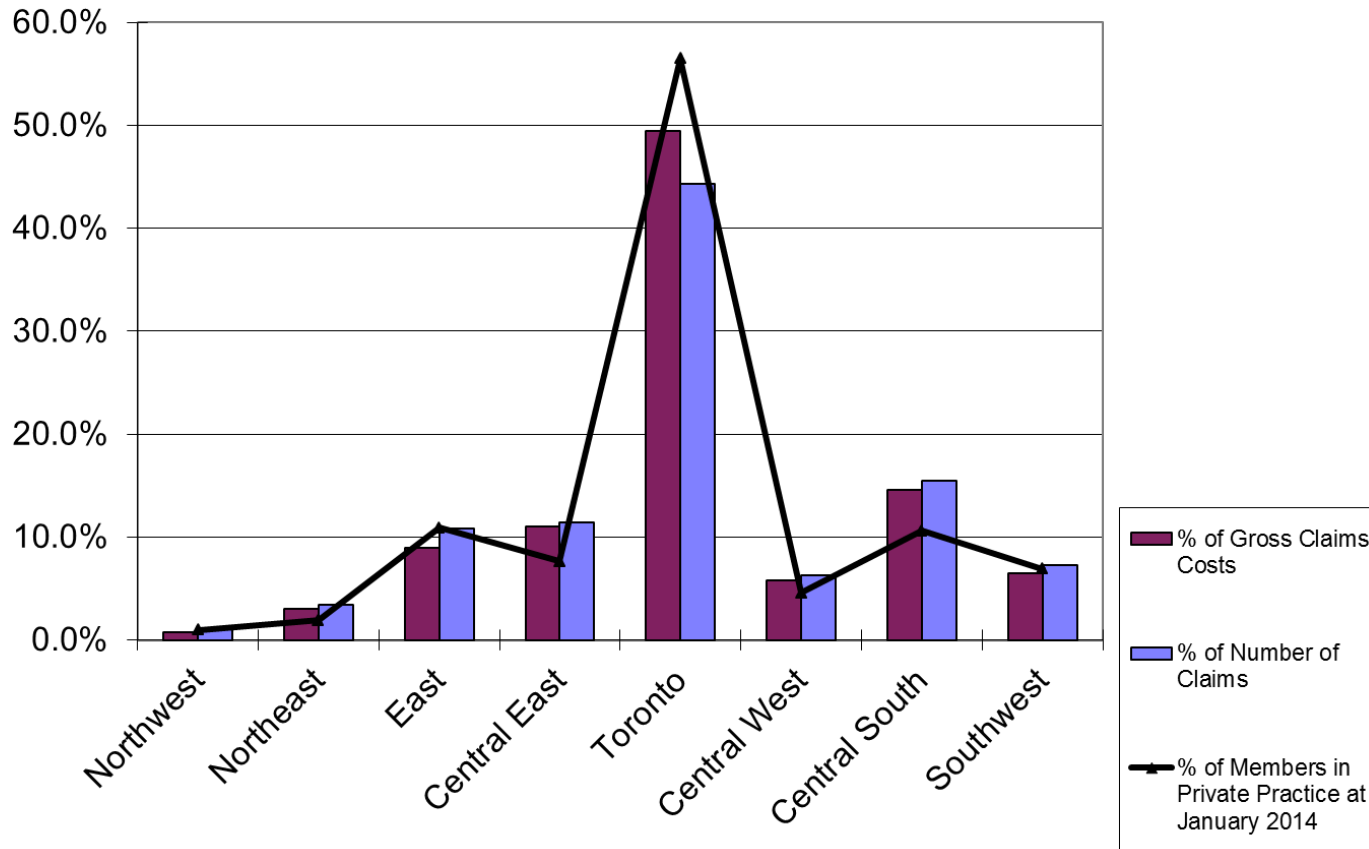
completes and files the required LAWPRO Risk Management Credit online declarations by September 15, 2016 (in anticipation of the 2017 Program).

- LAWPRO's Online Coaching Centre is included as a pre-approved course, where the insured lawyer or paralegal completes at least three modules between September 16, 2015, and September 15, 2016.
- As in 2015, the premium credit is extended to include credit for select programs offered by the Law Society's Member Assistance Program (MAP) (to a \$100 per insured maximum amount).
- The premium credit is also available to paralegal partners or shareholders in combined licensee firms (CLPs or CLPCs) insured under the Program.

