



REPORT TO CONVOCATION
2027 INSURANCE PROGRAM
PROPOSAL

SEPTEMBER 2026

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LAWYERS' PROFESSIONAL INDEMNITY COMPANY ("LAWPRO")

REPORT TO CONVOCATION SEPTEMBER 2026

INTRODUCTION

1. LAWPRO provides the mandatory professional liability insurance coverage for the more than 32,000¹ Ontario lawyers and paralegals in private practice. Each September, LAWPRO's Board of Directors reports to Convocation on changes to the insurance program for the following calendar year. The timing of this Report is necessitated by the logistics of starting the application process on October 1 so that all policies can be renewed effective January 1, and the need to negotiate and place required reinsurance treaties prior to the renewal date.
2. Over the last eight months, LAWPRO's Board and Management conducted their annual review of the Primary Errors and Omissions Program (the "Primary Program") and offer an insurance program for 2027 with the changes outlined in this Report.
3. In developing the 2027 Primary Program, LAWPRO considered:
 - sustained increases in claims frequency and costs, trends we expect to continue
 - the evolving cyber risk environment
 - operational simplification opportunities
 - the need to maintain long-term financial sustainability while preserving affordability for the profession
4. The proposed changes represent a coordinated package of measures intended to improve risk alignment across the program, strengthen program sustainability, enhance coverage, and maintain fairness across all insureds.

¹ As at 30 June 2026, there were 29,647 full-time lawyer insureds, 2,506 part-time lawyer insureds, and 59 paralegal insureds. As well, there were 71 non-licensees who are in Multi-Discipline Partnerships (MDPs) with lawyers and are also insured with LAWPRO. The number of insureds fluctuates month-to-month as some lawyers leave private practice and new lawyers begin practicing.

5. In light of these considerations, and further to LAWPRO's mandate from Convocation, the LAWPRO Board recommends that Convocation approve this Primary Program of Insurance for 2027 as offered so that it can be implemented by January 1, 2027.

Summary of changes to the 2027-001 Policy:

The proposed changes are intended to operate as a coordinated package. Together they enhance coverage, improve alignment between premium and risk, simplify program administration, and support the long-term sustainability of the Law Society ("Primary") Program.

- Base premium increase from \$3,250 to \$3,550.
- Expansion of LAWPRO's Cyber Coverage through the introduction of first-party cyber incident coverage, alongside the existing third-party cyber liability and social engineering coverages.
- Risk rate adjustment to real estate transaction levy cost (from \$65 to \$100) and civil litigation transaction levy cost (from \$100 to \$150).
- Risk rate adjustment to part-time practice discount (from 50% to 40%).
- Deductible simplification through the removal of underutilized deductible options.
- Other changes to policy wordings or program administration are housekeeping in nature or intended to clarify underwriting intention. A brief but non-exhaustive summary is provided.

The most significant coverage enhancement to the 2027 Program is the addition of first-party cyber incident coverage to LAWPRO's existing cyber protections. This coverage is intended to provide lawyers and law firms timely access to specialized breach response support and practical financial protection following a cyber incident, helping them contain disruption, manage recovery costs, and restore operations more quickly. By embedding this support within the primary program, the enhancement is designed not only to assist individual firms when they are most vulnerable, but also to strengthen the profession's overall resilience to an increasingly significant and evolving source of risk.

BACKGROUND

6. LAWPRO was created in response to the “insurance crisis” of the early 1990s. At that time, it was common practice for lawyers to engage in mortgage brokering when acting on real estate matters. In the aftermath of the real estate crash, many clients sued their lawyers for the financial losses they suffered. Largely as a result, in 1994, the Law Society of Ontario's (“Law Society” or “LSO”) insurance program was underfunded by more than \$154 million.²
7. The resulting crisis presented the Ontario Bar with one of the most serious challenges in its history: finding millions of dollars to cover the claims the Law Society’s insurance program faced and deciding whether to continue to provide Errors and Omissions (“E&O”) coverage for Ontario lawyers or to withdraw from the insurance market entirely. Withdrawing completely would have meant that replacement insurance would be unavailable at the previous price point and may not have been available at all if commercial carriers chose not to enter the market, or if commercial carriers would not offer insurance to some lawyers because of their individual circumstances (e.g., a history of previous claims). Either way, the Law Society determined that “Convocation can no longer attempt to deliver a Rolls Royce insurance policy at the cost of a Ford.”³
8. To address the crisis, Convocation formed a Task Force which ultimately recommended the creation of a specialised, regulated insurance company with financial accountability. Convocation accepted this recommendation and the mandate given requires that the Law Society’s insurance program:
 - Operate independently from the Law Society with its own Board of Directors;
 - Operate in a commercially reasonable manner (i.e., revenues must cover expenses);
 - Offer premiums that generally reflect risk (i.e., those with greater risk pay higher premiums); and
 - Settle claims fairly and quickly, though not on a “no-fault” basis.
9. LAWPRO was created further to these recommendations and, for the last 30 years, it has operated based on the mandate given to it by Convocation and the principles laid out in the 1994 Task Force Report.

² The equivalent of \$291 million in today’s dollars.

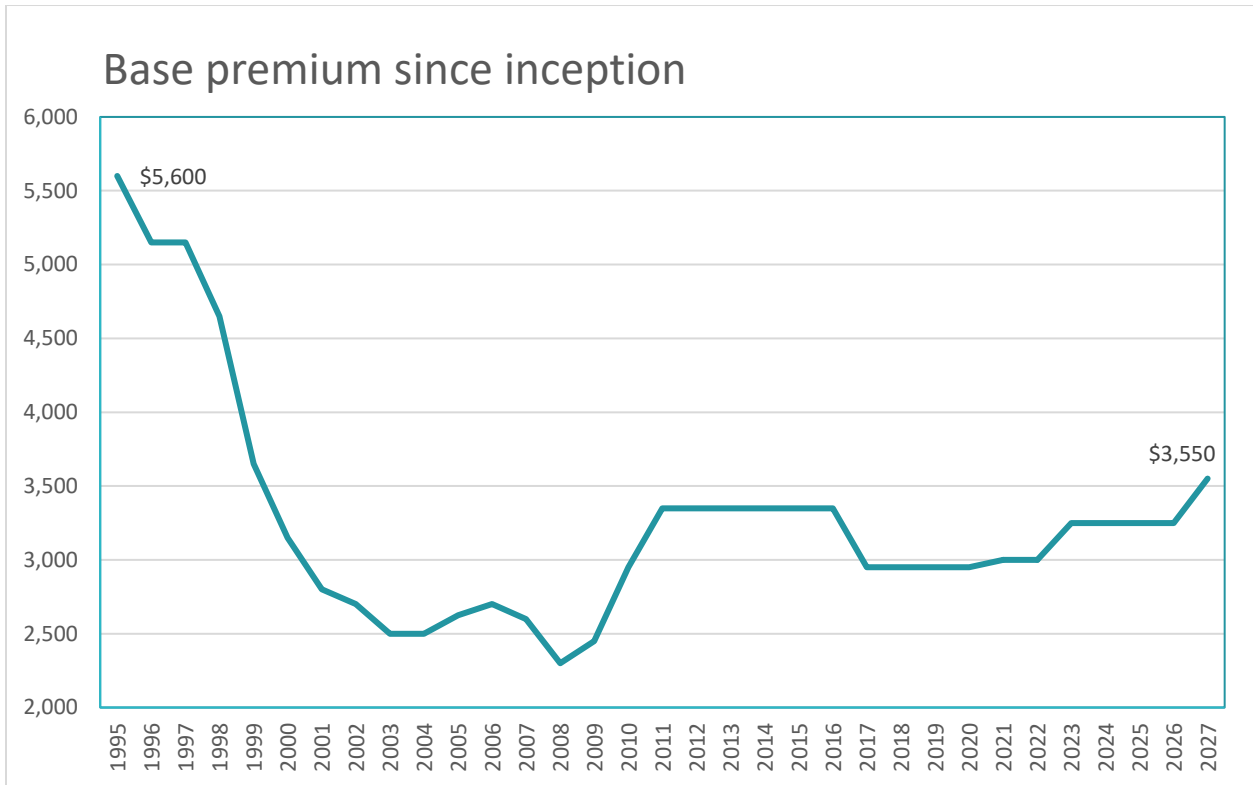
³ *Report to Convocation of the Insurance Task Force and the Insurance Committee*, October 28, 1994 (November 15, 1994), paragraph 50 on page 25.

10. LAWPRO has been remarkably successful in achieving the mandate the Law Society gave it in 1994. It is a success the Benchers who made the decision to set up LAWPRO can justifiably be proud of. Today, because of their foresight and the manner in which LAWPRO operates, it offers many advantages to the bar including:

- Guaranteed availability of affordable insurance to all lawyer licensees;
- Consistent coverage, terms, and conditions for all lawyer licensees;
- Proactive assistance to help prevent claims from crystallizing and repairs on potential claims that may not trigger a deductible or premium increase;
- Proactive claims prevention efforts and practical resources to help reduce claims risks ([PracticePRO](#));
- A coordinated and principled approach to handling claims that sees us shape legal standards of care by making reasonable settlements where a lawyer truly made a mistake and defending lawyers where no clear error was made or damages suffered;
- Automatic, free run-off coverage of \$250,000 (a lifetime limit that covers lawyers after they leave private practice for any reason), and options to increase run-off coverage for lawyers that desire a higher limit;
- A built-to-purpose Excess insurance program with a competitive premium for small and medium sized firms of up to 50 lawyers;
- Coverage for lawyers doing *pro bono* work in a wide variety of circumstances; and
- An insurance provider that is financially stable and can therefore be relied upon to pay claims.

11. The proposed 2027 base premium is \$3,550, representing an increase of \$300 from the 2026 base premium of \$3,250. This increase will begin addressing the sustained growth in claims frequency and costs, the introduction of first-party cyber incident coverage, and the need to preserve the long-term financial sustainability of the Primary Program.

