

As Chair Ian Croft has suggested in his year-end remarks, there is more to the LAWPRO story in 2009 than meets the eye.

Certainly it was a difficult year on many fronts as we dealt with the many implications of a weaker economy, the new harmonized sales tax (HST) and a claims portfolio that continues to push the envelope.

However, a look behind the numbers reveals that our fundamentals are strong.

A \$108.7 million claims expense is a sobering number. But stripped of the close to \$18 million in one-time charges for HST and the decrease in the claims reserve discount rate, that expense at \$91 million is just over our budgeted claims costs for the year of \$90 million. This number is higher than we would like it to be, and we are working hard to address this concern.

On the claims front, we have recently completed a reorganization of the claims team that will focus costly, difficult claims in litigation in the hands of senior internal counsel who can work in an increasingly focused fashion with outside counsel. Other changes will help build our next generation of leaders in the claims department. Our claims department also continues to post excellent results, the result of principled claims management. Of the files reported and resolved last year, 90 per cent were resolved without any indemnity payment and close to 40 per cent without any payment at all. We were successful on seven of eight matters at trial, and won all 10 matters that went to appeal and 11 of 14 applications for summary judgment.

To help rein in TitlePLUS claims costs, especially in the area of building-compliance claims, we will be implementing a number of new underwriting measures that will also address a principal TitlePLUS mandate: To position lawyers as indispensable to the real estate transaction by helping clients avoid problems down the road.

To help lawyers avoid claims altogether, we have stepped up our risk management efforts. We're getting more information into lawyers' hands more quickly through our new bi-monthly LAWPRO Webzine and other electronic communications. We know that on one occasion these

efforts helped avoid close to \$5 million in potential trust account losses as lawyers told us of 18 matters in which they could have been – or almost were – victims of fraud had it not been for LAWPRO's fraud alerts.

Since its launch in late 2009, practicePRO's new *Avoid a Claim* blog has already brought more than a dozen new law practice and claims avoidance tips, articles and "heads-up" alerts into lawyers' offices. As well, we personally took our claims prevention message to more than 50 firms, conferences, and seminars in 2009 and through our Continuing Legal Education (CLE) credit program delivered risk management content indirectly to more than 18,000 lawyers at 180 CLE programs.

Our analysis of the impact of CLE on claims risk indicates some correlation between continuing professional development and reduced malpractice claims. So we are stepping up our efforts to encourage program providers to include risk management components in their programs (thus qualifying for the practicePRO CLE premium credit) as well as working with law-related associations to develop programs that reflect risk management content and attract more attendees.

A behind-the-scenes look at our investment income also reveals more than the numbers tell. Had we not moved that portion of our investments that represent our capital and triggered a previously unrealized loss of \$9 million, investment income in 2009 would have exceeded that of 2008. That portfolio has rebounded strongly under its new manager and positions us well for 2010 and beyond, as indicated by the excellent result of \$7.2 million in comprehensive income by year-end. Overall, our investment managers exceeded industry benchmarks – another measure of the success of our investment strategy.

However, because our investment managers are required to take a prudent, conservative approach, a significant portion of our investments are in low-risk bonds at relatively low rates of return. This has important implications for insurance



premiums in the future, as investment yields, necessary to offset the need for premium increases, have declined.

There are some bright spots when it comes to premium income. Our Excess program, for example, continues to grow, a clear indication that we are filling a need among our target group of small to medium-sized firms. In 2009 that program grew 2.6 per cent, and we now provide about 15 per cent of lawyers in firms of fewer than 50 lawyers with their Excess insurance coverage.

Although TitlePLUS premium revenues were lower than expected, the TitlePLUS program posted strong growth in western markets and in product lines that come with less

risk (for example, the new home market). Both developments bode well for the long-term as the potential for growth lies outside Ontario where title insurance use in residential transactions has reached saturation levels.

The LAWPRO team's focus on providing sound, secure, sustainable insurance products and services has served the bar well in 2009, and we look forward to continuing to build for the long term.



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