LAWPRO

2021 annual report

LawPRO®
Lawyers' Professional Indemnity Company

About LAWPRO

LAWPRO provides primary errors and omissions insurance coverage for Ontario lawyers, Excess insurance for law firms and TitlePLUS title insurance across Canada.

Our mission

to provide insurance products and services that enhance the viability and competitive position of the legal profession through the values of...

- Leadership
- Service
- Integrity
- Professionalism
- Innovation

Contents

This report is available at lawpro.ca.

Our values underscore our commitments

Corporate Social Responsibility at LAWPRO is informed by a spirit of community and accountability, while acknowledging 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.

1/2 of the funding for the Member Assistance Program

Promoting health and wellness

With mental health remaining a focus throughout the pandemic, LAWPRO provided approximately one-half of the funding for the Law Society's arm's-length Member Assistance Program (MAP). We also provided popular free CPD programs on mental health and resilience in response to the desire for dialogue and resources around this topic.

Helping to provide an environment to nurture employee mental health has remained a vital point of focus at LAWPRO. A number of initiatives were made available for ongoing support including the Employee Assistance Program and lunch & learn sessions.

17 presentations at law schools and colleges

Supporting our future legal community

LAWPRO's support of law students included 17 presentations at schools and colleges. LAWPRO sponsorship of the annual award of the Caron Wishart Memorial Scholarship, in its 10th year, went to University of Toronto Faculty of Law student Peter Tross.

90% participation in charitable giving program

Giving back to the Canadian community

With over 90% of employees participating in LAWPRO's employee-led charitable giving program, we saw an increase of donations from the previous year reaching a new record for LAWPRO. Employee funds raised are matched by LAWPRO.

Highlighting the importance of inclusion

LAWPRO continued its Equity, Diversity and Inclusion (EDI) journey in partnership with the Canadian Centre for Diversity and Inclusion. Various free webinars were facilitated, and resources shared by the EDI Advisory Group to raise awareness and initiate dialogue.

In 2021, LAWPRO embarked on a journey towards Reconciliation in several intentional ways: through an Acts of Intention challenge, donations to Indigenous led charitable organizations, and engaging in a day of learning on the National Day for Truth and Reconciliation. 108 Acts of Intention were performed by staff.

108 Acts of Intention

LIABILITY INSURANCE:

almost 30,500

members of the Law Society of Ontario

EXCESS INSURANCE:

1,625

law firms

TITLEPLUS:

over 26,000

Title insurance policies

Remarks of the Chair

As the Chair of LAWPRO's Board of Directors I am proud of the company's unflagging determination to support Ontario lawyers and protect the public they serve. LAWPRO has and continues to successfully navigate the many changes and challenges visited upon it as a result of the COVID-19 pandemic.

With more than 30,000 lawyers insured under the primary program, our work to offer an efficient, effective, and accountable mandatory E&O insurance program is described in this report. As a program that specializes in insurance for the legal profession, the company has a deep understanding of malpractice risks and claims trends. It is also well positioned to identify and cope with emerging risks and respond to the evolving nature of legal services work.

While LAWPRO maintains an intimate understanding of the role of and challenges faced by members of the Bar, we are also a regulated insurance company that must address industry issues including solvency requirements and effective claims management. LAWPRO's finances are measured, in part, by the Minimum Capital Test (MCT).

The MCT is used by financial regulators to measure whether a property and casualty insurance company's assets are sufficient to meet its present and future obligations. The MCT ratio compares liability risks including unpaid claims and unearned premiums with credit risks such as investments and receivables. As of December 31, 2021, LAWPRO's MCT was 241%, slightly above the internally set preferred band of 215% to 240%. There are many external factors that can adversely affect our MCT like unpaid claims, interest rates and equity market performance.

In 2023, there will be a completely new factor which will impact upon LAWPRO's MCT. This factor is the implementation of a new *International Financial Reporting Standards* regulation, IFRS 17, which is required by LAWPO's regulator, the Financial Services Regulatory Authority (FSRA).

IFRS 17 is a new worldwide financial reporting standard applicable to the financial statements and reporting requirements of insurance companies. Like all other insurers, LAWPRO must completely overhaul its financial statements and reporting methodologies effective, January 1, 2023. We are in the process of implementing the new standards and meeting the deadline.

Based on input from our external advisors, actuarial and accounting professionals, we don't expect to have a full understanding of the impact of IFRS 17 on our MCT ratio until at least the middle of 2023. Our strong MCT position at the end of 2021 will help give us the opportunity to make any required adjustments, which might include a premium increase, as we experience the changes brought on by the new regulations.

I invite you to read this report which outlines the claims experience of the last year, our financial position, free risk management programs we are known for, and an overview of LAWPRO's optional programs.

The solid foundation of LAWPRO's financials means you can be confident that the company's mandate of public protection and commitment to premium affordability for the Bar can be met going forward.

Andrew J. Spurgeon

Andrew J. Spurgeon
Chair

Remarks of the President & CEO

In 2021, LAWPRO was deeply involved in the process of implementing two of the largest projects in its history.

The first project is an ambitious plan to modernize our core technology systems and improve the user experience for both our insureds and employees. By working with established technology providers, we are creating purpose-built systems that integrate policy administration, billing, underwriting, claims management, and analytics. The project is complex as it involves transitioning the many data sources that feed our underwriting, claims, actuarial, insured and firm information databases, reviewing and updating hundreds of document templates, and building integrations with our other existing systems and the third parties with which we share data. It's an exciting yet daunting project that will benefit the organization through greater efficiencies from improved workflows and automation. This will help LAWPRO implement new financial reporting requirements which flow from the Financial Services Regulatory Authority's (FSRA) adoption of the International Financial Reporting Standards new IFRS 17 – Insurance Contracts Reporting Standard (IRFS 17).

The second major project we undertook in 2021 was the exciting launch of the better, faster, and lawyer-centric TitlePLUS experience. This project includes an intuitive application website, the implementation of TitlePLUS Legal Counsel Fees to recognize the work of lawyers, separate owner and lender policies for more clarity, faster underwriting and issuance, and fewer administrative roadblocks. Importantly, the new TitlePLUS will be accessible on multiple platforms including titleplus.ca, RealtiWeb, and Unity. A Bar-related title insurance company is an important factor in keeping real estate transactions under the purview of lawyers and we are proud of our commitment to supporting them with TitlePLUS title insurance.

I'd like to take this opportunity to reflect on LAWPRO's focus on offering the best coverage at the lowest possible premium. Over the past 10 years, the company's combined operating ratio has averaged at 107%. This means that, on average, we lose 7 cents on every dollar of premium before investment income. This ratio reflects our mandate to offer the best coverage possible at the lowest possible price. LAWPRO investments generally make up this loss and allow us to meet all regulatory requirements and remain a going concern regardless of any threats we might face in the future.

LAWPRO actively looks for ways to support the profession, our communities, employee wellness, and the environment. For example, each year LAWPRO staff nominate and vote on charities to include in the company's charitable giving program. In 2021, employee funds, matched by a corporate donation, supported five employee chosen charities. In addition, LAWPRO embarked on a journey towards Reconciliation in several intentional ways: through an Acts of Intention challenge, donations to Indigenous led charitable organizations, and engaging in a day of learning on the National Day for Truth and Reconciliation.

Lastly, I am proud of the practical help we offer the Bar to lower their risk, help them succeed and support our community. This means providing recorded, free, risk reduction professional development presentations, and easy-to-use resources and tools that help lawyers avoid common errors. Refer to page 23 for a list of our top resources that can be downloaded or viewed for free and at your convenience from the practicepro.ca website.

We continue to focus on finding ways to adapt, be resilient and offer coverage that meets the needs of our insureds.

Daniel E. Pinnington

Daniel E. Pinnington
President & CEO

Solid performance despite ongoing challenges

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

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

Claims

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

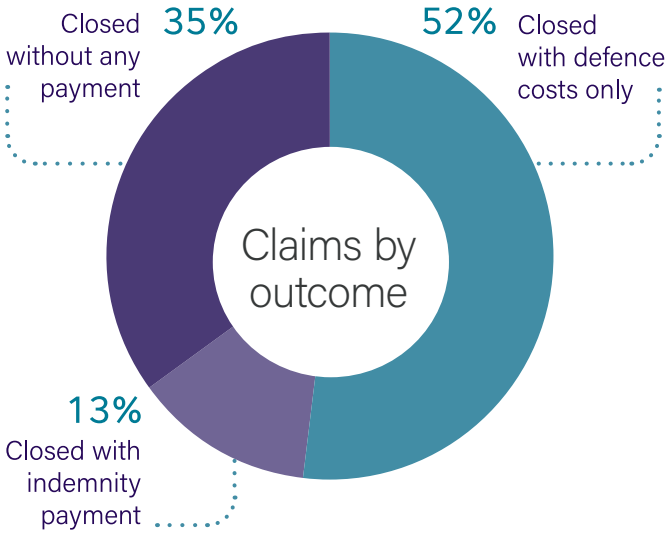
LAWPRO dealt with 3,193 new reported claims in 2021, an increase of 15% over 2020, and slightly more than the 3,121 reported in 2019.

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

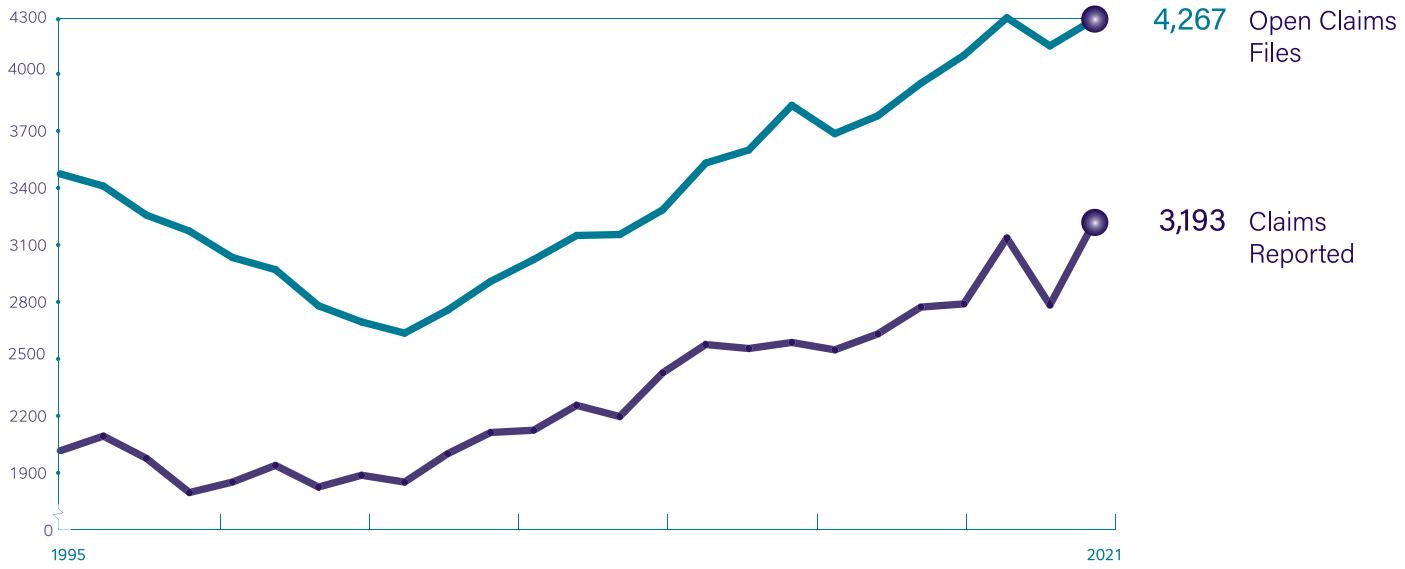
The largest percentage of reported claims in 2021 continued to be related to real estate (27%) and litigation (also 27%). The number of real estate-related claims increased to 719 from 609 in 2020, while the number of litigation-related claims increased to 699 from 549 in 2020. The number of litigation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

Meeting challenges, closing claims

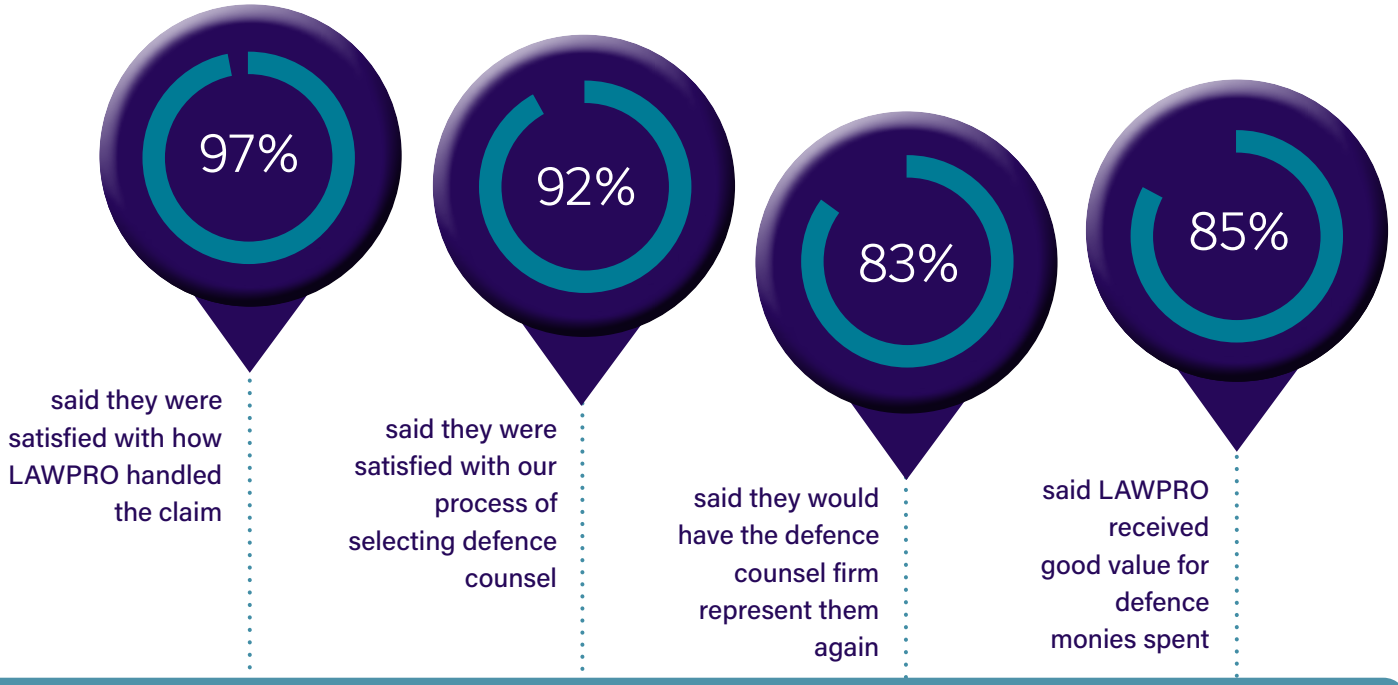
Despite the restrictions imposed throughout much of the year by stay-at-home orders and similar health and safety requirements, LAWPRO closed more claims in 2021 than in any of the past 10 years and closed 5% more files than in 2020. Of these files, 87% were closed without any indemnity payment, and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



Number of claims reported and open claims



LAWPRO survey results:



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

Causes of loss

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

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

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

Communications challenges and inadequate investigation

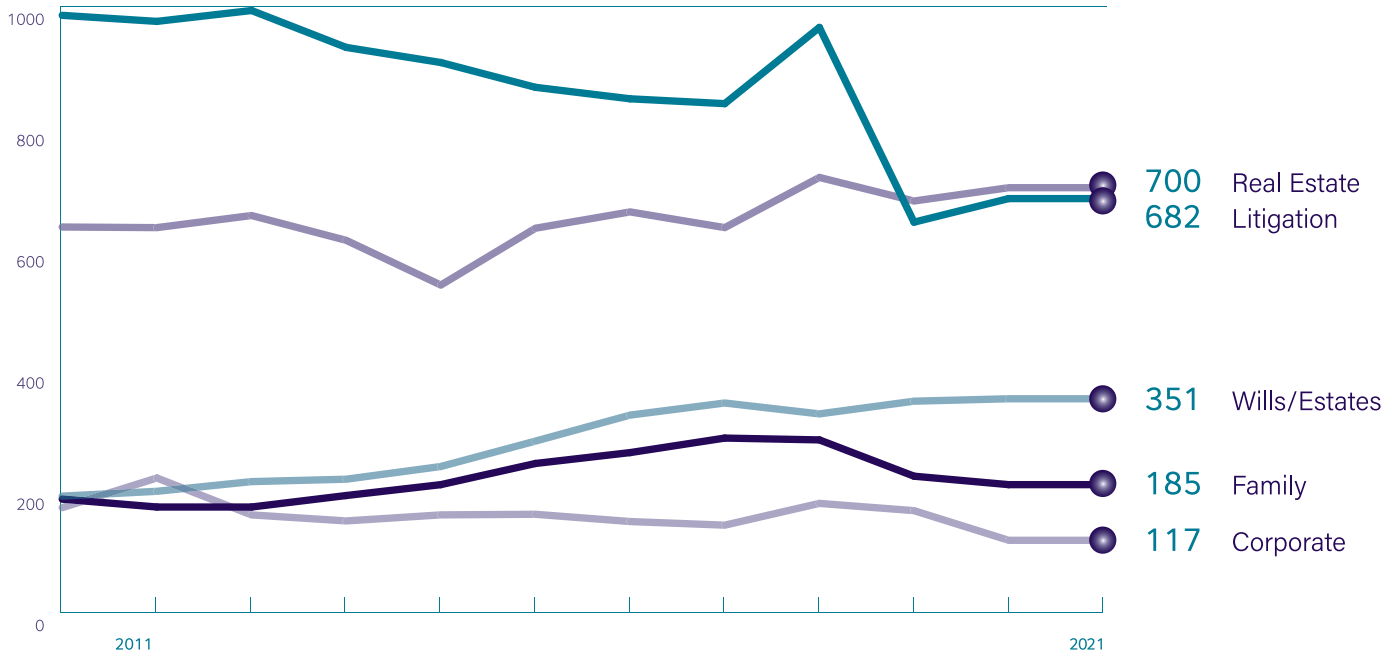
Communications and inadequate investigation continued to cause challenges for insureds. We often see claims related to lawyers who have not uncovered all the facts or developed a sufficient understanding of a client's matter. This is categorized as inadequate investigation and led to 649 claims in 2021.