12. Although the proposed increase is the first material adjustment in several years, the base premium remains below historical inflation-adjusted levels and continues to compare favourably with professional liability insurance costs in many other jurisdictions.



13. LAWPRO is integral to the Law Society’s public protection mandate as it stands behind lawyers and sets clients right in the event they suffer a loss due to the negligence of their lawyer. It operates as a captive insurance company that is not profit-driven. Although LAWPRO does not price its product for profit, it maintains its solvency through return-on-investment income. Operating in this manner provides a substantial benefit to the profession.

14. Contrast the benefits LAWPRO offers with the circumstances Ontario lawyers would likely face if one or more commercial insurers were providing insurance to the profession:

- To continue to offer as comprehensive coverage as is currently provided would require higher premiums as commercial insurers would underwrite to make a profit;
- Lawyers would have to pay insurance broker fees, adding 15% or more to the cost of insurance;
- Premiums would vary widely by firm size and area of practice, and for individuals with a history of reported claims;
- Carriers could simply refuse to insure individual lawyers they felt were too great a claims risk, making it impossible for some lawyers to maintain their practice status;
- Coverage terms and conditions would vary widely;

- The public would be at risk as it would be more difficult to know if a lawyer's coverage had been cancelled;
- A premium would likely be charged for run-off coverage, and there would likely be premiums for separate policies if the lawyer worked at different firms; and
- There would be the potential for gaps in coverage as a new policy would be required if a lawyer changed firms, and the lawyer would have to obtain a separate policy to cover claims from work done at a previous firm.

15. The financial viability of an independent professional liability insurer is paramount to meeting the Law Society's public protection mandate. If LAWPRO's financial health is compromised, we run the chance of another insurance crisis, less protection for the public and no backstop for Ontario lawyers. This is the nightmare scenario the Law Society of England and Wales continues to struggle with more than a decade after several commercial insurers pulled out of its mandatory program.⁴

2027 PROGRAM FEATURES

16. As a matter of public protection, E&O insurance is required of all lawyers in private practice, including sole practitioners, lawyers practising in association or partnership, paralegals acting in partnership with lawyers, paralegals holding shares in professional corporations with lawyers, and lawyers practising in a law corporation. Lawyers can be exempt from the insurance requirement (see a full list of [exemption eligibility criteria at lawpro.ca](https://www.lawpro.ca/exemption-eligibility-criteria)). Exemption scenarios include when lawyers engage in the practice of law only for and on behalf of a corporate or government employer, as an employee or volunteer in a clinic that is funded by Legal Aid Ontario and that meets certain criteria, lawyers on a temporary leave of absence, or lawyers otherwise not practising law.

17. The following is a brief summary of the 2027 Primary Program:

Standard base premium

⁴ See ["Mandatory professional indemnity insurance & a mandatory insurer: A global perspective"](#) LAWPRO Magazine, November 2011; ["Aon unit in shock professional indemnity insurance exit"](#), Insurance Business UK, 23 Aug 2019); ["Retired solicitors fear ruin when insurance safety net closes"](#) The Law Society Gazette, 19 April, 2021; and [Solicitors Indemnity Fund and post six-year run-off cover](#) (Law Society update).

\$3,550 per insured lawyer (increased \$300)

Coverage Limits (unchanged)

\$1 million per claim/\$2 million aggregate limit applicable to claim expenses, indemnity payments and/or cost of repairs together

Cyber Coverage (expanded for 2027)

Beginning January 1, 2027, LAWPRO's Cyber Coverage under Endorsement No. 14 will include three principal protections:

- First-party cyber incident coverage
 - Coverage for certain expenses incurred (claims expenses, indemnity payments and/or costs of repairs together) in responding to a covered cyber incident affecting the firm's own practice, including:
 - Breach coach services
 - Forensic investigation
 - Extortion payments
- Third-party cyber liability coverage
 - Coverage for certain claims by clients or other third parties arising from a covered security or privacy breach connected to an insured's professional services
- Social engineering aggregate
 - Coverage for the direct loss of funds resulting from certain covered acts of fraud or deception, including impersonation that causes funds to be transferred to a fraudster
- Sublimits (firm-wide aggregate limits per policy period)
 - \$250,000 for first-party and third-party cyber claims, with no more than \$100,000 available for first-party cyber incident coverage
 - \$250,000 for covered social engineering claims, increasing to \$1,000,000 where the risk controls required in Endorsement No. 14 have been satisfied
 - Where the social engineering risk controls have been satisfied, the maximum limits available under LAWPRO's Cyber Coverage across first-party, third-party and social engineering, is \$1,000,000. Where those controls have not been satisfied, the corresponding maximum is \$500,000.
- Deductible
 - \$5,000 applies to each claim or loss covered under the Cyber Coverage endorsement

Coverage is subject to policy terms, conditions, exclusions and limitations of the policy. The maximum payable for all cyber-related claims arising during a policy period is subject to an

overall annual aggregate limit per firm. In other words, these limits are shared among the insured members in the firm, rather than being separate limits available to each lawyer.

Innocent Party Coverage (unchanged)

Innocent Party coverage protects members of the public and lawyers against the dishonest, fraudulent, criminal, or malicious acts or omissions of present or former partners, associates, employed lawyers and firm employees

\$250,000 sublimit for innocent party claims per claim/in the aggregate is included in base coverage

Additional Innocent Party coverage can be purchased to increase limits to \$500,000 per claim/aggregate for \$75 per insured lawyer or \$1 million per claim/aggregate for \$125 per insured lawyer

Optional Real Estate Practice Coverage Option (unchanged)

A modified form of Innocent Party coverage for insureds practising real estate law in Ontario
\$100 surcharge

Optional CPATA coverage (unchanged)

Coverage for CPATA licensees including for claims arising domestically and outside of Canada
\$2,000 surcharge

Transaction Premium Levy (increase)

\$100 per real estate transaction (\$35 increase) and \$150 per civil litigation transaction (\$50 increase)

The increase reflects long-term claims experience demonstrating that real estate and civil litigation continue to generate a disproportionate share of claims frequency and claims costs. The revised levies better align premium revenues with the costs generated by these practice areas while helping moderate increases to the general base premium.

Deductible (simplified)

Standard deductible is \$5,000 per claim

LAWPRO offers deductible options from \$0 to \$25,000. The deductible options are designed to balance affordability and risk retention. As part of a broader program of simplification initiatives, the following underutilized deductible options are removed: \$2,500, \$5,000 and \$10,000 applicable to indemnity payments only. The revised structure maintains meaningful choice for insureds while making the selection of deductibles easier to understand. Premiums

will increase or decrease depending on the chosen deductible option. Each lawyer practicing in a law partnership or law corporation must elect the same amount and type of deductible as all other lawyers in the firm.

Premium Discounts: (decrease in Part-Time Discount)

For those who take approved risk management courses

\$50 discount per approved course, subject to a \$100 maximum

For new lawyers

- less than 1 full year in practice: 50% discount
- less than 2 years in practice: 40% discount
- less than 3 years in practice 30% discount
- less than 4 years in practice: 20% discount

For those who limit their practice to criminal⁵ and/or immigration law (restricted areas of practice)

- 50% discount

For those who work part-time⁶ (discount decreased)

- 40% discount (down from 50%) is available to practitioners who, in both their current and prior fiscal year, restrict their law practice to 20 hours per week on average for each week worked, up to 750 hours per year (including time for undocketed work), and have gross billings of \$100,000 per year or less

For those employed at a Designated Agency⁷

- 75% discount in recognition of low risk and enhanced access to justice

MAINTAINING PROGRAM SUSTAINABILITY THROUGH ENHANCED COVERAGE, RISK ALIGNMENT AND FAIR PRICING

18. LAWPRO regularly reviews claims experience, emerging risks, premium adequacy, and program design to ensure the Primary Program remains sustainable, equitable, and responsive to the

⁵ Criminal law is considered to be legal services provided in connection with the actual or potential prosecution of individuals, municipalities and government for alleged breaches of federal or provincial statutes or municipal by-laws, generally viewed as criminal or quasi-criminal.

⁶ The Part-Time Practice Discount was reviewed as part of LAWPRO's periodic risk-rating analysis and adjusted to better align with long-term claims experience.

⁷ A "Designated Agency" can include a Civil Society Organization that has been approved for the general premium discount.

needs of the profession. The proposed 2027 changes reflect the results of that review and are intended to operate as an integrated package that balances affordability, risk-rating, and coverage enhancements, with long-term financial stability.

CONTINUING TO HELP LOWER RISK

19. A number of virtual CPDs and resources prepared by PracticePRO, LAWPRO's risk management initiative, have helped lawyers identify and avoid potential fraud, better understand their LAWPRO coverage, better cope with virtual and online practice, and manage the day-to-day challenges facing lawyers in specific areas of law. These programs, produced in partnership with the Toronto Lawyers Association, have proven very popular – with some sessions attracting over 1,000 participants. Each program is eligible for 1.5 hours of LSO professionalism CPD credit and LAWPRO's Risk Management Credit. They are also available as an anytime replay from Practicepro.ca/cpd. Below are links to a few of the most recent presentations:

- [Navigating Incorporations to Dissolutions and Stages in Between](#)
- [Dismissals, Settlements, Releases, and File Transfers](#)
- [Conflicts, Undertakings, and File Management: What You Need to Know](#)
- [Real Estate – Liability Risks in Ordinary Transactions, Legislative Changes, and Cybercrime](#)

A [full listing of the 20 most downloaded resources is available on the PracticePRO website but the most popular are listed below:](#)

- Common HST Errors in Real Estate Transactions
- Non-resident Sale Holdback Flowchart
- Navigating NOSIs and PPSA: A practical approach for lawyers
- Subdivision Control under the Planning Act. What do you need to know?
- Managing Conflict of Interest Situations
- Limitations and Notice Periods Chart
- General Retainer Letter
- Common limitations period pitfalls and how to avoid them

PROMOTING ACCESS TO JUSTICE

20. Since 2017, LAWPRO has approved 16 organizations that provide free legal services to the public for the “Designated Agencies” discount. Lawyers working in these organizations receive a discount equal to 75% off the base premium. Lawyers working in these agencies are also exempt from payment of the civil litigation levy for the services they provide through these agencies. Typically, these agencies promote human rights, justice initiatives, and otherwise enhance access to justice.⁸
21. LAWPRO continues to support *pro bono* and initiatives intended to bolster greater access to legal services. Lawyers who do not maintain their practice coverage and go on exemption from payment can still provide legal services to LAWPRO-approved Pro Bono Ontario (“PBO”) programs and, if there is a claim, it will be covered as part of the run-off coverage. Normally, only services provided before a lawyer ceases their practice coverage are covered under run-off coverage. Likewise, if a practicing lawyer takes part in these activities and a claim arises, that lawyer will not have to pay a claims history levy surcharge or deductible. This is particularly welcome for the many currently insured and exempt lawyers who volunteer with PBO’s popular Free Legal Advice Hotline. To encourage lawyers to support each other and develop skills within the profession, LAWPRO also treats claims associated with risk-approved mentoring activities in a similar fashion⁹.

