



**Law Society**  
of Ontario

**Barreau**  
de l'Ontario

**Tab 2**

## **Audit & Finance Committee**

### **Report to Convocation**

April 24, 2025

**Committee Members:**

Sidney Troister (Chair)  
Heather Hansen (Vice Chair)  
Mark Surchin (Vice Chair)  
Sean Aylward  
Laura Emmett  
Shalini Konanur  
Howard Levitt  
Hassan Pirnia  
Michael Radan  
Stephen Rotstein  
Megan Shortreed  
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**Prepared by the Finance Department**

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# FOR DECISION

## Law Society of Ontario Annual Financial Statements for the year ended December 31, 2024

The Law Society's audited financial statements for the year ended December 31, 2024 (Financial Statements) are presented as part of this report and are before Convocation for approval. The Audit & Finance Committee (Committee) unanimously recommends the approval of the audited annual financial statements for the Law Society, including the net inter-fund transfers.

The Financial Statements along with the accompanying Management Discussion and Analysis (MD&A) is at **Tab 2.1.1**. The MD&A provides a summary of the financial results for 2024 and is included with the Financial Statements in the Law Society's Annual Report.

To support Convocation in its approval decision, this report includes:

- A summary of what the Financial Statements represent
- Information about a financial statement audit, including the responsibilities of management, Board members, and the auditor completing a financial statement audit
- A brief description of interfund transfers
- The motion supporting approval of the Financial Statements, including the interfund transfers for 2024.

### Financial Statements

The financial statements generally identify the organization's financial situation at a point of time and its financial activity for the year there ended. The financial situation and activity are reflected in three separate statements:

- 1) The financial situation at the end of the fiscal year is set out in the **Statement of Financial Position**, also known as a Balance Sheet, detailing
  - assets held at year end such as cash, investments, accounts receivable (amounts owed to the organization), capital assets, etc.

- liabilities such as amounts owed to suppliers/contractors/employees or deferred revenue (revenue received in the current year for goods or services to be provided in a future year)
  - fund balances, also known as net assets, representing the net resources available to an organization or within a Fund (e.g. General Fund, Compensation Fund, etc.) after accounting for liabilities
- 2) The financial activity – the revenues and expenses for the year – are summarized in the **Statement of Revenues and Expenses**, also known as an Income Statement. The revenues and expenses are recorded based on when they are earned or incurred, respectively, not based on when payments are made or received.
- 3) Cash movement, ins and outs, throughout the year in a **Statement of Cash Flows**.

The Law Society's Financial Statements reflect the financial position and results of operations for the year for the General Funds (operating funds) and a number of special purpose or restricted funds. The restricted funds are described in the notes to the Financial Statements and are:

- The Compensation Fund, restricted by the Law Society Act;
- The E&O Fund, the Capital Allocation Fund, the Invested in Capital & Intangible Assets Fund, the County Libraries Fund, the Repayable Allowance Fund, the Special Projects Fund and the Parental Leave Assistance Fund, all restricted by policies of Convocation.

The financial statements are accompanied by an unmodified/unqualified (clean) opinion from the Law Society's appointed auditor BDO Canada LLP (BDO).

## Financial Statement Audits

### *What is a Financial Statement Audit?*

An audit of an organization's financial statements provides an independent and objective opinion on the reliability of the statements prepared by management, to enhance the confidence of the stakeholders who rely on them. Put simply, a financial statement audit is an independent review by an auditor, of the statements prepared by management, to confirm within reason that the revenues and expenses for the year are reflected in the financial statements and that the assets and liabilities reflect the



organization's financial situation at the end of the year. Canadian Auditing Standards (CAS),<sup>1</sup> are the guidelines and principles that auditors must follow when conducting an audit of an organization's financial statements.

Under CAS, the stated purpose of a financial statement audit is to provide reasonable assurance that the financial statements of the organization are prepared, in all material respects, in accordance with the applicable financial reporting framework. For the Law Society, the applicable reporting framework is the Canadian Accounting Standards for Not-for-Profit Organizations.

As part of audit planning, the auditor determines the overall **materiality** for the audit. This is the amount that is considered significant for the financial statements taken as a whole and is based on a benchmark which for not-for-profit organizations is typically a percentage of revenues or expenses that could range from 1% to 5%. This amount is communicated to the Committee annually.

The auditor does not examine every single transaction in detail, nor do they necessarily examine all transactions over a pre-defined threshold or that are greater than overall materiality. They perform an independent risk assessment and focus on the areas most likely to have a risk of material misstatement. Materiality is used to assist the auditor on what to test, how much audit evidence is needed and if a misstatement requires a correction in the financial statements.

For the audit of the Law Society's Financial Statements, the preliminary materiality was communicated by BDO in the audit planning document presented to the Committee in December 2024 as \$7,300,000, and final materiality, as noted in the audit results document is \$7,500,000. This amounts to 3% of the Law Society's consolidated expenses.

In addition to materiality being a measure that influences the opinion issued by the auditor on an organization's financial statements, should the auditor identify an error, misstatement or omission greater than a 'trivial amount'<sup>2</sup> through their sample testing, they are required to report the error to the Committee. This trivial amount can range between 5 and 10% of overall materiality. Based on materiality for the 2024 audit and assuming the amount set for measuring a trivial amount is 5%, should an error of \$375,000 or more be identified by the auditor, it would be reported to the Committee.

These errors are also communicated by the auditor to an appropriate level of management. Management will consider the item and may choose to correct it, known as an **adjusted difference**. The auditor will generally retest and review the item to

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<sup>1</sup> CAS 200 - Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Canadian Auditing Standards, CPA Canada Handbook, Assurance (effective as of November 1, 2023)

<sup>2</sup> As defined by the auditor

ensure it was correctly addressed. However, if management disagrees with the interpretation of the auditor, or assesses the identified item to have a nominal impact on the accuracy of the overall financial statements, they may choose to leave it uncorrected, known as an **unadjusted difference**. There were no adjusted or unadjusted differences reported for the 2024 audit.

Auditors use a mix of two main techniques to perform their work:

- 1) **Testing of internal controls** – this involves reviewing the organization's processes and financial systems and testing the design and implementation of controls that are relevant in assessing the accuracy of the organization's financial statements and that the auditor determines are relevant to the audit (e.g. segregation of duties, approval processes, signing limits, financial system permissions).
- 2) **Substantive (detailed) testing** – this is a more detailed examination of financial records and transactions, often achieved by testing transactions, on a sample basis, to confirm their accuracy and presentation in the financial statements, obtaining supporting documentation to verify the amounts recorded. The nature, extent and timing of the substantive testing is determined by the auditor considering their independent risk assessment and materiality for the audit.

Internal control testing is performed during an interim audit, often completed a few months before the fiscal year end. The results of internal control testing drive the level of substantive testing required. For the Law Society, this interim audit was performed in November 2024.

When an organization implements a new financial accounting system, as the Law Society did in 2024, the auditor increases their level of review as follows:

- They perform a more in-depth assessment of internal controls, reviewing policies and procedures, testing whether they work as described, and verify individual transactions in accordance with these controls.
- They conduct a separate review of the new financial system with a focus on how data was transferred into the system, whether the data reconciles to the records of the old system, what access and privileges users have in the system (what transactions they can process, who has authority to approve, etc.), and whether there are appropriate approval processes for system changes.

Audit work carried out by an auditor's fieldwork team (the on-the-ground team completing the detailed review after the end of the fiscal year) goes through multiple levels of review, including an audit manager, an audit partner, and a quality assurance partner (required for new audits or where new systems are implemented). A multi-level review process ensures a thorough and reliable audit.

### ***What are the Responsibilities of Management, Committee and Auditor?***

CAS establish separate responsibilities for the auditor as well as for an organization's management and its board.

Management is responsible for:

- The preparation and fair presentation of the financial statements, including the related note disclosures<sup>3</sup>
- The design, implementation and maintenance of internal controls relevant to the preparation of financial statements so that they are free from material misstatement, whether due to fraud or error

The board is responsible for:

- Oversight of the financial reporting process and internal controls<sup>4</sup>
- Ensuring integrity and transparency in financial disclosures

The auditor's responsibility is to express an **opinion** on whether the financial statements are free from material misstatement, whether caused by fraud or error. The Independent Auditor's Report identifies what is included in the scope of the audit and whether the statements are free from material misstatement.

Depending on the findings of the audit, the auditor may express one of four opinions of the organization's financial statements in the Independent Auditor's Report:

#### **1) Unmodified/Unqualified Opinion (Clean Opinion)**

- The auditor concludes that the financial statements present a true and fair picture, in all material respects, of the financial position and results of the organization in compliance with the Canadian Accounting Standards for Not-for-Profit Organizations, the framework applicable to the Law Society.
- Issued when no material misstatements are found in the financial statements, and the auditor has been able to obtain sufficient appropriate audit evidence.

#### **2) Modified/Qualified Opinion**

- A qualified opinion is issued when an auditor identifies issues that prevent a clean opinion but are not severe enough to warrant an adverse opinion.
- Identified matters may include a material misstatement, a limitation in obtaining audit evidence, or where an organization does not correctly apply accounting standards.

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<sup>3</sup> CAS 200 paragraph 200.4

<sup>4</sup> CAS 260 – Communication with Those Charged with Governance

- This opinion suggests that, except for specific matters, the financial statements are fairly presented; that the matters identified are not pervasive and do not impact the reliability of the statements.

### 3) **Adverse Opinion**

- The auditor concludes that the financial statements have material and pervasive misstatements that affect overall accuracy and reliability of the financial statements.
- An adverse opinion often reflects systemic problems in an organization's financial reporting processes, including widespread non-compliance with accounting standards or intentional misrepresentation by management.

### 4) **Disclaimer of Opinion**

- The auditor does not express an opinion on the financial statements. A disclaimer of opinion is issued when auditors are unable to obtain sufficient evidence to form a conclusion about the financial statements.
- This would occur if there is a significant limitation in scope such as insufficient access to records or other required audit evidence.

CAS 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of the Financial Statements*, expands on the auditor's obligations regarding fraud.<sup>5</sup> CAS 240.5 states "The primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management." The auditor's specific responsibilities with respect to fraud include:

- 1) Obtaining reasonable assurance that the financial statements are free from material misstatement caused by fraud or error (CAS 240.11).
- Materiality is a threshold used during an audit to determine whether an error or misstatement is large enough to affect the decisions of someone reading the financial statements. If misstatements (errors or instances of fraud) are found to be above this threshold, they can lead the auditor to issue a modified or adverse opinion—essentially saying that the financial statements may not be reliable.

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<sup>5</sup> Fraud can include any intentional omissions or misstatements of values, or disclosures in financial statements intended to deceive the users of the financial statements or, misappropriation/theft/unauthorized personal use of an organization's assets.

- It is important to note that an unqualified (clean) opinion from the auditor does not guarantee that the financial statements are free from error or fraud. The audit provides reasonable assurance that the financial statements reflect the results of operations -- the revenues and expenses for the year and the assets and liabilities as at the end of the year -- but not absolute certainty. However, if the auditor suspects or identifies actual fraud, the auditor must promptly inform the board. This applies when the fraud involves management, employees with key internal control roles, or if the fraud causes a material misstatement.
- 2) Maintaining professional skepticism throughout the audit (CAS 240.12). This includes questioning and critical assessment of audit evidence. This is achieved through questions about internal control procedures and by applying risk-based sampling methods.
  - 3) Identifying and assessing risks of material misstatement due to fraud, and design and implement appropriate responses (CAS 240.25 to .44). These risk areas and audit responses were outlined in the audit planning document presented by the auditor to the Audit and Finance Committee and Convocation. An audit committee may identify additional risk areas during the audit planning phase and request that the auditor expand the scope of their review. The scope needs to be addressed at the planning phase to ensure the committee is aware of the audit fee and so that the engagement letter accurately reflects the fees.
  - 4) Responding appropriately if fraud is suspected or identified (CAS 240.45-.47), whether or not it impacts the accuracy of the financial statements. This may include expanding audit procedures, consulting legal counsel, or reporting to the senior management, the audit committee and/or the board, depending on the circumstances.
  - 5) Communicating findings to management, those charged with governance, or external parties as required (CAS 240.38-41, 43-44). These communications are documented in the audit results report prepared by the auditor.

It is important to emphasize that even an unqualified audit opinion does not guarantee the absence of fraud or error.<sup>6</sup> The audit provides reasonable, not absolute, assurance.

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<sup>6</sup> For audit purposes, the key difference between fraud and an error is intent. Fraud is considered an intentional act carried out that can involve manipulation of the financial statements or theft. Examples are forgery or theft of funds. An error is an unintentional mistake in the financial statements such as the miscalculation of an amount or a misunderstanding related to the application of the accounting principles.

### ***What are the Implications of the CEO's Contract on the 2024 Financial Statements?***

Audit fieldwork was conducted in February 2025. The matter of the Chief Executive Officer's (CEO) contract was disclosed to the auditor by management and the auditor received and reviewed a copy of the O'Connor Report. As part of the audit, the auditor discussed the issue with the Treasurer and Chief Financial Officer.

The auditor has concluded that the circumstances surrounding the CEO's contract do not affect the completeness or accuracy of reported revenues or expenses for 2024, the presentation of the Law Society's financial position or the accuracy of the financial statements, as a whole, as at December 31, 2024.

### ***What are Other Types of Audits?***

In addition to a financial statement audit, there are other types of audits that an organization may undertake to address specific concerns or risk areas, most commonly forensic audits and compliance audits. A financial statement audit is focussed on the financial records of an organization to ensure that the information provided in financial statements is accurate. As financial statements reflect the financial position of a company to external stakeholders, it's important that they are free of any discrepancies, anomalies, or fraudulent information.

A **forensic audit** is designed to investigate suspected fraud, financial discrepancies, or misconduct. Unlike a financial statement audit, which focuses on overall accuracy and presentation of the financial statements prepared by management, the purpose of a forensic audit is to:

- Detect specific fraudulent acts or patterns of misappropriation.
- Trace transactions and gather admissible evidence for disciplinary or legal proceedings.
- Utilize specialized techniques such as forensic data analytics.

Considerations before initiating a forensic audit:

- Are there concerns of fraud?
- Does the suspected issue fall outside the scope or materiality threshold of the financial statement audit?
- Is legal or disciplinary action anticipated?

A forensic audit does not guarantee that fraud will be uncovered but the specific and focused procedures will provide a much higher level of assurance than what is possible through an audit of the financial statements.

A **compliance audit** evaluates whether the organization is adhering to internal policies and by-laws, legal or regulatory requirements, and contractual obligations. The purpose of a compliance audit is to:

- Assesses compliance with internal controls, by-laws, policies, procedures, or external legislation
- Identifies areas of non-compliance and recommends corrective actions.