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

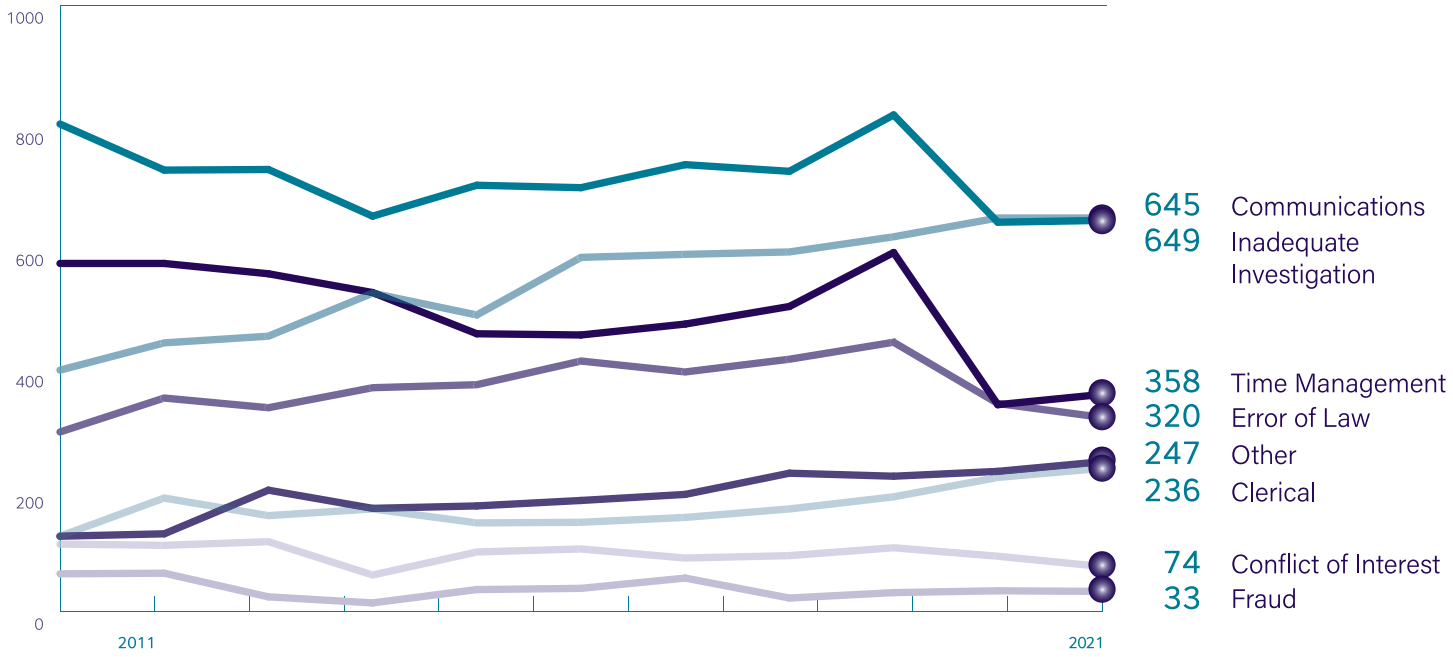
We encourage lawyers, to ask about clients' circumstances to ensure everything is taken into account. Not knowing key information can cause significant problems. To reduce this risk, ask open-ended questions during client intake and throughout the retainer. Inform your client early which documents you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

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

Distribution of claims by area of practice



Reported claims count by cause of loss



Coverage and insurance options

Expanded coverage for all Ontario lawyers

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

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

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

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

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

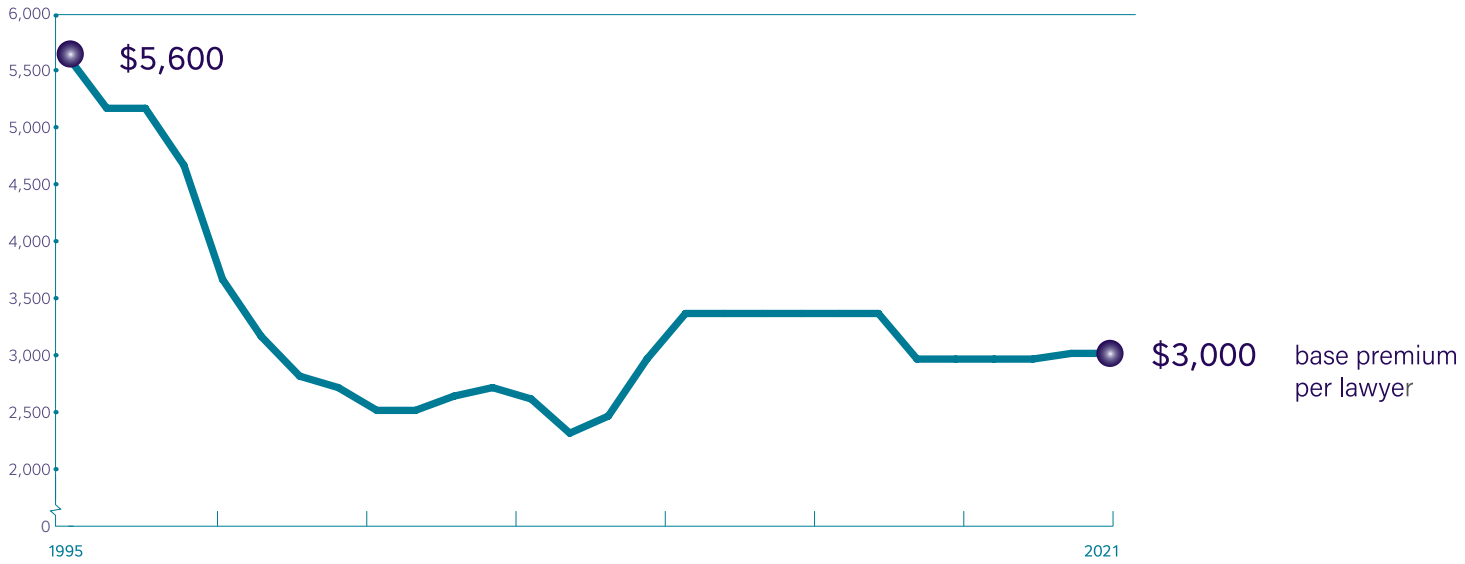
Coverage for new and retiring lawyers

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

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

Base premium since inception

(as at December 31, 2021)



Excess Insurance

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

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

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

TitlePLUS title insurance

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

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

Many lawyers pay less than the base premium

Coverage discounts

New Lawyer Discount

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

6,973 Insureds

Part-Time Practice Discount

50% base premium discount for eligible lawyers

2,394 Insureds

Criminal or Immigration Practice

50% base premium discount

1,767 Insureds

11,134 insureds took advantage of the discounts above

Service

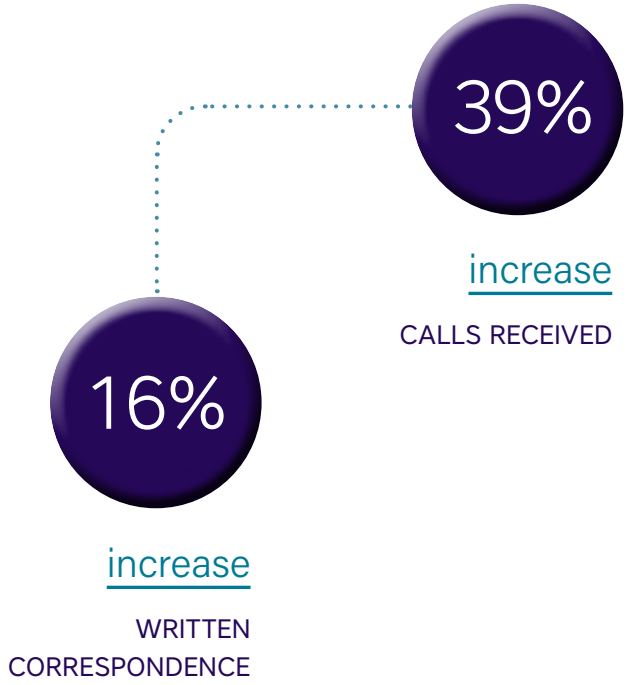
New technologies, same great service

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

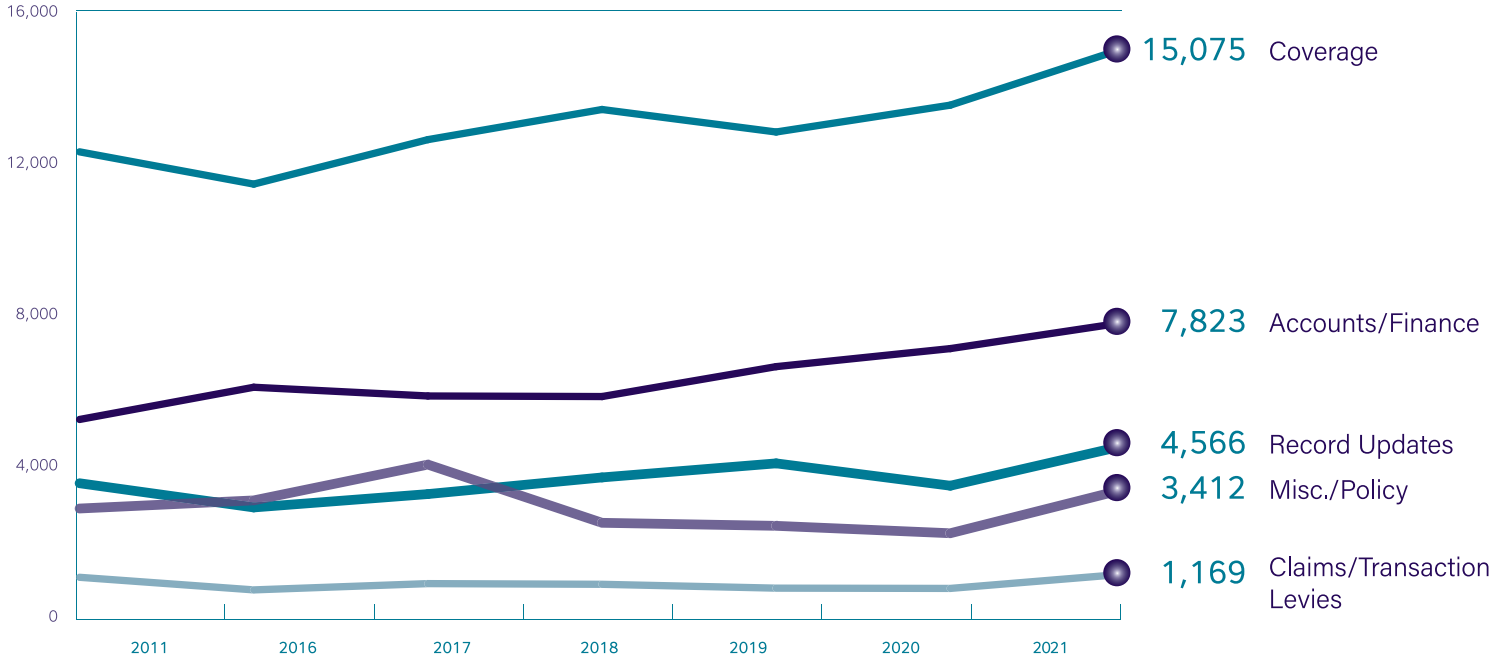
In 2021, Customer Service completed its second year as a virtual call and support system. In addition to the added complications of coordinating a remote workforce, LAWPRO saw a 16.4% increase in written correspondence and an almost 39% increase in calls received. That's over 30,000 pieces of correspondence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

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

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



Communications by Topic



LAWPRO successfully repairs

When LAWPRO is quickly alerted to potential claims, we are often able to rectify the problem and prevent loss and further lawsuits from arising. Our counsel know how to best address issues such as alleged failure to immediately disclose settlement agreements, disputes over jurisdiction to extend limitation periods, setting aside dismissal orders, and rectification of trusts.

Here are a few examples of cases where LAWPRO successfully repaired potential losses in 2021

1. The problem with *Pierrengers:* Settlement risks in multi-party litigation

Usually, it's safe to assume that a defendant and plaintiff aren't on the same side. However, in multi-party disputes, settling with only one defendant can alter the "landscape of the litigation" and impact this assumption. This can often happen with *Pierrenger*-type agreements, where a defendant or defendants agree to assist the plaintiff with their claim against a co-defendant in exchange for a resolution of the claims against them. Suddenly, parties that were adverse in interest are now allies. Witnesses who were expected to testify *against* the plaintiff may now provide evidence that *supports* the plaintiff's position.

Keeping this change a secret from the remaining defendant(s) and the court can be seen as an abuse of process and have serious consequences, including a stay of the entire action.

In this repair matter handled by LAWPRO, the plaintiff came to an agreement with one group of defendants to settle their claim in exchange for certain cooperation. The agreement was disclosed to the court and remaining defendants 10 days after being finalized. At that time, the remaining defendants requested production of the settlement agreement. The plaintiff's counsel disclosed some terms of the agreement, but initially refused to provide the entirety of the settlement agreement for approximately three months.

The non-settling defendants then moved to stay the action, asserting that the delayed disclosure of the terms of the settlement agreement amounted to an abuse of process. This placed the plaintiff's counsel at risk of a malpractice claim if the entire claim was dismissed.

LAWPRO assisted the plaintiff in successfully arguing that the settlement agreement did not "change the litigation landscape" to the extent that immediate and full disclosure would have been necessary. The court found, in this case, the settling defendants had always been adverse in interest to the remaining defendants, with or without the settlement agreement. As such, the agreement did not change the litigation landscape "entirely," and the strict disclosure obligations laid out in cases like *Handley* did not apply.

The motion was dismissed and the plaintiff's claim was allowed to continue.

2. The powers LAT be: A tribunal's jurisdiction to extend limitation periods

The powers available to tribunals are limited to those expressly provided by statute. Unless a tribunal is expressly granted the discretion to extend limitation periods, the discretion doesn't exist.

Accordingly, another repair matter handled by LAWPRO tasked the court with determining whether the Licence Appeal Tribunal (LAT) has jurisdiction under s.7 of the *Licence Appeal Tribunal Act* to extend the two-year limitation to file appeals set out in s.56 of the *Statutory Accidents Benefits Schedule* (SABS).

Conflicting decisions at the tribunal level had necessitated judicial clarification on this question. A denial of jurisdiction could have led to claims implications when additional matters before the LAT were tossed for reasons of missed limitation-periods.

The statutory language at issue read "despite any limitation of time fixed by or under any Act . . ." the tribunal could "extend the time for giving the notice either before or after the expiration of the limitation of time so limited" if there were reasonable grounds for doing so. The question to be resolved was whether this language granted jurisdiction to extend limitation periods enumerated in a regulation (specifically the SABS), in addition to limitations expressly set out in legislative "Acts."

LAWPRO successfully assisted the parties in arguing that the relevant language did, in fact, grant the LAT jurisdiction to extend limitation periods found within the SABS and other regulations. The Court agreed that regulations are drafted "under" an Act, and therefore the statutory language referring to limitations of time fixed "under any Act" included those limitation periods set out in regulations such as the SABS.

3. Delayed but not dismayed: Setting aside dismissal orders

Lawsuits are slow-moving beasts. They are rarely resolved expeditiously. But when progress slows so much as to seemingly cease entirely, the action may become at risk of being dismissed for delay.

In this repair matter, the plaintiff's personal injury claim had been dismissed by the Registrar for delay not once, but twice. The claim involved damages sustained after falling from a ladder in 2012 and the Statement of Claim had originally been issued in mid-2013.

A first dismissal order for delay was granted by the Registrar in 2018. While it was quickly set aside, the Master who did so also implemented a litigation timetable dictating that all examinations for discovery be completed by the end of 2018, and the trial be scheduled for summer 2019.

The plaintiff's lawyer then instructed their assistant to schedule the examinations. However, no steps were taken to canvas dates for the examination until January 2019. Additionally, the assistant in question left the plaintiff lawyer's firm in August 2019, and the plaintiff's lawyer did not become aware that the examinations and trial had still not been scheduled until late 2019.

In January 2020, the defendants sought and obtained an order to dismiss the action for delay.

LAWPRO assisted the plaintiff's lawyer in having this second order for dismissal set aside. While the lawyer admitted that the failure to comply with the litigation timetable set by the Master was due to inadvertence on their part, and a failure to properly supervise their assistant, the Court agreed that this did not, on its own, justify a dismissal order, as the inadvertence was not the fault of the plaintiff themselves and was a reasonable explanation for the delay.

The Court found that the application to set aside the dismissal order was sought in a timely manner, and there would be no prejudice to the defendant in permitting the claim to proceed.

The dismissal order was set aside, and counsel for the plaintiff avoided any possible claims implications flowing from any procedural errors on their part.

4. Missed signs: Adding defendants down the road

When plaintiffs are injured, it can sometimes be difficult to immediately determine who is to blame. The causative antecedents to an accident may not be determined until after a Statement of Claim is issued, additional examinations and discovery have occurred, or the entirety of the defendant's evidence is understood. In these circumstances, a new potential defendant may come to the plaintiff's attention outside of the presumptive two-year limitation period.

In this repair matter, the plaintiff had been injured in a motor vehicle accident. In addition to the driver and owner of the second vehicle involved in the accident, the plaintiff initially sued the City, alleging that it owned or occupied the intersection and allowed the growth of vegetation that obstructed the view of motorists and contributed causally to the accident.

In its defence, the City issued a third-party claim against various developers it claimed were responsible for construction projects that created the obstructive vegetation issues as well as visibility problems caused by large signage erected by the developers.

The plaintiff then sought to add these Developer Defendants as additional defendants in the original claim, despite the fact that the presumptive two-year limitation period had now passed. The proposed Developer Defendants opposed this on the grounds that their alleged involvement was known or should have been discovered by the plaintiff more than two-years prior.

LAWPRO assisted the plaintiff in successfully arguing that the involvement of the Developer Defendants was unknown by the plaintiff prior to receiving the City's defence. The evidence collected by plaintiff's counsel prior to issuing the claim did not clearly establish the involvement of the Developer Defendants, and it was not possible to determine in the motion whether the plaintiff's lawyer should have gone further than they did in investigating potential additional defendants, as doing so would involve issues of credibility or fact warranting a trial or summary judgment motion.

The motion to add the Developer Defendants was therefore allowed.

5. Troublesome trust typos: Rectification

Small typographical errors when drafting contracts or trusts can have big consequences.

In this repair matter, a father and son retained a lawyer to draft a trust instrument intended to effect a transfer of a farm while minimizing tax consequences. According to their lawyer, this was to be accomplished by transferring the property to the son as trustee, holding the property for his father as beneficiary, with a term enforcing the trustee to transfer the property to the beneficiary on request.

Unfortunately, the trust instrument was drafted to make the *father* the trustee holding the property for his *son* as beneficiary. This error was not discovered until after the son, tragically, pre-deceased his father.

The late son's wife sought to have the property transferred to the son's estate in accordance with the terms of the trust. The father resisted this transfer, claiming that the terms were reversed in error, and the intentions of the parties were that the property would revert wholly to the father should the son pre-decease him.

The father sought a court order rectifying the allegedly erroneously reversed names in the trust instrument.

LAWPRO assisted the father in successfully seeking trust rectification. The lawyer that drafted the trust instrument testified in support of the father's position that the intentions of the parties were such that the father was to be the beneficiary of the property, not the son, and the instrument was not intended to allow the property to be transferred to the son's estate in these circumstances.

The lawyer testified that the instrument as drafted did not make sense, as making the son the beneficiary would not have avoided the tax consequences that were the impetus for the trust in the first place.

The court fully surveyed the evidence as to the parties' intentions at the time of signing the trust instrument and concluded that it was, in fact, the father that was intended to be the beneficiary, and the trust was rectified to reflect this conclusion.

Small fixes now prevent big problems later

Immediately notifying LAWPRO of potential errors or omissions means steps can be taken to resolve the situation before it develops into a malpractice claim. If you make an error or believe you could be accused of making an error down the road, don't try to resolve the problem on your own. A call to LAWPRO means we can provide expedient and experienced advice and assistance.

Defending lawyers in court

Despite any attempts to resolve claims without litigation, sometimes court is inevitable. Every year, LAWPRO steps in to defend licensees from unwarranted lawsuits and accusations.

Here are a few examples of defences successfully advanced by LAWPRO in 2021 on behalf of insureds

Construction liens and insolvency proceedings – Limitation period defences

There are various reasons why a client may refrain from pursuing a claim against their lawyer after a potential error has been made. The client may believe there is an alternate avenue for rectifying the situation. Or the client may want to protect the working relationship they have built with the lawyer. Regardless, if the client decides not to pursue the claim, their lawyer is entitled to the same assurances as anyone else once the limitation period expires on the alleged error.

In this case, the Plaintiff was a general contracting company that provided construction services for a condominium project. The Plaintiff wasn't fully paid for its work, so it retained the Defendant Lawyer to pursue payment. The Lawyer registered a lien for the amounts owing on title to nine condominiums on the project.

Unfortunately, the Lawyer mistakenly assumed that it was not necessary to file a Certificate of Action to perfect the lien and did not do so. The lien therefore expired 90 days later. By the time the lawyer learned of the expiration of the lien the following year, the owners of the construction project had already filed for bankruptcy.

Upon confirming that the lien had expired, the Lawyer informed both the Plaintiff and LAWPRO of the mistake and advised the Plaintiff to obtain outside counsel. However, after consulting with outside counsel, the Plaintiff came to believe that the amounts owing to them would be reclaimable through the bankruptcy process as an unsecured debtor, and there would therefore be no significant losses tied to the expiry of the lien. The Plaintiff informed the Lawyer that they did not intend to pursue a claim in negligence.