CLAIMS TRENDS

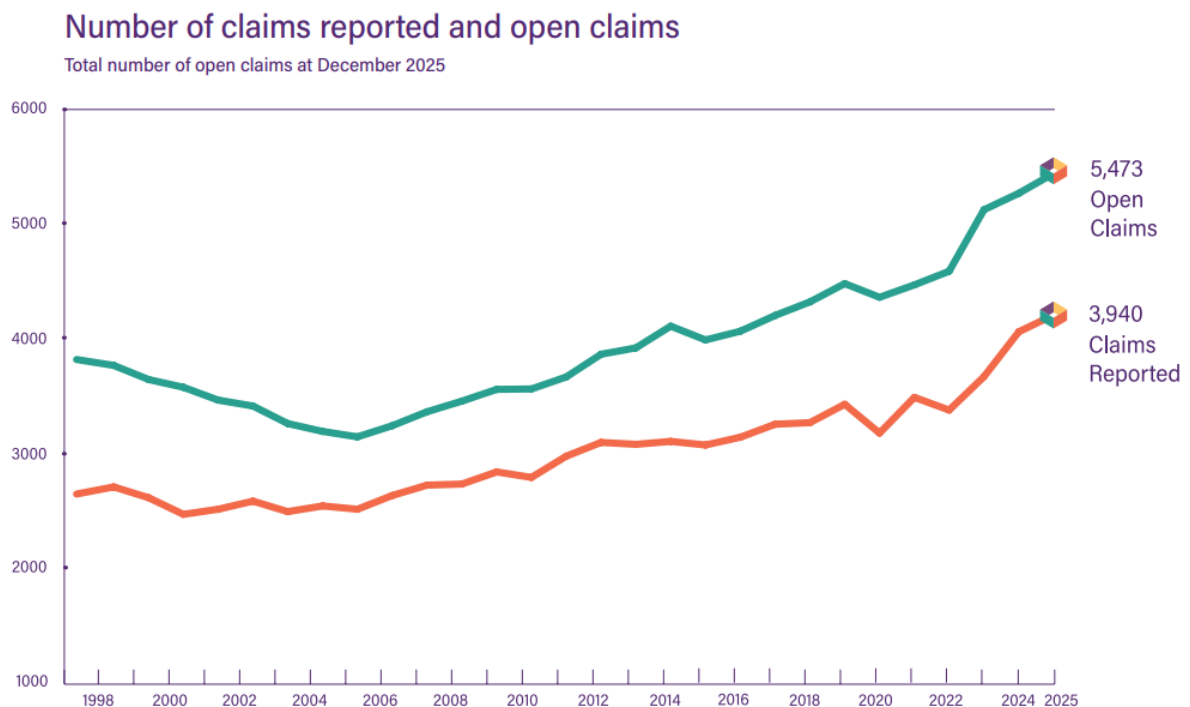
22. Recent claims experience demonstrates sustained upward pressure across the entire portfolio, arising from all areas of practice. Reported claims reached 3,940 in 2025, the highest level in LAWPRO’s history, with increases evident across most practice areas. While real estate and civil litigation remain the largest contributors to claims frequency, we are seeing more claims in other practice areas, including wills and estates, corporate/commercial, and family law.

These trends indicate that current pricing mechanisms, including the base premium and transaction levy amounts in place for 2026, are no longer sufficient on a stand-alone basis to

⁸ See the [LAWPRO website for more details and a list of LAWPRO approved Designated Agencies](#).

⁹ For more on this, see the [LAWPRO Pro Bono Coverage](#) Chart.

maintain long-term program sustainability.



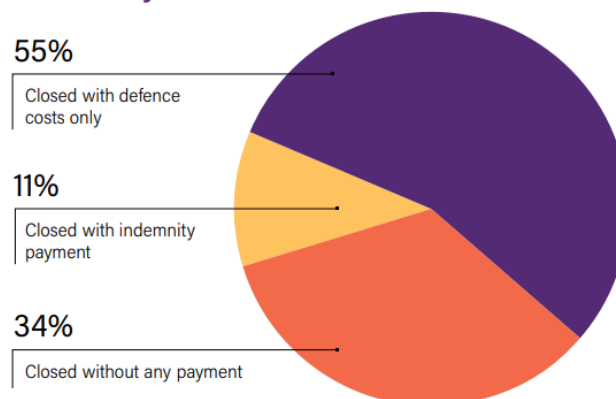
23. Claims costs rose in 2025, with increases in both indemnity payments and legal fees and expenses. Total program costs increased by 8% to \$102.6 million in 2025, compared to \$95.4 million in the prior year. The increase in indemnity costs reflects larger settlement amounts, while higher legal fees were driven by more complex and longer-running litigation matters, including files that proceeded to trial, as well as an intentional effort to move files toward resolution.

24. Claim costs have increased consistently over time, at an average annual rate of 4.3% for the period 2004 through 2023. Total costs at 36 months after the start of the year in which a claim was reported were \$54 million for 2003 and crossed the \$100 million threshold in 2016. Claims count has increased at an average annual rate of 3.6% over the period of 2004 to 2023. The average cost per claim for the period 2004 to 2023 is \$36,000, with a minimum of \$30,000 in 2004 and a maximum of \$43,000 in 2007.¹⁰

¹⁰ Average cost per claim figures quoted here do not include claims after 2023 as it typically takes 2-3 years for LAWPRO to investigate and set a *reserve* on a claim file (i.e., the amount we expect a claim will ultimately cost us).

25. LAWPRO's experience is that claims come to light on average 2-3 years after the work on a matter was done and in real estate, family, and wills and estates matters, claims can arise decades after a file was closed.¹¹ Between 2019 and 2023, on average annually, there were approximately 250 claims costing more than \$100,000, and 5-15 claims hit the \$1 million dollar per claim policy limit. Lawyers with a prior claims history continue to have a considerably greater propensity for claims than other practising lawyers. Lawyers with claims in the prior 10 years were over three times more likely to report a claim during the past year than those with no claims in the prior 10 years. The 32% of LAWPRO insureds with 2 or more claims are responsible for 87% of LAWPRO's claims costs (See Appendix E).
26. Claims outcomes reflect the Company's mandate to settle claims fairly and quickly, and to defend lawyers when required. As the chart below demonstrates, the proportion of claims closed without any indemnity payment being made was 89% and 34% of the claims closed were resolved without payment of any kind. In many cases, LAWPRO counsel can rectify problems before they become a claim.

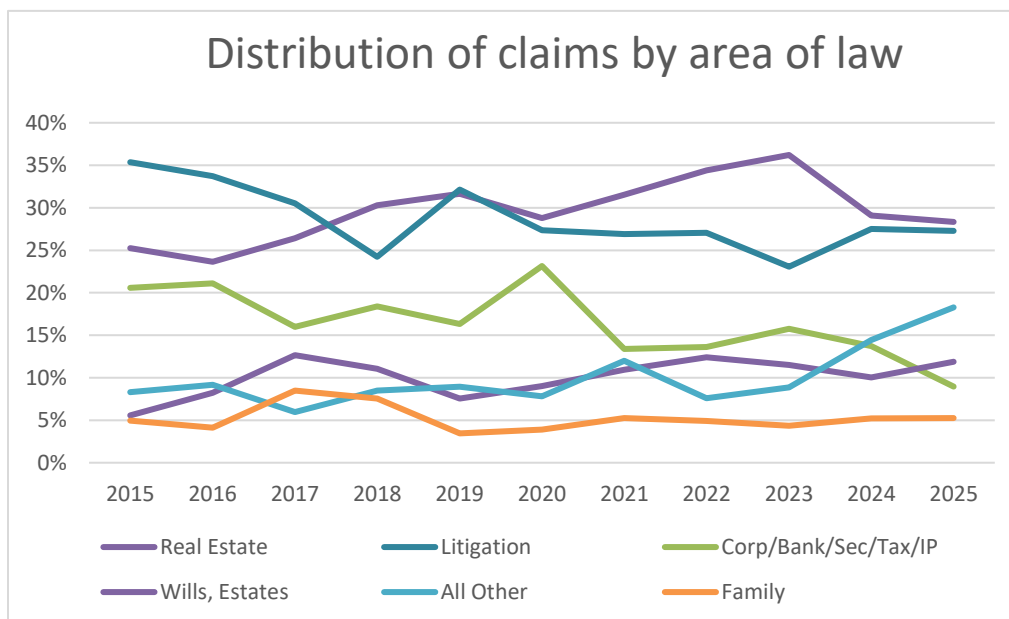
Claims by outcome



27. What types of claims are happening? Over the years, LAWPRO has seen fairly consistent claims trends by area of law and type of malpractice error, which are illustrated in the graphs below and discussed in more detail in the next two paragraphs.

¹¹ ["Don't let claims follow you into retirement"](#), LAWPRO Magazine Vol. 16.3 (February 2017).