Considerations before initiating a compliance audit:

- Have internal audits, financial statement audits or external reviews identified control weaknesses?
- Is there a need to validate compliance with regulatory mandates?

A compliance audit will provide an external opinion on compliance with specified policies or bylaw requirements. It is not intended to uncover fraud but rather instances where there may be deviations from policies, by-laws, or other legal requirements.

Other common types of audits completed by a third party are information systems audits, cybersecurity audits and operational audits. These are generally not financial in nature but rather focus on information system risks and opportunities for efficiency.

## **Inter-fund Transfers**

The net inter-fund transfers, included in the motion below, are in Note 14 to the Annual Financial Statements and are routine in nature. Generally, inter-fund transfers are allocations of existing funds, or assets, from one fund to another for accounting purposes or, in the case of transfers to special fund, to segregate these funds for identified expenses. These include transfers of capital and intangible assets at year-end or the transfer of budgeted funds to appropriate Restricted Funds based on the criteria of the Fund. As these Funds are restricted by Convocation, any transfers not previously approved are presented for approval in conjunction with the financial statements.

Usually, every year there are transfers in to and out of the Special Projects Fund. The purpose of the Special Projects Fund is to ensure that budgeted funds approved by Convocation and intended for a specific initiative in a given budget year or funds raised for a particular future purpose, remain available for the successful completion of the project or initiative in a subsequent year. An example is the funds raised each year to support the benchner election, which only occurs every four years.

## **Motion**

**That Convocation approve the audited annual financial statements for the Law Society of Ontario for the financial year ended December 31, 2024, including the following net inter-fund transfers listed in Note 14 not previously approved by separate motion of Convocation:**

- **\$13,925,000 from the Capital Allocation Fund to the Invested in Capital and Intangible Assets Fund representing assets capitalized during the year in compliance with the Society's accounting policies;**
- **\$230,000 from the Special Projects Fund to the Lawyer General Fund related to the development of the Foundations of Sole Practice course;**
- **\$182,000 from the Special Projects Fund to the Paralegal General Fund related to the development of the Family Legal Services Provider Program;**
- **\$89,000 from the Lawyer General Fund to the Special Projects Fund to fund future costs in support of Convocation approved Committee or Working Group activities;**
- **\$58,000 comprising of \$51,000 from the Lawyer General Fund and \$7,000 from the Paralegal General Fund to the Special Projects Fund to fund the next bench election;**
- **\$50,000 from the Lawyer General Fund to the Repayable Allowance Fund, as provided in the 2024 budget to fund the Repayable Allowance Program in the Licensing Process;**
- **\$28,000 from the Special Projects Fund to the Capital Allocation Fund to fund enhancements to the Human Resources Information System.**



# **LAW SOCIETY OF ONTARIO**

## **2024 ANNUAL REPORT**

# **Financial Statements**

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# **LAW SOCIETY OF ONTARIO**

## **2024 ANNUAL FINANCIAL STATEMENTS**

### **MANAGEMENT DISCUSSION AND ANALYSIS**

#### **Summary of Financial Performance**

The Law Society of Ontario (Society) accounts for its program delivery and administrative activities through the Lawyer and Paralegal General Funds.

Combined, the two General Funds reported expenses exceeding revenues from operations by \$1.5 million for 2024 (2023 – revenues exceeded expenses by \$3.9 million), prior to recognizing the unbudgeted change in the fair value of investments. Expenses exceeding revenues were planned for as the 2024 budget incorporated funding of \$6.0 million from the fund balance of the Lawyer General Fund and \$600,000 from the Paralegal General Fund along with \$1.2 million in funding from surplus investment income in the Errors & Omissions Insurance (E&O) Fund.

The Society benefited in 2024 from strong equity markets resulting in positive investment portfolio performance with unrealized gains of \$3.0 million reported in the General Funds. Factoring in the unrealized gains on investments, the Society ended the year with a Lawyer General Fund balance of \$31.8 million and the Paralegal General Fund balance of \$2.2 million.

The Society's restricted funds reported expenses exceeding revenues from operations by \$2.1 million (2023 – \$762,000). The key factor influencing performance in the restricted funds was increasing severity of claims in the lawyer pool of the Compensation Fund that resulted in the provision for unpaid grants expense of \$8.2 million exceeding budget by \$2.2 million. Increased investment income offset some of this negative activity and the lawyer pool of the Compensation Fund ended the year with expenses exceeding revenues by \$1.4 million.

Capital spending on the Transformation through the Capital Allocation Fund was \$11.3 million with total spending of \$22.1 million, slightly lower than the overall budget of \$22.3 million. The spending on the Transformation was funded through internally restricted amounts from 2023 of \$1.8 million, along with new funding from the Lawyer General Fund of \$9.5 million in 2024.

While the results from operations in the combined restricted funds was expenses exceeding revenues by \$2.1 million, the positive change of \$6.1 million in the fair value of investments through unbudgeted unrealized gains led to overall revenues exceeding expenses by \$4 million.

# Statement of Revenues and Expenses & Change in Fund Balances

## Revenues

### *Annual Fees*

Total annual fee revenues increased compared to last year at \$102.7 million (2023 – \$101.6 million). The 2024 budget included an annual fee decrease for lawyers and paralegals of \$25 and \$45, respectively, with the impact of reduced fees offset by an increase in the number of licensees practising or working.

### *Insurance Premiums and Levies*

The E&O Fund accounts for insurance-related transactions between Lawyers' Professional Indemnity Company (LAWPRO), the Society and insured lawyers. The E&O Fund collects premiums and levies from lawyers and remits these amounts to LAWPRO. Insurance premiums and levies increased to \$114.8 million in 2024 (2023 – \$110.0 million). LAWPRO's base insurance premium rate for 2024 remained unchanged from 2023 at \$3,250. The growth in revenues is from an increase in the number of insured lawyers and a higher volume of civil litigation and real estate transaction levies.

### *Professional Development and Competence (PD&C)*

PD&C revenues include licensing process and continuing professional development fees, totaling \$23.8 million in 2024 (2023 – \$24.0 million) and are slightly below budget. The slight decline is due to a change in the timing of application fee payments for the licensing process. As part of the Transformation, candidates now pay their application fees when they begin the licensing process rather than in the December prior to commencing the program. This shifts recognition of the revenue into the following year and better aligns with the timing of candidates beginning the licensing process; there is no real impact on revenue other than timing of receipt.

### *Other Revenue*

Other revenue of \$5.8 million (2023 – \$6.3 million) comprises income from professional corporation fees, *Ontario Reports* royalties, administrative fees, and regulatory compliance ordered cost recoveries. Revenue related to ordered costs varies year to year and in 2023, there were a few large recoveries that contributed to higher revenues relative to this year.

## Expenses

### ***Professional Regulation, Tribunals and Compliance***

Total regulatory expenses increased to \$34.8 million (2023 – \$33.1 million) but were less than budget. This is the result of lower than budgeted spending on external counsel retainers, reduced outsourced services related to case management and lower paper document reproduction costs with a continued shift to electronic retention supported by the Transformation.

### ***Professional Development and Competence (PD&C)***

Total PD&C expenses increased slightly to \$33.3 million (2023 – \$33.0 million) but were below budget. Efficiencies through continued optimization of venues and in licensing examination administration, along with other savings across the division, helped offset new program costs including development of the *Foundations of Sole Practice* course, launched in 2025, and the *Family Legal Services Provider Program* which began accepting applicants during the year.

### ***Corporate Services***

Corporate services expenses, includes the Client Service Centre, Information Technology, Facilities, Finance, Office of General Counsel and Human Resources, and other general corporate costs, were higher compared to last year at \$35.2 million (2023 – \$32.8 million) and more than budget. In addition to inflationary pressures, two key factors drove these results. First, higher technology subscription and sustainment costs arose from maintaining legacy systems while implementing applications as part of the Transformation. With the implementation phase now completed, legacy systems can begin to be retired as contracts expire. Second, activity in the Office of General Counsel increased requiring more engagement of external counsel to support demands related to legal matters.

### ***Convocation, Policy and Outreach***

Convocation, policy and outreach expenses, primarily related to Policy, External Relations, Communications and Governance activities, including benchers associated expenses, increased to \$8.3 million compared to last year (2023 – \$7.8 million) and were less than budget. In 2024, meetings of Convocation and Committees continued in hybrid or virtual formats, resulting in savings in benchers expenses, remuneration and governance functions when compared to budget. In addition, \$550,000 of the budgeted \$1 million contingency was not used in 2024 reflecting positively on the results.

### ***Services to Licensees and Public***

Services to licensees and the public increased to \$6.3 million (2023 – \$6.1 million) and were slightly higher than budget. The increase from the prior year and budget was primarily due to the Federation of Ontario Law Associations resuming in-person meetings and conferences.

## Change in Fair Value of Investments

The fair market value of the Society's portfolio investments increased notably in 2024, experiencing in year unrealized gains of \$9.0 million (2023 – \$5.9 million). Of the total unrealized gains, \$3.0 million pertains to the General Funds, \$4.2 million is related to the Compensation Fund, and \$1.8 million is specific to the E&O Fund. The Society does not budget for the change in fair value of investments as it is dependent on the financial markets and therefore unpredictable. While investment performance was strong in 2024, recent global events have led to significant volatility in the financial markets, which will impact the fair value of the Society's investment portfolios and available fund balances.

## Changes in Fund Balances

### ***General Funds***

The Lawyer General Fund experienced an excess of revenues over expenses for the year of \$2.0 million and net interfund transfers of \$9.5 million to Society restricted funds, leading to a decrease in the fund balance to \$31.8 million (2023 - \$39.3 million). The Society's Fund Balance Management Policy (Fund Policy) establishes minimum and maximum benchmarks of two and three months of operating expenses to be maintained as the fund balance of the Lawyer General Fund; a balance between \$19.5 million and \$29.2 million based on 2025 budgeted expenses. To bring the fund balance within Fund Policy benchmarks, Convocation approved the use of \$4.5 million to fund 2025 operations.

The Paralegal General Fund ended the year with expenses exceeding revenues by \$512,000 and net interfund transfers from other restricted funds of \$175,000 leading to a decrease in the fund balance to \$2.2 million (2023 - \$2.6 million). The Society's 2025 budget plans for the use of \$700,000 of this balance to fund operations.

### ***Restricted Funds***

The lawyer pool of the Compensation Fund ended 2024 with an excess of expenses over revenues from operations of \$1.4 million. This was due to an increase in the severity of claims within the lawyer pool of the Compensation Fund, with a small number of lawyers contributing disproportionately to this increase. Factoring in the change in the fair value of investments, in year unrealized gains of \$4 million mitigated the pressure on this Fund, resulting in overall revenues exceeding expenses by \$2.7 million and an increase in the fund balance to \$25.7 million as at the end of the year (2023 - \$23 million).

Under the current Fund Policy for the lawyer pool of the Compensation Fund, the minimum and maximum fund balance benchmarks are \$20.4 million and \$103.3 million, respectively. While the fund balance of \$25.7 million is above the minimum benchmark, it may be adversely impacted by a downward turn in the financial markets that negatively affects the fair value of the Compensation Fund's portfolio investments or continued increases in the severity or number of claims experienced in the lawyer pool of the Compensation Fund. Either scenario could lead to the fund balance falling below the minimum fund balance benchmark. This would trigger the requirement under the Fund Policy to replenish the fund balance of the lawyer pool of the Compensation Fund over the next three fiscal years.

The paralegal pool of the Compensation Fund ended the year with revenues exceeding expenses by \$389,000, increasing the fund balance to \$1.4 million (2023 - \$1.0 million). The increase was mainly the result of in year unrealized gains on investments of \$212,000 and lower expenses related to the provision for unpaid grants. Under the current Fund Policy for the paralegal pool of the Compensation Fund, the minimum and maximum fund benchmarks are \$143,000 and \$707,000 respectively. As the fund balance was projected to exceed the maximum benchmark, the 2025 budget incorporated a \$27 refund, per full fee equivalent licensee, of the excess fund balance to bring the pool within the benchmark over the next three years.

The fund balance of the E&O Fund increased from \$11.1 million at the end of 2023 to \$13.3 million at the end of 2024. The increase is attributed predominantly to in year unrealized gains on portfolio investments and higher investment income.

The Capital Allocation Fund ended 2024 with a balance of \$8.3 million (2023 – \$10.8 million), reflecting completion of the implementation phase of the Transformation and the use of previously restricted funds for the initiative, along with the planned allocation of \$600,000 in uncommitted funding per the 2024 budget. The remaining balance will support planned critical facilities infrastructure projects and Transformation enhancements. The 2025 budget plans for the use of \$1 million in available fund balance for required investments in infrastructure. Savings on major capital projects such as the restoration of the Bencher Wing have helped maintain fund availability.

The Invested in Capital and Intangible Assets Fund ended 2024 with a fund balance of \$28.8 million (2023 – \$18.2 million). The increase in this fund balance is predominantly from the interfund transfer of \$10.5 million in capitalized costs in 2024 from the Capital Allocation Fund associated with the Transformation.

## Statement of Financial Position

### *Portfolio Investments*

Portfolio investments are recorded at a fair value of \$83.7 million (2023 – \$82.8 million). In 2024, \$10.3 million in E&O Fund investments were sold to settle Convocation approved transfers to the Lawyer General Fund and the Capital Allocation Fund. This was offset by \$9.0 million in unrealized gains across all investment portfolios and \$2.1 million in reinvested interest and dividends. Of the total portfolio investments, \$25.1 million pertains to the General Funds, \$46.0 million pertains to the Compensation Fund, and \$12.6 million pertains to the E&O Fund.

### *Intangible Assets*

The Society completed the second implementation phase of its Transformation which resulted in an increase in the intangible assets from \$10.1 million to \$19.0 million.

### *Due to LAWPRO*

Under a services agreement, LAWPRO administers the operations of the E&O Fund on behalf of the Society. At the end of 2024, the amount due to LAWPRO decreased to \$9.0 million compared to last year (2023 – \$11.3 million) and relates primarily to the timing difference between recognizing transaction levy revenues and remitting to LAWPRO.

### *Provision for Unpaid Grants*

The Compensation Fund liability for unpaid grants increased to \$37.3 million (2023 – \$31.9 million). The provision for unpaid grants liability in the Compensation Fund represents the estimate for unpaid grants and inquiries against the Compensation Fund, supplemented by the costs for processing these amounts. The current provision of \$37.3 million comprises \$37.2 million to support claims associated with lawyers and \$100,000 for paralegal related claims. The increase in the provision for unpaid grants liability is driven by the increasing severity of claims in the lawyer pool of the Compensation Fund.