Unfortunately, the Plaintiff was not able to recover most of the amounts owing through the bankruptcy process. As such, almost five years later, the Plaintiff initiated a claim against the Defendant Lawyer for professional negligence.

LAWRO successfully assisted the Defendant Lawyer in arguing that the limitation period on the potential claim against the Lawyer had expired. The Plaintiff was aware of facts giving rise to the claim five years prior and chose not to pursue the action. The fact that the Plaintiff mistakenly believed they would be able to recover the funds through an alternative legal process does not mean the potential claim was not yet "discovered," as the Plaintiff was only mistaken as to the potential quantum of damages flowing from the claim at that time, not the existence of the claim itself. The negligence claim was therefore dismissed.

Criminal law – Ineffective counsel accusations

Ineffective assistance of counsel claims, as an independent basis for appeal, can often arise against defence counsel after unsuccessful criminal trials, regardless of their possibly tenuous basis.

In one case, the criminal Defendant had been accused of defrauding the clients of his company, which claimed to invest client's funds in precious metals. The trial judge found that, despite misleading statements to clients suggesting that the company held an inventory of precious metals that clients would be investing in, the company in fact did not purchase or own any metals and clients were merely purchasing a notional "metal position" that only existed on the books.

The criminal Defendant claimed that they had received legal advice in the form of a memorandum that assured the Defendant of the legality of the business plan. This memorandum was entered in evidence. However, the author of the memorandum was not called by defence counsel to testify.

The trial judge found that the language of the memorandum suggested that the author had not been fully informed of the underlying facts as to the Defendant's business plan, and was not specifically aware that clients were told that the company had an inventory of metals when in fact no metals were ever purchased. As such, the trial judge concluded that the memorandum did not support the Defendant's position.

The criminal Defendant appealed, partially on the basis of ineffective assistance of counsel. The Defendant claimed that the author of the memorandum should have been called to testify.

LAWPRO successfully assisted the Lawyer in showing there was no ineffective counsel or negligence in the conduct of the criminal trial. The language of the memorandum suggested that its author was unaware of the misleading statements to clients. Calling the author to testify on the stand would most likely confirm that the author was also misled as to the business practices of the Defendant, which could undermine the defence strategy. It was reasonable for the Lawyer to not call the author to testify.

SUCCESSFUL ON SUMMARY JUDGEMENT MOTIONS

14 out of 18

SUCCESSFUL ON SUMMARY JUDGEMENT APPEALS

all 4

SUCCESSFUL ON MATTERS TAKEN TO TRIAL

2 out of 3

Real estate law – Fourth party claims

It is not entirely uncommon to see negligence claims filed against lawyers who never represented the plaintiff, and in fact represented the opposing side in a negotiation or dispute. Such claims are always unlikely to succeed, as lawyers generally do not have a duty of care toward non-clients. However, these claims must still be defended.

In this case, the Defendants in the underlying claim had entered into an agreement to sell vacant land to the Plaintiffs for approximately $500,000. The Defendants had held the land for 27 years. Importantly, a mortgage on the land had been accruing interest for that entire period, and the Defendants had made no payments on that mortgage.

In order to provide clear title to the land, the Defendants contacted the mortgagee's Lawyer, looking to discharge the mortgage. According to the Lawyer, the full amount owing on the mortgage was approximately $2 million, but the Lawyer would recommend a settlement of $505,000. Since this was still more than the selling price of the property, the Defendants did not accept the settlement offer.

The Lawyer subsequently withdrew the settlement offer and demanded payment of the total amount owing on the mortgage. The Lawyer then served a notice of sale on the Defendant's land pursuant to the defaulted mortgage. The mortgagee sold the land to the Plaintiff buyer that the Defendants had originally entered into an agreement of sale with, but for $687,000 instead of the original $500,000 sale price.

The Plaintiffs subsequently sued the Defendants for the additional $187,000 they had to pay as a result of the Defendant's inability to obtain clear title. The Defendants then brought the mortgagee into the claim as a third party, seeking indemnity for the amounts owing to the Plaintiffs and accusing the mortgagee of wrongly causing the failure of their original sale agreement. The mortgagee counter claimed for the full amounts owing on the mortgage ($1.5 million), and the Defendants then commenced a fourth party claim against the mortgagee's Lawyer seeking indemnity for those outstanding mortgage amounts as well as damages for bad faith, negligence, and injury to reputation.

LAWPRO successful assisted the Lawyer in defending the fourth party claims brought against it. The Court found that there was no basis in law for the Lawyer to be liable for the current value of the loan. As well, with regards to the negligence claim, the Lawyer's duty of care was owed to the mortgagee, not the Defendants. There was therefore no basis for any of the claims brought against the Lawyer.

Family law – Dissipation of assets

In this case, a woman was engaged in a lengthy divorce proceeding with her former husband. She believed that her husband was hiding assets from the court and was attempting to evade court orders.

In 2007, a motion judge had made a non-dissipation order with respect to the husband's assets. The following year, in June, the wife's lawyer became aware that the husband was attempting to obtain a bank line of credit for $500,000, secured against family property in dispute in the divorce proceedings. By the time the wife's Lawyer could confirm the existence of the line of credit, it had been entirely depleted.

At the end of the divorce proceedings, the wife was left with very few assets, as the bulk of the family assets had been dissipated by the husband or taken up by legal and accounting fees.

The wife then sued her Lawyer for negligence, claiming that they should have either registered the non-dissipation order against the property, brought it to the attention of the bank, or obtained a new order prior to the husband securing a new line of credit secured against the family's real property.

LAWPRO successfully assisted the Lawyer in defending the claim. The Court found that the non-dissipation order was not registrable since it did not apply to a specific property. Further, it would have been inappropriate for the Lawyer to contact the bank to interfere in the husband's financial affairs without permission from the husband or the Court to do so. Finally, it would have been unlikely that the Lawyer could have obtained a new order, such as a Mareva injunction, based on the evidence available at the time.

As such, the Court found that the Lawyer did not breach the standard of care, and the claims in negligence were dismissed.

Securities and finance – No such thing as negligence in the abstract

In this case, the Plaintiffs were shareholders of a company for which the Defendant acted as counsel. The Plaintiffs lent approximately $3.7 million dollars to the company, without the involvement of the Defendant counsel. However, after the loans were completed, the Defendant was asked to prepare documents to secure the loans and "paper the transaction."

When "papering the transaction," the Defendant did not prepare a promissory note, which they had been instructed to do. The Defendant later admitted that they should have done so.

However, approximately two years later, the Plaintiffs concluded an agreement with the company to surrender their shares and acknowledge all of the outstanding debt. At that time, the Defendants received a promissory note for all outstanding amounts owing.

Nevertheless, the Plaintiffs later sued the Defendant for negligence, claiming that their failure to provide a promissory note when the transaction was originally "papered" reduced the Plaintiff's bargaining power with the company going forward.

LAWPRO successfully assisted the Lawyer in defending the claim. Although the Lawyer admitted to making an error in failing to draft the promissory note in accordance with the instructions, the Court found that no damages flowed from this error. The Plaintiffs received all amounts owing on the debt, and it was not clear what "bargaining power" was lost when the Plaintiffs subsequently negotiated a share surrender.

The Court stressed that there was no such thing as negligence in the abstract, and there was no cause of action if no damages flowed from the mistake. The claim in negligence was therefore dismissed.

Lawyers for lawyers

A malpractice claim doesn't necessarily mean a lawyer made a mistake, but a defence still needs to be raised. LAWPRO was successful on two of three claims taken to trial in 2021, as well as 14 of 18 summary judgment motions and four of four summary judgment appeals. LAWPRO provides effective assistance and prides itself on defending licensees.

practice PRO®

Outreach that overcame isolation

2021 was a banner year for LAWPRO outreach and CPD programs. LAWPRO engaged in approximately 110 presentations – setting a new record and increasing outreach efforts to solo and small firms and to foreign trained lawyers. Outreach efforts reached lawyers, law clerks and law students.

LAWPRO's practicePRO program is the well known risk management, claims prevention and law practice management initiative for Ontario lawyers. Its CPDs, precedents, checklists and other resources help insureds take proactive steps to avoid a claim and grow successful and thriving law practices.

Resources providing practical tips, reducing lawyer risks, and keeping the LAWPRO community connected

In 2021, practicePRO continued to provide timely resources to insureds. Popular articles included those summarizing significant changes to the *Rules of Civil Procedure*, tips for calculating the post COVID-suspension limitation periods, adapting to Ontario's new contingency fee regime and the top 10 changes to the *Planning Act*. The practicePRO program added to its Practice Tips Sheets with a new cyber resource, as well as an article on tips to prevent wire fraud. Recognizing the gaps created by lack of in-person meetings, and to encourage lawyers to seek guidance when in doubt, LAWPRO released an Ontario mentoring programs guide, which quickly became a popular resource.

Free video CPD programming:

In 2021, LAWPRO released six new videos. These programs can be viewed for both the LAWPRO Risk Management Credit and Law Society of Ontario professionalism hours. The programs address key pandemic issues facing lawyers and firms, including managing mental health through COVID-19, managing teams remotely, facilitating access to justice in practice, and preventing wire frauds from happening. Thousands of insureds and their staff viewed these programs in 2021.

Avoiding the wire fraud nightmare – what you need to know to protect yourself and your clients

Finding out that money you sent from trust has gone missing is a lawyer's worst nightmare. Watch our program to learn about the latest wire scams against law firms and their clients and how you can implement steps in your practice to help prevent these and other cyber dangers.

practicePRO claims prevention success stories:

practicePRO's claims prevention efforts brought peace of mind to insureds, diverted potential claims, and saved time and money.

1. Call Before You Click: In late 2021, LAWPRO's wire prevention initiative, "Call Before You Click" educated lawyers and law firm staff about new wire fraud efforts targeting law firms. This initiative immediately prevented a nearly $500,000 wire fraud attempt, saving LAWPRO file investigation, defence and potential indemnity costs.

2. Up front prevention saves downstream costs: **practicePRO efforts saves potential claims costs and helps insureds avoid having to report a claim to LAWPRO in several instances:**

   a) In one case, an insured called out of concern that a party in a litigation matter was going to bring a motion to strike the action for delay, which could add time, cost, and require LAWPRO to defend.

   b) In another instance, our early intervention helped ensure that a real estate transaction could close safely without requiring claims to be opened or repair counsel retained.

Most used popular practicePRO resources are listed here for easy free download

1. Tips for calculating limitations deadlines accounting for the COVID-19 emergency suspension period
2. Non-resident Sale Holdback Flowchart
3. General Retainer Letter
4. Check Your Cheques: 5 Ways to Spot Fraudulent Cheques
5. Managing Conflict of Interest Situations
6. Business Plan Outline
7. Limited Scope Representation Resources
8. Limitations and Notice Periods Chart
9. Plaintiff Counsel Beware – It is Now Easier to Dismiss an Action for Delay
10. Criminal law retainer letter
11. Landmines for Lawyers When Drafting Wills
12. Real Estate Fraud Fact Sheet
13. Retainer Agreement Family Law
14. Real Property Limitations Chart
15. First Timer's Going to Court Cheat Sheet
16. Generic ILA Checklist
17. Tips to Avoid Wire Fraud Scams
18. "This is not a claim, but..."
19. Managing Practice Interruptions
20. Cybercrime and Bad Cheques Fraud Fact Sheet

TitlePLUS™
TITLE INSURANCE

from a simple mission to great innovation

TitlePLUS provides lawyers – and their clients – with unmatched, comprehensive coverage

TitlePLUS may have evolved into a full-service, streamlined online title insurance offering, but some things haven't changed, says Daniel Pinnington, president and CEO of LAWPRO.

"On top of offering the same unparalleled coverage as always, our mission and our purpose remain the same," says Pinnington. "TitlePLUS is built for lawyers, and our commitment to keeping them part of the transaction remains paramount in our new product design and portal."

A strong foundation

From its launch in 1997 to its current revamp, the role of real estate lawyers has always been paramount at TitlePLUS. Developed on the premise that consumers' interests in a real estate deal are best protected by the independent legal advice provided by a lawyer, TitlePLUS' mission from inception was to help real estate lawyers succeed in the business of practising law by supporting them in providing services to their clients on real estate matters.

Members of the Canadian real estate bar have been a defining presence from the start, helping to create TitlePLUS from the lawyer's point of view, and that's been a differentiator, Pinnington notes. Everything we do starts with a premise of helping lawyers fully understand the risks the homebuyers and lenders face and to protect the lawyer from the risks they face as well. TitlePLUS was first in the marketplace to explicitly cover the legal services provided by the lawyer completing the real estate transaction, with a direct recourse through the insurer.

"That's been imbedded in the underwriting from the beginning – when people call in to TitlePLUS, they're often speaking to experienced real estate lawyers," Pinnington says. "We have the insight, from lawyers to lawyers."

With technology playing an increasingly vital role in real estate transactions – and with property prices increasing unbelievably across the country, making it even more important for clients to go into a deal fully understanding the implications of it – "it was time for us to upgrade," says Pinnington.

What's new

TitlePLUS wanted to deliver an overall better user experience to lawyers and, from instant quotes to streamlined underwriting to simplified terms of use agreements, every enhancement was designed with lawyers at the forefront. TitlePLUS rolled out a self-serve website that's intuitive and, most importantly, fast. Within 10 minutes on most deals, lawyers can complete an online application that gets them a client-friendly title insurance policy in plain language and automatically includes legal services coverage. TitlePLUS policies are now also available on Unity, the platform used by the majority of Ontario real estate lawyers. And, when facing a more complex real estate transaction, TitlePLUS has a team of specialists available to ensure lawyers are getting the solutions the client needs.

Overall, the improvements mean TitlePLUS is easier to access and leverages more automation to make getting a policy faster. This helps the lawyer complete their work as effectively and efficiently as possible.

"It's a one-stop shop to purchasing title insurance that busy legal professionals expect," Pinnington says, adding the ongoing plan is to make the policies offered by Canadian-owned TitlePLUS more available across the country to lawyers in the other provinces and territories.

Moving faster than before

While TitlePLUS has always been trusted and had the knowledge lawyers rely on, resting on that reputation was no longer enough. In a world where technology and real estate practice had evolved, "we wanted to make sure we continue to be relevant in how transactions are conducted today," Pinnington says.

"That includes supporting them with technology that's faster, more efficient and responsive to their general needs. We weren't moving as fast as we needed to and we rectified that."

This was the impetus for the sweeping changes to TitlePLUS, building on its conservative and diligent approach to embrace a more agile and flexible model, with a focus on simplicity, automation and real attention to customer service. A leader at the start, Pinnington says they recognize that a spot in the marketplace is earned and they had to make changes to keep up with modern times and "ensure we continue to be a strong option."

Backed by LAWPRO and built for lawyers, TitlePLUS puts real estate lawyers first with unmatched comprehensive coverage they don't have to think about – and that's the foundation of every move the title insurer makes.

"It's very much baked into our core drive, our mission, our purpose," says Pinnington. "Supporting lawyers as they provide important advice to clients continues to be key – and we're hoping the improvements we made make more lawyers consider a TitlePLUS title insurance policy for their clients."

Learn more about the new TitlePLUS here.

Management Discussion and Analysis

The following Management Discussion and Analysis provides a review of the activities, results of operations and financial condition of Lawyers' Professional Indemnity Company ("LAWPRO" or the "Company") for the year ended December 31, 2021, in comparison with the year ended December 31, 2020. These comments should be read in conjunction with the corresponding audited financial statements, including the accompanying notes.

Financial highlights

Statement of profit or loss

During 2021 the Company generated a profit of $2.2 million, a decrease in earnings of $18.8 million over 2020, and experienced comprehensive income of $16.2 million compared to a $1.7 million comprehensive loss during the prior year.

Premiums

Gross written premiums increased by $15.1 million to $128.9 million, due to an active real estate market coupled with higher home sale prices, which increased TitlePLUS premiums and transaction levies. Premiums earned, net of reinsurance ceded, increased by $14.8 million to $121.6 million in 2021. Premiums from the mandatory Ontario errors and omissions ("E&O") insurance program were $12.0 million higher than 2020 results. The optional excess E&O insurance program remained steady in the year, while TitlePLUS premiums were $3.0 million higher than 2020 results.

Net claims incurred

Incurred claims in 2021, net of reinsurance recoveries, was $0.6 million higher than in 2020. Due to an increase in market interest yields in 2021, discounted actuarial reserves were decreased by $8.2 million compared to an increase of $14.1 million in 2020. The impact of discounting was partially offset by a $8.3 million net reduction in reserves due to favourable development of prior Fund Years' loss experience (compared to a reduction of $10.6 million in 2020).

Reinsurance

Similar to recent years, the Company purchased two layers of excess-of-loss clash reinsurance coverage, which limits its exposure to one or more large aggregations of multiple claims arising from the same proximate cause. Furthermore, the Company maintained its 10% retention in the optional excess E&O program, whereas prior to 2011 the program was fully reinsured. The high level of reinsurance significantly mitigates exposure to the Company from claims in this program.

General expenses

LAWPRO's general expenses in 2021 were $2.1 million higher than 2020, and $1.3 million lower than its annual budget, primarily due to salaries and benefits, information systems, and professional fee related expenses. The increase from 2020 was due to unusually low expenses due to the pandemic, whereas the lower expenses to budget were mainly timing related.

Commissions earned

The Company earned reinsurance commissions of $1.5 million on premium ceded in respect of its 2021 optional excess E&O insurance program, a similar result to 2020. In addition, the Company also reported a slight profit commission income (less than $0.1 million) for favourable claims development on the quota share reinsurance arrangements that it had prior to January 1, 2003, compared to a slight profit commission expense (less than $0.1 million) in 2021. As claims estimates become more certain with time, there is generally less potential for favourable development on claims relating to older fund years, resulting in a tendency towards lower profit commissions.

Investment income

Income generated from investments decreased by $37.2 million to $9.0 million in 2021. Investment income from interest and dividend receipts decreased by $4.2 million to $14.1 million, primarily due to the decrease in dividend income from the equity portfolio amid the pandemic. As a result of the increased market yields during 2021, the Company experienced a $13.7 million change in unrealized losses on its fixed income security portfolio used to match its claims liabilities, compared to $13.0 million change in unrealized gains in 2020. The 2021 results also included net capital gains of $10.0 million realized on disposition of investments, compared to net gain of $16.1 million in 2020.

Statement of comprehensive income

Other comprehensive loss

During 2021, LAWPRO experienced other comprehensive income of $14.0 million, primarily due to a significant increase in net unrealized gains on its surplus investments in the equity security markets. These results compare to other comprehensive loss of $22.7 million experienced during 2020.

Statement of financial position

Overall, the Company ended 2021 in a strong financial position, with shareholder's equity up by $16.2 million year over year. $12.7 million of the increase was in other comprehensive income and $3.5 million in retained earnings. The latter was comprised of $2.2 million in net income and $1.3 million in remeasurement gain on the supplemental designated executive plan transferred from other comprehensive income.

Investments

As of December 31, 2021, the market value of the Company's investment portfolio exceeded its cost by $35.6 million, compared to 2020 where the market value exceeded cost by $32.1 million. Investment assets, inclusive of cash and cash equivalents and investment income due and accrued, increased by $23.2 million to $737.9 million as of December 31, 2021. This reflects the overall strong performance of the equity portfolio and interest and dividends on the fixed income portfolios which were slightly offset by unrealized losses in the asset liability matched fixed income portfolio.

The investment portfolio is managed in accordance with the investment policy approved by the Company's Board of Directors in diversified, high-quality assets. A portion of the investment portfolio, which is composed of primarily fixed income securities, is invested in a manner that is expected to substantially match in maturity to the payment of claims liabilities in future years. The portion of the Company's investment portfolio which is considered surplus to the requirements of settling claims liabilities is managed separately and includes fixed income securities and equity investments in publicly traded companies, the values of which are more subject to market volatility.

Claims liabilities

The claims liabilities represent the amount required to satisfy all the Company's obligations to claimants prior to reinsurance recoveries. This balance increased by $5.4 million in 2021. As Reinsurance recoverables decreased by $0.6 million, the increase in the net provision is $6.0 million. This increase is attributable to the fact that the claims expense relating to the additional risk associated with underwriting the 2021 program is greater than the net favourable development of prior years' reserves experienced during the year.