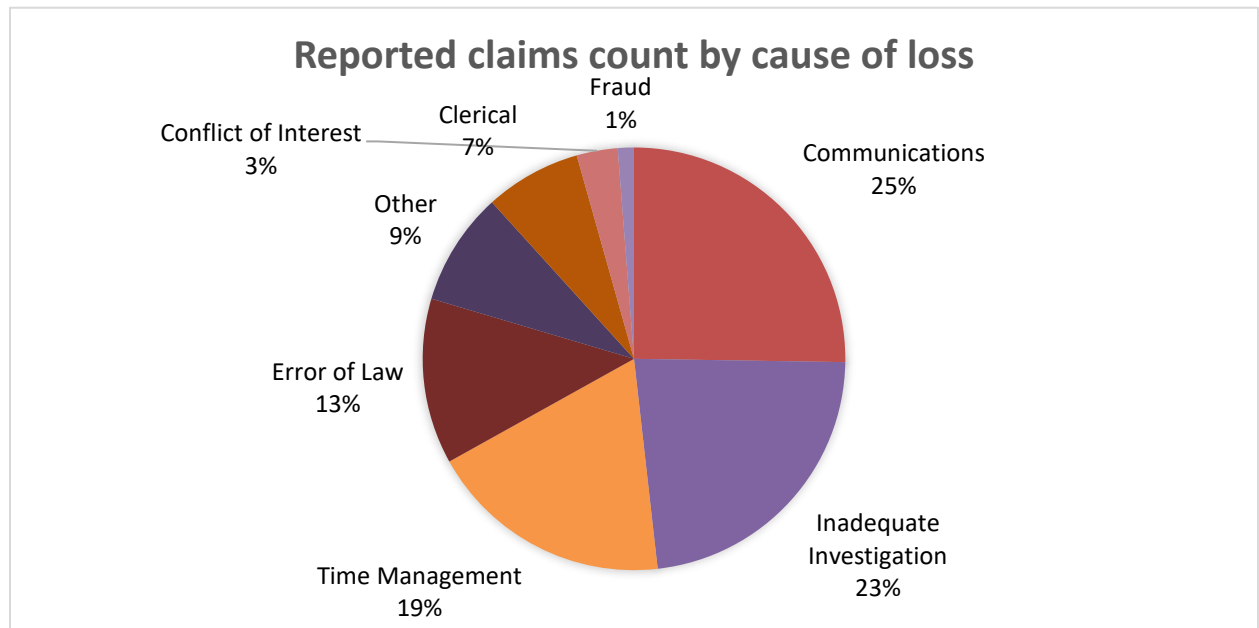
28. Real estate and litigation continue to account for the largest share of reported claims, together representing approximately half of all new matters. Across practice areas, claims continued to be driven primarily by practice management related issues — often described as “human” errors — with inadequate investigation and communication failures as the leading cases of loss.



29. Analysis by cause of loss confirmed that inadequate investigation and communication errors remained the primary drivers of claims activity in 2025. These causes are closely associated with high-volume practice areas such as real estate and wills and estates, where matters often involve multiple parties, tight deadlines, and significant client reliance on legal advice and follow-through. Inadequate investigation typically reflects failures to fully identify or assess relevant facts, while communication errors often stem from unclear advice, unmanaged expectations, or poor documentation of communications and work completed.
30. Time management errors continued to be a significant contributor to claims, particularly in litigation practices. Stricter enforcement of procedural timelines due to changes in administrative dismissal rules after the pandemic, rising caseloads, shifting court processes, changes in legal representation, and more complex files all raise the risk of missed deadlines. Error of law also increased in 2025, reflecting not only the growing complexity of legal matters but also the increasing difficulty of keeping pace with legislative changes, evolving case law, and shifting

procedural

requirements.



31. Fact sheets that highlight the most common causes of malpractice claims for the major areas of practice can be viewed at practicepro.ca/factsheets.

RISK MANAGEMENT INITIATIVES

32. A principal philosophy of LAWPRO is to help members of the legal profession reduce their claims risks by helping them understand and reduce the risks associated with practice. As Professor Richard Susskind said: *"We like to build a fence around the top of a cliff, rather than station an ambulance at the bottom."* This is accomplished through the PracticePRO program; the TitlePLUS title insurance program, and support of the Member Assistance Plan ("MAP") from Homewood Health. LAWPRO contributes almost one-half the cost of operating the MAP.

PracticePRO® Program: LAWPRO's successful risk management and claims prevention initiative is a recognized source of high-quality risk management tools and resources that help lawyers avoid malpractice claims. All PracticePRO resources are made available to all Ontario lawyers and paralegals at no charge. These include articles in *LAWPRO Magazine* and other law-related publications, information on the PracticePRO website and AvoidAClaim blog, social media, and live presentations.

The PracticePRO.ca website features LAWPRO's claims prevention resources that are particularly valuable to solos and small firms.

Helping lawyers avoid fraud: Thanks to LAWPRO's efforts, Ontario lawyers are recognizing and avoiding frauds but fraudsters' continued sophistication and creativity means lawyers are still being victimized and that fraud-related claims continue to be an ongoing and significant concern for LAWPRO. Currently, funds redirection and ID theft on real estate transactions are the most common frauds we are seeing (i.e., lawyers wiring funds to a fraudster from their trust account after being duped). Insureds can call LAWPRO in the event they are targeted by a suspected fraudster. Working within confidentiality obligations imposed by the *Rules of Professional Conduct*, one of our Fraud Team members will go through the common fraud scenarios to help spot red flags that may indicate the lawyer is being duped and help determine if the matter is legitimate or not. In the event the matter is a fraud and there is a potential claim, we will work with the lawyer to try to prevent the fraud and minimize potential claims costs. By visiting the AvoidAClaim.com blog and typing in names or scenarios, lawyers can see confirmed frauds reported to us. Our [Fraud Fact sheets](#) available on Practicepro.ca, are a good reminder of ways to identify possible dangerous situations. We continue to receive many emails from lawyers asking about suspicious situations and asking for advice. We are able to go over the scenario with them and help prevent the fraud before it happens in some instances or help them recover missing money in others.

The LAWPRO Risk Management Credit: This premium credit, available since 2001, is a significant LAWPRO risk management initiative. To be eligible for a credit (\$50 each up to a maximum of \$100) on premiums for 2027, lawyers (and paralegal insureds in combined licensee firms) must have participated in LAWPRO-approved CPD programs or Homewood Health e-Learning courses between September 15, 2025, and September 16, 2026. The approval process is handled by LAWPRO (we look for programs that include content on where claims happen, why they happen, and the steps that can be taken to lessen the likelihood of a claim) and is distinct from the Law Society's CPD accreditation process. In 2025, 10,471 credits were claimed by 6,097 Ontario lawyers.

TitlePLUS® Program: TitlePLUS insurance is a competitive title insurance product that makes a positive difference in the Ontario real estate market. It expands the title insurance choices offered to consumers and lawyers and has helped broaden coverage while keeping title insurance premiums down. In addition, the TitlePLUS program regularly catches fraud due to automated and proprietary

flags built into its underwriting that contributes to saving money – for consumers and the mandatory insurance program.

Member Assistance Program: Lawyers are exposed to high levels of stress on a daily basis and long-term stress can drive people to experience challenges to physical or mental health, and to use, misuse or even become addicted to alcohol or legal/illegal drugs. While it can be difficult to identify the reasons underlying why errors occur and claims develop, stress, addictions, and other untreated wellness issues are often found or suspected to be contributing factors in many LAWPRO claims. To help support lawyers in private practice, LAWPRO contributes approximately one-half the annual cost of the Member Assistance Plan (“MAP”). The MAP provides confidential assistance to Ontario lawyers, paralegals, judges, students at Ontario law schools and accredited paralegal colleges, licensing-process candidates, and their families.

INTRODUCTION OF FIRST-PARTY CYBER COVERAGE

33. Cyber risk has emerged as one of the most significant and rapidly evolving threats facing legal practitioners. Law firms are increasingly dependent on digital systems, cloud-based applications and electronic funds transfers, while remaining responsible for protecting highly sensitive client information and funds.
34. At the same time, cyber criminals have become increasingly sophisticated in targeting professional service providers, including law firms. Common threats include ransomware, business email compromise, privacy breaches, trust account fraud and social engineering fraud.
35. Recent cyber incidents affecting Ontario law firms underscore the growing and immediate exposure facing the profession. Towards the end of 2025, several firms reported suspicious activity involving their trust accounts, with early indications suggesting that insureds were tricked into disclosing their login credentials through phishing emails thereby enabling threat actors to access firm networks and initiate unauthorized fund transfers. Even firms with strong cybersecurity controls remain exposed to cyber incidents that can cause significant financial and operational disruption.

Why First-Party Cyber Coverage is Being Introduced

36. LAWPRO has been a leader in providing cyber protection through the Primary Program. Third-party cyber liability coverage was introduced in 2014, and Social Engineering coverage was added in 2024. These coverages provide important protection against liability to clients and other third parties arising from certain cyber incidents and against certain direct losses of funds resulting from Social Engineering fraud.
37. However, the existing coverage does not provide protection for costs incurred directly by a law firm in responding to a cyber incident affecting its own practice. A firm experiencing a ransomware attack, security failure or privacy breach may require immediate access to specialized expertise to investigate and contain the incident, respond to privacy and other obligations and restore operations.
38. Beginning January 1, 2027, LAWPRO will address this gap by adding first-party cyber incident coverage to the Primary Program. Together with the existing third-party cyber liability and social engineering coverages, these protections will be provided through Endorsement No. 14 as LAWPRO's Cyber Coverage.

What is Being Provided

39. First-party cyber incident coverage will provide coverage for certain expenses incurred in responding to a covered cyber incident affecting the firm's own practice. This may include breach response services, forensic investigation and certain losses arising from ransomware or other cyber extortion events.
40. Third-party cyber liability coverage will continue to respond to certain covered claims by clients or other third parties arising from a covered security or privacy breach connected to an insured's professional services.
41. Social Engineering coverage will continue to provide coverage for the direct loss of funds resulting from certain covered acts of fraud or deception, including circumstances where someone impersonates another person or organization and causes funds to be transferred to a fraudster.