**Appendix "B"**

**Distribution of Claims by Geographic Region**

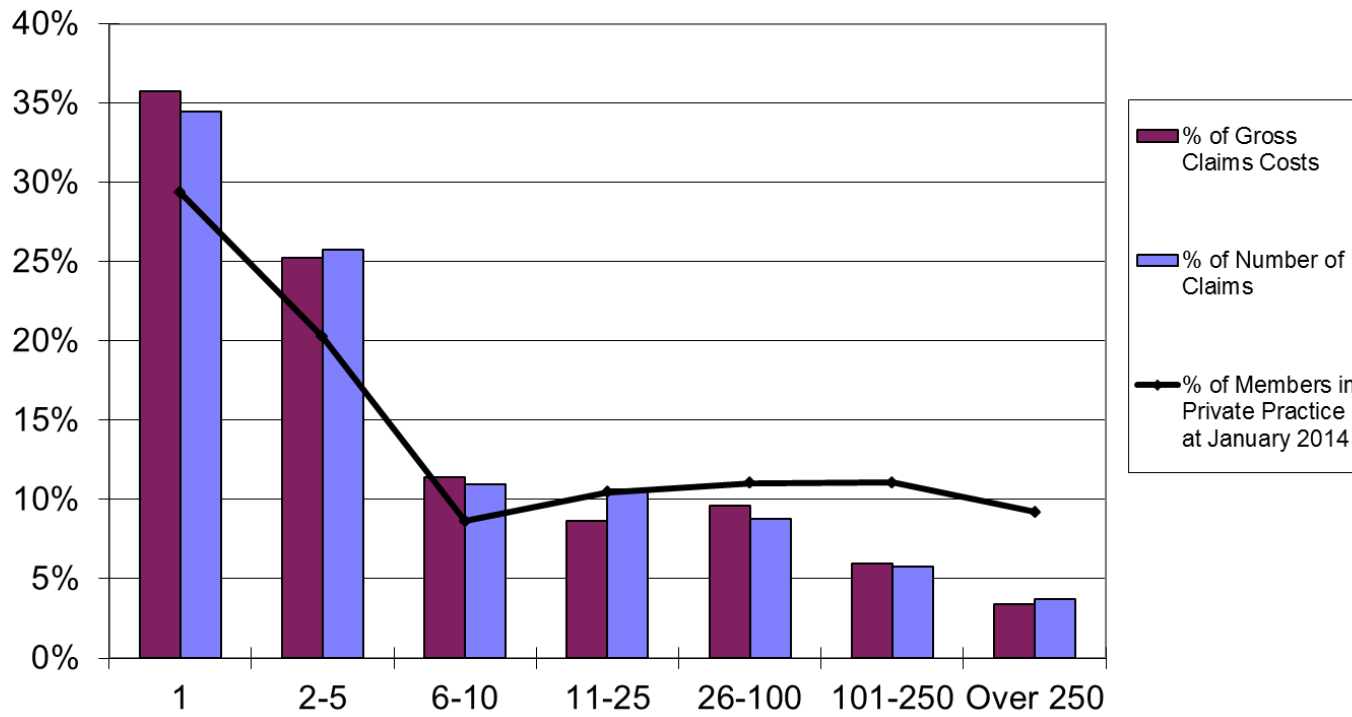
**Distribution of Claims by Geographic Region (2001-2014)**