## Conclusion

The Society ended the year with strong fund balances achieved by effectively managing operations and through the positive results experienced in the investment portfolios. This allowed the Society to continue its forward movement as a modern, proactive and risk-informed regulator with a significant investment in the replacement of high-risk legacy systems as part of the Transformation to support the ongoing review of its business processes. This is the most significant operational project undertaken in years and the Society completed the implementation phase within the approved budget.

While the Society enters 2025 on solid footing, like most other organizations, it is difficult to know what, if any, impact current global events and financial market volatility may have on the Society's finances. Another uncontrollable variable is claims activity against the Compensation Fund. In particular, the lawyer pool of the Fund is facing pressure with an increase in the severity of claims and the risk concentration on a small number of lawyers.

The Society remains financially stable, and its Fund Balance Management Policies position it to effectively handle noncontrollable circumstances while it maintains operations and continues its work on the Transformation.



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## Independent Auditor's Report

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### To the Members of Law Society of Ontario

#### Opinion

We have audited the financial statements of the Law Society of Ontario (the "Society"), which comprise the statement of financial position as at December 31, 2024, the statements of revenues and expenses, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2024, and its financial performance and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### 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 are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other matter

The financial statements for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 25, 2024.

#### Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### **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 Canadian accounting standards for not-for-profit organizations, 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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 Society'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 Society'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 Society 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.

Chartered Professional Accountants, Licensed Public Accountants

Oakville  
April 24, 2025

## Statement of Financial Position

*Stated in thousands of dollars*

*As at December 31*

### Assets

	2024	2023
<b>Current Assets</b>		
Cash (note 9)	30,179	36,828
Short-term investments (note 6)	27,690	20,620
Accounts receivable (notes 3, 4, 5 and 8)	14,768	14,157
Prepaid expenses	3,877	4,206
<b>Total current assets</b>	<b>76,514</b>	<b>75,811</b>
Portfolio investments (notes 3 and 6)	83,664	82,809
Capital assets (note 7)	9,782	8,084
Intangible assets (note 7)	19,047	10,143
<b>Total Assets</b>	<b>189,007</b>	<b>176,847</b>

### Liabilities and Fund Balances

#### Current Liabilities

Accounts payable and accrued liabilities (notes 5, 8 and 9)	15,024	12,164
Deferred revenue	5,324	4,721
Due to LAWPRO (note 4)	8,955	11,259
<b>Total current liabilities</b>	<b>29,303</b>	<b>28,144</b>
Provision for unpaid grants/claims	37,298	31,875
Unclaimed trust funds (note 9)	8,554	8,341
Lease obligations	575	707
<b>Total Liabilities</b>	<b>75,730</b>	<b>69,067</b>

*Other trust funds (note 10), Commitments (note 16), and Contingent liabilities (note 17)*

### Fund Balances

#### General funds

Lawyers	31,833	39,343
Paralegals	2,248	2,585

#### Restricted funds

Compensation - lawyers	25,697	23,034
Compensation - paralegals	1,352	963
Errors and omissions insurance	13,319	11,086
Capital allocation	8,307	10,810
Invested in capital and intangible assets	28,829	18,227
County libraries	408	222
Other	1,284	1,510

<b>Total Fund Balances</b>	<b>113,277</b>	<b>107,780</b>
<b>Total Liabilities and Fund Balances</b>	<b>189,007</b>	<b>176,847</b>

*The accompanying notes are an integral part of these financial statements*

## Statement of Revenues and Expenses and Change in Fund Balances

Stated in thousands of dollars

For the year ended December 31

	2024	2023	2024	2023	2024	2023	2024	2023
	General Fund Lawyer		General Fund Paralegal		Restricted Funds		Total	
<b>Revenues</b>								
Annual fees	77,255	77,116	6,740	6,750	18,715	17,757	102,710	101,623
Insurance premiums and levies	-	-	-	-	114,769	109,951	114,769	109,951
Professional development and competence	21,011	21,061	2,770	2,924	-	-	23,781	23,985
Investment income (note 11)	2,867	3,096	364	392	2,439	2,320	5,670	5,808
Other (note 12)	4,830	4,705	633	557	310	1,009	5,773	6,271
<b>Total revenues</b>	<b>105,963</b>	<b>105,978</b>	<b>10,507</b>	<b>10,623</b>	<b>136,233</b>	<b>131,037</b>	<b>252,703</b>	<b>247,638</b>
<b>Expenses</b>								
Professional regulation, tribunals and compliance	32,899	31,217	1,913	1,840	-	-	34,812	33,057
Professional development and competence	28,908	29,368	4,392	3,662	-	-	33,300	33,030
Corporate services	31,387	29,011	3,859	3,793	-	-	35,246	32,804
Convocation, policy and outreach (note 13)	7,518	7,018	751	735	-	-	8,269	7,753
Services to licensees and public	5,889	5,613	438	438	-	-	6,327	6,051
Restricted (note 18)	-	-	-	-	138,293	131,799	138,293	131,799
<b>Total expenses</b>	<b>106,601</b>	<b>102,227</b>	<b>11,353</b>	<b>10,468</b>	<b>138,293</b>	<b>131,799</b>	<b>256,247</b>	<b>244,494</b>
<b>Excess of (expenses over revenues) / revenues over expenses from operations</b>	<b>(638)</b>	<b>3,751</b>	<b>(846)</b>	<b>155</b>	<b>(2,060)</b>	<b>(762)</b>	<b>(3,544)</b>	<b>3,144</b>
Change in fair value of investments	2,633	1,574	334	199	6,074	4,086	9,041	5,859
Excess of revenues over expenses / (expenses over revenues)	1,995	5,325	(512)	354	4,014	3,324	5,497	9,003
<b>Fund balances, beginning of year</b>	<b>39,343</b>	<b>37,746</b>	<b>2,585</b>	<b>2,162</b>	<b>65,852</b>	<b>58,869</b>	<b>107,780</b>	<b>98,777</b>
<b>Interfund transfers (notes 2 and 14)</b>	<b>(9,505)</b>	<b>(3,728)</b>	<b>175</b>	<b>69</b>	<b>9,330</b>	<b>3,659</b>	<b>-</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>31,833</b>	<b>39,343</b>	<b>2,248</b>	<b>2,585</b>	<b>79,196</b>	<b>65,852</b>	<b>113,277</b>	<b>107,780</b>

The accompanying notes are an integral part of these financial statements



## Statement of Cash Flows

Stated in thousands of dollars

As at December 31

Net inflow (outflow) of cash related to the following activities	2024	2023
<b>Operating</b>		
Excess of revenues over expenses	5,497	9,003
Items not affecting cash:		
Amortization of capital assets	1,631	1,474
Amortization of intangible assets	1,692	1,423
Loss on disposal of capital and intangible assets	-	23
Unrealized gains on investments	(9,041)	(5,860)
Reinvested investment income	(2,934)	(2,883)
Lease obligations	(132)	(74)
Net change in non-cash operating items:		
Accounts receivable	(611)	53
Prepaid expenses	329	(1,263)
Accounts payable and accrued liabilities	2,860	522
Provision for unpaid grants/claims	5,423	4,097
Due (to)/from LAWPRO	(2,304)	(201)
Deferred revenue	603	(1,955)
Fund contribution - unclaimed trusts	213	540
<b>Cash from operating activities</b>	<b>3,226</b>	<b>4,899</b>
<b>Investing</b>		
Loan receivable	-	1,701
Purchase of short-term investments	(20,000)	(3,750)
Proceeds from disposal of short-term investments	13,750	7,000
Proceeds from disposal of portfolio investments	10,300	3,300
Capital asset and intangible asset additions	(13,925)	(10,533)
<b>Cash used in investing activities</b>	<b>(9,875)</b>	<b>(2,282)</b>
<b>Net inflow (outflow) of cash, during the year</b>	<b>(6,649)</b>	<b>2,617</b>
Cash, beginning of year	36,828	34,211
<b>Cash, end of year</b>	<b>30,179</b>	<b>36,828</b>

The accompanying notes are an integral part of these financial statements

## LAW SOCIETY OF ONTARIO

### Notes to Financial Statements, December 31, 2024

*Stated in whole dollars except where indicated*

#### 1. Background

The Law Society of Ontario (Society) was founded in 1797 and incorporated in 1822 with the enactment of the *Law Society Act*.

The *Law Society Act*, section 4.1, states that it is a function of the Society to ensure that:

- all persons who practise law in Ontario or provide legal services in Ontario meet standards of learning, professional competence and professional conduct that are appropriate for the legal services they provide; and
- the standards of learning, professional competence and professional conduct for the provision of a particular legal service in a particular area of law apply equally to persons who practise law in Ontario and persons who provide legal services in Ontario.

In carrying out its functions, duties and powers, the Society, pursuant to section 4.2 of the *Law Society Act*, shall have regard to the following principles:

- the Society has a duty to maintain and advance the cause of justice and the rule of law;
- the Society has a duty to act so as to facilitate access to justice for the people of Ontario;
- the Society has a duty to protect the public interest;
- the Society has a duty to act in a timely, open and efficient manner;
- standards of learning, professional competence and professional conduct for licensees and restrictions on who may provide particular legal services should be proportionate to the significance of the regulatory objectives sought to be realized.

The governing body of the Society, which is known as Convocation, carries out this mandate. Convocation comprises benchers and the Treasurer who presides over Convocation.

The primary sources of revenues are licensee annual fees and insurance premiums and levies, set by Convocation, based on the financial requirements of the Society. As at December 31, 2024, lawyers entitled to practice law and paralegals entitled to provide legal services in Ontario numbered approximately 60,500 and 11,500 respectively.

The Society is not subject to federal or provincial income taxes.

## 2. Nature of Financial Statements

These financial statements present the financial position and operations of the Society and include the General Funds and a number of special purpose funds restricted by the *Law Society Act* or Convocation.

### Subsidiaries and Related Entity

The Society has two wholly-owned subsidiaries: Lawyers' Professional Indemnity Company (LAWPRO), and LiRN Inc. (LiRN) and a related entity, The Law Society Foundation. The Society follows the disclosure method under Section 4450 of Part III of the Chartered Professional Accountants of Canada Handbook for reporting its wholly-owned subsidiaries. The audited annual financial statements for these three entities are available separately.

### General Funds

The General Funds account for the Society's program delivery and administrative activities related to the regulation and licensing of lawyers and paralegals. These Funds report unrestricted resources.

The Society's policy is to maintain the fund balance of the Lawyer General Fund at no less than two and no more than three months of Lawyer General Fund budgeted expenses.

If the Lawyer General Fund balance exceeds three months of budgeted Lawyer General Fund expenses, Convocation shall utilize the excess for one or more of the following:

- mitigate the Lawyer General Fund component of the annual fee for the next fiscal year;
- transfer the excess to another Society Fund.

If the Lawyer General Fund balance is less than two months of budgeted Lawyer General Fund expenses, Convocation shall budget for an annual surplus to restore the fund balance to its minimum policy objective. The minimum policy benchmark should be restored within three fiscal years.

If the Lawyer General Fund balance is more than two months of budgeted Lawyer General Fund expenses and less than three months of budgeted Lawyer General Fund expenses, Convocation may appropriate funds from the Lawyer General Fund balance for one or more of the following:

- mitigate the Lawyer General Fund component of the annual fee for the next fiscal year;
- transfer the excess to another Society Fund.

As at December 31, 2024, the fund balance of the Lawyer General Fund was \$31,833,000 (2023 – \$39,343,000).

In the Society's 2024 budget, Convocation approved the use of available fund balance in the Lawyer General Fund to support funding the Business and Technology Transformation Initiative (Transformation); an organization-wide project to transform the Society's business processes and technology infrastructure. The 2024 approved budget incorporated a transfer of \$3,500,000 from the Lawyer General Fund to the Capital Allocation Fund and provides for a loan of up to \$5,675,000 from



the Lawyer General Fund to the Capital Allocation Fund, both restricted to fund the Transformation. As part of the 2025 budget process, Convocation approved the permanent transfer of these funds.

As at December 31, 2024, the fund balance of the Lawyer General Fund exceeds three months of budgeted Lawyer General Fund expenses. The 2025 budget plans for the use of \$4,500,000 of the fund balance to mitigate the Lawyer General Fund component of the annual fee in 2025.

As at December 31, 2024, the fund balance of the Paralegal General Fund was \$2,248,000 (2023 – \$2,585,000). The 2025 budget plans for the use of \$700,000 of the fund balance to mitigate the Paralegal General Fund component of the annual fee in 2025.

## **Restricted Funds**

### ***Compensation Fund***

The Society maintains the Compensation Fund pursuant to section 51 of the *Law Society Act* to relieve or mitigate loss sustained by any person in consequence of dishonesty on the part of a licensee, in connection with the licensee's professional business or in connection with any trust of which the licensee was a trustee.

Pursuant to the *Law Society Act*, the Compensation Fund is supported by licensee annual fees, investment income and recoveries. The Compensation Fund expenses are only for payment of grants, and direct program delivery and administration costs. There are separate restricted funds, known as pools of the Compensation Fund, maintained to manage claims pertaining to lawyer licensees and paralegal licensees.

The Society engaged an actuarial firm in 2023 to complete stochastic modelling using historical claims data in both the lawyer and paralegal pools of the Compensation Fund. This led to the establishment of a fund balance management policy for the paralegal pool of the Compensation Fund and updated minimum and maximum policy benchmarks for the lawyer pool of the Compensation Fund. The Society's fund balance management policy is to maintain each separate pool of the Compensation Fund balance at an amount sufficient to provide for a minimum of one 97.5th percentile aggregate claim scenarios (one-in-forty-year event) and a maximum of four 99th percentile aggregate claim scenarios (one-in-one-hundred-year event). The estimated amount of aggregate claims is to be actuarially reviewed at least every three years.

If the fund balance of a pool (lawyer or paralegal) of the Compensation Fund exceeds four one-in-one-hundred-year events for the specific pool, Convocation shall utilize some or all of the excess for the following:

- mitigation of the Compensation Fund component of the annual fee for the specific pool for the next fiscal year;
- annual mitigation of the Compensation Fund component of the annual fee for the specific pool shall continue such that within the next three fiscal years, the maximum benchmark shall be achieved;
- issuance of refunds that may be netted against the annual fee payable such that within the next three fiscal years, the maximum benchmark shall be achieved.

If the fund balance of a pool of the Compensation Fund is less than the minimum of one one-in-forty-year event, Convocation shall budget for an annual surplus to restore the fund balance of the specific pool to its minimum policy objective. The minimum policy benchmark should be restored within three fiscal years.

