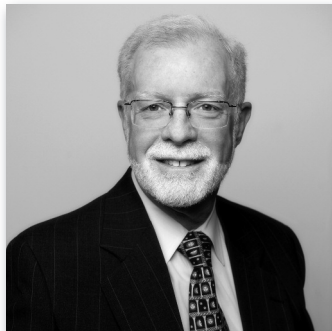


REMARKS OF THE CHAIR



Despite a difficult economic environment, LAWPRO posted solid results in 2009, and enters the second decade of this millennium on a sound footing.

Getting there, however, came with its fair share of challenges. More than once, the LAWPRO Board and company management were called on to make difficult decisions to

ensure that actions taken are always in the long-term best interests of both the company and the legal profession.

The \$500 increase in the base insurance premium for 2010 is a case in point. Insurance premiums, which have been at record low levels for the past two years, were unsustainable. Claims costs were simply increasing too much. In 2009, lawyers again reported more claims that cost more money than in any year since 1995: 2,272 E&O claims were reported to LAWPRO at a projected cost in excess of \$85 million.

Revenues from base insurance premiums, on the other hand, were relatively flat, and below budget, due in part to lower than expected revenues from transaction levies (\$17.9 million compared to the budgeted amount of \$20 million).

In the past, exceptional investment income and monies from a premium stabilization fund had helped fill the gap between rising costs and flat or declining revenues. The premium stabilization fund is now depleted, and investment yields are unlikely to return to previous highs in the short to mid term, despite the recovery we have seen in investment markets in the past year. A significant premium increase was inevitable. Moreover, if the escalation of claims costs continues, there will be a continuing need to increase E&O premiums in the future.

As well, TitlePLUS revenues were weaker than expected, the result of continued uncertainty in most real estate markets. The continued increase in TitlePLUS claims costs is to be expected as more policies are sold. Significant increases in costs attributable to building compliance issues on past years' policies are of some concern for the Board, and the TitlePLUS team will be implementing a number of measures

in 2010 to help reduce the exposure of this segment of the claims portfolio.

The Board also approved a courageous and far-sighted recommendation of its Investment Committee to transfer management of a portion of LAWPRO's investments* to new investment managers in mid 2009 – a move that required the company to realize a loss in that segment of its portfolio of about \$9 million. As anticipated, this investment portfolio did well in the balance of the year and LAWPRO ended 2009 with comprehensive income – an important contribution to the company's overall financial position — of \$7.2 million.

As a result, shareholder's equity increased \$7.2 million to \$141 million from \$133.9 million in 2008. The company now has assets of \$529.7 million compared to \$487.3 million a year earlier. These solid financial benchmarks helped LAWPRO earn its 10th consecutive A (Excellent) rating from A.M. Best Company.

Two unusual developments in 2009 contributed to a significant increase in claims expenses to \$108.7 million and a reported net loss of \$6.4 million (compared to net income of \$7 million the previous year). To reflect the anticipated impact of the implementation of a harmonized sales tax (HST) in Ontario, a one-time revaluation of existing reserves by \$10.7 million was necessary, as the HST will increase legal fees on outstanding claims liabilities by eight per cent. As well, a significant decrease in the discount rate resulted in a \$7 million increase in claims liabilities.

The company's consistent ability to cope with these turbulent events reflects well on the very capable and committed team at LAWPRO, and on the LAWPRO Board. The collective experience and expertise of both were put to the test more than ever in 2009.

Ian D. Croft
Chair

* LAWPRO's surplus portfolio consists of funds that represent, in large measure, the company's capital, which capital is the principal back-stop to any increase in the amount estimated to be required to settle all outstanding claims liabilities.