**Appendix "B"**

**Distribution of Claims by Firm Size**

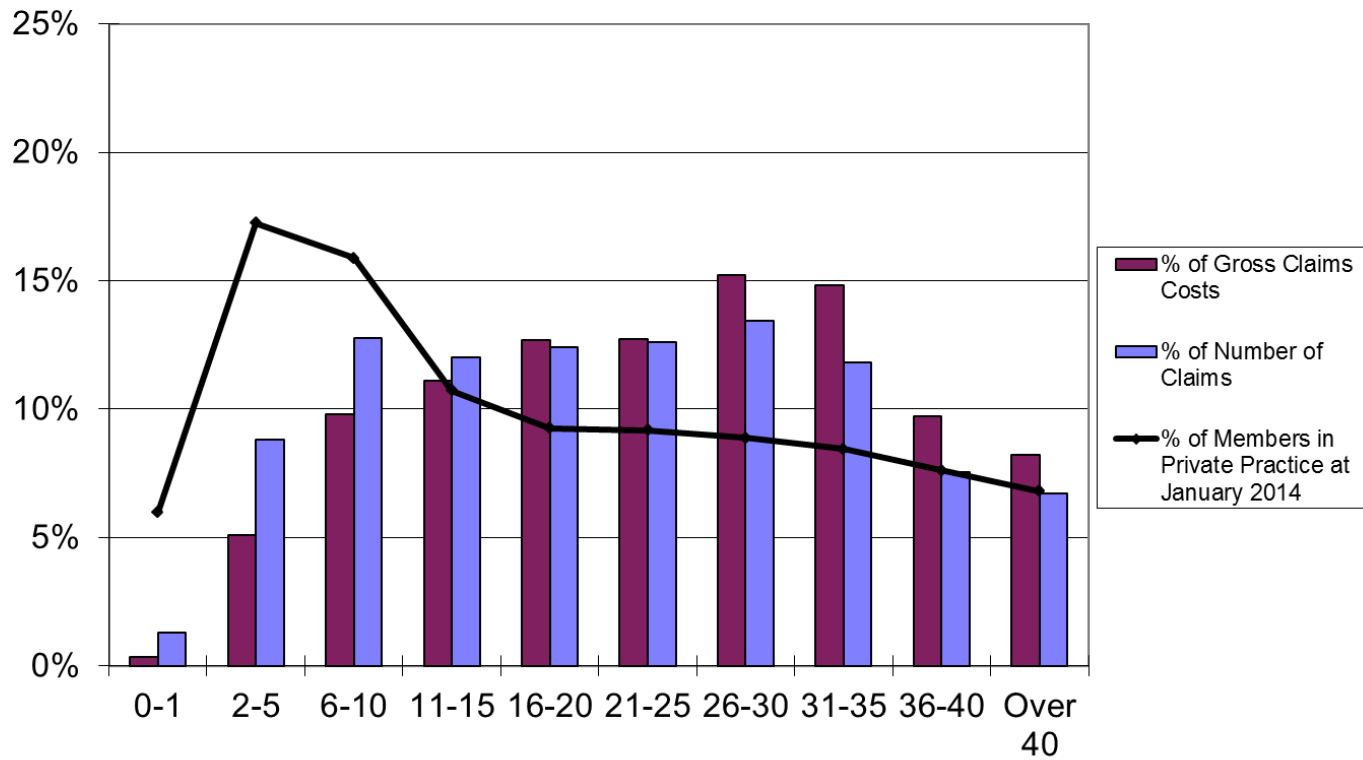
**Distribution of Claims by Firm Size (2001-2014)**