If the fund balance of a pool of the Compensation Fund is more than the minimum of one one-in-forty-year event and less than four one-in-one-hundred-year events, Convocation may:

- mitigate the Compensation Fund component of the annual fee for the specific pool for the next fiscal year;
- budget for a surplus sufficient to increase the fund balance of the specific pool to the maximum policy objective of four one-in-one-hundred-year events;
- leave the fund balance for the specific pool at its current balance for the upcoming fiscal year.

As at December 31, 2024, the fund balance of the lawyer pool of the Compensation Fund was \$25,697,000 (2023 – \$23,034,000) and is within the minimum and maximum fund balance policy benchmarks of \$20,400,000 and \$103,300,000, respectively.

As at December 31, 2024, the fund balance of the paralegal pool of the Compensation Fund was \$1,352,000 (2023 – \$963,000). The minimum and maximum fund balance policy benchmarks are \$143,000 and \$707,000, respectively. The fund balance of the paralegal pool of the Compensation Fund exceeds the maximum policy benchmark. To address the excess fund balance, in addition to setting the component of the 2025 annual fee for the paralegal pool of the Compensation Fund to \$nil (2023 - \$1), Convocation approved as part of the 2025 budget the return of \$200,000 of the fund balance to fee paying paralegals by way of a refund netted against the annual fee.

The statement of financial position for the Compensation Fund, lawyer and paralegal pools combined, is set out below:

(\$000s)	2024	2023
Cash and short-term investments	17,930	15,213
Accounts receivable	450	26
Portfolio investments	46,019	40,683
Total assets	64,399	55,922
Accounts payable and accrued liabilities	52	51
Provision for unpaid grants – lawyers	37,170	31,566
Provision for unpaid grants – paralegals	128	308
Total liabilities	37,350	31,925
Fund balance – lawyers	25,697	23,034
Fund balance – paralegals	1,352	963
Total liabilities and fund balances	64,399	55,922

### ***Errors and Omissions Insurance Fund***

The Errors and Omissions Insurance Fund (E&O Fund) accounts for insurance-related transactions between LAWPRO, the Society and insured lawyers. The E&O Fund collects premiums and levies from lawyers, reported as revenues, and remits these amounts to LAWPRO, reported as expenses. A portion of the fund balance serves as a backstop for potential self-insured corporate errors and omissions claims.

Pursuant to section 61 of the *Law Society Act*, the Society arranges mandatory professional liability insurance for practising lawyers with LAWPRO, and through the E&O Fund, levies the insured lawyers. Each year, the premium for the insurance program is established through a process whereby LAWPRO provides an offer for review and acceptance by Convocation. The offer provides details on the components of the insurance program, including anticipated base premiums, claims history levies, transaction-based levies and amounts to be drawn from the E&O Fund balance.

As at December 31, 2024, the fund balance of the E&O Fund was \$13,319,000 (2023 – \$11,086,000). The 2025 budget plans for the use of \$2,000,000 of the fund balance to mitigate the Lawyer General Fund component of the annual fee in 2025.

### ***Capital Allocation Fund***

The Capital Allocation Fund is maintained to provide a source of funds for the acquisition and maintenance of the Society's capital and intangible assets, which comprise buildings and major equipment including computers and software. Amounts of assets capitalized, according to the Society's capital asset policy, are transferred to the Invested in Capital and Intangible Assets Fund. Expenditures not capitalized are expended in the Capital Allocation Fund. As at December 31, 2024, the fund balance was \$8,307,000 (2023 – \$10,810,000). With the implementation phase of the Transformation completed in 2024, there are no amounts within the Capital Allocation Fund internally restricted by Convocation for this purpose (2023 - \$1,784,000).

### ***Invested in Capital and Intangible Assets Fund***

The Invested in Capital and Intangible Assets Fund records transactions related to the Society's capital assets and intangible assets, specifically acquisitions, amortization, and disposals. As at December 31, 2024, the balance was \$28,829,000 (2023 – \$18,227,000), representing the net book value of the Society's capital and intangible assets.

### ***County Libraries Fund***

The County Libraries Fund records transactions related to the Society's support of county law libraries. As approved by Convocation, the Fund accumulates revenues generated from lawyer annual fees specific for county library and legal information resource network purposes, which are used to fund grants to LiRN. The fund balance as at December 31, 2024 was \$408,000 (2023 – \$222,000).

### ***Other Restricted Funds***

The Repayable Allowance Fund provides loans for tuition and living expenses to candidates in the lawyer licensing process. As at December 31, 2024, the fund balance was \$304,000 (2023 – \$265,000).

The Special Projects Fund is maintained to ensure that financing is available for ongoing special projects. The fund balance as at December 31, 2024 was \$558,000 (2023 – \$852,000).

The Parental Leave Assistance Fund accounts for the delivery of the Parental Leave Assistance Program (PLAP) and is funded by lawyers' annual fees. PLAP provides financial assistance to lawyers in firms of five lawyers or fewer who, amongst other criteria, have a net annual practice income of less than \$50,000 and who do not have access to any other parental leave financial benefits. Under PLAP, the Society provides a fixed sum of \$750 a week to eligible applicants for up to 12 weeks to cover expenses associated with maintaining their practice during a maternity, parental or adoption leave. As at December 31, 2024, the fund balance was \$422,000 (2023 – \$393,000).

### 3. Significant Accounting Policies

#### *Basis of presentation*

The financial statements have been prepared in accordance with the accounting standards for not-for-profit organizations set out in Part III of the Chartered Professional Accountants of Canada Handbook – Accounting.

#### *Financial instruments*

The Society's financial assets and financial liabilities are measured at fair value on the original date of the transaction and then subsequently measured as follows:

<b>Asset / Liability</b>	<b>Measurement</b>
Cash	Amortized cost
Short-term investments	Fair value
Accounts receivable	Amortized cost
Portfolio investments	Fair value
Accounts payable and accrued liabilities	Amortized cost
Unclaimed trust funds	Amortized cost

The fair value of portfolio investments is determined by reference to transactional net asset values for the fixed-income and Canadian and global equity pooled funds. Transaction costs are expensed as incurred. The carrying values of accounts receivable, accounts payable and accrued liabilities, and unclaimed trust funds approximate fair value due to their nature or capacity for prompt liquidation.

#### *Interest rate risk*

The risk that the fair value of financial instruments will fluctuate due to changes in market interest rates is managed through compliance with the Society's investment policy. The normal duration range for the bond portfolio administered under the policy is between 1 and 10 years. The Society has no material interest-bearing liabilities.

Fluctuations in interest rates do not have a significant effect on cash and short-term investments of the Society.

### ***Market risk***

The risk that the fair value of financial instruments will fluctuate due to changes in market prices is managed through compliance with the Society's investment policy, which requires a diversified portfolio of government bonds, corporate bonds and Canadian and global equities meeting specified quality requirements.

### ***Currency risk***

The Society is exposed to currency risk with respect to its portfolio investments denominated in foreign currencies, including the underlying investments of its pooled funds denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar.

At year-end, the maximum exposure of the Society to foreign currency risk in portfolio investments was \$21,536,000 (2023 – \$20,942,000).

### ***Credit risk***

Credit risk is the possibility that other parties may default on their financial obligations. At year-end, the maximum exposure of the Society to credit risk in cash, short and long-term fixed income investments was \$108,964,000 (2023 – \$108,603,000). In compliance with the Society's investment policy, fixed income investments are in the financial obligations of governments, major financial institutions, and commercial paper with investment grade ratings.

At year-end, the maximum exposure of the Society to credit risk in accounts receivable was \$14,768,000 (2023 – \$14,157,000). This credit risk is minimized by the credit quality and a diverse debtor base. The Society maintains an allowance for potential credit losses.

### ***Liquidity risk***

Liquidity risk is the risk that the Society will not be able to fund its obligations as they come due, including being unable to liquidate assets in a timely manner at a reasonable price. The Society monitors forecasts of cash flows from operations and investments and holds investments that can readily be converted into cash. Investment income is not a primary source of revenue for the Society and all underlying long-term securities are publicly listed.

The Society has not entered into any derivative transactions. In addition, the Society's contractual arrangements do not have any embedded features.

### ***Cash and short-term investments***

Cash (bank balances) and short-term investments (less than one year) are amounts on deposit and invested in short-term investment vehicles according to the Society's investment policy.

### ***Portfolio investments***

Portfolio investments are recorded at fair value. The Society manages financial risk associated with portfolio investments in accordance with its investment policy. The primary objective of the investment policy is to preserve and enhance the real capital base. The secondary objective is to generate investment returns to assist the Society in funding its programs. Convocation monitors compliance with the investment policy and regularly reviews the policy.

### ***Capital assets***

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded on a straight-line basis at the following rates:

Buildings	30 years
Building and leasehold improvements	Lesser of 10 years or term of lease
Furniture, equipment and computer hardware	3 to 5 years

### ***Intangible assets***

Intangible assets comprising computer applications and software are recorded at cost less accumulated amortization.

The Society capitalizes directly attributable expenditures on the implementation of cloud-based computing arrangements that are software services. Amortization is recorded on a straight-line basis over 10 years. Other intangible assets are amortized on a straight-line basis over three to 10 years.

### ***Revenue recognition***

The Society follows the restricted fund method of accounting for contributions. Revenues related to the next fiscal year received prior to December 31 have been deferred and are recognized as revenue in the following year.

Annual licensee fees, insurance premiums and levies are set annually by Convocation and are recognized in the year to which they relate if the amount can be reasonably estimated and collection is reasonably assured.

Insurance premiums related to the unexpired term of coverage at the statement of financial position date are reported as deferred revenue.

Professional development and competence revenues are recognized in the year to which they relate if the amount can be reasonably estimated, and collection is reasonably assured. Fees for the next fiscal year received prior to December 31 have been deferred and are recognized as revenue in the next year.

Other revenues and realized investment gains/losses are recognized as receivable if the amount can be reasonably estimated. Unrealized investment gains/losses are recognized with changes in the fair value of financial instruments.

Fees, insurance premiums and other revenues receivable are recorded as accounts receivable on the statement of financial position, net of any provision for doubtful amounts.

### ***Provision for unpaid grants***

Pursuant to section 51(5) of the *Law Society Act*, Convocation has the discretion to pay grants from the Compensation Fund. Grants paid from the lawyer pool of the Compensation Fund are subject to a limit per claimant of \$150,000 for claims incurred before September 22, 2016 and \$500,000 thereafter. Grants paid from the paralegal pool of the Compensation Fund are subject to a \$10,000 limit per claimant. The Compensation Fund expense represents a provision for unpaid grants and direct administrative expenses.

Provisions for unpaid grants are recorded as liabilities on the statement of financial position. These provisions represent an estimate of the present value of grants to be paid for claims and the associated administrative costs net of recoveries. The measurement of the ultimate settlement costs of claims made to date that underlies the provision for unpaid grants involves estimates and measurement uncertainty. 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.

Grant liabilities are carried on a discounted basis using the yield of the underlying assets backing the grant liabilities with a provision for adverse deviation. The discount rate is 2.91% (2023 – 4.17%).

### ***Collections***

The Society owns a collection of legal research and reference material as well as a collection of portraits and sculptures. The cost of additions to the collections is expensed as incurred. No value is recorded in these financial statements for donated items. There have not been any significant changes to the collections in the current year.

### ***Volunteer services***

Convocation, the governing body of the Society, consists of the Treasurer and benchers. Benchers may be elected by lawyers and paralegals, appointed by the provincial government, or achieve ex-officio or emeritus status based on past service.

Elected and ex-officio benchers are remunerated for adjudication and authorization activities. They are only remunerated for eligible governance work after voluntarily contributing time on 26 unique calendar days. The work of the Society is also dependent on other voluntary services by lawyers and paralegals. No value has been included in these financial statements for volunteer services.

### ***Measurement uncertainty***

The preparation of the financial statements, in accordance with Canadian accounting standards for not-for-profit organizations, requires management to make estimates and assumptions. These estimates and assumptions affect the reported amount of assets and liabilities and the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

The valuation of certain liabilities and unpaid grants anticipates the combined outcomes of events that are yet to occur. There is uncertainty inherent in any such estimation and therefore a limitation upon the accuracy of these valuations. Future loss emergence may deviate from these estimates.

## **Investment in Subsidiaries**

### **LAWPRO**

The Society provides mandatory professional liability insurance to lawyers through LAWPRO, a provincially licensed insurer and wholly-owned subsidiary of the Society.

The professional liability insurance program generally requires practising lawyers to pay premiums and levies to the E&O Fund that contribute toward the premium paid by the Society to fund the

anticipated costs of professional liability claims made in each annual policy period. In addition to providing mandatory professional liability insurance to lawyers, LAWPRO also sells optional excess professional liability and title insurance.

Paralegals obtain professional liability insurance coverage through independent insurance companies.

### *Investment in LAWPRO*

The Society has invested \$35,642,000 in LAWPRO which comprises the following:

30,000 common shares of par value of \$100 each	3,000,000
20,000 6% non-cumulative, redeemable, non-voting preferred shares of par value of \$100 each	2,000,000
Investment in LAWPRO shares	5,000,000
Contributed capital	30,642,000
Total investment	35,642,000

LAWPRO was incorporated by the Society in 1990. The Society holds 20,000 redeemable preferred shares and 30,000 commons shares at a total cost of \$5,000,000.

In June 1994, Convocation established the Insurance Task Force and the Insurance Committee on the Operation of the Society's Errors and Omissions Insurance Program (Task Force). The Task Force mandate was to identify and report on the amount and implications of the insurance deficit and the nature of E&O operation.

In late 1994, Convocation received the Task Force's report (Report) and approved its recommendation to establish a special levy for the capitalization of LAWPRO, to address a significant deficit in the E&O Fund. The Report described the capitalization effort as an investment by all lawyers and that the investment would be reflected on the Society's statement of financial position. The Report, as approved by Convocation, anticipated that once LAWPRO was fully funded, the Society could require LAWPRO to repay the capital investment or earn a return on the investment with receipt of either used by the Society for its general purposes. Between 1995 and 1997, the Society transferred a total of \$30,642,000 to LAWPRO for the capitalization. To date, there has been no return related to the Society's capital investment in LAWPRO.

As LAWPRO is a wholly owned subsidiary of the Society and follows the disclosure method, the total investment in LAWPRO is not reflected in the assets or as part of the fund balances of the Society.

Summarized below is the financial information of LAWPRO. LAWPRO prepares their financial statements under International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. There are significant differences between IFRS and accounting standards for not-for-profit organizations set out in Part III of the Chartered Professional Accountants of Canada Handbook – Accounting including the accounting for leases and for unrealized gains and losses and other items that are reflected through the statement of comprehensive income of LAWPRO.