42. First-party cyber incident and third-party cyber liability claims will be subject to a shared \$250,000 firm-wide aggregate limit per policy period, with no more than \$100,000 available for first-party cyber incident coverage. Social Engineering coverage will have a separate \$250,000 firm-wide aggregate limit, increasing to \$1 million where the Social Engineering risk controls required by Endorsement No. 14 have been satisfied.
43. The limits apply on a firm-wide basis. They are shared among the insured lawyers in the firm rather than being separate limits available to each lawyer. Where the required Social Engineering risk controls have been satisfied, the maximum available under LAWPRO's Cyber Coverage across first-party cyber incident, third-party cyber liability and Social Engineering claims will be \$1,000,000 in the aggregate per policy period, firm-wide. A dedicated \$5,000 deductible will apply to each claim or loss covered under Endorsement No. 14.
44. To support insureds following a cyber incident, LAWPRO has partnered with a third-party adjusting firm with dedicated cyber expertise to provide 24-hour, seven-day-a-week support. This will provide insureds with access to specialized, end-to-end cyber claims management when assistance is most urgently required, while LAWPRO retains oversight, coverage determination authority and governance responsibility for cyber claims.

Managing Cyber Risk and Program Sustainability

45. Cyber losses differ from conventional professional liability claims because they can exhibit catastrophe and aggregation characteristics. A common vulnerability or widespread cyber event can affect multiple law firms at the same time and generate multiple claims from a single event.
46. LAWPRO considered a range of potential coverage structures and limits. Independent modelling supported a \$100,000 first-party sublimit as providing meaningful protection for the types of response costs most firms are likely to incur, while appropriately managing the aggregation and catastrophe risk associated with cyber events and maintaining the coverage at an affordable premium level.
47. Insurance is only one component of managing cyber risk. Many cyber risks can be reduced, and many cyber frauds can easily be prevented. To help firms strengthen their cyber defences and reduce their exposure to common cyber threats, LAWPRO will be working with the Law Society

to provide licensees with access to cybersecurity education and resources. . Together, these preventative resources and LAWPRO's Cyber Coverage are intended to help lawyers prevent, prepare for and respond to cyber incidents.

48. The introduction of first-party cyber incident coverage materially strengthens the protection available to Ontario lawyers. By providing timely access to specialized assistance and meaningful financial protection following a covered cyber incident, while also supporting preventative risk management, the 2027 enhancement will help firms contain disruption, protect client information and funds, and restore operations more quickly. In doing so, it strengthens the profession's overall cyber resilience and supports LAWPRO's public protection mandate.

THE 2027 RENEWAL PROCESS

49. LAWPRO is continuing its transition to a new policy and claims administration system from OneShield Market Solutions (OMS). The legacy system, which was more than 25 years old, no longer met LAWPRO's operational needs and technical requirements. OMS is a modern, cloud-based system that will help LAWPRO operate more effectively and better meet customer needs far into the future.
50. Due to the OMS transition, LAWPRO simplified the renewal process for 2024 and 2025. In 2026, LAWPRO returned to the standard renewal process because it allows LAWPRO to gather up-to-date underwriting and contact information for insureds and ensures that the program remains properly risk rated.
51. In addition to changes set out above, we also made other minor changes to the policy wording for underwriting clarity in exclusions, conditions, definitions and endorsements¹².

REVENUES

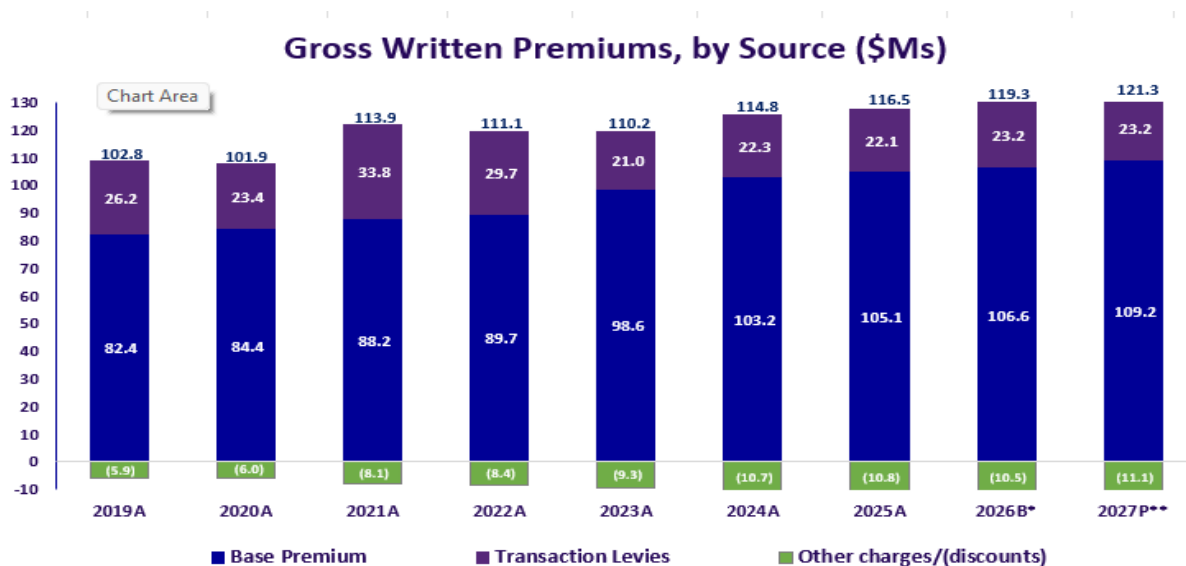
52. Management considered a range of alternatives, including maintaining the current premium and coverage structure, relying solely on transaction levy adjustments, and larger increases to the base premium. The recommended combination of a moderate base premium increase together with

¹² These changes include various definition changes to support the introduction of first-party cyber incident coverage, adjustment to the claims definition and modification to simplify the triggering event for filing/paying the civil litigation transaction levy.

targeted risk-rating adjustments was determined to provide the best balance between affordability, fairness, and sustainability.

53. To meet the total expected Primary Program claims costs and operating expenses for 2027, LAWPRO considers base premiums, transaction levies, other discounts and surcharges, as well as investment income. LAWPRO does not operate to make an underwriting profit given the Company's commitment to provide lower than market premiums for Ontario lawyers.

54. Gross written premium for recent years is illustrated in the following chart. The total premium, which consists of base premium, transaction levies, and other charges/(discounts) are budgeted to be \$119 million for 2026 and projected to be \$121 million for 2027, based on the 2026 budget.



Investment Income

55. LAWPRO's prudent investing philosophy works to position the portfolios for capital preservation and steady growth. LAWPRO takes full advantage of the time between the collection of premiums and the payment of claim costs by investing any available funds into conservative and well-diversified portfolios of fixed income and equity securities. LAWPRO uses the resulting investment income to help pay operating and claims expenses, thereby reducing the amount of funds that must come from premium sources.

56. LAWPRO provides further stability to the Primary Program with the assistance of two professional investment fund managers. We segregate funds into a separate portfolio (the asset

liability matched portfolio or “ALM portfolio”) to pay anticipated future claims costs as they become due and, hold any surplus capital in a different portfolio (“Surplus portfolio”). The securities in the ALM portfolio consist of high-quality government and corporate fixed income securities, with the future cash inflows to LAWPRO arranged to coincide with the expected payout patterns of the future claim costs. The Surplus portfolio consists of a prudent mix of fixed income and Canadian and Global equity securities.

57. The ALM Portfolio and the fixed income portion of the Surplus portfolio are impacted by interest rate changes and together represent around 77%¹³ of the total investment portfolio. The Bank of Canada raised its overnight interest rate by 400 basis points in 2022 and a further 75 points in 2023, before lowering it by 175 basis points in 2024 and an additional 100 basis points in 2025, bringing the current rate to 2.25%. These changes in rate over the last few years, coupled with the markets not always correctly anticipating the rate changes, has resulted in volatile market returns, including those in LAWPRO’s portfolio.

58. LAWPRO maintains a prudent investing philosophy to reduce risk and protect its investments. LAWPRO’s equity investments were negatively impacted in 2020, following the general market trend. The portfolio recovered in 2021 as the markets stabilized. The significant interest rate increases, high inflation, and recession concerns in 2022 contributed to the negative returns in both fixed income and equity market. The markets improved in 2023, 2024 and 2025 with positive returns in both fixed income and equity. The first half of 2026 continued to see the portfolio move upward with the equity markets at all-time high. LAWPRO’s portfolio has followed the market, but generally with slightly better returns.

Levy Surcharges

59. As part of its commitment to operating the Primary Program in a commercially reasonable manner and better ensuring that premiums reflect the general practice risks of insureds (i.e., those that are a higher risk pay a higher premium), LAWPRO utilizes levy surcharges. The use of levies avoids the substantial dislocation which would occur if the base premiums were increased to reflect the risk, and reflects the consensus reached with the affected sectors of the bar and

¹³ As at 30 June 2026, the entire investment portfolio was divided as follows: 77% fixed income and 23% equity.

others in the profession as the most equitable way to achieve risk rating when first introduced in 1995.