**Appendix "B"**

**Distribution of Claims by Years since Date of Call**

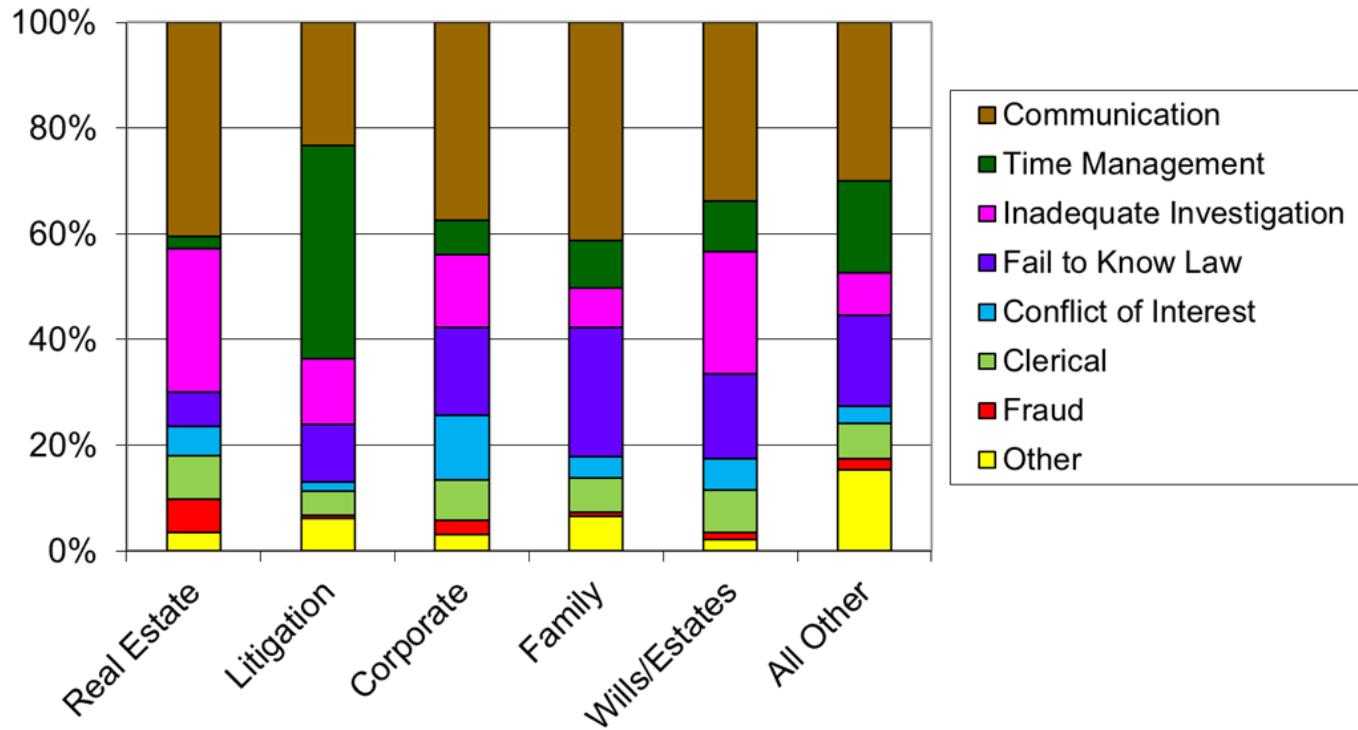
**Distribution of Claims by Years since Date of Call (2001-2014)**



**Appendix “B”**

**Claims Causes by Reported Claims Count and Area of Law**

**Claim Causes by Reported Claims Count and Area of Law (2001 to 2014)**



**Communications:** Communication-related errors (including poor communication, not keeping clients informed or failing to obtain client consent) are the biggest causes of claims in all areas of law (except litigation, where it is the #2 cause) and in firms of all sizes. While the most numerous claims, they are at the same time the most easily prevented. Lawyers can reduce their exposure to these types of claims by controlling client expectations, actively communicating with the client at all stages of a matter, documenting advice and instructions and confirming in writing what work was done on a matter at each step along the way.

**Time management:** These kinds of claims include failing to ascertain a deadline, failing to calendar the deadline, and failing to react to the deadline even when it was known. These lapses often become claims when a limitation period ends up being missed or an action is administratively dismissed due to failing to move the litigation forward appropriately. There are also claims resulting from procrastination when a lawyer lets files that require work languish for extended periods of time. Time management claims are heavily concentrated in the litigation field, as it is so reliant on deadlines. They are also high in the intellectual property area. Practice management software and tickler systems can help prevent these claims, as can lawyers building in more time cushions so that they are not adversely affected by unexpected delays.

**Inadequate investigation:** Modern technology and busy practices may be behind the tendency of lawyers to give quick legal advice without taking extra time to dig deeper or ask appropriate questions on a client's matter. LAWPRO has seen a big increase in these types of claims in real estate, litigation and will/estates areas of law. High-volume real estate practices often mean lawyers do not have enough time to ask the clients about their plans for the property, and as a result don't do the necessary searches or obtain the proper title insurance.

**Failure to know/apply the law:** These claims result from a lawyer not having sufficient or current knowledge of the relevant law on a matter in which he or she is working. Extensive federal and provincial legislation, as well as voluminous case law, help make this the second-most-common type of claim in family law. This category also includes failing to know or appreciate the consequences of tax law in corporate/commercial

matters. Lawyers can best avoid this type of claim by sticking to the law they know best and not “dabbling” in other areas.