Summarized statement of financial position of LAWPRO:

(\$000s)	2024	2023
Total assets	<b>813,381</b>	773,233
Total liabilities	<b>480,465</b>	472,744
Total shareholders equity	<b>332,916</b>	300,489
Total liabilities and shareholders equity	<b>813,381</b>	773,233

Summarized statement of profit (loss) of LAWPRO for the year ended December 31:

(\$000s)	2024	2023
Insurance revenue	<b>127,927</b>	123,526
Insurance and other expenses	<b>(148,219)</b>	(147,135)
Investment Income	<b>63,323</b>	53,026
Profit before taxes	<b>43,031</b>	29,417
Income tax expense	<b>(10,873)</b>	(8,047)
Profit	<b>32,158</b>	21,370
Other comprehensive income (loss) net of tax	<b>269</b>	(330)
Total Comprehensive income	<b>32,427</b>	21,040

Summarized statement of cash flows of LAWPRO for the year ended December 31:

(\$000s)	2024	2023
Net cash (outflow) inflow from operating activities	<b>(1,717)</b>	4,774
Net cash (outflow) inflow from investing activities	<b>(5,931)</b>	1,458
Net cash outflow from financing activities	<b>(472)</b>	(451)
Cash and cash equivalents, beginning of year	<b>41,522</b>	35,741
Cash and cash equivalents, end of year	<b>33,402</b>	41,522

LAWPRO administers the operations of the E&O Fund on behalf of the Society at no charge under an administrative services agreement. LAWPRO billed the Society \$114,769,000 (2023 – \$109,951,000) for premiums during the year. LAWPRO contributed \$570,000 (2023 – \$555,000) to the Society towards directors' fees for benchers appointed to the LAWPRO Board and a wellness program available to licensees. These transactions are entered in the ordinary course of business and are measured at exchange value. Included in the Society's financial statements are amounts due to LAWPRO of \$8,955,000 (2023 – \$11,259,000). The amounts due to LAWPRO are non-interest bearing and have no fixed terms of repayment.

## LiRN

LiRN, a wholly-owned, not-for-profit subsidiary of the Society, was established to develop policies, procedures, guidelines, and standards for the delivery of county law library services and legal information across Ontario, and to administer funding on behalf of the Society. LiRN was incorporated under the *Business Corporations Act (Ontario)* in 2001 and at the beginning of 2020, Articles of Amendment were filed to rename LibraryCo. Inc. as LiRN Inc.

The Society holds all of the 100 common shares at a total cost of \$100. Of the 100 special shares, 25 are held by the Toronto Lawyers Association (TLA) and 75 are held by the Federation of Ontario Law Associations (FOLA). The independent skills-based board of directors of LiRN is appointed based on the recommendations of a Nominating Committee comprised of three members from the Society, two members from FOLA and one member from TLA.

The Society levies and collects funds for county and district law library purposes and transfers these funds to LiRN. Convocation internally restricts these funds for use by county and district law libraries to carry out their annual operations and any special projects approved by Convocation.

Summarized statement of financial position of LiRN:

(\$000s)	2024	2023
Total assets	1,872	1,982
Total liabilities	897	829
Total share capital and fund balances	975	1,153
Total liabilities, share capital and fund balances	1,872	1,982

Summarized statement of revenues and expenses for LiRN for the year ended December 31:

(\$000s)	2024	2023
Total revenues	10,631	9,656
Total expenses	11,183	9,610
Excess of (expenses over revenues) revenues over expenses from operations	(552)	46
Recovery of excess prior year county libraries grant funding	374	245
Excess of (expenses over revenues) revenues over expenses	(178)	291

Summarized statement of cash flows of LiRN for the year ended December 31:

(\$000s)	2024	2023
Net cash (outflow) inflow from operating activities	<b>(164)</b>	937
Cash, beginning of year	<b>1,904</b>	967
Cash, end of year	<b>1,740</b>	1,904

The Society provided LiRN with a grant of \$10,080,000 (2023 – \$9,572,000) during the year. The Society provides some administrative services to LiRN as well as certain other services and publications. The total amount billed by the Society for 2024 was \$25,000 (2023 – \$33,000). These transactions are entered in the ordinary course of business and are measured at fair value. There is no amount due from LiRN in accounts receivable (2023 – \$4,000).

#### 4. Related Entity

The Law Society Foundation (LSF) is regarded as a related entity as it is significantly dependent on the in-kind facilities and administrative support services provided by the Society. The LSF, a registered charity, was incorporated by Letters Patent in 1962. The objectives of the LSF are to foster, encourage and promote legal education in Ontario, provide financial assistance to licensing process candidates in Ontario, restore and preserve land and buildings of historical significance to Canada's legal heritage, receive gifts of muniments and legal memorabilia of interest and significance to Canada's legal heritage, maintain a collection of gifts of books and other written material for use by educational institutions in Canada and receive donations and maintain funds for the relief of poverty by providing meals to persons in need.

The Society provides facilities and certain administration services at no cost to the LSF. Trustees of the LSF are elected by the members of the LSF. Included in the Society's accounts are amounts due from the LSF of \$1,000 (2023 – due to the LSF of \$5,000).

#### 5. Investments

##### Short-Term Investments

(\$000s)	2024	2023
Guaranteed investment certificates	<b>10,000</b>	3,750
Money market pooled fund	<b>17,690</b>	16,870
Total short-term investments	<b>27,690</b>	20,620

The short-term investments have effective interest rates between 3.3% to 5.3% (2023 – 5.2% to 5.7%) and maturity dates of one year or less.

## Portfolio Investments

(\$000s)	2024	2023
Debt securities	51,095	51,155
Canadian equities	11,033	10,712
Global equities	21,536	20,942
Total portfolio investments	83,664	82,809

The debt securities have effective interest rates and maturity dates as follows:

	2024	2023
Effective interest rates (%)	2.8 – 5.4	3.1 – 7.6
Maturity dates (years)	0 – 10	0 - 9

## 6. Capital Assets and Intangible Assets

Capital Assets (\$000s)	2024			2023
	Cost	Accumulated amortization	Net	Net
Land and buildings	25,395	25,395	-	-
Building and leasehold improvements	35,374	25,939	9,435	7,505
Furniture, equipment and computer hardware	2,498	2,151	347	579
Total capital assets	63,267	53,485	9,782	8,084

### Intangible Assets (\$000s)

	2024			2023
	Cost	Accumulated amortization	Net	Net
Computer applications and software	5,168	4,865	303	920
Cloud computing applications	20,061	1,317	18,744	9,223
Total intangible assets	25,229	6,182	19,047	10,143

## Portfolio Investments

(\$000s)	2024	2023
Debt securities	51,095	51,155
Canadian equities	11,033	10,712
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Total portfolio investments	83,664	82,809

The debt securities have effective interest rates and maturity dates as follows:

	2024	2023
Effective interest rates (%)	2.8 – 5.4	3.1 – 7.6
Maturity dates (years)	0 – 10	0 - 9

## 7. Capital Assets and Intangible Assets

Capital Assets (\$000s)	2024			2023
	Cost	Accumulated amortization	Net	Net
Land and buildings	25,395	25,395	-	-
Building and leasehold improvements	35,374	25,939	9,435	7,505
Furniture, equipment and computer hardware	2,498	2,151	347	579
Total capital assets	63,267	53,485	9,782	8,084

### Intangible Assets (\$000s)

	2024			2023
	Cost	Accumulated amortization	Net	Net
Computer applications and software	5,168	4,865	303	920
Cloud computing applications	20,061	1,317	18,744	9,223
Total intangible assets	25,229	6,182	19,047	10,143

In 2024, the Society completed its Transformation project. The Transformation was executed in two phases: the first phase, completed in 2023, included case management functionality to support regulatory matters, practice audits and the Practice Management Helpline. The second phase implemented use of functionality to support other key business areas, including licensing, membership and financial operations and was completed in 2024. The total capitalized costs related to the Transformation, net of accumulated amortization, are included as part of cloud computing applications.

In 2022, the Society received a Notice of Possession under the *Expropriations Act* (R.R.O. 1990, Reg. 363) advising that title to a portion of its land, located at the northeast corner of Queen Street West and University Avenue in Toronto, had vested in Metrolinx for the purpose of constructing the Ontario Line subway. Metrolinx took possession of the designated portion of land on November 30, 2022. Compensation to the Society from Metrolinx for the expropriated land remains to be determined and cannot be estimated at this time.

## 8. Accounts Payable and Accrued Liabilities and Accounts Receivable

Included in accounts receivable, accounts payable and accrued liabilities is \$794,000 net due from government remittances, primarily sales taxes (2023 – \$920,000).

The accounts receivable balance comprises:

(\$000s)	2024	2023
Accounts receivable	51,189	49,658
Allowance for doubtful accounts	(36,421)	(35,501)
Accounts receivable – net	14,768	14,157

The allowance for doubtful accounts mainly relates to annual fees, regulatory compliance ordered costs and licensing process fees.

## 9. Unclaimed Trust Funds

Section 59.6 of the *Law Society Act*, in accordance with By-Law 10, permits a licensee who has held money in trust for, or on account of, a person for a period of at least two years, to apply for permission to pay the money to the Society. Money paid to the Society is held in trust in perpetuity for the purpose of satisfying the claims of the persons who are entitled to the capital amount. Subject to certain provisions in the *Law Society Act*, interest income from the money held in trust shall be paid to the Law Foundation of Ontario (LFO), and the Society may recover its expenses associated with maintaining these funds. Unclaimed money held in trust amounts to \$8,554,000 (2023 – \$8,341,000). A payable of \$576,000 reflecting net interest income to the LFO (2023 - \$Nil) is recorded in accounts payable and accrued liabilities.

## 10. Other Trust Funds

The Society administers client funds for licensees under voluntary or court-ordered trusteeships. These funds and matching liabilities are not reflected on the statement of financial position. Money paid to the Society is held in trust until it is repaid to the clients or transferred to the Unclaimed Trust Funds. As at December 31, 2024, total funds held in trust amount to \$8,622,000 (2023 – \$6,679,000).

## 11. Investment Income

Investment income comprises interest income on the Society's bank accounts, short-term investments and portfolio investments and dividend income on its portfolio investments. Of the total investment income, interest income was \$5,215,000 (2023 – \$5,107,000) and dividend income was \$455,000 (2023 – \$701,000).

## 12. Other Revenues

Other Revenues primarily comprise income from *Ontario Reports* royalties, regulatory compliance ordered costs recoveries and administrative fees.

## 13. Other Expenses

Included in Convocation, policy and outreach expenses are payments for the remuneration of elected, ex-officio and lay benchers during the year of \$599,000 (2023 – \$425,000). The total expense reimbursements of the elected, ex-officio and lay benchers during the year was \$192,000 (2023 – \$164,000). The Treasurer's honorarium expense for the year was \$242,000 (2023 – \$233,000).

## 14. Interfund Transfers

During the year, the following net interfund transfers took place, which have been approved by Convocation:

- \$13,925,000 from the Capital Allocation Fund to the Invested in Capital and Intangible Assets Fund representing assets capitalized during the year in compliance with the Society's accounting policies;
- \$9,545,000 from the Lawyer General Fund to the Capital Allocation Fund as part of the 2024 budget, restricted to fund the Transformation;
- \$230,000 from the Special Projects Fund to the Lawyer General Fund related to the development of the Foundations of Sole Practice course;
- \$182,000 from the Special Projects Fund to the Paralegal General Fund related to the development of the Family Legal Services Provider Program;
- \$89,000 from the Lawyer General Fund to the Special Projects Fund to fund future costs in support of Convocation approved Committee or Working Group activities;
- \$58,000 comprising \$51,000 from the Lawyer General Fund and \$7,000 from the Paralegal General Fund to the Special Projects Fund to fund the next bencher election;
- \$50,000 from the Lawyer General Fund to the Repayable Allowance Fund, as provided in the 2024 budget to fund the Repayable Allowance Program in the lawyer Licensing Process;
- \$28,000 from the Special Projects Fund to the Capital Allocation Fund to fund enhancements to the Human Resources Information System.

## 15. Pension Plan

The Society maintains a defined contribution plan for all eligible employees of the Society. Each member of the plan, other than designated employees, elects to contribute matching employee and employer contributions from 1% to 6% of annual earnings up to the maximum deduction allowed by the Canada Revenue Agency. Designated employees, who hold executive positions, have contributions made to the plan by the Society equivalent to 12% of annual earnings up to the maximum deduction allowed by the Canada Revenue Agency. The Society's pension expense in 2024 amounted to \$3,261,040 (2023 – \$3,168,150).

## 16. Commitments

The Society is committed to monthly lease payments for basic and additional rent for property under leases having various terms up to February 2028 and to annual minimum payments for software licences with the agreement ending in May 2028. Aggregate minimum annual payments to the expiry of the agreement are approximately as follows:

2025	\$3,565,000
2026	\$3,677,000
2027	\$3,689,000
2028	\$887,000
<b>Total</b>	<b><u>\$11,818,000</u></b>

## 17. Contingent Liabilities

A number of claims or potential claims are pending against the Society. It is not possible for the Society to predict with any certainty the outcomes of such claims or potential claims. Management is of the opinion, based on the information presently available, that it is unlikely any liability, to the extent not covered by insurance or inclusion in the financial statements, would be material to the Society's financial position.



# 18. Schedule of Restricted Funds

Stated in thousands of dollars

For the year ended December 31

	2024							2023
	Compensation Fund		Errors and omissions insurance	Capital allocation	Invested in capital and intangible assets	County libraries	Other restricted	Total
	Lawyer	Paralegal						Total
Fund balances, beginning of year	23,034	963	11,086	10,810	18,227	222	1,510	65,852
Revenues								
Annual fees	5,207	7	-	3,135	-	10,266	100	18,715
Insurance premiums and levies	-	-	114,769	-	-	-	-	114,769
Investment income	1,931	102	406	-	-	-	-	2,439
Other	281	1	-	-	-	-	28	310
Total revenues	7,419	110	115,175	3,135	-	10,266	128	136,233
Total expenses	8,790	(67)	114,770	1,286	3,323	10,080	111	138,293
Excess of (expenses over revenues) / revenues over expenses from operations	(1,371)	177	405	1,849	(3,323)	186	17	(2,060)
Change in fair value of investments	4,034	212	1,828	-	-	-	-	6,074
Excess of revenues over expenses / (expenses over revenues)	2,663	389	2,233	1,849	(3,323)	186	17	4,014
Interfund transfers (note 14)	-	-	-	(4,352)	13,925	-	(243)	9,330
Fund balances, end of year	25,697	1,352	13,319	8,307	28,829	408	1,284	79,196



**Law Society**  
of Ontario

**Barreau**  
de l'Ontario

## **Amendments to the Compensation Fund's *Claim Guidelines* to Clarify Application of the Maximum Grant Payable Amount**

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### **Audit & Finance Committee**

**April 24, 2025**

#### **Committee Members**

Sidney Troister (Chair)  
Heather Hansen (Vice Chair)  
Mark Surchin (Vice Chair)  
Laura Emmett (Chair, Compensation Fund Subcommittee)  
Sean Aylward  
Shalini Konanur  
Howard Levitt  
Hassan Pirnia\*  
Michael Radan\*  
Stephen Rotstein\*  
Megan Shortreed  
Trevor Townsend\*

\* Compensation Fund Subcommittee Members

#### **Authored By**

Joanne MacMillan, Director, Regulatory Services  
Glenn Stuart, Executive Director, Professional Regulation

## Motion

That Convocation approve the proposed amendments to the Compensation Fund's *Claim Guidelines* as outlined at **Tab 2.2.1**, to clarify the application of the maximum grant payable limit in situations where there are multiple claimants who are either parties to a joint retainer, or who are beneficiaries of the same estate.