60. As we approach 2027, transaction levies remain an important risk-rating mechanism within the Primary Program. Consistent with longstanding underwriting principles, they continue to ensure that lawyers engaged in activities generating a disproportionate share of claims costs contribute appropriately to the funding of the Program.
61. Real estate and civil litigation continue to generate the largest volume of claims and claims costs within the Program. Together these practice areas account for approximately 50% of reported claims.
62. Civil litigation claims increased from 868 reported claims in 2024 to 909 reported claims in 2025. Real estate claims, while slightly lower than the prior year, remain materially above pre-pandemic levels and continue to represent one of the largest sources of claims activity.
63. For 2027 the civil litigation transaction levy will increase from \$100 to \$150, and the real estate transaction levy will increase from \$65 to \$100.
64. These increases are intended to improve alignment between premium revenue and claims costs while reducing the extent to which higher-risk practice areas are subsidized by the broader profession.
65. The Claims History Levy Surcharge (CHLS) totals \$12,500 for a lawyer with one claim paid in the last five years in practice (i.e., it results in a base premium increase of \$2,500 per year for the five years following a claims payment). The surcharge amount scales based on the number of claims paid within the active 5-year window. The CHLS is \$25,000 per year for a lawyer with five claims paid in the last five years in practice. An additional \$10,000 per year is levied for each additional claim paid in excess of five. Claims history levy surcharge revenues have been quite stable over time.
66. While litigation levy revenues have also been quite stable over time, the shutdown of the courts in 2020 caused a significant reduction in civil litigation transaction levy revenues. These levies rebounded 27% in 2021, decreased 8% 2022, decreased 9% in 2023, then increased 16% in 2024, and increased by 9% in 2025. The civil litigation transaction levies were \$8.2 million in 2025 and

are estimated to be \$8.2 million in 2026. With respect to the real estate transaction levy, the increased use of title insurance is considered to be largely responsible for a significant reduction in the number of these levies since 1999. Lawyers acting for those obtaining an interest in or charge on the land, in many instances, are not required to pay a transaction levy, where the interests of all parties obtaining an interest or charge in the property are title-insured, and the acting lawyer or lawyers are provided with the appropriate release and indemnity protection by the title insurer, based on a standard form agreement entered into between the title insurer and the Law Society on behalf of Ontario lawyers. The vast majority of residential real estate transactions in Ontario are title-insured. In recent years, the number of real estate transaction levies collected has moved in tandem with residential real estate sales. There was a decline in real estate transaction levy revenue in 2020 due to the pandemic shutdowns, followed by a significant increase in 2021 reflecting the increase in activity in the Ontario real estate market, followed by a minor decrease in 2022, and a further decrease in 2023 & 2024.

67. The Ontario real estate market has continued to experience a slowdown in the last few years primarily driven by ongoing consumer uncertainty surrounding the broader economic outlook. Despite a sluggish market over the last two years, real estate transaction levy revenue was 5% more than the same period in 2024 mainly attributed to targeted marketing campaigns and proactive approach by our business development representatives who continue to position TitlePLUS as the only wholly Canadian owned title insurer. We estimate the real estate transaction levies will be \$14.9 million in 2026 and \$14.9 million in 2027.

Review of Premium Discounts

68. LAWPRO periodically reviews premium discounts to ensure they remain supported by claims experience and continue to reflect underlying risk.
69. These discounts include the Restricted Area of Practice Discount, Designated Agency Discount, New Lawyer Discount and the Part-Time Practice Discount.
70. While most discounts continue to be supported by claims experience, analysis of claims data over a ten-year period demonstrates that the 50% Part-Time Practice Discount is no longer aligned with observed claims experience.

71. Part-time practitioners continue to exhibit lower claims frequency and severity than full-time practitioners, but the indicated discount supported by claims experience is 40%, and not the 50% currently offered.
72. Accordingly, for 2027 the Part-Time Practice Discount is being reduced from 50% to 40%.
73. This adjustment improves fairness within the Program and reduces cross-subsidization among insureds while continuing to recognize the lower risk associated with part-time practice.

Real Estate Practice Coverage Option (REPCO)

74. In 2006, title fraud had begun to spiral in Ontario. Organized crime was involved in the theft of titles from innocent homeowners in increasing numbers and a Court of Appeal decision in late 2005 affirmed that a fraudulently signed mortgage was valid and enforceable against an innocent homeowner.¹⁴ The government took action with a series of fraud-prevention reforms. These included new eligibility criteria for those registering documents through the electronic land registry system. The new criteria included a prescribed form of insurance coverage that would respond in the event of fraud relating to the registration of fraudulent documents.
75. Now, all lawyers who practise real estate law in Ontario must purchase the Primary Program's Real Estate Practice Coverage Option. This coverage provides insurance protection to ensure that members of the public, and Land Titles Assurance Fund, are protected against the registration of fraudulent instruments under the Land Titles Act. The coverage limit is \$250,000 per claim/\$1 million in the aggregate per policy period, applicable to claim expenses, indemnity payments and/or costs of repairs together. The premium is \$100 annually per insured lawyer.

College of Patent and Trademark Agents Coverage Option (CPATA)

76. Enacted by statute in 2018, the College of Patent and Trademark Agents (CPATA) is the national regulator for Canada's patent and trademark agents. Since 2023 CPATA has required all of its licensees who are providing services to the public to maintain professional liability insurance. Many of CPATA's licensees are insured with LAWPRO, but prior to 2025 the Law Society of Ontario Program policy did not meet CPATA's minimum insurance requirements, largely due to restrictions around foreign laws and territory.

¹⁴ For more on this, see Bob Aaron's Toronto Star article of December 30, 2006: "[In 2006, title fraud top real estate story](#)".

77. Since 2025, LAWPRO offers an optional coverage enhancement that meets the CPATA insurance requirements. This coverage offers insurance protection for LAWPRO's insureds who are also CPATA licensees to protect against claims arising from their work as Canadian patent and/or trademark agents, even claims originating outside of Canada. The coverage limit is within the program's standard limits, being \$1,000,000 per claim/\$2 million in the aggregate per policy period, applicable to claim expenses, indemnity payments and/or costs of repairs together. The surcharge of \$2,000 was based on risk analysis and the goal of charging the lowest possible premium.

Base Premium

78. Despite the impact of transaction levies and other risk-rating mechanisms, a multi-year increasing claims costs and count trend continues across the portfolio. This means that more insureds are deriving the benefits of LAWPRO insurance than ever before but the additional pressure on the program is not sustainable at the current premium. This trend, together with the introduction of first-party cyber incident coverage, LAWPRO determined a \$300 increase to the base premium was required.

79. This increase, together with targeted risk-rating adjustments such as the changes to the transaction levies and the Part-Time Practice Discount, marks the beginning of essential efforts to:

- address sustained increases in claims frequency and costs (the growth in claims is expected to result in premium increases in further years as well)
- Support the introduction of first-party cyber incident coverage
- Maintain capital adequacy and program sustainability; and
- Moderate more significant premium increases in future years

THE ERRORS & OMISSIONS INSURANCE FUND

80. LAWPRO continues to manage the Law Society's Errors & Omissions Insurance Fund (the "E&O Fund"), the pool of funds relating to the insurance program the Law Society operated before LAWPRO was created. In recent years the E&O Fund has been in run-off mode as it has been used to settle outstanding claims for policies the Law Society's insurance program had in place

between July 1, 1989, and December 31, 1994. Although it is possible that a claim from a policy from this time period could still be reported to LAWPRO, at June 30, 2026, the E&O Fund had no outstanding claims liabilities as all files for 1994 and prior years were closed. Funds in the E&O Fund are held in a separate bank account that also functions as the transfer mechanism by which lawyers' insurance premiums and transaction levies are deposited and then remitted to LAWPRO by the Law Society on behalf of all lawyers who are required to pay them.

RISK RATING

81. Risk rating, a concept raised throughout this Report that comes directly from the mandate originally given to LAWPRO by Convocation, promotes fairness by allocating premium based on risk and puts higher costs to riskier practitioners.
82. There are certain practice areas, such as real estate and litigation, which continue to have higher claims costs than other areas on a consistent basis over a multi-year period.
83. The real estate and civil litigation transaction and claims history surcharge levies are essential forms of premium used to avoid substantial dislocation among the bar in the higher risk areas of practice. Without transaction levies, real estate and litigation lawyers would be paying a base premium around two times higher than the current LAWPRO base premium.
84. Although the volume (size) of practice may not be wholly determinative of risk, the transaction levies do reflect the volume of business transacted in a practice, as well as the higher risk associated with real estate conveyancing and civil litigation.
85. Other growing areas do not require levies at this time. The area of wills and estates has experienced an increase in claim costs over the past decade. LAWPRO will continue to monitor these results and propose any action, if appropriate, at a future date.
86. Despite family law claims trending upwards over time, the revenues collected from family law practitioners continue to both cover the associated losses and support the exemption of this work from civil litigation levies.
87. Other aspects reviewed in the analysis included the exposure based on the size of the firm, year of call, geographic location, and prior claims history. The overall results of this analysis reaffirm

the premium discounts already in place, with the exception of the part-time practice discount which will be reduced from 50% to 40% in the 2027 Program. The results of this analysis are reproduced in select graphs in [Appendices “A”, “B”, and “C”](#).

88. Appreciating the foregoing variables and possibilities of comparison by area of practice the Primary Program will substantially meet its objectives of risk rating. Although some subsidy may exist for certain areas of practice, when taking into account operating costs and commercial realities, the cost of insurance under the Primary Program is considered to be generally reflective of the risk. Notably, the Task Force Report acknowledged that “...no insurance program can be solely risk-reflective and there must be some sharing and spreading of risk.”¹⁵
89. Accordingly, the LAWPRO Board is satisfied with the continued use of transaction and claims history levy revenues as premium, with the result that the cost of insurance under the Primary Program continues to generally reflect the risk.
90. LAWPRO offers many different risk-rated discounts. The number of Ontario lawyers that qualify for the most significant premium discounts is summarized in the following table:

Description of sample discounts	Number of lawyers who claim these sample discounts as of June 30, 2026
New Lawyer Discount (20%-50% discount)	5,648 lawyers (18% of all insureds)
Restricted Area of Practice Discount (50% discount)	1,952 lawyers (6% of all insureds)
Part Time Practice Discount (50% discount)	2,430 lawyers (8% of all insureds)
TOTAL	10,030 lawyers (32% of all insureds)

REINSURANCE AND CAPITAL PRESERVATION

91. LAWPRO annually assesses its need for reinsurance based on its capital position, claims experience, emerging risks, and the potential volatility of future claims results.
92. In its early years, LAWPRO purchased Primary Program-wide quota share reinsurance¹⁶. A stronger financial position and more stable claims experience enabled LAWPRO to cease

¹⁵ 1994 Insurance Committee Task Force Report, at page 4.