Report on LAWPRO operations

LAWPRO is an insurance company with three product lines: a mandatory E&O insurance program, as required by the Law Society for all lawyers in private practice in Ontario; an optional excess E&O insurance program that enables Ontario law firms to increase their insurance coverage limit to a maximum of $9 million per claim/$9 million in the aggregate above the $1 million per claim/$2 million aggregate levels provided by the mandatory E&O program; and an optional TitlePLUS title insurance product that real estate practitioners across Canada can make available to their clients.

Management Statement on Responsibility for Financial Information

The preparation of the annual financial statements, Management's Discussion and Analysis and all other information in the Company's Annual Report is the responsibility of the Company's management, and the annual financial statements have been approved by the Board of Directors.

The financial statements have been prepared in accordance with International Financial Reporting Standards. Financial statements, by their very nature, include amounts and disclosures based on estimates and judgements. Where alternative methods or interpretations exist, management has chosen those it deems most appropriate in the circumstances, including appropriate consideration to relevance and materiality. Actual results in the future may differ materially from management's current assessment given the inherent variability of future events and circumstances. Financial information appearing elsewhere in the Company's Annual Report is consistent with the financial statements.

Management maintains the necessary system of internal controls over financial reporting to meet its responsibility for the reliability of the financial statements. These controls are designed to provide management with reasonable assurance that the financial records are reliable for preparing financial statements and other financial information, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

The Board of Directors is responsible to ensure that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out its responsibility primarily through its audit committee, which is independent of management. The audit committee reviews the financial statements and recommends them to the Board for approval. The audit committee also reviews and monitors the Company's system of internal controls over financial reporting in the context of reports made by management or the external auditor.

Role of the Auditor

The external auditor, PricewaterhouseCoopers LLP, has been appointed by the shareholder. Its responsibility is to conduct an independent and objective audit of the financial statements in accordance with Canadian generally accepted auditing standards and to report thereon to the Company's shareholder. In carrying out its audit, the auditor considers the work of the appointed actuary and his report on the policy liabilities of the Company. The external auditor has full and unrestricted access to the audit committee and the Board of Directors to discuss audit, financial reporting and related findings. The auditor's report outlines the scope of its audit and its opinion.

Role of the Appointed Actuary

The actuary is appointed by the Board of Directors of the Company. With respect to the preparation of these financial statements, the appointed actuary is required to carry out a valuation of the policy liabilities and to report thereon to the Company's shareholder. The valuation is carried out in accordance with accepted actuarial practice and regulatory requirements. The scope of the valuation encompasses the policy liabilities as well as any other matter specified in any direction that may be made by the regulators. The policy liabilities consist of a provision for unpaid claims and adjustment expenses on the expired portion of policies, a provision for future obligations on the unexpired portion of policies, and other policy liabilities that may be applicable to the specific circumstances of the Company.

In performing the valuation of the policy liabilities, which are by their very nature inherently variable, the appointed actuary makes assumptions as to the future rates of claims severity, inflation, reinsurance recoveries, expenses and other matters, taking into consideration the circumstances of the Company and the nature of the insurance coverage being offered. The valuation is necessarily based on estimates; consequently, the final values may vary significantly from those estimates. The appointed actuary also makes use of management information provided by the Company, and uses the work of the auditor with respect to the verification of the underlying data used in the valuation.

Toronto, Ontario
February 23, 2022

Dan Pinnington
Daniel E. Pinnington
President & CEO

Krista Franklin
Krista Franklin
Chief Financial Officer

Independent Auditor's Report

To the Shareholder of Lawyers' Professional Indemnity Company

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Lawyers' Professional Indemnity Company (the Company) as at December 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2021;
- the statement of profit or loss for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1416 863 1133, F: +1416 365 8215

Independent Auditor's Report

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario
February 23, 2023

Appointed Actuary's Report

ECKLER

February 16, 2022

I have valued the policy liabilities including reinsurance recoverables of Lawyers' Professional Indemnity Company for its statement of financial position as at 31 December 2021 and their changes in the statement of income for the year then ended, in accordance with accepted actuarial practice in Canada, including selection of appropriate assumptions and methods.

In my opinion, the amount of the policy liabilities makes appropriate provision for all policy obligations and the financial statements fairly present the results of the valuation.

Louis-Christian Dupuis, FCAS, FCIA

Eckler Ltd.
1801 McGill College Avenue, Suite 1460
Montréal, Québec, H3A 2N4

Statement of Financial Position

Amounts stated in thousands of Canadian dollars

AS AT		DECEMBER 2021	DECEMBER 2020
Assets			
Cash and cash equivalents	$	24,473	7,748
Investments (note 5)		710,522	704,018
Investment income due and accrued		2,924	2,977
Due from reinsurers		123	22
Due from insureds		2,221	3,652
Due from the Law Society of Ontario (note 13)		6,908	7,936
Reinsurers' share of provisions for: Claims liabilities (note 10)		49,583	50,189
Other receivables		476	796
Other assets		3,744	1,466
Property and equipment (note 7)		10,637	11,690
Intangible asset (note 8)		1,906	1,006
Income taxes recoverable		415	4,938
Deferred income tax asset (note 15)		5,397	5,958
Total assets	**$**	**819,329**	**802,396**
Liabilities			
Claims liabilities (note 9, 10)	$	517,596	512,155
Unearned premiums (note 11)		1,267	1,130
Due to reinsurers		944	831
Due to insureds		29	110
Expenses due and accrued		3,267	7,866
Lease liabilities (note 9)		9,859	10,263
Other taxes due and accrued		586	471
	$	**533,548**	**532,826**
Equity			
Capital stock (note 17)		5,000	5,000
Contributed surplus (note 17)		30,645	30,645
Retained earnings		227,465	223,967
Accumulated other comprehensive income		22,671	9,958
	$	285,781	269,570
Total liabilities and equity	**$**	**819,329**	**802,396**

Accompanying notes are an integral part of the financial statements.

On behalf of the Board

Andrew J. Spurgeon

Andrew J. Spurgeon
Director

Daniel E. Pinnington

Daniel E. Pinnington
Director

Statement of Profit or Loss

Amounts stated in thousands of Canadian dollars

FOR THE YEAR ENDED DECEMBER 31		2021	2020
Income			
Gross written premiums	$	128,915	113,865
Premiums ceded to reinsurers (note 12)		(7,143)	(7,024)
Net written premiums		121,772	106,841
(Increase) decrease in unearned premiums (note 11)		(137)	(30)
Net premiums earned		**121,635**	**106,811**
Net investment income (note 5)		8,996	46,162
Ceded commissions		1,534	1,486
	$	**132,165**	**154,459**
Expenses			
Gross claims and adjustment expenses (note 10)	$	100,925	105,953
Reinsurers' share of claims and adjustment expense (note 10)		575	(5,052)
Net claims and adjustment expenses		101,500	100,901
Operating expenses (note 16)		23,886	21,738
Finance costs		397	413
Premium taxes		3,868	3,417
		129,651	**126,469**
Profit (loss) before income taxes	**$**	**2,514**	**27,990**
Income tax expense (recovery) (note 15)			
Current		247	6,967
Deferred		86	13
		333	**6,980**
Profit (loss)	**$**	**2,181**	**21,010**

Accompanying notes are an integral part of the financial statements.

Statement of Comprehensive Income

Amounts stated in thousands of Canadian dollars

FOR THE YEAR ENDED DECEMBER 31		2021	2020
Profit (loss)	$	2,181	21,010
Other comprehensive income (loss), net of income tax:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit obligation, net of income tax expense (recovery) of $475 [2020: ($189)]		1,317	(523)
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale assets			
Net changes unrealized gains (losses), net of income tax expense (recovery) of $6,666 [2020: ($4,271)]		18,488	(11,848)
Reclassification adjustment for (gains) losses recognized in profit or loss, net of income tax (expense) recovery of ($2,082) [2020: ($7,551)]		(5,775)	(20,944)
Reclassification adjustment for impairments, recognized in profit or loss, net of income tax expense of $ nil [2020: $3,812]		-	10,574
Other comprehensive income (loss)		**14,030**	**(22,741)**
Total Comprehensive income (loss)	**$**	**16,211**	**(1,731)**

Statement of Changes in Equity

Amounts stated in thousands of Canadian dollars

		Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Equity
Balance at December 31, 2019	**$**	**5,000**	**30,645**	**203,480**	**32,176**	**271,301**
Total comprehensive income (loss) for the year		-	-	21,010	(22,741)	(1,731)
Transfer of defined benefit remeasurements from OCI to retained earnings		-	-	(523)	523	-
Balance at December 31, 2020	**$**	**5,000**	**30,645**	**223,967**	**9,958**	**269,570**
Total comprehensive income (loss) for the year		-	-	2,181	14,030	16,211
Transfer of defined benefit remeasurements from OCI to retained earnings		-	-	1,317	(1,317)	-
Balance at December 31, 2021	**$**	**5,000**	**30,645**	**227,465**	**22,671**	**285,781**

The aggregate of retained earnings and accumulated other comprehensive income as at December 31, 2021 is $250,136 (December 31, 2020: $233,925).

Accompanying notes are an integral part of the financial statements.

Statement of Cash Flows

Amounts stated in thousands of Canadian dollars

FOR THE YEAR ENDED DECEMBER 31		2021	2020
Operating Activities			
Profit (loss)	$	2,181	21,010
Items not affecting cash:			
Deferred income taxes		86	13
Amortization of property and equipment		1,121	1,085
Amortization of intangible asset		207	220
Realized (gains) losses on disposition or impairment		(10,019)	(16,109)
Amortization of premiums and discounts on bonds		2,271	(251)
Changes in unrealized (gains) losses		13,736	(12,967)
		9,583	(6,999)
Changes in non-cash working capital balances:			
Investment income due and accrued		53	(357)
Due from reinsurers		12	65
Due from insureds		1,350	(1,618)
Due from the Law Society of Ontario		1,028	(514)
Reinsurers' share of claims liabilities		606	(3,892)
Other receivabless		320	101
Other assets		(485)	(882)
Income taxes due and accrued (recoverable)		(61)	3,965
Provision for unpaid claims and adjustment expenses		5,441	20,511
Unearned premiums		137	30
Expenses due and accrued		(4,599)	4,090
Other taxes due and accrued		115	58
Net cash inflow from operating activities	**$**	**13,500**	**14,558**
Investing Activities			
Purchases of property and equipment		(68)	(875)
Purchases of intangible asset		(1,107)	(777)
Purchases of investments		(412,570)	(770,786)
Proceeds from sales and maturities of investments		417,374	747,900
Net cash outflow from investing activities	**$**	**3,629**	**(24,538)**
Financing Activities			
Payment of lease liabilities		(404)	(389)
Total cash inflow (outflow) from financing activities		(404)	(389)
Net change in cash and cash equivalents during the year		16,725	(10,369)
Cash and cash equivalents, beginning of year		7,748	18,117
Cash and cash equivalents, end of year	**$**	**24,473**	**7,748**
Cash and cash equivalents at end of year consists of:			
Cash		6,835	6,080
Cash equivalents		17,638	1,668
	$	**24,473**	**7,748**
Supplemental disclosure of cash flow information:			
Net income taxes paid (operating activity)		307	3,002
Interest received (investing activity)		14,282	13,014
Interest paid (financing activity)		398	414
Dividends received (investing activity)		2,123	4,693

Accompanying notes are an integral part of the financial statements.

1. NATURE OF OPERATIONS

Lawyers' Professional Indemnity Company (the "Company") is an insurance company, incorporated on March 14, 1990 under the *Corporations Act* (Ontario) and licensed to provide lawyers professional liability insurance in Ontario and title insurance in all provinces and territories in Canada. The Company is a wholly-owned subsidiary of the Law Society of Ontario (the "Law Society"), which is the governing body for lawyers and paralegals in Ontario. The Company's registered office is located at 250 Yonge Street, Toronto, Ontario, Canada.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared under the *Insurance Act* (Ontario) and related regulations which require that, except as otherwise specified by the Company's primary insurance regulator, the Financial Services Regulatory Authority of Ontario ("FSRA"), the financial statements of the Company are to be prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements have been prepared in accordance with accounting standards issued and effective on or before December 31, 2021. None of the accounting requirements of FSRA represent exceptions to IFRS. These financial statements were authorized for issuance by the Company's Board of Directors on February 23, 2022.

The significant accounting policies used in the preparation of these financial statements are summarized below. These accounting policies conform, in all material respects, to IFRS.

Basis of measurement

The financial statements have been prepared under the historical cost basis that are measured at the end of each reporting period, except for certain financial instruments and the claims liabilities, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability that market participants would likely take into account when pricing the asset or liability at the measurement date. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The valuation process includes utilizing market driven fair value measurements from active markets where available, considering other observable and unobservable inputs and employing valuation techniques which make use of current market data. Considerable judgement may be required in interpreting market data used to develop the estimates of fair value. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that would be realized in a current market exchange.

The Company utilizes a fair value hierarchy to categorize the inputs used in valuation techniques to measure fair value, which prioritizes these inputs into three broad levels. The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. The three levels of the fair value hierarchy are:

Level 1 - Quoted market prices in active markets

Inputs to Level 1, the highest level of the hierarchy, reflect fair values that are quoted prices (unadjusted) in active markets for identical assets and liabilities. An active market is considered to be one in which transactions for the asset or liability occur with sufficient

frequency and volume to provide pricing information on an ongoing basis. Level 1 assets and liabilities include debt and equity securities, quoted unit trusts and derivative contracts that are traded in an active exchange market, as well as certain government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets.

Level 2 – Modelled with significant observable market inputs

Inputs to Level 2 fair values are inputs, other than quoted prices within Level 1 prices that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 inputs include: quoted prices for similar (i.e. not identical) assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly; inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment spreads, loss severities, credit risks, and default rates); and inputs that are derived principally from, or corroborated by, observable market data by correlation or other means (market corroborated inputs). Valuations incorporate credit risk by adjusting the spread above the yield curve for government treasury securities for the appropriate amount of credit risk for each issuer, based on observed market transactions. To the extent observed market spreads are either not used in valuing a security, or do not fully reflect liquidity risk, the valuation methodology reflects a liquidity premium. Examples of these are securities measured using discounted cash flow models based on market observable swap yields, and listed debt or equity securities in a market that is inactive. This category generally includes government and agency mortgage-backed debt securities and corporate debt securities.

Level 3 - Modelled with significant unobservable market inputs

Inputs to Level 3 are unobservable, supported by little or no market activity, and are significant to the fair value of the assets or liabilities. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date (or market information for the inputs to any valuation models). As such, unobservable inputs reflect the assumptions the business unit considers that market participants would use in pricing the asset or liability. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible. Level 3 assets and liabilities generally include certain private equity investments, certain asset-backed securities, highly structured, complex or long-dated derivative contracts, and certain collateralized debt obligations where independent pricing information was not able to be obtained for a significant portion of the underlying assets.

Use of estimates and judgments made by management

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the reporting period in which they are determined. Key estimates are discussed in the following accounting policies and applicable notes.

Key areas where management has made difficult, complex or subjective judgments in the process of applying the Company's accounting policies, often as a result of matters that are inherently uncertain, include:

Impairment	Note 5c
Unpaid claims and adjustment expenses	Note 10
Income taxes	Note 15 and 21

Financial instruments – recognition and measurement

Financial assets are classified as fair value through profit or loss ("FVTPL"), available-for-sale ("AFS"), held to maturity or loans and receivables. Financial liabilities are classified as FVTPL or as other financial liabilities. These classifications are determined based on the characteristics of the financial assets and liabilities, the company's choice and/or the company's intent and ability. As permitted under the IFRS standards, a company has the ability to designate any financial instrument irrevocably, on initial recognition or adoption of the standards, as FVTPL provided certain criteria are met.

The Company's financial assets and liabilities are measured on the statement of financial position at fair value on initial recognition and are subsequently measured at fair value or amortized cost depending on their classification as indicated below.

Transaction costs for FVTPL investments are expensed in the current period, and for all other categories of investments are capitalized and, when applicable, amortized over the expected life of the investment. The Company accounts for the purchase and sale of securities using trade date accounting. Realized gains or losses on disposition are determined on an average cost basis.

The effective interest method is used to calculate amortization/accretion of premiums or discounts on fixed income securities over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the fixed income security, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets at fair value through profit or loss

Financial assets at FVTPL are measured at fair value in the statement of financial position with realized gains and losses and net changes in unrealized gains and losses recorded in net investment income along with dividends and interest earned.

The Company maintains an investment portfolio, referred to as the asset-liability matched ("ALM") portfolio, which is designated as FVTPL. This portfolio is invested with the primary objective of matching the cash inflows from fixed income investment securities with the expected timing and magnitude of future payments of claims and adjustment expenses. The ALM portfolio represents a significant component of the Company's risk management strategy for meeting its claims obligations. The designation of the financial assets in the ALM investment portfolio as FVTPL is intended to significantly reduce the measurement or recognition inconsistency that would otherwise arise from measuring assets, liabilities, and gains and losses under different accounting methods. Interest rate movements cause changes in the values of the investment portfolio and of discounted estimated future claims liabilities. As the changes in values of the matched portfolio and of the discounted estimated future claims liabilities flow through profit or loss, the result is an offset of a significant portion of these changes.

Cash and cash equivalents are also classified as FVTPL. Cash and cash equivalents consist of cash on deposit and short-term investments that mature in three months or less from the date of acquisition. The net gain or loss recognized incorporates any interest earned on the financial asset.

AFS financial assets

Financial assets classified as AFS are measured at fair value in the statement of financial position. Net interest income, including amortization of premiums and the accretion of discounts, are recorded in net investment income in the statement of profit or loss. Dividend income on common and preferred shares is included in investment income on the ex-dividend date. Changes in fair value of AFS fixed income securities resulting from changes to foreign exchange rates are recognized in net investment income as incurred. Changes in the fair value of AFS fixed income securities related to the underlying investment in its issued currency, as well as all elements of fair value changes of AFS equity securities, are recorded to unrealized gains and losses in accumulated other comprehensive income ("AOCI") until disposition or impairment is recognized, at which time the cumulative gain or loss is reclassified to net investment income in profit or loss.

Financial assets in the Company's surplus portfolio (consisting of all investments outside the ALM portfolio), including fixed income securities and equities, are designated as AFS.

Loan and receivables and Other liabilities

The Company has not designated any financial assets as held to maturity. Due from reinsurers, insureds and Law Society of Ontario and Other receivables and Due to reinsurers and insureds are carried at amortized cost using the effective interest rate method. Given the short term nature of these financial assets and liabilities, amortized cost approximates fair value.

Leases

The Company is a lessee under various operating leases relating to premises and equipment. For all leases, except for leases which are short term or of low value, a right-of-use asset and a lease liability are recognized on the statement of financial position. Right-of-use assets are initially measured at cost, which comprises the amount of the initial measurement of the lease liability. Right-of-use assets are subsequently measured at amortized cost. Right-of-use assets are depreciated on a straight-line basis over the lease term. Lease liabilities are measured at the present value of future payments, using the Company's incremental borrowing rates. Interest charge is applied based on the discount rate used in the calculation of the initial lease liability, and increases the value of the lease liability. Amounts paid under the terms of the lease are deducted from the value of the lease liability, representing the reduction in the Company's payment obligations.

Property and equipment

Property and equipment are recorded in the statement of financial position at cost less accumulated amortization. Amortization is charged to operating expense on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and fixtures	5 years
Computer equipment	3 years
Computer software	1 to 3 years
Leasehold improvements	Term of lease
Right-of-use assets	Term of lease

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized immediately in profit or loss.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately or internally developed are carried at cost, less any applicable accumulated amortization and accumulated impairment losses. Once an acquired intangible asset is available for use, amortization is recognized on a straight-line basis over its estimated useful life. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from its use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying cost of the asset, are recognized in profit and loss when the asset is derecognized.