## Overview

Pursuant to section 51 of the *Law Society Act, 1990* (the *Act*), the Compensation Fund (Fund) was established to provide a measure of consumer protection where there is no other available avenue for recovery from licensees who dishonestly take client trust funds.

Convocation is asked to consider amendments to the Fund's *Claim Guidelines* (Guidelines), as recommended by the Audit & Finance Committee (Committee) and Compensation Fund Subcommittee (Subcommittee), to clarify the application of the maximum grant payable limit in situations where there are multiple claimants who are either parties to a joint retainer, or who are beneficiaries of the same estate.

The current Guidelines are silent regarding whether the maximum grant payable applies:

- to the parties to joint retainers collectively, or to each individual party
- to a loss suffered by an Estate, or to the loss of each beneficiary claimant of an Estate.

The Guidelines do permit claims by individual beneficiaries of an estate, but there is no reference to the impact on the maximum grant.

The issue of the application of the maximum grant amount arose in 2024 as a result of losses relating primarily to joint retainers on real estate transactions (such as instances involving spouses or domestic partners) in which the losses claimed vastly exceeded the maximum grant amount.

A report by the Subcommittee to the Committee set out the following options for consideration with respect to the interpretation of the term "losses", and thereby the amount of the maximum grant payable under the Guidelines:

- A. Amending the Guidelines to clarify that the term "losses" relates to individual claimants, even if their losses stemmed from the same event or set of connected underlying events. This would allow individual claimants access up to the maximum grant payable.

- B. Amending the Guidelines to clarify that the term “losses” includes all losses to all parties from a single event or set of connected underlying events. This would limit all claims related to a single event or set of underlying circumstances to claim up to the maximum grant payable.
- C. Aside from the preceding options, amending the Guidelines to clarify whether losses are allocated separately to each licensee involved in the dishonest taking of funds or whether the maximum grant payable applies regardless of the number of licensees involved in the loss.
- D. Making no changes to the Guidelines and leave it wholly in the discretion of the Subcommittee in each case, without guidance. This option reflects the actual nature of the Guidelines but could lead to inconsistent application of the *Policies and Procedures* by Compensation Fund staff and the Subcommittee and confusion among potential claimants.

In assessing these options, the Committee acknowledged the following:

- Option A and Option C would potentially result in greater relief or mitigation to members of the public who have suffered significant financial losses due to licensee dishonesty. However, either option would also potentially increase the severity of claims and augment financial demands on the Fund, which is solely funded by licensees and already under significant pressure.
- Option B, which presents a more limited scope for compensation, could reduce financial impact of current and future claims. Without language restricting the definition of loss to a specific dishonest event or series of events, the payout from the Fund on just 15 current applications may be increased by approximately 68%, which would add financial pressure on the Fund and ultimately licensees as it would require heightened annual fee increases or the need for a special levy.
- The interpretation of the Guideline that limits parties to joint retainers or the beneficiaries to an Estate to one grant, up to the maximum grant amount, may lead to dissatisfaction among those claimants whose losses exceed the maximum grant. Members of the public who have lost money due to the dishonesty of licensees may perceive any guidelines that limit the full recovery of their financial loss to reflect a failure, or refusal, by the Law Society to protect the public.
- Adding clarifying language to the Guidelines guided by either of Options A, B and C, would help manage expectations of claimants, enhance consistency in outcomes, and also produce more transparent results.

Additional information considered by both the Subcommittee and Committee is set out in the remaining sections of this report.

## Recommendation

The Committee recommends the addition of language Guidelines under Option B to limit the total losses arising from a single event or set of underlying circumstances to the maximum claim limit, regardless of the number of persons presenting a claim in relation to the event and the number of licensees involved in the event. The proposed amendment, which is limited to Guideline 14, is set out below. The full version of the Guideline with revisions redlined is available at **Tab 2.2.1** and a clean, amended version is at **Tab 2.2.2**.

### ***Proposed amendment to Guideline 14***

14. *Maximum grant:* Convocation will, from time to time, determine the maximum amount payable by the Fund.

- (a) For losses resulting from funds given to a lawyer on or after September 22, 2016, the maximum grant is \$500,000. For losses resulting from funds given to a lawyer between April 24, 2008, and September 21, 2016, the maximum grant is \$150,000. Grants for such losses originating prior to April 24, 2008 are subject to the maximum in place at the time funds were advanced. The maximum grant is \$10,000 for a loss resulting from dishonesty on the part of a paralegal licensee.
- (b) Single event: The maximum grant applies to losses arising from a single event or set of underlying circumstances regardless of the number of persons presenting a claim in relation to the event. For example, a joint retainer of a lawyer or paralegal licensee by two or more parties will be assessed as a single event; similarly, an estate with one or more beneficiaries will be assessed as a single event. An example of a “set of underlying circumstances” would include a licensee receiving funds for a client on a real estate sale and then being retained to purchase a business with those same funds.
- (c) Event: For the purposes of paragraph (b) “event” is defined as the retainer that caused the licensee to come into possession of client trust funds.

If Convocation approves the amendment to the Guidelines as recommended, an updated version, with an effective date of April 24, 2025, will be posted to the relevant section of the Law Society’s website and will be provided to any new Compensation Fund claimants.

## Background

Grants may be made from the Fund to provide relief or mitigation to members of the public who have suffered financial losses due to licensee dishonesty and is established pursuant to section 51 of the *Act*. The Fund potentially provides a measure of consumer protection where there is no other available avenue for recovery. The Fund is financed by the professions, with separate pools within the Fund being allocated to lawyers and paralegals. Grant payments are entirely discretionary.

While the *Act* provides the core parameters for the operation of the Fund, the Guidelines outline the general principles that guide the Compensation Fund team and Subcommittee in the exercise of its discretion. The *Policies and Procedures*, read in conjunction with the Guidelines, describe for the public how claims for compensation will be reviewed and the discretion of the Subcommittee exercised in making grants.

The current limit for maximum grants payable for lawyers and paralegals is set out in Guideline 14 as follows:

14. *Maximum grant*: Convocation will, from time to time, determine the maximum amount payable by the Fund. For losses resulting from funds given to a lawyer on or after September 22, 2016, the maximum grant is \$500,000. For losses resulting from funds given to a lawyer between April 24, 2008, and September 21, 2016, the maximum grant is \$150,000. Grants for such losses originating prior to April 24, 2008 are subject to the maximum in place at the time funds were advanced. The maximum grant is \$10,000 for a loss resulting from dishonesty on the part of a paralegal licensee.

The Guidelines are silent regarding whether the maximum grant payable applies to the parties to joint retainers collectively or to each individual party or whether the maximum grant payable applies to a loss suffered by an Estate or to the loss of each beneficiary claimant of an Estate. (As noted below, the Guidelines do permit claims by beneficiaries of an estate, but there is no reference to the impact on the maximum grant.)

The issue of the application of the maximum grant amount arose in 2024 as a result of losses relating primarily to joint retainers on real estate transactions (such as instances involving spouses or domestic partners) in which the losses claimed vastly exceeded the maximum grant amount. Claims by parties to joint retainers have historically been treated as one claim; therefore, only one grant up to the maximum amount payable was available. Estate beneficiaries, however, were directed to apply separately, allowing each beneficiary applicant access to the maximum grant amount payable.

## Discussion

Guideline 1 confirms that the “Guidelines are not rules, are not exhaustive and will not necessarily apply to every conceivable situation.” The Guidelines adopted in 2014, and currently in place, are “intended to restate and clarify, in plain language, the underlying principles and process that apply to the determination of Compensation Fund claims.”

In the leading case on the issue of whether: (a) Convocation had jurisdiction to establish Guidelines to structure the Committee’s exercise of discretion in making grants from the Fund; and (b) whether the Committee acted properly in deciding to apply the Guidelines, the Superior Court of Justice - Divisional Court found as follows:

...the Guidelines are non-binding and do not fetter the Committee’s discretion. Guidelines are helpful by allowing applicants to know in general terms what the policy and practices are. The case law recognizes the authority of statutory tribunals to pass guidelines governing their broad exercise of discretion so long as these guidelines are recognized as being non-binding.: see *Maple Lodge Farms v. Canada* [1982 CanLII 24 \(SCC\)](#), [1982], 2 S.C.R. 2, at pp. 4-5; and *Ainsley Financial Corp. v. Ontario (Securities Commission)* (1994), [1994 CanLII 2621 \(ON CA\)](#), 121 D.L.R. (4<sup>th</sup>) 79 (Ont. C.A.), at pp. 83-86. In this case, the Committee accepted that it was free to depart from the Guidelines and the Committee properly considered the relationship of the Guidelines to the *Act* and the manner in which they were to be applied.<sup>1</sup>

Accepting that the Subcommittee, as the delegate of Convocation, has the discretion to depart from the Guidelines, it is important to consider the language of the Guidelines as a starting point.

A plain reading of Guideline 14 sets the maximum grant payable for losses resulting from funds given to a lawyer at \$500,000 and to a paralegal at \$10,000. The broad language of Guideline 14, with its unqualified term “losses”, read in conjunction with the *Policies and Procedures*, can be interpreted to allow claims by each of the parties to a joint retainer or of the beneficiaries of an Estate where the dishonesty of a licensee has caused the loss in the matter of the joint retainer or the Estate. This interpretation allows for multiple claims, where each claim could be made to the maximum grant amount. The impact of this interpretation, particularly in the absence of more effective regulatory tools, may result in significant pressure on the Fund. At the same time, this interpretation provides a higher level of protection to the members of the public who may have entrusted their funds to a licensee. The very purpose of the Compensation Fund is to protect the public from these

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<sup>1</sup> *El-Hennawy v. The Law Society of Upper Canada*, 2014 ONSC 375 (CanLII) at para 31

losses. Where the Fund only provides limited recovery to claimants for their losses, this protection is diminished.

The significance of the Fund, and the potential to reimburse losses suffered by clients as a result of licensee dishonesty, was described in the following terms by the then chair of the Compensation Fund Committee in supporting the increase of the maximum grant Guideline amount in 2016:

Well, the answer is very simple. We have said repeatedly that our core mandate is to regulate lawyers and paralegals in the public interest. We are here to protect the public. We have also said repeatedly -- and especially over the past two years -- that as a Law Society, we want to be a leader as a professional regulator. We want to be ahead of the curve. We want to be the Law Society that sets the example, that sets the standards, nationally and internationally.

Well, benchers. Today is the day. Today is the day for us to walk that talk. Setting the limit at \$500,000 will clearly serve very well our public protection mandate and our leadership role as regulator. We will be signalling to everyone that the Law Society of Upper Canada, as a leading regulator, gets it. We fully appreciate that there must be access to appropriate compensation if you suffer a loss because of a lawyer's dishonesty.<sup>2</sup>

In the report, adopted by Convocation following that same debate that led to the increased maximum guideline amount, reference is consistently made to “the claimant.” Arguably, this suggests support for the broad interpretation based on “the claimant” referring to individual claimants. However, without a definition of the term anywhere, it is difficult to reach the conclusion that the term “the claimant” means multiple individuals rather than a collective whole.

There are also arguments supporting a more limited interpretation of “losses”, or, by extrapolation, “claimant”. The statutory language of section 51 of the *Act* indicates that the Fund exists to relieve *or mitigate* losses suffered, thereby recognizing that the compensation may not make the claimant whole. There is a strong financial appeal to a more limited scope for compensation. Indeed, when the current maximum guideline amount was adopted in 2016, the idea of no guideline maximum was considered and rejected, apparently on fiscal grounds. But the public perception of the Law Society in cases where only partial compensation for the acts of dishonest licensees is available may be substantially undermined. This is increasingly likely where parties may entrust significantly more than \$500,000 with a lawyer, either when the parties are purchasing real

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<sup>2</sup> Carol Hartman, Transcript of Convocation Proceedings, September 22, 2016, p. 114, l. 20 to p. 115, l. 13.



estate at the current market prices across the province or when a lawyer is handling an estate at a point in history where there is a substantial accumulation of wealth. The same can be true with paralegals often obtaining substantial retainers in excess of \$10,000. The interpretation of the Guideline that limits parties to joint retainers or the beneficiaries to an Estate to one grant, up to the maximum grant amount, may lead to dissatisfaction among those claimants whose losses exceed the maximum grant limit.

While the views of the public at large have not been explicitly canvassed, staff and senior management have recently had a number of discussions with claimants about the operation of the Fund and the limitations imposed on grants. It is clear from these discussions that members of the public who have lost money due to the dishonesty of licensees consider guidelines that prevent those former clients from recovering the full amount of their loss to reflect a failure, or refusal, by the Law Society to protect the public. Staff consider this to be a serious risk to the reputation of the Law Society.

For ease of discussion, examples may assist.

In the first scenario, two people sell their jointly owned property for \$2M. Their lawyer on the sale misappropriates those funds. Each person makes an application to the Compensation Fund for their respective loss of funds given to the lawyer. If clarifying language in the Guideline interpreted losses broadly, each claimant can expect that the maximum grant limit applicable to their claim is \$500,000, for a total reimbursement to the two people of \$1M. If the clarifying language restricted the definition of losses, there would be a single loss to claim, and the applicable Guideline amount would be \$500,000 in total. In the absence of limiting or clarifying language in the Guidelines, claimants could reasonably argue for – or have a reasonable expectation of - the former interpretation, and there would be little guidance for the Subcommittee or staff.

In the second scenario, there are four beneficiaries to an Estate valued at \$2M. The Estate's lawyer misappropriates all the funds. If the Estate applies for compensation, or is deemed to be the claimant, the limit on the claim under the Guideline would be \$500,000. However, if each beneficiary applies for compensation the maximum grant limit applies to each claimant beneficiary, resulting in grants totalling \$2M.