**Conflict of interest:** There are two types of conflict claims: the first arises when conflicts occur between multiple current or past clients represented by the same lawyer or firm. The second is a conflict that arises when a lawyer has a personal interest in the matter. As they regularly act for multiple clients/entities, real estate and corporate commercial lawyers experience proportionately more conflicts claims than other areas of law, while litigators have a relatively low rate of conflicts claims.

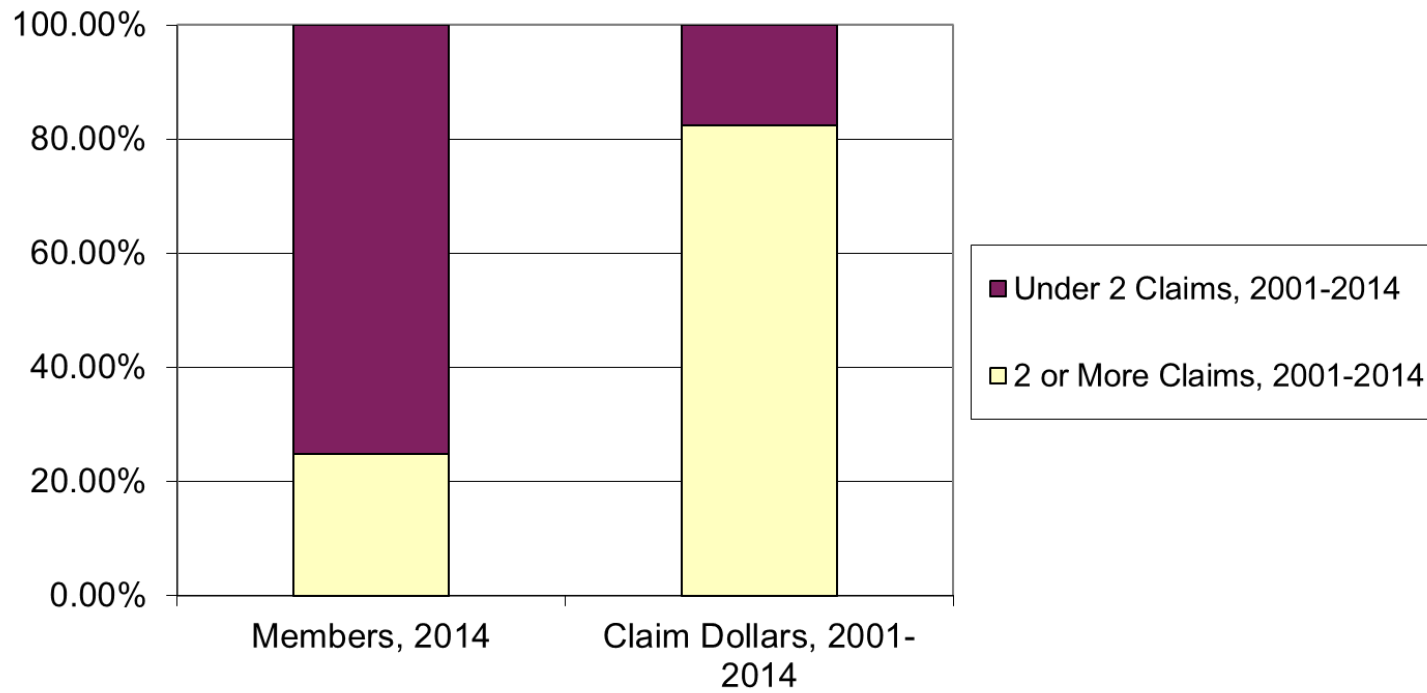
**Clerical errors:** These types of errors include things such as simple clerical mistakes, errors in mathematical calculation, work delegated to an employee or outsider that is not checked and failure to file documents. As important as delegation is to the efficient functioning of a law firm, lawyers need to take the time to review the work as they are ultimately responsible for it.

**Fraud:** Fraud continues to be a significant risk for LAWPRO, one which could cost the Program significant claims dollars if not prevented. Lawyers are reporting attempted frauds to LAWPRO on a daily basis. Fraudsters on occasion still successfully dupe lawyers and law clerks, and it is not just real estate lawyers who are targeted. Litigation, business and family law lawyers are regular targets of bad cheque scams involving debt collections, spousal support payments and business loans. Through our efforts, Ontario lawyers are clearly more aware of frauds, but ever more sophisticated frauds mean lawyers must continue to be vigilant.