Impairment

Financial Assets

AFS financial assets are tested for impairment on a quarterly basis. Objective evidence of impairment for fixed income securities includes financial difficulty of the issuer, bankruptcy or defaults and delinquency in payments of interest or principal. Objective evidence of impairment for equities includes a significant or prolonged decline in fair value of the equity below cost or changes with adverse effects that have taken place in the technological, market, economic or legal environment in which the issuer operates that indicates the cost of the security may not be recovered. In general, an equity security is considered impaired if the decline in fair value relative to cost has been either at least 25% for a continuous nine-month period or more than 40% at the end of the reporting period, or been in an unrealized loss position for a continuous period of 18 to 24 months.

Where there is objective evidence that an AFS asset is impaired, the loss accumulated in AOCI is reclassified to net investment income. Once an impairment loss is recorded to profit or loss, the loss can only be reversed into income for fixed income securities to the extent a subsequent increase in fair value can be objectively correlated to an event occurring after the loss was recognized. Following impairment loss recognition, further decreases in fair value are recorded as an impairment loss to profit or loss, while a subsequent recovery in fair value for equity securities, and fixed income securities that do not qualify for loss reversal treatment, are recorded to other comprehensive income ("OCI"). Interest continues to be accrued, but at the effective rate of interest based on the fair value at impairment, and dividends of equity securities are recognized in income when the Company's right to receive payment has been established.

Non-Financial Assets

At the end of each reporting period, the Company reviews the carrying amount of its property and equipment, intangible assets and other non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss. If an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of impairment loss is recognized immediately in profit or loss.

Foreign currency translation

The Canadian dollar is the functional and presentation currency of the Company. Transactions in foreign currencies are translated into Canadian dollars at rates of exchange at the time of such transactions. Monetary assets and liabilities are translated at current rates of exchange, with all translation differences recognized in investment income in the current period. If a gain or loss on a non-monetary asset and liability is recognized in OCI, any exchange component of that gain or loss is also recognized in OCI, and conversely, if a gain or loss on a non-monetary asset and liability is recognized in profit or loss, any exchange component of that gain or loss is also recognized in profit or loss.

Premium-related balances

The Company issues two types of professional liability policies: a primary lawyer's errors and omissions policy and an excess policy increasing the insurance coverage limit to a maximum of $9 million per claim/$9 million in the aggregate above the $1 million per claim/$2 million aggregate levels provided by the primary policy; and a title insurance policy. Insurance policies written under the professional liability insurance program are effective on a calendar year basis. Professional liability insurance premium income is earned on a *pro rata* basis over the term of coverage of the underlying insurance policies, which is generally one year, except for policies for retired lawyers, which have terms of up to five years. Title insurance premiums are earned at the inception date of the policies.

Unearned premiums reported on the statement of financial position represent the portion of premiums written that relate to the unexpired risk portion of the policy at the end of the reporting period.

Premiums receivable are recorded in the statement of financial position as amounts due from insureds, net of any required provision for doubtful amounts. Premiums received from insureds in advance of the effective date of the insurance policy are recorded as amounts due to insureds in the statement of financial position.

The Company defers policy acquisition expenses, primarily premium taxes on its written professional liability insurance premiums, to the extent these costs are considered recoverable. These costs are expensed on the same basis that the related premiums are earned. Deferred policy acquisition expenses are not material at year-end, and therefore the Company's policy is to not recognize an asset on the statement of financial position.

Claims liabilities

The Claims liabilities includes an estimate of the cost of projected final settlements of insurance claims incurred on or before the date of the statement of financial position, consisting of case estimates prepared by claims adjusters and a provision for incurred but not reported claims ("IBNR") calculated based on accepted actuarial practice in Canada as required by the Canadian Institute of Actuaries ("CIA"). These estimates include the full amount of all expected expenses, including related investigation, settlement and adjustment expenses, net

of any anticipated salvage and subrogation recoveries. The professional liability insurance policy requires insureds to pay deductibles to the maximum extent of $25,000 on each individual claim, subject to an additional $10,000 for certain claims involving an administrative dismissal. Expected deductible recoveries on paid and unpaid claims are recognized net of any required provision for uncollectible accounts at the same time as the related claims liability.

The Claims liabilities takes into consideration the time value of money using discount rates based on the estimated market value based yield to maturity of the underlying assets backing these liabilities, with reductions for estimated investment-related expense and credit risk. A provision for adverse deviations ("PfAD") is then added to the discounted liabilities, to allow for possible deterioration of experience in claims development, recoverability of reinsurance balances and investment risk, in order to generate the actuarial present value.

These estimates of claims liabilities are subject to uncertainty and are selected from a wide range of possible outcomes. All provisions are periodically reviewed and evaluated in light of emerging claims experience and changing circumstances. The resulting changes in estimates of the ultimate liability are reported as net claims and adjustment expenses in the reporting period in which they are determined.

Reinsurance

In the normal course of business, the Company enters into per claim and excess of loss reinsurance contracts with other insurers in order to limit its net exposure to significant losses. Amounts relating to reinsurance in respect of the premiums and claims-related balances in the statements of financial position and profit or loss are recorded separately. Premiums ceded to reinsurers are presented before deduction of broker commission and any premium-based taxes or duty. Amounts recoverable from reinsurers are estimated and recognized in a manner consistent with the Company's method of determining the underlying claims liabilites covered by the reinsurance contract. Amounts recoverable from reinsurers are assessed for indicators of impairment at the end of each reporting period. An impairment loss is recognized and the amount recoverable from reinsurers is reduced by the amount by which the carrying value exceeds the expected recoverable amount under the impairment analysis.

Ceding commissions, which relate to amounts received from the Company's reinsurers on the placement of its reinsurance contracts, is earned into income on a pro rata basis over the contract period.

Income taxes

Income tax expense is recognized in profit or loss and the statement of profit or loss and other comprehensive income. Current tax is based on taxable income which differs from profit or loss as reported in the statement of profit or loss and statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Current tax includes any adjustments in respect of prior years.

Deferred tax assets are generally recognized for all deductible temporary income tax differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets and liabilities are determined based on the enacted or substantively enacted tax laws and rates that are anticipated to apply in the period of realization. The measurement of deferred tax assets and liabilities utilizes the liability method, reflecting the tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amount of the related assets and liabilities. The carrying amount of the deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Income tax assets and liabilities are offset when the income taxes are levied by the same taxation authority and there is a legally enforceable right to offset current tax assets with current tax liabilities.

Employee benefits

The Company maintains a defined contribution pension plan ("DCPP") for its employees. It also maintains a defined benefit pension plan ("DBPP"), also called a supplemental designated executive plan ("SDEP"), for certain designated employees, which provides benefits in excess of the benefits provided by the Company's DCPP. For the SDEP, the benefit obligation is determined using the projected unit credit method. Actuarial valuations are carried out at the end of each annual reporting period using management's assumptions on items such

as discount rates, expected asset performance, salary growth and retirement ages of employees. The discount rate is determined based on the market yields of high quality, mid-duration corporate fixed income securities.

DCPP expenses are recognized in the reporting period in which services are rendered. Regarding the SDEP, remeasurements comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding net interest cost), is reflected immediately in the statement of profit or loss and other comprehensive income with a charge or credit recognized in OCI in the period in which they occur. Remeasurements recognized in OCI are transferred immediately to retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows: service cost (including current service, past service cost, as well as gains or losses on curtailments and settlements), net interest expense or income, and remeasurements. The Company presents the first two components of defined benefit cost as part of operating expenses in the statement of profit or loss.

The retirement benefit obligation recognized in the statement of financial position represents the actual deficit or surplus in the Company's SDEP. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

3. APPLICATION OF NEW AND REVISED IFRSs RELEVANT TO THE COMPANY

In the current year, the Company has applied the following revised IFRSs issued by the IASB that are mandatorily effective for an accounting period that begins on or after January 1, 2021.

a) Amendments to IAS 1 "*Presentation of Financial Statements*" and IAS 8 "*Accounting Policies, Changes in Accounting Estimates and Errors*"

In October 2018, the IASB issued amendments to IAS 1 and IAS 8 to align the definition of "material" across the standards and to clarify certain aspects of the definition. The objective of this amendment is to improve disclosure effectiveness in the financial statements by improving the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements. The amendments apply prospectively to annual periods beginning on or after January 1, 2020. The adoption of these amendments did not have an impact on the Company's financial statements.

b) Conceptual Framework for Financial Reporting

In March 2018, the IASB issued a comprehensive set of concepts for financial reporting: the revised Conceptual Framework for Financial Reporting ("Conceptual Framework"), which replaces its previous version. The Conceptual Framework assists companies in developing accounting policies when no IFRS standard applies to a particular transaction and it helps stakeholders more broadly to better understand the standards. The revised Conceptual Framework's effective date is January 1, 2020. The adoption of these amendments did not have an impact on the Company's financial statements.

c) Amendments to IFRS 9, 'Financial instruments', IAS 39, 'Financial instruments', and IFRS 7, 'Financial instruments: disclosures' – Interest rate benchmark reform

Following the financial crisis, the replacement of benchmark interest rates such as LIBOR and other interbank offered rates ('IBORs') has become a priority for global regulators. Given this potential impact on financial reporting, the IASB has devised two-phase amendments

- Phase 1: considers reliefs to hedge accounting in the period before the reform, has led to these amendments.
- Phase 2: addresses issues that arise once the existing interest rate is replaced with an alternative interest rate.

The amendments are particularly relevant and provide temporary relief to entities that utilize hedge accounting. The amendments are effective for periods beginning after January 1, 2020. The adoption of these amendments did not have an impact on the Company's financial statements.

4. NEW AND REVISED IFRSs ISSUED BUT NOT YET EFFECTIVE

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

a) IFRS 9 "Financial Instruments"

IFRS 9, issued in November 2009 as part of a three-phase project to replace IAS 39 "*Financial Instruments: Recognition and Measurement*", introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include impairment requirements for financial assets as well as limited amendments to the classification and measurements by introducing fair value through other comprehensive income ("FVOCI") measurement category for certain simple debt instruments.

Pursuant to IFRS 9, all recognized financial assets that are within the scope of IAS 39 are required to be subsequently measured at amortized cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVOCI. All other debt securities, as well as equity securities, are measured at FVTPL. Entities may make an irrevocable election to present subsequent changes in the fair value of an equity security in OCI, with only dividend income generally recognized in profit or loss. In addition, under the fair value option, entities may elect for amortized cost or FVOCI debt securities to be designated as FVTPL.

With regard to the measurement of financial liabilities designated as FVTPL, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is to be recognized in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is recognized in profit or loss.

With regards to debt securities measured at amortized cost or FVOCI, IFRS 9 requires an expected credit loss model for determining impairment, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before impairment losses are recognized. Under IFRS 9, impairment is not considered for equity securities.

IFRS 9 as revised (2014) is effective for annual periods beginning on or after January 1, 2019. In September 2016, the IASB published amendments to IFRS 4 "*Insurance Contracts*", which provides two options for entities that issue insurance contracts: a) recognize in OCI, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is effective (the 'overlay approach') and b) if the entity's activities are predominantly connected with insurance it may exercise a temporary exemption to continue applying IAS 39 instead of IFRS 9 until January 1, 2021 (the 'deferral approach'). The Company qualifies for, and has elected to apply, the deferral option. The Company has concluded that its activities are predominantly connected with insurance, as the amount of its insurance liabilities are significant compared with its total amount of liabilities and the percentage of its liabilities connected with insurance relative to its total amount of liabilities is greater than 90 per cent. The Company anticipates that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Company's financial assets. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Company completes its detailed review.

In November 2018, the IASB tentatively decided that the mandatory effective date of IFRS 17 should be deferred by one year, and consequently, the fixed expiry date for the temporary exemption in IFRS 4 should be amended to annual periods beginning on or after January 1, 2022, subject to public consultation. Further, in their March 2020 meeting the IASB decided to defer the effective date of IFRS 17 another year to January 1, 2023.

b) IFRS 17 "Insurance Contracts"

In May 2017, the IASB published IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 and introduces consistent accounting for all insurance contracts. IFRS 17 provides a general model for the recognition of insurance contracts, as well as a simplified model (premium allocation approach) for short-duration contracts, which will be applicable to most property and casualty insurance contracts. The standard requires a company to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. Additionally, IFRS 17 requires a company to recognize profits as it delivers insurance services.

The main features of the simplified new accounting model for property and casualty insurance contracts are as follows:

- the concept of portfolio, which is a group of contracts covering similar risks and managed together as a single pool. As such, contracts will be grouped for allocation of deferred acquisition costs, the calculation of risk adjustment, the determination of onerous contracts and the application of the discount rate;
- insurance liabilities will be discounted at a rate that reflects the characteristics of the liabilities (as opposed to a rate based on asset returns) and the duration of each portfolio. Entities will record the effect of changes in discount rates either in profit or loss or OCI, according to their accounting policy choice;
- changes in statement of financial position presentation where unearned premiums will correspond to premiums received in advance, while accounts receivable will be constituted of amounts not received when revenue is recognized. In profit or loss, direct premiums written will no longer be presented (only earned premiums). Also, insurance results will be presented without the impact of discounting. Amounts relating to financing and changes in discount rates will be shown separately;
- disclosure: extensive disclosures to provide information on the recognized amounts from insurance contracts and the nature and extent of risks arising from these contracts.

The standard applies to annual periods beginning on or after January 1, 2023, (see note 4a above). Retrospective application is required, but, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach. The Company plans to adopt the new standard on the required effective date together with IFRS 9 (see note 4b above). The Company has been performing a high-level impact assessment of IFRS 17. The Company expects that the new standard will result in significant changes to accounting policies for insurance contract liabilities, but the impact has not yet been determined.

c) Amendments to IAS 1, *"Presentation of financial statements"* – Classification of liabilities as current or non-current Effective date EU adoption status

On 23 January 2020, the IASB issued a narrow-scope amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. The amendment changes the guidance for the classification of liabilities as current or non-current. It could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. The amendments apply retrospectively to annual periods beginning on or after January 1, 2022. The Company is currently assessing the impact of these amendments.

5. INVESTMENTS

a) Summary

The tables below provide details of the cost or amortized cost as well as the fair value of the Company's investments, classified by accounting category and investment type:

	DECEMBER 31, 2021			DECEMBER 31, 2020		
	Cost or amortized cost	Net Unrealized Gain (Loss)	Fair value	Cost or amortized cost	Net Unrealized Gain (Loss)	Fair value
Available-for-sale						
Fixed income securities	$ 174,894	(2,419)	172,475	161,797	1,990	163,787
Common equities (pool funds)	106,644	33,771	140,415	123,714	12,054	135,768
	281,538	31,352	312,890	285,511	14,044	299,555
Designated as FVTPL						
Fixed income securities	392,727	4,305	397,032	385,823	18,289	404,112
Preferred equities	615	(15)	600	615	(264)	351
	393,342	4,290	397,632	386,438	18,025	404,463
Total	**$ 674,880**	**35,642**	**710,522**	**671,949**	**32,069**	**704,018**
Reconciled in aggregate to asset classes as follows:						
Fixed income securities	567,621	1,886	569,507	547,620	20,279	567,899
Equities	107,259	33,756	141,015	124,329	11,790	136,119
Total	**$ 674,880**	**35,642**	**710,522**	**671,949**	**32,069**	**704,018**

As at December 31, 2021, the Company had gross unrealized losses of $2,593,727 (2020: $1,970) and did not hold any impaired securities (2020: nil)

b) Maturity profile of fixed income securities

The maturity profile of fixed income securities and its analysis by type of issuer is as follows:

	DECEMBER 31, 2021			
	Within 1 year	1 to 5 years	Over 5 years	**Total**
Available-for-sale				
Issued or guaranteed by:				
Canadian federal government	$ -	19,100	15,917	**35,017**
Canadian provincial and municipal governments	-	18,427	37,424	**55,851**
Mortgage-backed securities	-	-	686	**686**
Corporate bonds	2,074	38,906	39,941	**80,921**
	$ 2,074	76,433	93,968	**172,475**
Designated as FVTPL				
Issued or guaranteed by:				
Canadian federal government	$ 43,824	45,472	-	**89,296**
Canadian provincial and municipal governments	13,819	68,071	60,570	**142,460**
Mortgage-backed securities	1,056	938	8,353	**10,347**
Corporate bonds	26,704	79,905	48,320	**154,929**
	85,403	194,386	117,243	**397,032**
Fixed income securities	**$ 87,477**	**270,819**	**211,211**	**569,507**
Percent of total	**15%**	**48%**	**37%**	**100%**

	DECEMBER 31, 2020			
	Within 1 year	1 to 5 years	Over 5 years	**Total**
Available-for-sale				
Issued or guaranteed by:				
Canadian federal government	$ 780	4,542	13,296	**18,618**
Canadian provincial and municipal governments	1,081	19,846	41,804	**62,731**
Mortgage-backed securities	-	791	-	**791**
Corporate bonds	1,900	46,053	33,694	**81,647**
	$ 3,761	71,232	88,794	**163,787**
Designated as FVTPL				
Issued or guaranteed by:				
Canadian federal government	$ 39,527	21,870	-	**61,397**
Canadian provincial and municipal governments	11,382	53,109	49,823	**114,314**
Mortgage-backed securities	-	2,820	8,622	**11,442**
Corporate bonds	11,556	108,817	96,586	**216,959**
	62,465	186,616	155,031	**404,112**
Fixed income securities	**$ 66,226**	**257,848**	**243,825**	**567,899**
Percent of total	**12%**	**45%**	**43%**	**100%**

The weighted average duration of fixed income securities as at December 31, 2021 is 3.92 years (December 31, 2020: 4.16 years). The effective yield on fixed income securities as at December 31, 2021 is 2.62% (December 31, 2020: 2.55%).

c) Impairment Analysis

Management performs a quarterly analysis of the Company's AFS investments to determine whether there is objective evidence that the estimated cash flows of the investments have been affected. The analysis includes the following procedures as deemed appropriate by management:

- identifying all security holdings in unrealized loss positions that have existed for a length of time that management believes may impact the recoverability of the investment;
- identifying all security holdings in unrealized loss positions that have an unrealized loss magnitude that management believes may impact the recoverability of the investment;
- reviewing the trading range of certain investments over the preceding calendar period;
- assessing whether any credit losses are expected for those investments. This assessment includes consideration of, among other things, all available information and factors having a bearing upon collectability such as changes to credit rating by rating agencies, financial condition of the issuer, expected cash flows and value of any underlying collateral;
- assessing whether declines in fair value for any fixed income securities represent objective evidence of impairment based on their investment grade credit ratings from third party security rating agencies;
- assessing whether declines in fair value for any fixed income securities with non-investment grade credit rating represent objective evidence of impairment based on the history of its debt service record; and
- obtaining a valuation analysis from third party investment managers regarding the intrinsic value of these holdings based on their knowledge, experience and other market based valuation techniques.

The movements in cumulative impairment write-downs on AFS investments (in OCI, pre-tax) for the years ended December 31 were as follows:

	2021	2020
Balance, as at January 1	$ -	11,122
Increase for the year charged to profit or loss	-	14,386
Release upon disposition	-	(25,508)
Balance, as at December 31	**$ -**	**-**

d) Net investment income

Net investment income arising from investments designated as FVTPL and classified as AFS are recorded in profit or loss for the year ended December 31 is as follows:

	2021			2020		
	Designated as FVTPL	Available-for-sale	**Total**	Designated as FVTPL	Available-for-sale	**Total**
Interest and dividends	$ 9,652	4,442	**14,094**	11,339	6,964	**18,303**
Net realized gains (losses)	2,150	7,857	**10,007**	1,879	14,171	**16,050**
Change in net unrealized gains (losses)	(13,735)	(1)	**(13,736)**	12,967	4	**12,971**
	(1,933)	12,298	**10,365**	26,185	21,139	**47,324**
Less: Investment expenses	(352)	(1,017)	**(1,369)**	(363)	(799)	**(1,162)**
Net investment income	**$ (2,285)**	**11,281**	**8,996**	**25,822**	**20,340**	**46,162**

6. FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS

The following tables present the Company's financial assets measured at fair value.