A strict interpretation of the maximum grant payable in the above two scenarios, regardless of the number of claimants, would result in total grants amounting to \$1M. Conversely, if the maximum grant is applied to each person (claimant) the total grants over the two scenarios would amount to \$3M. The real estate claimants would recover \$1M from the Fund with a shortfall of \$1M; the Estate beneficiaries would be made whole. The average grant amounts and the number of grants made in real estate and estate matters over the last ten years are set out in the table below.

<b>Average Grant Amounts over the last 10 years<sup>3</sup></b>			
	<b>All Grants</b>	<b>Real Estate Law</b>	<b>Estates (Beneficiaries) Wills Estates Trust Law</b>
Average Grant	\$31,466.62	\$56,255.68	\$75,262.57
Number of Cases	1308	365	103

A review of active claims applications received since 2021 shows 26 applications in which the amount claimed is above the maximum grant amount. Of these applications, 15 involve joint retainers or large (multi-beneficiary) estate matters. If the maximum grant amount is applied to the 'event' (for example, the real estate purchase/sale or the Estate) the total potential grants for those 15 joint retainer/estate claims is \$7.5M. If the maximum grant amount is not applied to all losses to all parties from a single event or set of connected underlying circumstances, the *additional* grants payable (over the \$500K maximum) add up to a further \$5.1M for a total of \$12.6M.

Without language restricting the definition of loss to a specific dishonest event or series of events, the payout from the Fund on just 15 applications may be increased by approximately 68%, which would add financial pressure on the Fund and ultimately licensees, as it could require heightened annual fee increases or the need for a special levy.<sup>4</sup> At the same time, the broader interpretation would better protect members of the public who have lost money as a result of licensees' dishonesty.

As noted above, historically, estate beneficiaries have submitted separate claims for their losses, and each recovered up to the maximum grant amount. Guideline 6 allows an exception to the requirement of a lawyer/client relationship so that estate beneficiaries can submit applications to the Fund, even though they are not clients of the estate's lawyer. This exception has been interpreted to allow multiple claims which, in totality, may exceed the maximum grant limit available to the Estate. This means that Estate beneficiary claimants have benefitted from the more generous interpretation above. However, claimants who jointly retained a lawyer have generally been subjected to the strict interpretation in the past. At a minimum, this inconsistency needs to be eliminated with the

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<sup>3</sup> The average grant includes lawyers and licensed paralegals. With the exception of the "All Grants" column, the impact of including licensed paralegals is negligible (limited to one Real Estate grant for approximately \$6,500.) The average grant for lawyers is \$36,896.37 out of 1103 cases. The average grant for licensed paralegals is \$2,251.94 out of 205 cases.

<sup>4</sup> A special levy to increase the balance in the Fund would be required should there be a need between budget cycles to replenish the Fund.

application of one interpretation consistently, as inconsistency itself is a reputational risk to the Law Society.

There are ultimately two questions to be answered:

- Should there be clarification of the Guidelines in relation to the interpretation of the term “losses” in reference to the maximum grant payable limits applicable to a claim; and,
- If so, should that clarification define the term broadly or narrowly?

It should be noted that, in determining the appropriate interpretation of the term “losses” in relation to any grant limit, consideration should also be given to situations where more than one licensee is involved in the act or series of acts causing the defalcation. In the usual course, the dishonest act is tied to one licensee. However, it is conceivable that more than one licensee could be involved in the event and in causing the loss. This raises the question as to whether there are separate “losses” stemming from a single event or set of underlying circumstances for which each licensee is responsible (and to which a separate grant limit may apply), or whether there is a single loss, shared by the licensees and subject to a single grant limit.

## **Options and Rationale**

The following options presented to the Subcommittee and Committee with respect to the interpretation of the term “losses”, and thereby the amount of the maximum grant payable under the Guidelines:

- A. Amending the Guidelines to clarify that the term “losses” under the Guidelines relates to individual claimants, even if their losses stemmed from the same event or set of connected underlying events. This would allow individual claimants access to the maximum grant payable. Compensation Fund staff would, going forward, direct claimants who either shared a joint retainer with a licensee or are beneficiaries in an estate, to submit individual applications.
- B. Amending the Guidelines to clarify that the term “losses” under the Guidelines, includes all losses to all parties from a single event or set of connected underlying events. This would limit claims to a single claim up to the maximum grant payable. Compensation Fund staff would, going forward, direct claimants who shared in a joint retainer with a licensee that they could only submit a single claim and claimants who are beneficiaries in an estate that only the Estate could file a claim.

- C. Aside from the preceding options, amending the Guidelines to clarify whether losses are allocated separately to each licensee involved in the dishonest taking of funds or whether the maximum grant payable applies regardless of the number of licensees involved in the loss.
- D. Making no changes to the Guidelines and leave it wholly in the discretion of the Subcommittee in each case, without guidance. This option reflects the actual nature of the Guidelines but could lead to inconsistent application of the *Policies and Procedures* by Compensation Fund staff and the Subcommittee and confusion among potential claimants.

Option A, or option C, would potentially result in greater relief or mitigation to members of the public who have suffered significant financial losses due to licensee dishonesty. Either option would also potentially increase the severity of claims and augment financial demands on the Fund, which is solely funded by licensees. At the same time, these options provide a higher level of protection to the members of the public who may have entrusted their funds to a licensee. The very purpose of the Compensation Fund is to protect the public from these losses. Where the Fund only provides limited recovery to claimants for their losses, this protection is diminished

With respect to Option B, a more limited scope for compensation could reduce the financial impact of multiple claims against the Fund by estate beneficiaries and parties to a joint retainer. However, as set out above, any interpretation of the Guideline that would have the effect of limiting grants may lead to the dissatisfaction of affected parties or a general perception that the Law Society is not adequately fulfilling its mandate to protect the public interest.

Some of this dissatisfaction could be offset by a consideration of an increase in the guideline maximum, after engaging an actuarial firm to analyze such an adjustment and its impact on funding requirements, or the expansion of the Law Society's regulatory powers to allow more proactive regulation and avoid some losses.

Regardless of the option chosen, adding clarifying language to the Guidelines would help manage expectations of claimants, enhance consistency in outcomes, and also produce more transparent results.

## **LAW SOCIETY OF ONTARIO COMPENSATION FUND**

### **GENERAL GUIDELINES FOR THE DETERMINATION OF GRANTS FROM THE COMPENSATION FUND RELATING TO LAWYERS AND PARALEGALS**

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#### **A. PREFACE**

##### *1. General:*

These Guidelines outline the general principles that will guide the Compensation Fund in the exercise of its discretion pursuant to the *Law Society Act*, R.S.O. 1990, c.L.8, s.51, as am. These Guidelines are not rules, are not exhaustive and will not necessarily apply to every conceivable situation. The facts and circumstances of each case will be carefully considered as part of decision-making.

Grants are generally payable from the Compensation Fund to those who have suffered losses due to dishonesty on the part of lawyers or licensed paralegals. Most commonly, a loss for which compensation is payable results from theft or misappropriation of money that ought to be held in trust for a client as a retainer or as the proceeds from a settlement, a sale of property or an estate.

These Guidelines were adopted in this form by Convocation in 2014. The updated Guidelines are not intended to change the substantive considerations in determining a claim but are intended to restate and clarify, in plain language, the underlying principles and process that apply to the determination of Compensation Fund claims. The updated Guidelines apply to all outstanding Compensation Fund claims.

*2. Final decision:* A decision by the Compensation Fund to pay or not pay compensation is final.

*3. Proof:* To make a grant, the Compensation Fund must have satisfactory proof of loss. What is satisfactory proof will vary, depending on the nature of the claim and the evidence that is reasonably available. Proof that funds were given to a lawyer or paralegal could include, for example:

- Receipts issued by the lawyer or paralegal
- Statements of account from the lawyer or paralegal
- Bank records of the claimant
- Cancelled cheques issued by the claimant or on the claimant's behalf

4. *Fund of last resort:* The Compensation Fund is a fund of last resort. The Fund will determine, at its discretion, whether all reasonable steps, in the circumstances, have been taken to recover a loss through other means, for example through litigation.

## **B. WHO CAN CLAIM**

5. *Lawyer-client / paralegal client relationship:* Subject to the exceptions set out in these guidelines, the claimant must be a person who had a lawyer-client or paralegal-client relationship or other similar fiduciary relationship with the person whose dishonesty is the reason for the loss.

6. *Exception – estate beneficiaries:* A beneficiary of an estate may claim for compensation, where a loss from the estate is because of the dishonesty of a lawyer who has acted as solicitor for the estate or estate trustee or both.

7. *Financial institutions and insurers:* The Compensation Fund will not pay grants to banks or other financial institutions that are in the business of lending money, nor will it compensate for losses covered by a contract of insurance, including title insurance.

## **C. LOSSES FOR WHICH COMPENSATION MAY BE AVAILABLE**

8. *Loss:* For the purposes of the Compensation Fund, loss is defined as the difference between what the lawyer or licensed paralegal received from the claimant or on the claimant's behalf, and the amount that was earned and accounted for, and/or returned to the claimant.

9. *Dishonest conduct:* The loss must result from a lawyer's or paralegal's dishonest conduct. Dishonest conduct includes wrongful acts committed by a lawyer or paralegal, such as theft or embezzlement of money that ought to be held in trust for a client, or the wrongful taking or conversion of money or property. It can also include wrongfully failing to return a retainer that has been paid by a client but not earned.

10. *Lawyer-client, paralegal-client or fiduciary relationship:* The loss must arise in the context of a lawyer-client or paralegal-client relationship or other similar fiduciary relationship between the lawyer and client or paralegal and client. Such a relationship generally involves the provision of legal advice, legal representation and/or legal services by a lawyer or paralegal to a client.

11. *Practice of law / provision of legal services:* Apart from exceptions contained in these guidelines, the loss must be connected to the practice of law or the provision of legal services. Any funds or property alleged to have been lost must have been received by the lawyer or paralegal in his or her capacity as a lawyer or paralegal. If a lawyer or paralegal has acted dishonestly in a matter that is not connected to the practice of law or provision of legal services, compensation will not be available.

12. *Legal entitlement:* The claimant must be legally or beneficially entitled to the money or property for which he or she is seeking compensation.

#### **D. DETERMINING THE AMOUNT OF COMPENSATION THAT IS PAYABLE**

13. *Amount of loss:* The Fund will consider the value of work performed by the lawyer or paralegal and the cost of disbursements, whether or not the claimant received an account for the work or the disbursements. The fact that work was performed may cause the Fund to reduce a grant or deny one altogether.

14. *Maximum grant:* Convocation will, from time to time, determine the maximum amount payable by the Fund.

- (a) For losses resulting from funds given to a lawyer on or after September 22, 2016, the maximum grant is \$500,000. For losses resulting from funds given to a lawyer between April 24, 2008, and September 21, 2016, the maximum grant is \$150,000. Grants for such losses originating prior to April 24, 2008 are subject to the maximum in place at the time funds were advanced. The maximum grant is \$10,000 for a loss resulting from dishonesty on the part of a paralegal licensee.
- (b) Single event: The maximum grant applies to losses arising from a single event or set of underlying circumstances regardless of the number of persons presenting a claim in relation to the event. For example, a joint retainer of a lawyer or paralegal licensee by two or more parties will be assessed as a single event; similarly, an estate with one or more beneficiaries will be assessed as a single event. An example of a “set of underlying circumstances” would include a licensee receiving funds for a client on a real estate sale and then being retained to purchase a business with those same funds.
- (c) Event: For the purposes of paragraph (b) “event” is defined as the retainer that caused the licensee to come into possession of client trust funds.

15. *Risk and carelessness:* The Compensation Fund will consider the extent to which the claimant was careless or took unreasonable risks. Risk and carelessness on the part of the claimant may reduce or eliminate a grant. In assessing risk and carelessness, the Fund may consider, for example:

- (a) whether it was reasonable for the claimant to trust the lawyer or paralegal concerned without, for example, considering other sources of professional advice (accounting, legal or otherwise);
- (b) whether the claimant was reckless in entrusting the money to the lawyer or paralegal; and
- (c) whether the claimant was careless in protecting his or her own interest after having a reasonable opportunity to suspect that a loss due to dishonesty might be occurring.

#### **E. LOSSES FOR WHICH COMPENSATION IS NOT PAYABLE**

16. *General:* The following losses will not result in compensation from the Fund:

- (a) Losses by spouses, children, parents, grandparents, siblings, partners, associates and employees of the lawyer(s) or paralegal(s) causing the loss
- (b) Losses covered by a bond, surety agreement, or insurance contract to the extent to which coverage applies
- (c) Losses by any business entity controlled by the lawyer or paralegal
- (d) Losses by any governmental entity or agency
- (e) Losses by banks or other financial institutions
- (f) Interest, damages, expenses, costs and other consequential or incidental losses

17. *Loans:* The Compensation Fund will not compensate for a loss resulting from a loan to a lawyer or paralegal unless the claimant was persuaded to lend money by the lawyer or paralegal because of an ongoing lawyer-client or paralegal-client relationship. Such a relationship must exist separate and apart from the loan itself.

18. *Investments:* The Compensation Fund will not compensate for a loss resulting from an investment solicited or facilitated by a lawyer unless the claimant was persuaded to make the investment because of an ongoing lawyer-client or paralegal-client relationship. Such a relationship must exist separate and apart from the investment itself.



## **LAW SOCIETY OF ONTARIO COMPENSATION FUND**

### **GENERAL GUIDELINES FOR THE DETERMINATION OF GRANTS FROM THE COMPENSATION FUND RELATING TO LAWYERS AND PARALEGALS**

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These Guidelines were adopted in this form by Convocation in 2014. The updated Guidelines are not intended to change the substantive considerations in determining a claim but are intended to restate and clarify, in plain language, the underlying principles and process that apply to the determination of Compensation Fund claims. The updated Guidelines apply to all outstanding Compensation Fund claims.

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4. *Fund of last resort:* The Compensation Fund is a fund of last resort. The Fund will determine, at its discretion, whether all reasonable steps, in the circumstances, have been taken to recover a loss through other means, for example through litigation.

## **B. WHO CAN CLAIM**

5. *Lawyer-client / paralegal client relationship:* Subject to the exceptions set out in these guidelines, the claimant must be a person who had a lawyer-client or paralegal-client relationship or other similar fiduciary relationship with the person whose dishonesty is the reason for the loss.

6. *Exception – estate beneficiaries:* A beneficiary of an estate may claim for compensation, where a loss from the estate is because of the dishonesty of a lawyer who has acted as solicitor for the estate or estate trustee or both.