**Appendix "B"**

**The 80-20 Rule**

**The 80-20 Rule**  
**Claims Reported, 2001-2014**  
**Members in Practice, 2014**



**Appendix “C”**

**Premium Rating Examples**

**Premium Rating Examples (In Dollars)**

	<b>1995*</b>	<b>2005**</b>	<b>2015***</b>	<b>2016***</b>
<b>Base premium</b>	\$5,600	\$2,625	\$3,350	<b>\$3,350</b>
<b>Examples:</b>				
<b>1. Sole Practitioner Practising Real Estate Law</b>				
- \$10,000 defence & indemnity deductible - early lump sum payment discount - early e-filing of application	\$5,600*	\$2,228	\$3,274	<b>\$3,124</b>
<b>2. Firm Practitioner Practising Real Estate Law</b>				
- \$25,000 defence & indemnity deductible - \$250,000 Mandatory Innocent Party cover - early e-filing of application	\$6,000*	\$2,497	\$3,406	<b>\$3,256</b>
<b>3. New Lawyer Practising in Association</b>				
- first year in practice discount - \$250,000 Mandatory Innocent Party cover - \$10,000 defence & indemnity deductible - early lump sum payment discount - early e-filing of application	\$3,900*	\$1,428	\$1,599	<b>\$1,599</b>

	1995*	2005**	2015***	2016***
<b>4. Criminal Lawyer (sole practitioner)</b> - Restricted Areas of Practice discount - \$10,000 defence & indemnity deductible - early lump sum payment discount - early e-filing of application	\$5,600*	\$1,178	\$1,349	<b>\$1,349</b>
<b>5. Part-time Lawyer (in association)</b> - Part-time Practitioner discount - \$1,000,000 Optional Innocent Party cover - \$10,000 defence & indemnity deductible	\$6,000* <sup>‡</sup>	\$1,877	\$1,923	<b>\$1,923</b>
<b>6. Firm Practitioner with 1 Claim</b> - claims history levy surcharge - \$5,000 defence & indemnity deductible - \$250,000 Mandatory Innocent Party cover	\$8,500*	\$5,375	\$6,100	<b>\$6,100</b>
<b>7. Sole Practitioner with 2 Claims</b> - claims history levy surcharge - \$5,000 defence & indemnity deductible	\$10,600*	\$7,625	\$8,350	<b>\$8,350</b>

\* Subject to a \$6,000 defence and indemnity deductible (adjusted to \$7,500 in the case of an insured with one previous claim, or \$8,500 in the case of two previous claims).

<sup>‡</sup> Subject to \$250,000 Innocent Party cover only, additional limits not available.

\* Members are also required to pay a \$25 levy for each civil litigation or real estate transaction not otherwise excluded.

\*\* Members are also required to pay a \$50 levy for each civil litigation or real estate transaction not otherwise excluded.

\*\*\* \$65 per real estate transaction and \$50 per civil litigation transaction. Premium for the Real Estate Practice Coverage Option was also applied and is included in the calculated premium amounts for these years.

## Appendix “D”

### LAWPRO Vision, Mission & Values



#### Our vision

To be regarded as the preferred insurer in all markets and product lines in which we do business.

#### Our mission

To be an innovative provider of insurance products and services that enhance the viability and competitive position of the legal profession.

#### Our values

##### *Professionalism*

**Individually and as a team, we hold ourselves to the highest professional standards.**

We deliver programs and services known for quality and cost-effectiveness, and for being practical, helpful and relevant.

We demand the best of ourselves every day and in everything we do.

##### *Innovation*

**We foster a climate in which creativity, innovation and change can flourish.**

We share ideas, skills and knowledge and encourage continual learning.

We value teamwork and collaboration, and the diverse strengths and perspectives of others.

##### *Integrity*

**We act with the highest levels of integrity in all of our interactions and decisions.**

We aim to always be consistent, fair, ethical and accountable.