AS AT DECEMBER 31, 2021	CARRYING AMOUNT			FAIR VALUE			
	Designated at fair value	Available-for-sale	**Total**	Level 1	Level 2	Level 3	**Total**
Financial assets measured at fair value							
Cash and cash equivalents	$ 24,473	-	**24,473**	24,473	-	-	**24,473**
Fixed income securities	397,032	172,475	**569,507**	312,916	256,591	-	**569,507**
Common equities (pool funds)	-	140,415	**140,415**	140,415	-	-	**140,415**
Preferred equities	600	-	**600**	-	600	-	**600**
	$ 422,105	312,890	**734,995**	477,804	257,191	-	**734,995**

AS AT DECEMBER 31, 2020	CARRYING AMOUNT			FAIR VALUE			
	Designated at fair value	Available-for-sale	**Total**	Level 1	Level 2	Level 3	**Total**
Financial assets measured at fair value							
Cash and cash equivalents	$ 7,748	-	**7,748**	7,748	-	-	**7,748**
Fixed income securities	404,112	163,787	**567,899**	245,055	322,844	-	**567,899**
Common equities (pool funds)	-	135,768	**135,768**	135,768	-	-	**135,768**
Preferred equities	351	-	**351**	-	351	-	**351**
	$ 412,211	299,555	**711,766**	388,571	323,195	-	**711,766**

There were no transfers between any levels during the year ended December 31, 2021 (2020: none)

7. PROPERTY AND EQUIPMENT

During the years ending December 31, details of the movement in the carrying values by class of property and equipment are as follows:

	Furniture and fixtures	Computer equipment	Computer software	Leasehold improvements	Right-of-use assets	**Total**
January 1, 2020	**$** 497	194	93	630	10,486	**11,900**
Additions	10	642	223	-	-	**875**
Amortization	(158)	(181)	(92)	(75)	(579)	**(1,085)**
December 31, 2020	349	655	224	555	9,907	**11,690**
Additions	11	61	(4)	-	-	**68**
Amortization	(160)	(210)	(98)	(75)	(578)	**(1,121)**
December 31, 2021	**$ 200**	**506**	**122**	**480**	**9,329**	**10,637**

Details of the cost and accumulated amortization of property and equipment are as follows:

	DECEMBER 31, 2021			DECEMBER 31, 2020		
	Cost	Accumulated amortization	Carrying value	Cost	Accumulated amortization	Carrying value
Furniture and fixtures	$ 2,216	(2,016)	200	2,205	(1,856)	349
Computer equipment	3,615	(3,109)	506	3,554	(2,899)	655
Computer software	1,291	(1,169)	122	1,295	(1,071)	224
Leasehold improvements	4,403	(3,923)	480	4,403	(3,848)	555
Right-of-use assets	11,065	(1,736)	9,329	11,065	(1,158)	9,907
Total	**$ 22,590**	**(11,953)**	**10,637**	**22,522**	**(10,832)**	**11,690**

The right-of-use assets above is the office premises and equipment leases, which were recognized on January 1, 2019 as per IFRS 16.

The Company has a lease agreement for premises at 250 Yonge Street, commencing June 1, 2018 and expiring on May 31, 2028. The Company has an option to extend the lease period for two additional terms of five years each under the current general terms and conditions. The above capitalized amount takes into account 10 years of extension.

8. INTANGIBLE ASSET

The Company's intangible asset consists of a license and internally developed new platform for the TitlePLUS product. The license associated software became available for use during 2015, and as a result, has been amortized over its expected useful life of 68 months, which ended December 31, 2020. The Company also started the capitalization of development cost related to a new TitlePLUS platform from January 1, 2019. During the years ending December 31, details of the movement in the carrying values are as follows:

	2021	2020
Cost		
Balance, beginning of year	$ 2,249	1,472
Software in development not yet in use	1,107	777
Balance, end of year	$ 3,356	2,249
Accumulated amortization and impairment		
Balance, beginning of year	$ (1,243)	(1,023)
Amortization expense	(207)	(220)
Balance, end of year	(1,450)	(1,243)
Carrying amount	**$ 1,906**	**1,006**

9. CLAIM LIABILITIES AND LEASE LIABILITIES

Provisions and other liabilities are comprised of the following:

		2021	2020
Claims Liabilities			
Expected to be settled in less than one year	$	107,454	105,362
Expected to be settled in more than one year		410,142	406,793
Total	**$**	**517,596**	**512,155**
Lease Liabilities			
Expected to be settled in less than one year		421	405
Expected to be settled in more than one year	$	9,437	9,858
Total	**$**	**9,858**	**10,263**

10. CLAIMS LIABILITIES

a) Nature of claims liabilities

The determination of the claims liabilities is a complex process based on known facts, interpretations and judgment and is influenced by a variety of factors. These factors include the Company's own experience with similar cases and historical trends involving claim payment patterns, loss payments, pending levels of unpaid claims and adjustment expenses, product mix and concentration, claims severity and claim frequency patterns.

Other factors include the continually evolving and changing regulatory and legal environment, actuarial studies, professional experience and expertise of the Company's claim departments' personnel and independent adjusters retained to handle individual claims, the quality of the data used for projection purposes, existing claims management practices including claims handling and settlement practices, the effect of inflationary trends on future claims settlement costs, investment rates of return, court decisions and economic conditions. In addition, time can be a critical part of the provision determination, since the longer the span between the incidence of a loss and the settlement of the claim, the more potential for variation in the ultimate settlement amount. Accordingly, short-tailed claims, such as property claims, tend to be more reasonably predictable than long-tailed claims, such as professional liability and title claims.

The process of establishing the provision relies on the judgment and opinions of a number of individuals, on historical precedents and trends, on prevailing legal, economic, social and regulatory trends and on expectations as to future developments. The provision reflects expectations of the ultimate cost of resolution and administration of claims based on an assessment of facts and circumstances then known, together with a review of historical settlement patterns, estimates of trends in claims severity and frequency, legal theories of liability and other factors.

Consequently, the measurement of the ultimate settlement costs of claims to date that underlies the claims liabilities, and any related recoveries for reinsurance and deductibles, involves estimates and measurement uncertainty. The amounts are based on estimates of future trends in claim severity and other factors which could vary as claims are settled. Variability can be caused by several factors including the emergence of additional information on claims, changes in judicial interpretation, significant changes in severity or frequency of claims from historical trends, and inclusion of exposures not contemplated at the time of policy inception. Ultimate costs incurred could vary from current estimates. Although it is not possible to measure the degree of variability inherent in such estimates, management believes that the methods of estimation that have been used will produce reasonable results given the current information.

b) Methodologies and assumptions

The best estimates of claims payments and adjustment expenses are determined based on one or more of the following actuarial methods: the chain ladder method, the paid frequency and severity method, the expected loss ratio method, and the Borheutter Ferguson method. Considerations in the choice of methods to estimate ultimate claims include, among other factors, the line of business, the number of years of experience and the relative maturity of the experience, and as such, reflect methods for lines of business with long settlement patterns and which are subject to the occurrence of large claims.

Each method involves tracking claims data either by "accident year", which is the year in which such claims are made for the Company's professional liability policies, or by "policy year", the year in which such policies were written for its title policies. Claims paid and reported, gross and net of reinsurance recoveries and net of salvage and subrogation, are tracked by lines of business, accident/policy years and development periods in a format known as claims development triangles.

A description of each of these methods is as follows:

i. Chain ladder method

The distinguishing characteristic of this form of development method is that ultimate claims for each policy year are projected from recorded values assuming the future claim development is similar to the prior years' development.

ii. Paid frequency and severity ("PFS") method

The PFS method assumes that, for each identified homogenous claims type group, claims count reported to date will develop to ultimate in a similar manner to historical patterns, and settle at predictable average severity amounts. This method involves applying the developed estimated ultimate claims count to selected estimated ultimate average claim severities.

iii. Expected loss ratio method

Using the expected loss ratio method, ultimate claims projections are based upon *a priori* measures of the anticipated claims. An expected loss ratio is applied to the measure of exposure to determine estimated ultimate claims for each year. This method is commonly used in lines of business with a limited experience history.

iv. Bornheutter-Ferguson ("BF") method

The BF method applied to reported loss data relies on the assumption that remaining unreported losses are a function of total expected losses rather than a function of currently reported losses. The BF method is most useful when the actual reported losses do not provide a good indicator of future losses (e.g. for immature and/or unstable accident years).

Claims data includes external claims adjustment expenses (Allocated Loss Adjustment Expenses or ALAE), and for a portion of the portfolio includes internal claims adjustment expenses (Unallocated Loss Adjustment Expenses or ULAE). A provision for ULAE has been determined based on the Mango-Allen claim staffing technique, a transaction-based method which utilizes expected future claims handler workload per claim per handler, claims closure rates and ultimate claims count.

The claims liabilities are discounted using an interest rate based on the estimated market value based yield to maturity, inherent credit risk and related investment expense of the Company's fixed income securities supporting the claims liabilities as at December 31, 2021, which was 1.77% (December 31, 2020: 1.26%). Reinsurance recoverable estimates and claims recoverable from other insurers are discounted in a manner consistent with the method used to establish the related liability. The provision for adverse development has been selected based on the risk associated with development and within the prescribed CIA guidelines.

As the claims liabilities are recorded on a discounted basis and reflect the time value of money, its carrying value is expected to provide a reasonable basis for the determination of fair value. However, determination of fair value also requires the practical context of a buyer and seller, both of whom are willing and able to enter into an arm's length transaction. In the absence of such a practical context, the fair value is not readily determinable.

The following table shows claims liabilities on an undiscounted basis and a discounted basis:

	DECEMBER 31, 2021		DECEMBER 31, 2020	
	Undiscounted	Discounted	Undiscounted	Discounted
Claims Liabilities	$ 480,785	517,596	467,269	512,155
Recoverable from reinsurers	(46,737)	(49,583)	(46,451)	(50,189)
Net	**$ 434,048**	**468,013**	**420,818**	**461,966**

Details of the claims liabilities, by line of business, are summarized as follows:

	DECEMBER 31, 2021			DECEMBER 31, 2020		
	Gross	Ceded	**Net**	Gross	Ceded	**Net**
Professional liability	$ 499,188	(49,557)	**449,631**	493,003	(50,157)	**442,846**
Title	18,408	(26)	**18,382**	19,152	(32)	**19,120**
Total	**$ 517,596**	**(49,583)**	**468,013**	**512,155**	**(50,189)**	**461,966**

The claims liabilities by case reserves and IBNR are as follows:

	DECEMBER 31, 2021			DECEMBER 31, 2020		
	Gross	Ceded	**Net**	Gross	Ceded	**Net**
Case reserves	$ 356,125	(5,032)	**351,093**	352,335	(4,161)	**348,174**
IBNR	161,471	(44,551)	**116,920**	159,820	(46,028)	**113,792**
Total	**$ 517,596**	**(49,583)**	**468,013**	**512,155**	**(50,189)**	**461,966**

An evaluation of the adequacy of claims liabilities is completed at the end of each financial quarter. This evaluation includes a re-estimation of the claims liabilities compared to the liability that was originally established. As adjustments to estimated claims liabilities become necessary, they are reflected in current operations.

c) Changes in methodologies or basis of selection of assumptions

The methods used to compute the claim liabilities are unchanged from those used in the previous actuarial valuation. The assumptions employed in the actuarial valuation process were struck in a similar manner to those used in the previous valuation and were selected after giving consideration to the experience that emerged to the end of 2021.

Details of the claims and adjustment expenses for the year ended December 31 are as follows:

	2021			2020		
	Gross	Ceded	**Net**	Gross	Ceded	**Net**
Claims & external adjustment expenses paid	$ 84,267	8	**84,259**	75,727	1,160	**74,567**
Change in case reserves	9,175	914	**8,261**	6,537	183	**6,354**
Change in IBNR	1,993	(606)	**2,599**	3,630	2,937	**693**
Discount expense	(8,074)	(891)	**(7,183)**	9,426	772	**8,654**
ULAE paid	11,217	-	**11,217**	9,716	-	**9,716**
Change in provision for ULAE	$ 2,347	-	**2,347**	917	-	**917**
Total	**$ 100,925**	**(575)**	**101,500**	**105,953**	**5,052**	**100,901**

Changes in the claims liabilities recorded in the statement of financial position during the year is comprised of the following:

	2021	2020
Claims Liabilities – January 1 – net	$ 461,966	445,347
Change in net Claims Liabilities:		
Prior years' incurred claims	(8,643)	(11,634)
Current year's incurred claims	117,326	103,880
Net claims liabilities paid in relation to:		
Prior years	(79,809)	(71,783)
Current year	(15,644)	(12,499)
Impact of discounting	$ (7,183)	8,655
Provision for Claims Liabilities – December 31 – net	468,013	461,966
Reinsurers' share of Claims Liabilities	$ 49,583	50,189
Provision for Claims Liabilities– December 31 – gross	**$ 517,596**	**512,155**

d) Loss development tables

The tables on the following pages show the development of claims, excluding ULAE, by policy year over a period of time. The first table reflects development for gross claims, which excludes any reductions for reinsurance recoverables. The second table reflects development for net claims, which is gross claims less reinsurance recoverables. The top triangle in each table shows how the estimates of total claims for each policy year develop over time as more information becomes known regarding individual claims and overall claims frequency and severity. Claims are presented on an undiscounted basis in the top triangle. The bottom triangle in each table presents the cumulative amounts paid for claims and external loss adjustment expenses for each policy year at the end of each successive year. At the bottom of each table, the provision for ULAE as well as the effect of discounting and the PfAD, as at December 31, 2021, is presented based on the net amounts of the two triangles.

Before the effect of reinsurance, the loss development table is as follows:

LAWPRO as at December 31, 2021 – Gross Basis

		POLICY YEAR										
	All Prior Years	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	**Total**
Estimate of Ultimate Claims												
At end of Policy year	$	110,380	102,937	103,962	106,879	113,990	112,943	109,102	112,533	96,552	107,803	
One Year Later		93,630	95,423	92,844	96,377	107,475	100,803	93,763	105,152	92,501		
Two Years Later		90,749	91,649	87,845	91,393	99,401	97,582	95,653	106,825			
Three Years Later		88,237	89,307	88,634	95,395	97,735	96,340	94,937				
Four Years Later		84,248	88,060	84,889	92,689	95,765	93,853					
Five Years Later		86,065	85,900	81,410	90,670	95,742						
Six Years Later		75,850	83,205	81,121	90,276							
Seven Years Later		75,276	82,179	80,577								
Eight Years Later		75,351	81,271									
Nine Years Later		75,559										
Cumulative Claims Paid												
At end of Policy year		(4,744)	(4,167)	(5,516)	(5,896)	(7,299)	(6,969)	(8,043)	(8,233)	(7,632)	(9,712)	
One Year Later		(15,743)	(18,406)	(18,123)	(19,993)	(21,104)	(22,535)	(21,020)	(25,783)	(21,182)		
Two Years Later		(26,124)	(30,668)	(30,339)	(30,943)	(35,102)	(33,687)	(32,348)	(41,616)			
Three Years Later		(36,429)	(41,705)	(40,880)	(42,433)	(45,204)	(41,954)	(43,269)				
Four Years Later		(46,319)	(50,229)	(45,911)	(54,319)	(55,156)	(51,263)					
Five Years Later		(54,637)	(56,457)	(51,069)	(59,854)	(61,265)						
Six Years Later		(61,579)	(62,188)	(55,520)	(65,522)							
Seven Years Later		(64,018)	(65,879)	(59,455)								
Eight Years Later		(64,990)	(69,466)									
Nine Years Later		(67,285)										
Estimate of Ultimate Claims		75,559	81,271	80,577	90,276	95,742	93,853	94,937	106,825	92,501	107,803	
Cumulative Claims Paid		(67,285)	(69,466)	(59,455)	(65,522)	(61,265)	(51,263)	(43,269)	(41,616)	(21,182)	(9,712)	
Undiscounted Claims Liabilities	29,256	8,274	11,805	21,122	24,754	34,477	42,590	51,668	65,209	71,319	98,091	**458,565**
Provision for IAE	246	159	337	507	687	1,008	1,562	2,189	3,388	4,192	7,945	**22,220**
Discounting (including PfAD)	2,361	583	843	1,538	1,965	2,762	3,359	3,960	4,780	5,000	9,660	**36,811**
Present Value recognized in the Statement of Financial Position	$ 31,863	9,016	12,985	23,167	27,406	38,247	47,511	57,817	73,377	80,511	115,696	**517,596**

After the effect of reinsurance, the loss development table is as follows:

LAWPRO as at December 31, 2021 – Net Basis

		POLICY YEAR										
	All Prior Years	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	**Total**
Estimate of Ultimate Claims												
At end of Policy year	$	106,381	98,696	99,579	102,534	109,643	108,683	104,752	108,190	92,253	103,449	
One Year Later		89,631	91,183	88,460	92,032	103,128	96,542	89,413	100,810	88,202		
Two Years Later		86,750	87,409	83,462	87,047	95,054	93,322	91,303	102,482			
Three Years Later		84,238	85,066	84,251	91,049	93,388	92,079	90,587				
Four Years Later		80,249	83,819	80,506	88,344	91,419	89,592					
Five Years Later		82,066	81,660	77,027	86,324	91,395						
Six Years Later		71,851	78,964	76,737	85,931							
Seven Years Later		71,277	77,938	76,194								
Eight Years Later		71,352	77,030									
Nine Years Later		71,560										
Cumulative Claims Paid												
At end of Policy year		(4,744)	(4,167)	(5,516)	(5,896)	(7,299)	(6,969)	(8,043)	(8,233)	(7,632)	(9,712)	
One Year Later		(15,741)	(18,406)	(18,123)	(19,993)	(21,104)	(22,535)	(21,020)	(25,783)	(21,182)		
Two Years Later		(26,122)	(30,668)	(30,339)	(30,943)	(35,002)	(33,687)	(32,348)	(41,447)			
Three Years Later		(36,421)	(41,705)	(40,880)	(42,433)	(45,105)	(41,954)	(43,269)				
Four Years Later		(46,312)	(50,229)	(45,911)	(54,319)	(53,954)	(51,263)					
Five Years Later		(54,628)	(56,449)	(51,069)	(59,854)	(60,139)						
Six Years Later		(59,086)	(62,180)	(55,520)	(65,522)							
Seven Years Later		(62,575)	(65,871)	(59,455)								
Eight Years Later		(63,548)	(69,458)									
Nine Years Later		(65,842)										
Estimate of Ultimate Claims		71,560	77,030	76,194	85,931	91,395	89,592	90,587	102,482	88,202	103,449	
Cumulative Claims Paid		(65,842)	(69,458)	(59,455)	(65,522)	(60,139)	(51,263)	(43,269)	(41,447)	(21,182)	(9,712)	
Undiscounted Claims Liabilities	22,695	5,718	7,572	16,739	20,409	31,256	38,329	47,318	61,035	67,020	93,737	**411,828**
Provision for IAE	246	159	337	507	687	1,008	1,562	2,189	3,388	4,192	7,945	**22,220**
Discounting (including PfAD)	1,941	442	609	1,286	1,690	2,556	3,093	3,700	4,547	4,775	9,326	**33,965**
Present Value recognized in the Statement of Financial Position	$ 24,882	6,319	8,518	18,532	22,786	34,820	42,984	53,207	68,970	75,987	111,008	**468,013**

11. UNEARNED PREMIUMS

The following changes have occurred in the provision for unearned premiums during the years ended December 31:

		2021	2020
Balance, as at January 1	$	1,130	1,100
Net premiums written during the year		121,772	106,841
Less: Net premiums earned during the year		(121,635)	(106,811)
Increase (decrease) in unearned premiums		137	30
Balance, as at December 31	**$**	**1,267**	**1,130**

The estimates for unearned premium liabilities have been actuarially tested to ensure that they are sufficient to pay for future claims and expenses in servicing the unexpired policies as of the valuation dates.