¹⁶ “Quota share” reinsurance is an arrangement where an insurer (like LAWPRO) will cede or give a portion of its premiums and claims risk to another insurer (a “reinsurer”) at a fixed percentage. This allows the insurer to retain such risks and premiums as it is comfortable with, while passing on the rest to the reinsurer(s).

reinsuring the Primary Program with quota share reinsurance starting in 2003. In addition to relying on LAWPRO's own capital, the resources of the Errors & Omissions Fund, up to a \$15 million cap, were effectively relied upon beginning in 2003. The \$15 million backstop was discontinued effective the 2020 Program.

93. For 2027, LAWPRO intends to introduce mandatory first-party cyber incident coverage as part of the Primary Program. As discussed earlier, cyber events exhibit catastrophe and aggregation characteristics that are not typically present in conventional legal malpractice claims.
94. To address this new source of risk, LAWPRO intends to purchase quota share reinsurance specifically for the cyber coverage. Under this arrangement, a significant portion of the premium and losses associated with the cyber coverage will be ceded to highly rated global reinsurers. This structure allows LAWPRO to introduce meaningful cyber protection for insureds while limiting our net retained exposure to potentially system cyber events, benefitting from the reinsurer's expertise in cyber risk management and modelling.
95. LAWPRO will also continue to purchase reinsurance protection against the possibility of multiple losses arising out of a common event or nexus, as it has since 2005 (the "Clash Excess of Loss Reinsurance"¹⁷). This protection against aggregated losses extends across both the Primary Program and TitlePLUS business and offers protection against events such as fraud-related claims involving multiple lawyers, widespread title defects, or other circumstances giving rise to multiple related claims.
96. With the introduction of the dedicated cyber quota share arrangement, losses arising under the Cyber Coverage endorsement will no longer form part of the risks protected by the Clash Excess of Loss Reinsurance program. This change reflects the development of a separate and more specialized reinsurance solution for cyber exposures and avoids overlap between the two reinsurance structures.

¹⁷ "Excess of loss" reinsurance is an arrangement where a reinsurer will indemnify an insurer for losses that exceed a specified limit. The insurer and reinsurer can negotiate the amount of risk the insurer retains before the reinsurance responds, the upper limit of the reinsurance coverage, and the premium (which is typically calculated based on the insurer's annual premiums, subject to a minimum premium amount).

97. Accordingly, except for the portion of cyber risk ceded through the cyber quota share arrangement and the protection afforded by LAWPRO's excess of loss reinsurance arrangement, the majority of the Primary Program risk will continue to be retained by LAWPRO in 2027.

CAPITAL REQUIREMENTS

98. As LAWPRO has worked through some quite challenging times, its prudent and conservative approach to the issues of the day has stood it in good stead. LAWPRO has maintained a solid capital base, as well as a robust asset liability matching program to ensure that the funds are available to satisfy the claims obligations undertaken to date. LAWPRO has received a consistent "A" (Excellent) rating from A.M. Best Rating Services each year since 2000, and since 2012 has retained its "stable" outlook. (An "outlook", which looks more to the future, is different from a "rating".)

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

100. A significant amount of the margin requirement relates to the 25% additional capital that must be held for all the net claims liabilities on the books that relate to commercial liability (which includes professional liability coverage). Given the steady historical growth of LAWPRO's net claims liabilities over the last decade or so, even a positive net income result can often be accompanied by a decline in LAWPRO's MCT ratio. The second most impactful factor on the margin requirement is the equity risk on the equity portfolio which attracts a 30% additional capital requirement. As part of the implementation of IFRS 17, OSFI has revised the MCT formula to include a 1.1 times multiple to the capital required. Without the 1.1 scalar, the shift in liability valuation and timing of recognition under IFRS 17 would have lowered required capital levels, potentially understating risk for the industry as a whole.

101. Canadian regulators require that an insurer's MCT not fall below 150%. If it does, the insurer can expect regulatory intervention, up to and possibly including taking control of the company. As well, regulators require the Board to set an internal MCT target above the regulatory minimum. Should the MCT fall below this target, regulators would expect the Board and management to introduce measures to increase it back up above the internal target percentage. In 2016, LAWPRO completed its first capital assessment pursuant to the Office of the Superintendent of Financial Institutions' ("OSFI") *Guideline E-19 Own Risk and Solvency Assessment ("ORSA")* and the Autorité des Marchés Financiers' *Guidance on Capital Adequacy Requirements*. Although LAWPRO is regulated by the Ontario provincial regulatory body, the Financial Services Regulatory Authority of Ontario ("FSRA"), this regulator generally follows OSFI guidance. LAWPRO's ORSA review pegged the internal target MCT at 170% which has been reaffirmed in all subsequent years.
102. In addition, as part of the above exercise, the Board set LAWPRO's long-term preferred operating range for the MCT at 210% to 240% based on LAWPRO's risk profile and its unique ability to set premiums and raise capital, which differs significantly from those of other commercial insurers in Canada. An MCT result in this range would allow LAWPRO some capacity to absorb unexpected losses or changes in market conditions and have time to implement a strategy to restore capital levels to the desired range.
103. The MCT was 236% as at June 30, 2026, and 249% as at December 31, 2025. The preferred range is set to provide an appropriate buffer that allows the Company to withstand adverse scenarios such as a sudden influx of large claims, higher than expected inflation, or investment deterioration, and remain above the various regulatory thresholds. For example, the MCT dropped from 242% at December 31, 2019, to 197% at March 31, 2020, mainly due to impacts from the pandemic. If LAWPRO had not started with a MCT at the top of the preferred range, the 45-percentage point drop could have pushed the company below the 150% supervisory intervention level. Overall, the Company's June 30, 2026, MCT ratio is within the Company's preferred operating range of 210% to 240%. Maintaining a higher-than-normal MCT is considered prudent given current market volatility and the elevated uncertainty associated with the political and economic environment, as it provides an additional capital buffer to protect against potential adverse impacts of changes to the 2027 MCT guidelines.

104. The transition of the MCT to align with IFRS 17 was designed to be broadly capital neutral for the industry, with OSFI's adjustments ensuring that overall capital adequacy levels were preserved despite accounting changes. OSFI revised the MCT guidelines to align terminology and liability measurements with the IFRS 17 accounting standard, clarify unexpired coverage recognition, and set the stage for further revisions effective January 1, 2026. We will continue to monitor the impact this will have on LAWPRO's capital requirements.

CONCLUSION

105. The LAWPRO Board considers the Primary Program outlined above to be appropriate and consistent with LAWPRO's mandate as set out in the 1994 Insurance Committee Task Force Report. The LAWPRO Board recommends that Convocation approve this Primary Program of Insurance for 2027 as offered so that it can be implemented by January 1, 2027.

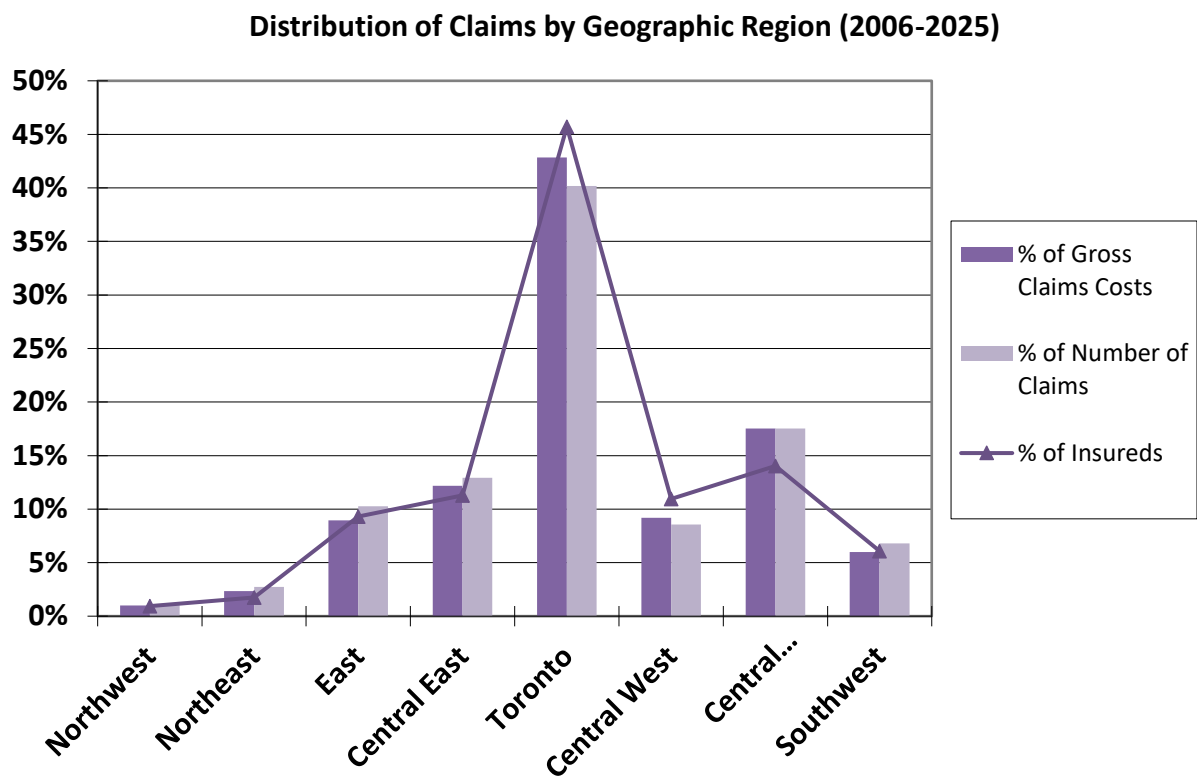
ALL OF WHICH LAWPRO'S BOARD OF DIRECTORS RESPECTFULLY SUBMITS TO CONVOCATION.