##### *Service*

**We strive for excellence in customer service.**

We share our knowledge, experience and expertise with our customers and with each other, so that together we can identify, prevent and solve problems.

We take the time to listen and understand, so we can respond effectively and empathetically to our customers and to each other.

We demonstrate courtesy and genuine respect for all.

##### *Leadership*

**We try to make the world a better place, and to that end lend our energy and expertise to many communities.**

## Appendix “E”

### LAWPRO Statement on Corporate Social Responsibility



## Statement on Corporate Social Responsibility

LAWPRO's vision is to be regarded as the preferred insurer in all product lines and markets in which it does business.

Implicit in this vision – and in the values that support our vision – is a commitment to being a responsible, involved and accountable citizen of the many communities in which we hold membership: the employer community, the insurance community, the legal community, and of course the larger community in which we all live.

The LAWPRO Corporate Social Responsibility Statement is informed by this spirit of community and accountability, while acknowledging that that we are governed and profoundly shaped by our unique role as the provider of the primary professional liability insurance program for all lawyers in Ontario. Our social responsibility commitment as a corporate body is focused on four principal areas:

#### **Providing a healthy and rewarding workplace**

We respect and value our employees and the vital role they play in enabling the company to fulfill its mandate. To that end we adopt policies and practices that not only comply with applicable law and fair labour practices, but also respect diversity, promote inclusion and fellowship, cultivate professional growth through education and service, and promote health, safety and wellness, in the workplace and in personal life.

#### **Respecting the environment**

We believe that individually and as a company we have a role to play as stewards of our environment and its resources. To that end we support and promote initiatives in our company that help advance the goal of a sustainable environment.

The company supports the work of its employee-led Green Committee, which aims to educate LAWPRO employees about the role individuals and organizations can play in protecting and improving the environment. LAWPRO also has spearheaded a company-wide campaign to reduce reliance on paper and related products, and facilitate use of technology in all aspects of the company's operations. The company actively encourages initiatives such as these that meet a dual mandate of being stewards of the environment and the bar's resources.

#### **Fostering the legal community**

We view a committed, healthy and diverse bar as essential to the functioning of a democracy and to the protection of individual rights in society.

We have over the years provided financial and in-kind support to organizations that promote and deliver lawyer wellness programs. As well, we make available wellness information and resources electronically at no cost.

We support and sponsor a range of legal-related charitable and non-profit causes that advance the role and reputation of lawyers in our community and, by implication, foster access to justice in Canada. We also work to support charitable initiatives which have captured the interest and imagination of the bar and their clients. We promote the enrichment of the bar through our promotion of legal education, both internally and externally, and by fostering the building of relationships within the legal community.

#### **Supporting the broader Canadian community**

We acknowledge that, as highly skilled and employed individuals, we are among the fortunate in our community. LAWPRO employees give back by selecting five registered charities annually and partner with the company to fundraise for their benefit. In addition, each LAWPRO employee may request one "charity day" per year to undertake work for the registered charity of the employee's choice.

We actively contribute to the advancement of the Canadian insurance industry, and engage in a dialogue with government in the interests of the bar and the Canadian consumer.

We promote inclusion by working to expand the range of our materials available in both official languages and by providing materials in other languages based on level of demand.

February 2012




# LAWPRO<sup>®</sup>


Lawyers' Professional Indemnity Company  
Assurance LAWPRO<sup>®</sup>

250 YONGE STREET  
SUITE 3101, P.O. BOX 3  
TORONTO, ON M5B 2L7  
T (416) 598-5899/1-800-410-1013  
F (416) 599-8341/1-800-286-7639  
E-MAIL: SERVICE@LAWPRO.CA  
[WWW.LAWPRO.CA](http://WWW.LAWPRO.CA)

 [AvoidAClaim.com](http://AvoidAClaim.com)

 [LawPRO](http://LawPRO)

 [@LawPRO](https://twitter.com/LawPRO)  
[@practicePRO](https://twitter.com/practicePRO)  
[@TitlePLUSCanada](https://twitter.com/TitlePLUSCanada)

 [LawPRO insurance](https://www.facebook.com/LawPRO.insurance)  
[TitlePLUS Home Buying  
Guide – Canada](https://www.facebook.com/TitlePLUS.Home.Buying.Guide.Canada)