12. REINSURANCE

The Company's reinsurance program consists of a 90% quota share cession on its excess professional liability policies (2020: 90%), and a $10 million in excess of $5 million per occurrence clash reinsurance arrangement which provides protection for single events that bring about multiple professional liability and/or title claims with an additional $20 million in excess of $15 million per occurrence. Reinsurance does not relieve the Company of its primary liability as the originating insurer. In the event that a reinsurer is unable to meet obligations assumed under reinsurance agreements, the Company is liable for such amounts. Reinsurance treaties typically renew annually and the terms and conditions are reviewed by senior management and reported to the Company's Board of Directors. Reinsurance agreements are negotiated with reinsurance companies that have an independent credit rating of "A-" or better and that the Company considers creditworthy. Based on current information on the financial health of the reinsurers, no provision for doubtful debts has been made in the financial statements in respect of reinsurers.

13. RELATED PARTY TRANSACTIONS

Pursuant to a service agreement effective January 1, 1995, and as amended effective September 30, 2009, the Company administers the Errors and Omissions Insurance Fund (the "Fund") of the Law Society and provides all services directly related to the operations and general administration of the Fund in consideration for the Law Society insuring its mandatory professional liability insurance program with the Company.

The insurance policy under the mandatory professional liability insurance program of the Law Society is written by the Company and is effective on a calendar year basis. The insurance policy is renewed effective January 1 each year subject to the Law Society's acceptance of the terms of renewal submitted by the Company. The annual policy limits for each of the years effective January 1, 1995 to December 31, 2019 are $1 million per claim and $2 million in aggregate per member. Under the insurance policy that was in force between July 1, 1990 and December 31, 1994, the Company was responsible for claims in excess of the Law Society and member deductibles. The claims liabilities is net of amounts relating to policies for years prior to 1995 that are payable by the Law Society.

For the year ended December 31, 2021, $113,715,505 of the gross premiums written related to mandatory insurance coverage provided to the Law Society and its members (2020: $101,819,906). As at December 31, 2021, the Company had a balance due from the Law Society of $6,907,841 (December 31, 2020: $7,935,624 due from Law Society).

The total compensation to Company personnel classified as key management, being those having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including directors of the Company, is as follows:

		2021	2020
Short-term compensation and benefits	$	3,823	3,560
Post employment benefits		594	465
	$	**4,417**	**4,025**

The Law Society offers a wellness program to their members, the Company shares a portion of this cost in order to make the program available to their insureds. The amounts expensed are included in operating expenses under professional fees (see note 16).

14. EMPLOYEE BENEFITS

The Company has a DCPP which is available to all its employees upon meeting the eligibility requirements. Each employee is required to contribute 4.5% of yearly maximum pensionable earnings, and 6% in excess thereof, of an employee's annual base earnings. Under the plan, the Company matches all employee contributions. In 2021, the Company made payments of $834,235 (2020: $809,639) and recorded pension expense of $903,743 (2020: $853,985).

The Company also has a SDEP or DBPP, which provides pension benefits on a final salary or fixed schedule basis, depending on certain criteria. Measurements and funding requirements of this plan are based on valuations prepared by an external actuary. For reporting purposes the plan is measured using the projected unit credit method, which involves calculating the actuarial present value of the past service liability to members including an allowance for their projected future earnings. Funding requirements for the plan are determined using the solvency method, which utilizes the estimated cost of securing each member's benefits with an insurance company or alternative buy-out provider as at the valuation date. The valuation methods are based on a number of assumptions, which vary according to economic conditions, including prevailing market interest rates, and changes in these assumptions can significantly affect the measurement of the pension obligations.

Funding for the supplemental plan commenced in 2005, with $916,910 in contributions made in 2021 (2020: $818,906) and recorded pension expenses of $437,294 in 2021 (2020: $343,264). Funding requirements are reviewed annually with an actuarial valuation for funding purposes effective as at December 31. As the Company's DBPP qualifies as a "retirement compensation arrangement" pursuant to the *Income Tax Act*, half of any required annual contribution to the plan is remitted to the Canada Revenue Agency, held in a refundable tax account and refunded in prescribed amounts as actual benefit payments are made to the participants. The most recent actuarial valuation for funding purposes was performed effective December 31, 2021. Management's preliminary estimate is that there are no required contributions to the plan during the year ending December 31, 2022.

The assets of both pension plans are held separately from those of the Company in funds under the control of trustees.

The DBPP exposes the Company to risks such as: investment risk, interest rate risk, longevity risk and salary risk.

Investment risk — The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality mid-duration corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity and fixed income securities. Due to the long-term nature of the plan liabilities, the Company considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities to leverage the return generated by the fund.

Interest rate risk — A decrease in the market interest rate will increase the plan obligation; however, this will be partially offset by an increase in the return of the plan's fixed income securities.

Longevity risk — The present value of the defined benefit plan obligation is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's obligation.

Salary risk — The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's obligation.

The following represents the assets and liabilities associated with pension benefits measured using values as at December 31:

DBPP obligation

		2021	2020
Accrued benefit obligation			
Balance, as at January 1	$	10,565	9,613
Current service cost		461	383
Interest cost		264	298
Remeasurement (gains) losses:			
Actuarial (gains) losses - financial assumptions		(733)	789
Actuarial (gains) losses - experience adjustments		(19)	(38)
Benefits paid		(480)	(480)
Balance, as at December 31	**$**	**10,058**	**10,565**

DBPP assets

		2021	2020
Plan assets			
Fair value, as at January 1	$	11,449	10,735
Interest income on plan assets		289	336
Remeasurement gains (losses):			
Return on plan assets greater (less) than discount rate		1,040	39
Benefits paid		(480)	(480)
Employer contribution		917	819
Fair value, as at December 31	**$**	**13,215**	**11,449**

The DBPP assets arise primarily from employer contributions that are originally allocated equally between deposits with the Government of Canada and investments in the units of a balanced pooled fund. The fair values of the above equity and fixed income securities are derived based on quoted market prices in active markets. The plan assets contain the following financial instrument allocation:

	DECEMBER 31, 2021	DECEMBER 31, 2020
Equity securities	36.4%	32.1%
Fixed income securities	18.2%	18.5%
Cash and cash equivalents	0.5%	0.3%
Refundable-tax account	44.9%	49.1%
	100%	**100%**

Reconciliation of funded status surplus of the benefit plans to the amounts recorded in other assets in the financial statements is as follows:

	DECEMBER 31, 2021	DECEMBER 31, 2020
Fair value of plan assets	$ 13,215	11,449
Accrued benefit obligation	(10,058)	(10,564)
Accrued benefit asset	**$ 3,157**	**885**

The accrued benefit asset is included in other assets in the statement of financial position.

DBPP expense

	2021	2020
Service cost:		
Current service cost	$ 461	383
Net interest (income) expense	(24)	(40)
Components of defined benefit costs recognized in profit or loss	**$ 437**	**343**
Remeasurement on the net defined benefit liability:		
Actuarial (gain) loss due to liability experience	$ (19)	(38)
Actuarial (gain) loss due to liability assumption changes	(733)	789
Actuarial (gain) loss arising during year	(752)	751
Return on plan assets (greater) less than discount rate	(1,040)	(39)
Components of defined benefit costs recognized in OCI	**(1,792)**	**712**

The significant assumptions used by the Company for year-end measurement purposes are as follows:

	2021	2020
Discount rate	3.00%	2.45%
Rate of compensation increase	3.50% starting in 2022	4.50% starting in 2021
Mortality	CPM 2014 Priv mortality table generational mortality improvements following Scale MI-2017; pension size adjustment factors of 0.83 for males and 0.88 for females	CPM 2014 Priv mortality table with generational mortality improvements following Scale MI-2017; pension size adjustment factors of 0.83 for males and 0.88 for females

The sensitivity of the key assumption, namely discount rate, assuming all other assumptions remain constant, is as follows: as at December 31, 2021, if the discount rate was 1.0% higher / (lower) the defined benefit obligation would increase by $1,390,980 (decrease by $1,150,346). Note that the sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumption would occur in isolation of one or other changes as some of the assumptions may be correlated.

The expected maturity profile of the DBPP obligation as at December 31, 2021 is as follows:

		2022	2023	2024	2025	2026	Thereafter
Expected benefit payments	$	480	480	479	479	478	3,280

The DBPP obligation as at December 31, 2021 by participant category is as follows:

Active participants	1,581
Pensioners	8,477

15. INCOME TAXES

a) Income tax expense recognized in profit or loss

The total income tax expense recognized in profit or loss is comprised as follows:

		2021	2020
Current income tax			
(Recovered) expensed during the year	$	232	6,959
Prior year adjustments		15	8
Total current income tax expense		**247**	**6,967**
Deferred income tax			
Origination and reversal of temporary differences		86	13
Total deferred income tax expense		86	13
Total income tax expense (recovery)	**$**	**333**	**6,980**

Deferred income tax expense (recovery) recognized in profit or loss represents movements on the following items:

		2021	2020
Claims liabilities and unearned premiums	$	(108)	(220)
Investments		(39)	(39)
Pensions		154	124
Property and equipment		79	148
	$	**86**	**13**

b) Income tax expense recognized in the statement of profit or loss and comprehensive income

The total income tax expense recognized in OCI is comprised as follows:

		2021	2020
Current income tax			
Unrealized investment gains and losses on available-for-sale portfolio	$	4,584	(8,010)
Total current income tax expense		**4,584**	**(8,010)**
Deferred income tax			
Pensions		475	(189)
Total deferred income tax expense (recovery)		**475**	**(189)**
Total income tax expense (recovery) in OCI	**$**	**5,059**	**(8,199)**

c) Income tax reconciliation

The following is a reconciliation of income taxes, calculated at the statutory income tax rate, to the income tax provision included in profit or loss.

		2021	2020
Profit or loss before income taxes	$	2,514	27,990
Statutory income tax rate		26.50%	26.50%
Provision for (recovery of) income taxes at statutory rates		666	7,417
Increase (decrease) resulting from:			
Investments		(310)	(452)
Non-deductible meals and entertainment		4	7
Other non-deductible items		(27)	8
Provision for (recovery of) income taxes	**$**	**333**	**6,980**

The statutory rate applicable to the Company at December 31, 2021 is same as at December 31, 2020.

During the year, the Company made income tax payments of $601,984 (2020: $3,001,784) and received income tax refunds of $295,116 (2020: nil) from the various taxing authorities.

d) Net deferred income tax asset

The Company's net deferred income tax asset is the result of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The sources of these temporary differences and the tax effects are as follows:

	DECEMBER 31, 2021	DECEMBER 31, 2020
Deferred tax assets		
Claims liabilities and unearned premiums	$ 6,229	6,121
Property and equipment & other	164	186
	6,393	6,307
Deferred income tax liabilities		
Investments	(159)	(198)
Property and equipment & pension	(837)	(151)
	(996)	(349)
Total net deferred tax assets	**$ 5,397**	**5,958**
Within one year	1,425	1,380
Greater than one year	4,968	4,927
	6,393	6,307
Deferred income tax liabilities		
Within one year	(39)	(39)
Greater than one year	(957)	(310)
	(996)	**(349)**
Total net deferred tax assets	**$ 5,397**	**5,958**

The Company believes that, based on available information, it is probable that the deferred income tax assets will be realized through a combination of future reversals of temporary differences and taxable income.

16. OPERATING EXPENSES

The following table summarizes the Company's operating expenses by nature:

		2021	2020
Salaries and benefits	$	13,742	13,398
Professional fees		2,908	1,770
Information systems		2,486	1,989
Financial Processing Fees		1,235	881
Occupancy lease		1,099	1,138
Directors remuneration		1,021	939
Amortization of property and equipment		826	808
Office and administrative expenses		339	460
Communication		230	355
Total	**$**	**23,886**	**21,738**

Included in salaries and benefits are amounts for future employee benefits under a defined contribution plan of $834,235 (2020: $809,639) and a supplementary defined benefit plan of $437,294 (2020: $343,264).

17. CAPITAL STOCK AND CONTRIBUTED SURPLUS

Capital stock of the Company represents:

30,000 Common Shares of par value of $100 each - authorized, issued and paid.

20,000 6% non-cumulative, redeemable, non-voting Preferred Shares of par value of $100 each - authorized, issued and paid.

The Preferred Shares meet the definition of equity in accordance with the criteria outlined in IAS 32 "*Financial Instruments: Presentation*".

Contributed surplus represents additional capitalization funding provided by the Law Society.

18. STATUTORY INSURANCE INFORMATION

The Company does not hold any security for amounts recoverable from unregistered reinsurers of $135,512 (2020: $65,061).

19. CAPITAL MANAGEMENT

Capital is comprised of the Company's equity. As at December 31, 2021 the Company's equity was $285,780,626 (December 31, 2020: $269,569,898). The Company's objectives when managing capital are to maintain financial strength and protect its claims paying abilities, to maintain creditworthiness and to provide a reasonable return to the shareholder over the long term. In conjunction with the Company's Board of Directors and its Audit Committee, senior management develops the capital strategy and oversees the capital management processes of the Company. Capital is managed using both regulatory capital measures and internal metrics.

FSRA, the Company's primary insurance regulator, along with other provincial insurance regulators, regulate the capital required in the Company using two key measures, i.e., Minimum Capital Test ("MCT") and the Financial Condition Testing ("FCT"). FSRA mandates the MCT guideline which sets out 100% as the minimum and 150% as the supervisory target for P&C insurance companies. To ensure that it attains its objectives, the Company has established an internal target of 170% (2020: 170%) in excess of which, under normal circumstances, the Company will maintain its capital. During the year ended December 31, 2021, the Company complied with the various provincial regulators' guidelines and as at December 31, 2021, the Company has a MCT ratio of 241% (December 31, 2020: 229%). Annually, the Company's Appointed Actuary prepares a FCT on the MCT to ensure that the Company has adequate capital to withstand significant adverse event scenarios. These scenarios are reviewed each year to ensure appropriate risks are included in the testing process. The Appointed Actuary must present both an annual report and the FCT report to management and the Audit Committee. The FCT report prepared during the year indicated that the Company's capital position is satisfactory. In addition, the target, actual and forecasted capital position of the Company is subject to ongoing monitoring by management using stress and scenario analysis to ensure its adequacy.

The Company may use reinsurance to manage its capital position.

20. RISK MANAGEMENT

By virtue of the nature of the insurance company business, financial instruments comprise the majority of the Company's statement of financial position as at both December 31, 2021 and 2020. The most significant identified risks to the Company which arise from holding financial instruments and insurance contract liabilities include insurance risk, credit risk, liquidity risk and market risk. The market risk exposure of the Company is primarily related to changes in interest rates and adverse movement in equity prices.

The Company employs an enterprise-wide risk management framework which establishes practices for risk management and includes policies and processes to identify, assess, manage and monitor risks and risk tolerance limits. It provides governance and supervision of risk management activities across the Company's business units, promoting the discipline and consistency applied to the practice of risk management.

The Company's risk framework is designed to minimize risks that could materially adversely affect the value or stature of the Company, to contribute to stable and sustainable returns, to identify risks that the Company can manage in order to increase earnings, and to provide transparency of the Company's risks through internal and external reporting. The Company's risk philosophy involves undertaking risks for appropriate return and accepting those risks that meet its objectives. The Company's risk management program is aligned with its long term vision and its culture supports an effective risk management program.

The key components of the risk culture include acting with fairness, appreciating the impact of risk on all major stakeholders, embedding risk management into day to day business activities, fostering full and transparent communications, cooperation, and aligning of objectives and incentives. The Company's risk management activities are monitored by its Risk Committee and Board of Directors.

The risk exposure measures expressed below primarily include the sensitivity of the Company's profit or loss, and OCI as applicable, to the movement of various economic factors. These risk exposures include the sensitivity due to specific changes in market prices and interest rate levels projected using internal models as at a specific date, and are measured relative to a starting level reflecting the

Company's assets and liabilities at that date and the actuarial factors, investment returns and investment activity the Company assumes in the future. The risk exposures measure the impact of changing one factor at a time and assume that all other factors remain unchanged. Actual results can differ materially from these estimates for a variety of reasons including the interaction among these factors when more than one changes, changes in actuarial and investment return and future investment activity assumptions, actual experience differing from the assumptions, changes in business mix, effective tax rates, and other market factors and general limitations of the Company's internal models.

a) Insurance risk

Insurance risk is the risk of loss due to actual experience differing from the experience assumed when a product was designed and priced with respect to claims, policyholder behaviour and expenses. The Company has identified pricing risk, concentration of risk and reserving risk as its most significant sources of insurance risks. The Company's underwriting objective is to develop business within its target market on a prudent and diversified basis and to achieve profitable operating results.

Pricing risk

Pricing risk arises when actual claims experience differs from the assumptions included in pricing calculations. Historically, the underwriting results of the property and casualty industry have fluctuated significantly due to the cyclicality of the insurance market. The market cycle is affected by the frequency and severity of claims, levels of capacity and demand, general economic conditions and price competition.

The Company focuses on profitable underwriting using a combination of experienced underwriting staff, pricing models and price adequacy monitoring tools. The Company prices its products taking into account numerous factors including claims frequency and severity trends, product line expense ratios, special risk factors associated with the product line, and the investment income earned on premiums held until the payment of claims and expenses. The Company's pricing is designed to ensure an appropriate return while also providing long-term rate stability. These factors are reviewed and adjusted periodically to ensure they reflect the current environment.

Concentration of risk

A concentration of risk represents the exposure to increased losses associated with an inadequately diversified portfolio of policy coverage. The Company has a reinsurance program to limit its exposure to catastrophic losses from any one event or set of events. The Company has approximately 99% of its business in Ontario (2020: 99%) and 93% in professional liability (2020: 95%), and consequently is exposed to trends, inflation, judicial changes and regulatory changes affecting these segments.

Reserving risk

Reserving risk arises because actual claims experience can differ adversely from the assumptions included in setting reserves, in large part due to the length of time between the occurrence of a loss, the reporting of the loss to the insurer and the ultimate resolution of the claim. Claims provisions reflect expectations of the ultimate cost of resolution and administration of claims based on an assessment of facts and circumstances then known, a review of historical settlement patterns, estimates of trends in claims severity and frequency, legal theories of liability and other factors. Reserve changes associated with claims of prior periods are recognized in the current period, which could have a significant impact on current year profit or loss. In order to mitigate this risk the Company utilizes information systems in order to maintain claims data integrity, and the claims provision valuations are prepared by an internal actuary on a quarterly basis, and are reviewed separately by, and must be acceptable to, management of the Company every quarter and the external Appointed Actuary at mid-year and year-end.

Sensitivity analyses

Risks associated with property and casualty insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company considers that the provision for its unpaid claims and adjustment expenses recognized in the statement of financial position is adequate. However, actual experience will differ from the expected outcome. Among the Company's lines of business, the professional liability line of business has the largest claims liabilities. Given this line of business and the actuarial methods utilized to estimate the related claims liabilities, the reported claims count development factors and average claim severity selections are the most critical of the assumptions used. The following table provides the estimated increase (decrease) of the net provision for unpaid claims and adjustment expense and the after-tax net effect on equity if the reported claims count development factors were increased such that the estimate of unreported claims was 20% higher or the average claim severity selections were 1% higher. Other changes in assumptions are considered to be less material.

	DECEMBER 31, 2021		DECEMBER 31, 2020	
	Net claims liabilities	Equity	Net claims liabilities	Equity
Unreported claims +20%	$ 4,792	(3,522)	4,628	(3,402)
Average claim severities +1%	$ 3,841	(2,823)	3,749	(2,755)

b) Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a borrower or counterparty to fulfill its payment obligation to the Company. Credit risks arise from cash and cash equivalents, investments in fixed income securities and preferred shares, and balances due from insureds and reinsurers.

Management monitors credit risk and any mitigating controls. The Company has established a credit review process where the credit quality of all exposures is continually monitored so that appropriate prompt action can be taken when there is a change which may have material impact.

Governance processes around investments include oversight by the Board of Directors' Investment Committee. The oversight includes reviews of the Company's third party investment managers, investment performance and adherence to the Company's investment policy. The Company's investment policy statement is reviewed at least on an annual basis and addresses various matters including investment objectives, risks and management. Guidelines and limits have been established in respect of asset classes, issuers of securities and the nature of securities to address matters such as quality and concentration of risks.