September 2026

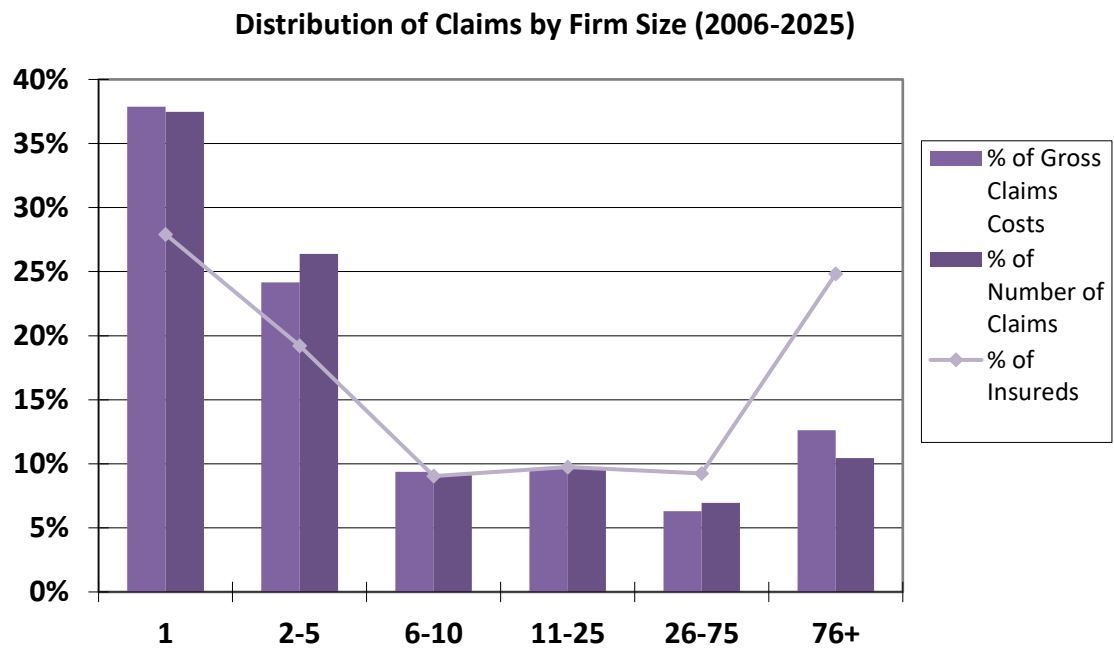
Mark Surchin
Chairperson of the Board
Lawyers' Professional Indemnity Company

Daniel E. Pinnington
President & CEO
Lawyers' Professional Indemnity Company

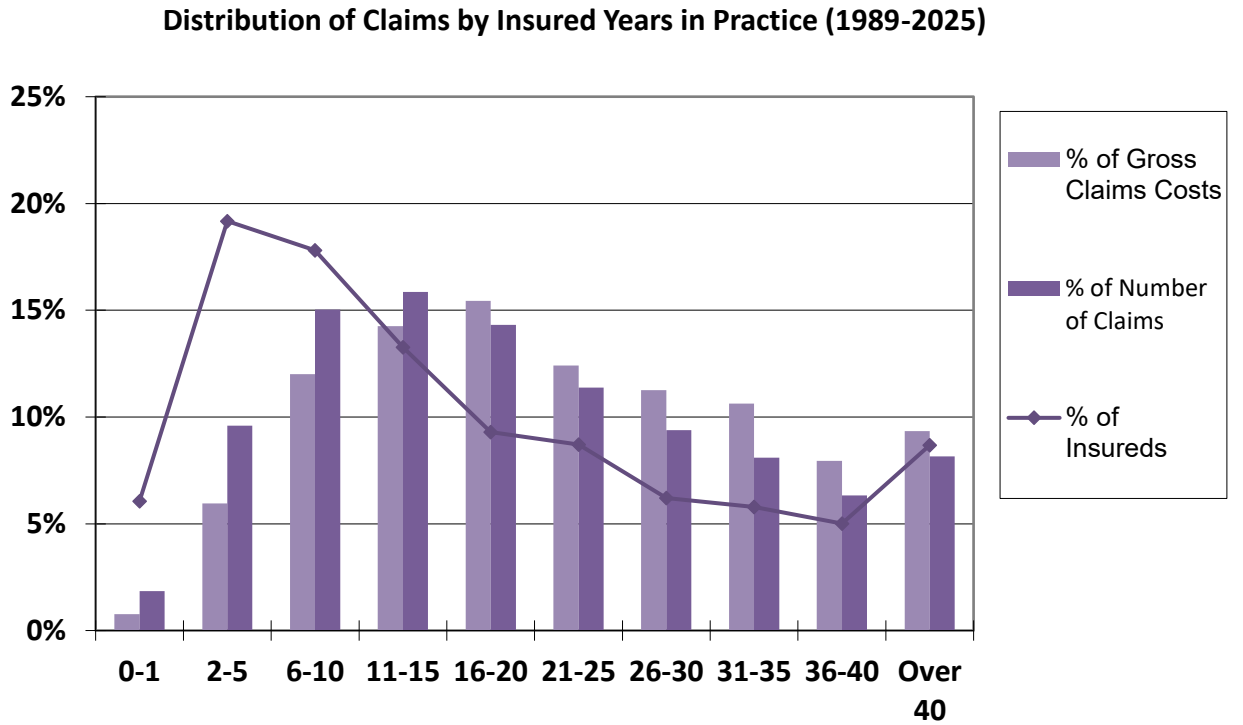
Appendix A – Distribution of Claims by Geographic Region



Appendix B – Distribution of Claims by Firm Size



Appendix C – Distribution of Claims by Years in Practice



Appendix D – Detailed Descriptions of Causes of Loss

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

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

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

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

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

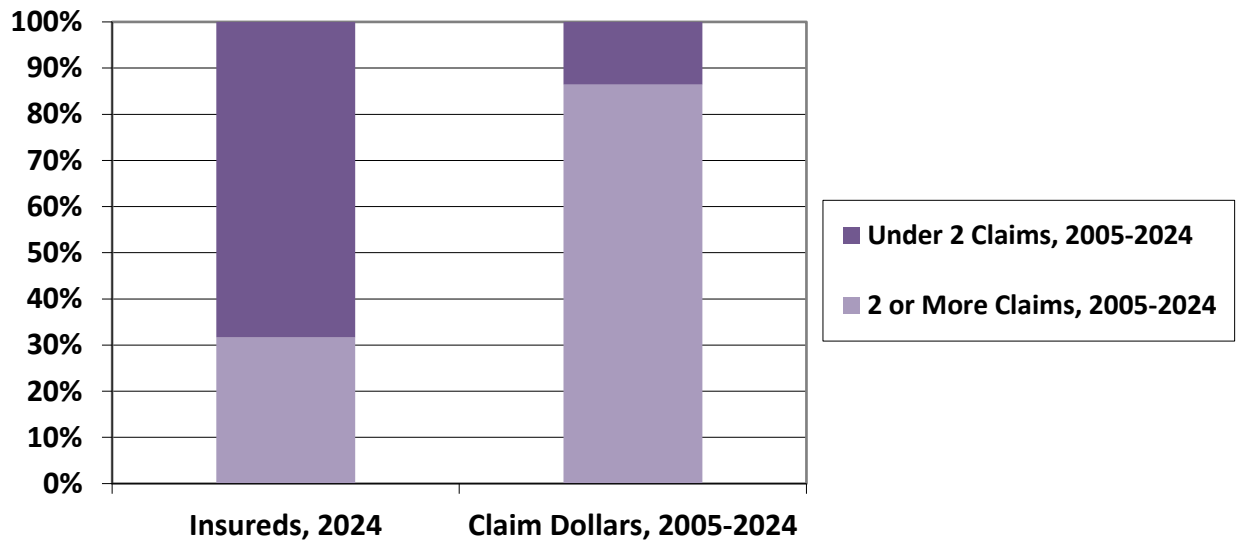
Clerical errors: These types of errors include things such as simple clerical mistakes, errors in mathematical calculation, work delegated to an employee or outsider that is not checked and failure to file documents. As important as delegation is to the efficient functioning of a law firm, lawyers need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

Fraud: Fraud continues to be a significant risk for LAWPRO, one which could cost the Primary Program significant claims dollars if not prevented. Lawyers are reporting attempted frauds to LAWPRO on a daily basis. Fraudsters on occasion still successfully dupe lawyers and law clerks, and it is not just real estate lawyers who are targeted. Litigation, business and family law lawyers are regular targets of bad cheque scams involving debt collections, spousal support payments and business loans. “Phishing” attempts and other cyber hacking methods are targeting lawyer trust accounts. Through our efforts, including publication of Fraud Fact sheets which are available at Practicepro.ca/fraud, Ontario lawyers are clearly more aware of frauds, but ever more sophisticated frauds mean lawyers must continue to be vigilant.

Appendix E – Lawyers with multiple claims responsible for bulk of claims costs

The 32% of LAWPRO insureds with 2 or more claims are responsible for 86% of LAWPRO's claims costs.

**Insureds with Several Claims
Claims Reported, 2005-2024**



Appendix F – LAWPRO Vision, Mission & Values and Corporate Social Responsibility

These documents are available for download at: <https://www.lawpro.ca/about/vision-values/>

LAWPRO updated its vision, mission and values statement in 2026 as a high-level road map to help the company identify priorities, guide activities, and provide a benchmark against which we measure ourselves. It also provides an ideal framework for how LAWPRO meets its mandate to be efficient, effective and accountable.

Vision: Empowering legal professionals to practise with confidence, providing peace of mind to those we serve.

Mission: To safeguard the viability and integrity of the legal profession, we provide comprehensive professional liability and title insurance, expert risk management advice, and responsive solutions that foster public trust.

Values: These statements inform our customers and employees of our core beliefs, fundamental goals and priorities that we pursue in our everyday work.

- *Professionalism:* We lead with integrity, act with respect and own our impact.
- *Service:* We deliver exceptional experiences to our people and customers.
- *Excellence:* We never stop learning and improving.
- *Respect:* We value each other and draw strength from our differences.
- *Collaboration:* We achieve better outcomes together.