With respect to credit risk arising from balances due from reinsurers, the Company's exposure is measured to reflect both current exposure and potential future exposure to ceded liabilities. Reinsurance and insurance counterparties must also meet minimum risk rating criteria. The Company's Board of Directors has approved a reinsurance policy, which is monitored by the Company's Audit Committee.

	DECEMBER 31, 2021						
	AAA	AA	A	BBB	BB and lower	Not rated	**Carrying value**
Cash and cash equivalents	17,638	-	6,202	-	-	633	**24,473**
Fixed income securities	140,543	136,544	208,092	81,679	2,426	223	**569,507**
Investment income due and accrued	300	374	1,440	631	19	160	**2,924**
Due from reinsurers	-	-	123	-	-	-	**123**
Due from insureds	-	-	-	-	-	2,221	**2,221**
Due from the Law Society of Ontario	-	-	-	-	-	6,908	**6,908**
Reinsurers' share of Claims liabilities	-	-	49,583	-	-	-	**49,583**
Other receivables	-	-	-	-	-	476	**476**
Total	**$ 158,481**	**136,918**	**265,440**	**82,310**	**2,445**	**10,621**	**656,215**

	DECEMBER 31, 2020						
	AAA	AA	A	BBB	BB and lower	Not rated	**Carrying value**
Cash and cash equivalents	$ 1,668	5,646	-	-	-	434	**7,748**
Fixed income securities	111,580	120,546	222,016	111,342	2,415	-	**567,899**
Investment income due and accrued	147	394	1,411	842	19	164	**2,977**
Due from reinsurers	-	-	22	-	-	-	**22**
Due from insureds	-	-	-	-	-	3,652	**3,652**
Due from the Law Society of Ontario	-	-	-	-	-	7,936	**7,936**
Reinsurers' share of Claims liabilities	-	-	50,189	-	-	-	**50,189**
Other receivables	-	-	-	-	-	796	**796**
Total	**$ 113,395**	**126,586**	**273,638**	**112,184**	**2,434**	**12,982**	**641,219**

Fixed income securities are rated using a composite of Moody's, Standard & Poor and Dominion Bond Rating Service ratings, and reinsurers are rated using A.M. Best. The balances in the above tables do not contain any amounts that are past due

c) Liquidity risk

Liquidity risk is the risk that the Company will not have enough funds available to meet all expected and unexpected cash outflow commitments as they fall due. Under stressed conditions, unexpected cash demands could arise primarily from a significant increase in the level of claim payment demands.

To manage its cash flow requirements, the Company has arranged diversified funding sources and maintains a significant portion of its invested assets in highly liquid securities such as cash and cash equivalents and government bonds (see note 5b). In addition, the Company has established counterparty exposure limits that aim to ensure that exposures are not so large that they may impact the ability to liquidate investments at their market value.

Claims liabilities account for the majority of the Company's liquidity risk. A significant portion of the investment portfolio is invested with the primary objective of matching the investment asset cash flows with the expected future payments on these claims liabilities. This portion, referred to as the ALM investment portfolio, consists of fixed income and preferred equity securities that are intended to address the liquidity and cash flow needs of the Company as claims are settled. The remainder of the Company's overall investment portfolio, the AFS portfolio, backs equity and is invested in fixed income securities and equities with the objective of preserving capital and achieving an appropriate return consistent with the objectives of the Company.

The following tables summarize the maturities of the assets and contractual obligations by contractual maturity or expected cash flow dates (the actual repricing dates may differ from contractual maturity because certain securities and debentures have the right to call or prepay obligations with or without call or prepayment penalties) as at:

	DECEMBER 31, 2021				
	Within one year	One to five years	More than five years	No fixed maturity	**Total**
Assets					
Cash and cash equivalents	$ 24,473	-	-	-	**24,473**
Investments - designated as FVTPL	85,403	194,386	117,243	600	**397,632**
Investments - available-for-sale	2,074	76,433	93,968	140,415	**312,890**
Investment income due and accrued	2,924	-	-	-	**2,924**
Due from reinsurers	123	-	-	-	**123**
Due from insureds	2,221	-	-	-	**2,221**
Reinsurers' share of claim liabilities	11,862	23,992	10,883	-	**46,737**
Due from Law Society of Ontario	6,908	-	-	-	**6,908**
Other receivable	476	-	-	-	**476**
Other assets	586	-	-	3,158	**3,744**
Total	**$ 137,050**	**294,811**	**222,094**	**144,173**	**798,128**
Liabilities					
Provision for unpaid claims	108,672	256,759	115,354	-	**480,785**
Due to reinsurers	944	-	-	-	**944**
Due to insureds	29	-	-	-	**29**
Lease liabilities	803	3,272	9,346	-	**13,421**
Expenses due and accrued	3,267	-	-	-	**3,267**
Total	**$ 113,715**	**260,031**	**124,700**	**-**	**498,446**

		DECEMBER 31, 2020				
		Within one year	One to five years	More than five years	No fixed maturity	**Total**
Assets						
Cash and cash equivalents	$	7,748	-	-	-	**7,748**
Investments - designated as FVTPL		62,465	186,616	155,031	351	**404,463**
Investments - available-for-sale		3,761	71,232	88,794	135,768	**299,555**
Investment income due and accrued		2,977	-	-	-	**2,977**
Due from reinsurers		22	-	-	-	**22**
Due from insureds		3,652	-	-	-	**3,652**
Reinsurers' share of claim liabilities		11,070	25,409	9,972	-	**46,451**
Due from Law Society of Ontario		7,936	-	-	-	**7,936**
Other receivable		796	-	-	-	**796**
Other assets		581	-	-	885	**1,466**
Total	**$**	**101,008**	**283,257**	**253,797**	**137,004**	**775,066**
Liabilities						
Provision for unpaid claims	$	105,975	252,595	108,699	-	**467,269**
Due to reinsurers		831	-	-	-	**831**
Due to insureds		110	-	-	-	**110**
Lease liabilities		803	3,256	10,165	-	**14,224**
Expenses due and accrued		7,866	-	-	-	**7,866**
Total	**$**	**115,585**	**255,851**	**118,864**	**-**	**490,300**

d) Market and interest rate risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate, foreign exchange rates, and equity prices. Due to the nature of the Company's business, invested assets and insurance liabilities as well as revenues and expenses are impacted by movements in capital markets, interest rates, and to a lesser extent, foreign currency exchange rates. Accordingly, the Company considers these risks together in managing its asset and liability positions and ensuring that risks are properly addressed. These risks are referred to collectively as market price and interest rate risk - the risk of loss resulting from movements in market price, interest rate, credit spreads and foreign currency rates.

Interest rate risk is the potential for financial loss arising from changes in interest rates. The Company is exposed to interest rate price risk on monetary financial assets and liabilities that have a fixed interest rate and is exposed to interest rate cash flow risk on monetary financial assets and liabilities with floating interest rates that are reset as market rates change.

For FVTPL assets and other financial assets supporting actuarial liabilities, the Company is exposed to interest rate risk when the cash flows from assets and the policy obligations they support are significantly mismatched, as this may result in the need to either sell assets to meet policy payments and expenses or reinvest excess asset cash flows under unfavourable interest environments. Bonds designated as AFS generally do not support actuarial liabilities. Changes in fair value, other than foreign exchange rate gains and losses, of AFS fixed income securities are recorded to OCI.

The following chart provides the estimated increase (decrease) on the Company's net income before tax, and other comprehensive income before tax, after an immediate parallel increase or decrease of 1% in interest rates as at December 31 across the yield curve in all markets.

		DECEMBER 31, 2021		
		Net income before tax	OCI before tax	CI before tax
Interest rates	+1%	$ 435	(8,009)	(7,574)
	-1%	$ (803)	8,541	7,738

		DECEMBER 31, 2020		
		Net income before tax	OCI before tax	CI before tax
Interest rates	+1%	$ 1,597	(7,711)	(6,114)
	-1%	$ 2,136	7,247	9,383

Market price and interest rate risk is managed through established policies and standards of practice that limit market price and interest rate risk exposure. Company-wide market price and interest rate risk limits are established and actual positions are monitored against limits. Target asset mixes, term profiles, and risk limits are updated regularly and communicated to portfolio managers. Actual asset positions are periodically rebalanced to within established limits.

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual equity securities. The Company's equities are designated as AFS and generally do not support actuarial liabilities. The following chart provides the estimated increase (decrease) on the Company's after-tax OCI, assuming all other variables held constant, after an immediate 10% increase or decrease in equity prices as at December 31.

		2021	2020
		After-tax OCI	
Equity prices	+10%	10,320	9,979
	-10%	(10,320)	(9,979)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates, in particular when an asset and liability mismatch exists in a different currency than the currency in which they are measured. As the Company does not hold significant liabilities in foreign currencies, the resulting currency risk is borne by the Company and forms part of its overall investment income. The table below details the effect of a 10% movement of the currency rate against the Canadian dollar as at December 31, with all other variables held constant.

	2021		2020	
Currency	Effect on profit (loss) before taxes (+/-)	Effect on OCI (+/-)	Effect on profit (loss) before taxes (+/-)	Effect on OCI (+/-)
US Dollar	9	3,997	9	3,906
Euro	-	174	-	159
Other	-	1,863	-	2,316
	9	**6,034**	**9**	**6,381**

The Company also manages possible excessive concentration of risk. Excessive concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political and other conditions. Concentrations

indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location. In order to avoid excessive concentrations of risk, the Company applies specific policies on maintaining a diversified portfolio. Identified risk concentrations are managed accordingly.

The following tables summarize the carrying amounts of financial assets by geographical location of the issuer, as at:

	DECEMBER 31, 2021					
	Cash and cash equivalents	Fixed income securities	Equities	Investment income due and accrued	**Total**	**% of total**
Canada	$ 24,172	551,348	59,285	2,654	637,459	**86.4%**
USA	88	13,085	54,299	71	67,543	**9.2%**
Switzerland	-	-	8,623	12	8,635	**1.2%**
United Kingdom	-	-	8,366	-	8,366	**1.1%**
Others	213	5,074	10,442	187	15,916	**2.1%**
Total	**$ 24,473**	**569,507**	**141,015**	**2,924**	**737,919**	**100.0%**

	DECEMBER 31, 2020					
	Cash and cash equivalents	Fixed income securities	Equities	Investment income due and accrued	**Total**	**% of total**
Canada	$ 7,645	548,692	49,481	2,700	**608,518**	**85.1%**
USA	89	14,062	53,122	67	**67,340**	**9.4%**
Switzerland	-	-	10,735	13	**10,748**	**1.5%**
United Kingdom	-	-	9,365	-	**9,365**	**1.3%**
Others	14	5,145	13,416	197	**18,772**	**2.7%**
Total	**$ 7,748**	**567,899**	**136,119**	**2,977**	**714,743**	**100.0%**

21. CONTINGENT ASSET

In 2013, the *Income Tax Act* was amended to extend tax exempt status given to certain subsidiaries of Canadian municipalities to also include certain subsidiaries of public bodies performing a function of government in Canada. Transitional rules were also included to allow applicable taxpayers to refile on this tax exempt basis for their taxation years beginning after May 8, 2000. After completing a detailed and careful evaluation of the applicability of the new provisions to the Company, the Company believes that it is probable that a refund claim would be successful. Accordingly, during 2014 the Company began filing as a tax exempt organization for income tax purposes, and has requested full retrospective exemption back to its 2001 taxation year. The income tax payments relating to taxation years 2001 to 2020 total as much as $90,527,811. The exemption would also give rise to significant ongoing future income tax savings, but the Company's deferred income tax asset would be of nil value.

Canada Revenue Agency did not approve the Company's request for exemption and the Company appealed to the Tax Court of Canada. The judgement was released in 2018 and the Company was not successful. The Company further appealed to the Federal Court of Appeal. The judgement was released in 2020 and the Company was not successful. In November 2020, the Company sought leave from the Supreme Court of Canada to submit a further appeal. In 2021 our application for leave to appeal was dismissed. As such the Company has no further recourse to pursue tax exempt status and this matter is considered closed.

Board of Directors

As at December 31, 2021

Andrew J. Spurgeon
Chair of the Board

Susan M. Armstrong, FCPA FCA
Board Vice Chair

Daniel E. Pinnington
President & CEO, LAWPRO

Robert Adourian
Devry Smith Frank LLP

Clare A. Brunetta
Principal, Clare A. Brunetta

Eteinne Esquega

Frederick W. Gorbet, O.C.

Malcolm L Heins, LSM

Rita Hoff
President, R. Hoff Financial Management Ltd.

Diana C. Miles
Chief Executive Officer, The Law Society of Ontario

David R. Oliver
President and CEO, BRJO Investments Ltd.

Binah Nathan

Clare Sellers
Bencher-Director

Mark D. Tamminga
Partner, Gowling WLG

Anne-Marie Vanier

FCA denotes Fellow Chartered Accountant

FCPA denotes Fellow Chartered Professional Accountant

LSM denotes Law Society Medal

Management

As at December 31, 2021

Daniel E. Pinnington
President & CEO

Stephen R. Freedman
Executive Vice President and General Counsel

Krista Franklin
Chief Financial Officer

Ernest Solomon
Chief Information Officer

Domenic Bellacicco
Vice President, Claims

Victoria Crewe-Nelson
Vice President, Underwriting & Customer Service and Secretary

Lisa Weinstein
Vice President, TitlePLUS

Naomi Dummett
Director of Communications

Ray Leclair
Vice President Public Affairs

Juda Strawczynski
Director, practicePRO

Karen Wood
Director, Human Resources & Administration

N.B. The Chair and Vice-Chair of LAWPRO are ex-officio members of all committees, by resolution of the Board.

[1] The Prudent Portfolio Governance Policy provides that a quorum of Executive Committee requires at least one member of the Committee who is not affiliated with LAWPRO.

[2] The Audit and Conduct Review Committees must have at least three director-members and a majority must be non-affiliated directors. Officers or employees of LAWPRO cannot be members of the Committees.

Board Committees

Effective November 26, 2021

EXECUTIVE COMMITTEE[1]

Malcolm L. Heins*
Frederick W. Gorbet
Daniel E. Pinnington (A)

AUDIT COMMITTEE[2]

Frederick W. Gorbet*
Diana C. Miles (A)
Malcolm L. Heins
Binah Nathan
David R. Oliver
Anne-Marie Vanier

CONDUCT REVIEW COMMITTEE[2]

Susan M. Armstrong*
Frederick W. Gorbet
Malcolm L. Heins
Binah Nathan
David R. Oliver
Anne-Marie Vanier

INVESTMENT COMMITTEE

Rita Hoff*
Malcolm L. Heins
Binah Nathan
David R. Oliver
Clare Sellers

GOVERNANCE COMMITTEE

Clare A. Brunetta*
Robert P. Adourian
Etienne Esquega
Frederick W. Gorbet
Malcolm L. Heins
Rita Hoff

RISK COMMITTEE

Malcolm L. Heins*
Clare A. Brunetta
Frederick W. Gorbet
Rita Hoff
Anne-Marie Vanier
Mark D. Tamminga
Clare Sellers

TECHNOLOGY STRATEGY WORKING GROUP (RISK SUB-COMMITTEE)

Mark D. Tamminga*
Daniel E. Pinnington* (A)
Susan M. Armstrong
Ernest Solomon
Andrew J. Spurgeon

* Committee Chair

(A) Affiliated Director within meaning of Ontario *Insurance Act*

Corporate Governance

The Board of Directors, either directly or through its committees, bears responsibility for the stewardship of the Company. To discharge that responsibility, the Board supervises the management of the business and the affairs of the Company, including the oversight or monitoring of all significant aspects of the operation, so that the Company effectively and efficiently fulfills its mission, vision and values.

The Company's corporate governance framework, processes, structures and information are designed to strengthen the ability of the Board to oversee management, and to enhance long-term policyholder value. Every director has a duty to guide the Company's affairs in a manner that achieves the Company's objectives.

The corporate governance processes and mandate are derived, in part, from the Ontario *Insurance Act* and regulatory "best practices," and are expressed in the Company's corporate governance framework.

Board Independence

Demonstrable evidence of independence is at the heart of effective governance. Independence is normally a matter of a board demonstrating its ability to act independently of management when appropriate. Currently, only the chief executive officers of LAWPRO and the Law Society of Ontario are "affiliated" to the Company within the meaning of applicable legislation. A minority of directors are Benchers or employees of the Law Society of Ontario.

Board Composition

Annually, the Board reviews its composition to determine whether or not the Board is optimally structured to ensure the achievement of the corporate strategy and business plan. Also important is a regular assessment of the skills, experience and independence of those on the Board.

Board Responsibilities

The basic oversight responsibilities of the Board are described in its corporate governance framework, and include:

- **Corporate performance oversight:** The Board ensures that corporate management continuously and effectively strives to meet the two opposing goals of minimizing premiums and achieving a satisfactory financial result, taking account of risk.
- **Appointment of CEO and related human resources issues:** The Board appoints the CEO and approves the CEO's objectives, assesses their performance and determines compensation of the CEO. As well, the Board approves key appointments reporting to the CEO, reviews key executive performance and approves compensation policy and succession plans.

- **Strategic direction and policy:** The Board reviews and approves management's proposed strategic direction and policy matters, and ensures that policies on key issues, including exposure to various risks, are in place, are appropriate and are reviewed to ensure compliance with same.
- **Budgeting and planning:** The Board approves the Company's proposed budgets and other performance goals, reviews performance against goals and recommends corrective actions.
- **Risk Management:** The Board monitors all categories of risk affecting the Company's operations, approves risk management strategies and assesses risk management performance, including the Company's audit universe and its Own Risk and Solvency Assessment (ORSA).
- **Regulatory compliance and financial monitoring:** Through an independent audit committee, the Board requires and monitors regulatory compliance, appoints the auditor, oversees the audit process and reviews and approves financial reports. The Board also ensures that financial systems produce accurate and timely information, and that appropriate controls are in place.
- **Ensuring its own effectiveness:** The Board establishes committee structures that assist the effective operations of the Board, and enable a review and assessment of the Board's own performance.
- **Setting an appropriate cultural tone:** Through its support for the corporation's vision, mission and values and corporate social responsibility statement and its adherence to the Code of Business Conduct, the Board promotes a culture of integrity, exemplary business conduct, and due regard for the fair treatment of customers while acting in a commercially reasonable manner.

Board Committees

The members of the Board are assisted in fulfilling the responsibilities explained above through the following committees:

Audit committee

The audit committee assists the Board in monitoring:

- the integrity of the Company's financial reporting process;
- the financial and solvency risks that the Company is exposed to;
- the controls for managing those risks, including the internal audit function; and
- the independence and performance of the Company's external auditor and actuary.

Conduct review committee

The conduct review committee oversees the Company's compliance with the related party provisions of the Ontario insurance legislation.

Executive committee

The executive committee has the authority of the Board, subject to the limitations of law and those set forth in the Company's bylaws, to consider urgent matters that require action prior to the next Board meeting. Actions taken by the executive committee are reported to the full Board at the next meeting.

Governance committee

The governance committee:

- assists the Board in its oversight role with respect to: a) the development of the Company's corporate governance policies, practices and processes; and b) the effectiveness of the Board and its committees;
- identifies individuals qualified and suitable to become Board members and recommends the director nominees to each annual meeting of the shareholder;
- assists the Board in its oversight role with respect to: a) the Company's human resources strategy, policies and programs; and b) all matters relating to proper utilization of human resources within the Company, with special focus on management succession, development and compensation;
- oversees procedures for resolving conflicts of interest; and
- assists the Board in liaising with the shareholder.

Investment committee

The investment committee:

- assists the Board and management in managing the invested assets of the Company;
- develops and monitors investment policies and guidelines;
- provides recommendations to the Board in connection with the hiring of external investment managers; and
- meets with and monitors the performance of external investment managers.

Risk committee

The risk committee assists the Board in monitoring all risks (other than financial and solvency risks) to which the Company is subject and overseeing the development and implementation of appropriate risk management policies and programs.

lawpro.ca

Risk management
practicepro.ca

Additional professional liability insurance
lawpro.ca/excess

Title insurance
titleplus.ca

AvoidAClaim.com

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