7. *Financial institutions and insurers:* The Compensation Fund will not pay grants to banks or other financial institutions that are in the business of lending money, nor will it compensate for losses covered by a contract of insurance, including title insurance.

## **C. LOSSES FOR WHICH COMPENSATION MAY BE AVAILABLE**

8. *Loss:* For the purposes of the Compensation Fund, loss is defined as the difference between what the lawyer or licensed paralegal received from the claimant or on the claimant's behalf, and the amount that was earned and accounted for, and/or returned to the claimant.

9. *Dishonest conduct:* The loss must result from a lawyer's or paralegal's dishonest conduct. Dishonest conduct includes wrongful acts committed by a lawyer or paralegal, such as theft or embezzlement of money that ought to be held in trust for a client, or the wrongful taking or conversion of money or property. It can also include wrongfully failing to return a retainer that has been paid by a client but not earned.

10. *Lawyer-client, paralegal-client or fiduciary relationship:* The loss must arise in the context of a lawyer-client or paralegal-client relationship or other similar fiduciary relationship between the lawyer and client or paralegal and client. Such a relationship generally involves the provision of legal advice, legal representation and/or legal services by a lawyer or paralegal to a client.

11. *Practice of law / provision of legal services:* Apart from exceptions contained in these guidelines, the loss must be connected to the practice of law or the provision of legal services. Any funds or property alleged to have been lost must have been received by the lawyer or paralegal in his or her capacity as a lawyer or paralegal. If a lawyer or paralegal has acted dishonestly in a matter that is not connected to the practice of law or provision of legal services, compensation will not be available.

12. *Legal entitlement:* The claimant must be legally or beneficially entitled to the money or property for which he or she is seeking compensation.

#### **D. DETERMINING THE AMOUNT OF COMPENSATION THAT IS PAYABLE**

13. *Amount of loss:* The Fund will consider the value of work performed by the lawyer or paralegal and the cost of disbursements, whether or not the claimant received an account for the work or the disbursements. The fact that work was performed may cause the Fund to reduce a grant or deny one altogether.

14. *Maximum grant:* Convocation will, from time to time, determine the maximum amount payable by the Fund.

- (a) For losses resulting from funds given to a lawyer on or after September 22, 2016, the maximum grant is \$500,000. For losses resulting from funds given to a lawyer between April 24, 2008, and September 21, 2016, the maximum grant is \$150,000. Grants for such losses originating prior to April 24, 2008 are subject to the maximum in place at the time funds were advanced. The maximum grant is \$10,000 for a loss resulting from dishonesty on the part of a paralegal licensee.
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- (c) Event: For the purposes of paragraph (b) “event” is defined as the retainer that caused the licensee to come into possession of client trust funds.

15. *Risk and carelessness:* The Compensation Fund will consider the extent to which the claimant was careless or took unreasonable risks. Risk and carelessness on the part of the claimant may reduce or eliminate a grant. In assessing risk and carelessness, the Fund may consider, for example:

- (a) whether it was reasonable for the claimant to trust the lawyer or paralegal concerned without, for example, considering other sources of professional advice (accounting, legal or otherwise);
- (b) whether the claimant was reckless in entrusting the money to the lawyer or paralegal; and
- (c) whether the claimant was careless in protecting his or her own interest after having a reasonable opportunity to suspect that a loss due to dishonesty might be occurring.

#### **E. LOSSES FOR WHICH COMPENSATION IS NOT PAYABLE**

16. *General:* The following losses will not result in compensation from the Fund:

- (a) Losses by spouses, children, parents, grandparents, siblings, partners, associates and employees of the lawyer(s) or paralegal(s) causing the loss
- (b) Losses covered by a bond, surety agreement, or insurance contract to the extent to which coverage applies
- (c) Losses by any business entity controlled by the lawyer or paralegal
- (d) Losses by any governmental entity or agency
- (e) Losses by banks or other financial institutions
- (f) Interest, damages, expenses, costs and other consequential or incidental losses

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18. *Investments:* The Compensation Fund will not compensate for a loss resulting from an investment solicited or facilitated by a lawyer unless the claimant was persuaded to make the investment because of an ongoing lawyer-client or paralegal-client relationship. Such a relationship must exist separate and apart from the investment itself.

## **FOR INFORMATION**

### **Lawyers' Professional Indemnity Company Audited Financial Statements for the year ended December 31, 2024**

The Law Society provides mandatory professional liability insurance to lawyers through the Lawyers' Professional Indemnity Company (LAWPRO), a provincially licensed insurer and wholly-owned subsidiary of the Law Society. The professional liability insurance program generally requires practising lawyers to pay premiums and levies to the Errors & Omissions Fund that contribute toward the premium paid by the Law Society to fund the anticipated costs of professional liability claims made in each annual policy period. LAWPRO also sells optional excess lawyers professional liability insurance and title insurance.

Each year, the audited financial statements for LAWPRO are presented to the Law Society's Audit & Finance Committee and to Convocation for information. LAWPRO's audited financial statements are included within their 2024 Annual Report at [Tab 2.4.1](#). The full Annual Report is included as it provides Convocation with fulsome update on LAWPRO.

LAWPRO prepares their financial statements under International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. There are significant differences between IFRS and accounting standards for not-for-profit organizations set out in Part III of the Chartered Professional Accountants of Canada Handbook – Accounting, those used by the Law Society, including the accounting for leases and for unrealized gains and losses and other items that are reflected through the statement of comprehensive income of LAWPRO.

In 2023, LAWPRO adopted revised IFRS Accounting Standards, specifically IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments, that were mandatory and effective for annual reporting periods that begin on or after January 1, 2023. As a result, certain comparative information as of December 31, 2022 was restated. The impact of the restatement is set out in the notes to LAWPRO's financial statements.

LAWPRO's President & CEO, Dan Pinnington and their CFO, Krista Franklin, presented the statements for the year ended December 31, 2024 to the Audit & Finance Committee. The financial statements have been approved by LAWPRO's Board.

# 2024 Annual Report

Protecting you for 30 years





# About us

**LAWPRO provides** primary errors and omissions insurance coverage for Ontario lawyers, Excess insurance for law firms and title insurance across Canada. We are committed to the values of professionalism, innovation, integrity, service and leadership.

**Before LAWPRO** was incorporated as an independent insurance company in 1995, liability insurance for the Ontario Bar was in a different situation. At the time, the fund established to pay for professional indemnity claims against Ontario lawyers was underfunded by over \$200 million dollars. The resulting crisis led to a task force which recommended the creation of the organization now known as LAWPRO, a highly specialized, efficient insurance company operated independently from the Law Society of Ontario.

**LAWPRO's principles** of operation derived from the Task Force Report are as follows:

- LAWPRO should be governed by an independent board of directors
- LAWPRO should be operated in a commercially reasonable manner
- The cost of insurance should reflect the risk of claims
- Claims should be resolved fairly and expeditiously

**Specializing in insurance for the legal profession** means the company has a deep understanding of claims trends and is well positioned to identify and cope with emerging risks including sophisticated frauds, cybercrime risks, new technologies and the evolving nature of legal work.

While LAWPRO maintains an intimate understanding of the role of and challenges faced by the Bar, we also focus on broader insurance industry issues including solvency, risk assessment, and effective claims management.

**Financial stability** comes from prudent investing, accurately forecasting expenses, controlling operating costs, and carefully managing claims. To achieve these ends, LAWPRO relies on the expertise of our staff, professional investment managers, and advisors. In recognition of our financial strength, we have consistently been awarded an "A (Excellent)" rating by A.M. Best Co, a leading rating agency.

Lower premiums than when we began in 1994 demonstrates our ongoing commitment to offering coverages across the bar at the lowest possible price.



# Our products and services

## Primary insurance coverage program

All lawyers in private practice in Ontario – over 31,000 – purchase primary professional liability insurance with a \$1 million per claim, \$2 million annual aggregate coverage from LAWPRO. We also provide no cost run-off insurance to over 80,000 lawyers who have left private practice.



## Excess insurance program

LAWPRO's Excess Insurance offers limits up to \$14 million above the primary policy. Over 1,700 firms representing more than 4,000 lawyers are currently insured with LAWPRO's Excess program. It is designed to meet the needs of small and medium sized firms of fewer than 50 lawyers.



## TitlePLUS title insurance

TitlePLUS stands proudly as Canada's only 100% domestically owned title insurer, offering unparalleled protection with the most comprehensive errors and omissions coverage in the industry, included automatically in most policies at no additional cost. It is designed to cover issues that are discovered through searches (saving homeowners search costs), future risks like fraud or encroachments, and the lawyer's legal services provided in the transaction. Title insurance moves the risk associated with title to the title insurer, and away from the homebuyer, the lending institution, or the lawyer. This program is built around lawyers being central to real estate transactions and keeping prices and coverages competitive.



## PracticePRO program

PracticePRO is LAWPRO's risk management program, developed to help lawyers practise successfully and minimize the risk of claims. Free resources include:

- LAWPRO Magazine: articles about the law, insurance and current hot topics in the legal profession
- Tips and insights into practice issues including real-time warnings on active frauds targeting lawyers
- Continuing Professional Development programs, precedents, checklists, and videos to help lawyers succeed in their day-to-day business
- Claims fact sheets that describe common scenarios that lead to claims and practical steps that can be taken to lessen the risk of a claim



*Mark Surchin*

Mark Surchin  
Chair

# Message from the Chair

As we enter an uncertain and unpredictable economic and political environment, a secure and financially stable mandatory professional liability insurer is paramount for the Ontario bar and members of the public.

As an independent insurance company that is scrutinized by the Financial Services Regulatory Authority, LAWPRO must meet a number of financial rules and risk assessments. One key measure is the minimum capital test (MCT), which evaluates whether a financial institution's assets are sufficient to meet its present and future obligations. At the end of 2024, LAWPRO's MCT measured 258%, 17 points above 2023 year end. While this higher MCT ratio reflects LAWPRO's financial stability, it was primarily driven by unrealized gains from investments, a factor unrelated to our insurance operations. Our strong capital position puts the Company in a solid position to weather market volatility that may arise in 2025.

As in previous years, the Company's reliability and resilience was externally recognized by the A.M. Best Co. rating agency which, again, awarded LAWPRO with a financial strength rating of "A" and an outlook of "stable."

While financial stability is imperative, LAWPRO also values the importance of fostering a just community. LAWPRO is committed to being a responsible, engaged, and accountable corporate citizen. This commitment is reflected in LAWPRO's focus on four key areas of Corporate Social Responsibility:

- Providing a healthy and rewarding workplace
- Respecting the environment
- Fostering the legal community
- Supporting the broader Canadian community

Before closing, I'd like to congratulate Andrew Spurgeon, who acted as Chair of the Board from September 4, 2019, to March 3, 2025, before his appointment as a Judge of the Superior Court of Justice of Ontario. We are grateful for his strategic direction and steady leadership during turbulent times including the COVID-19 pandemic. I also want to thank Fred Gorbet who is retiring from the LAWPRO board after serving for 20 years. His extensive financial, economic, and public policy experience was essential in guiding the Company to success.

This Report outlines the Company's actions to support the Ontario bar, protect them when an error is made, and make a positive impact on the community. I am confident that LAWPRO will continue deliver on its mission of providing insurance products and services that enhance the viability and competitive position of the legal profession.



*Daniel E. Pinnington*

Daniel E. Pinnington  
President & CEO

# Message from the CEO

Leading LAWPRO as its CEO is a privilege I am proud to undertake. In 2024, we continued our technology transformation journey, assisted and defended Ontario lawyers facing claims, and found many opportunities to help them avoid a claim when possible.

In 2024, LAWPRO handled 3,758 new claims, responded to over 50,000 requests through our customer service department, and saw more than 213,000 visits to our risk management resources. Not only that, LAWPRO delivers TitlePLUS, the only wholly-owned all Canadian Title Insurance program.

I can't overstate the critical part LAWPRO staff play in making this happen. That includes our Customer Service Team, members of our Finance Department and PracticePRO, as well as our Claims Professionals, Support Staff, and our outside Defence Counsel.

In the following report, you will read about our most common claims, how we defended lawyers, and repaired claims to reduce damages and avoid going to court. You will also learn how we help lawyers deal with new risks and a changing practice environment.

Going into 2024, there were new developments that particularly concerned us: the resumption of administrative dismissals and the increasing scourge of social engineering fraud.

On May 13, 2024, the Ministry of the Attorney General of Ontario announced that administrative dismissals of Superior Court civil actions would resume. This applied to cases that had not been set down for trial within 5 years or were struck from the trial list and had not been restored within 2 years. In response, LAWPRO immediately posted a notice to the profession and mobilized our claims prevention and claims teams to support lawyers with any potential questions and concerns. We were pleased to collaborate with government and court staff and believe our collective efforts significantly reduced the number of administrative dismissals.

In general terms, social engineering is a fraud that is perpetrated by deceiving a target into revealing information or taking action for illegitimate reasons. It is often associated with phishing or email impersonation and can lead to wired funds being misdirected or fraudulent transfers of property.

To address this growing problem and to help lawyers minimize the risk to themselves and their clients, we encouraged all lawyers to take simple yet crucial steps to avoid becoming the victim of social engineering fraud. Key among these actions was to reinforce the importance of always re-confirming payment instructions by independent means. Our Social Engineering Toolkit, available on [practicepro.ca](https://practicepro.ca), outlines practical steps to take to recognize and prevent fraud to avoid becoming a victim.

Equally important is the ongoing impact of stress that continues to affect the mental well-being of lawyers. LAWPRO has observed that mental health issues can be a leading contributor to both individual claims and clusters of claims. For this reason, we financially support the Member Assistance Program and promote its use to our insureds.

Through initiatives such as CPD programs and informative articles, LAWPRO continues to educate legal professionals on recognizing mental health warning signs, effectively managing mental health challenges, and adopting healthier wellness practices.

As we celebrate our third decade protecting the Ontario legal profession, it has become clear that LAWPRO continues to meet the challenges it faces and seizes new opportunities as the profession grows.

Thank you to everyone in LAWPRO's community for your continued support for the organization.

# Protecting you for 30 years

## LAWPRO: A helping hand in a storm; a friend in rough waters

Sometimes, the future can seem like a sea of uncertainty: a vast ocean of undulating risk and reward stretching to the horizon. Recent years have shown just how rocky these waters can be—pandemic lockdowns, worldwide inflation, and the economic threat of trade disputes have roiled the expectations and muddled the plans of all Canadians.

Ontario lawyers understand the importance of preparing for tomorrow's risk today. That's where LAWPRO comes in. LAWPRO not only responds to malpractice claims when they arise, but we help prevent claims in the first place by informing lawyers about today's risks and tomorrow's dangers.

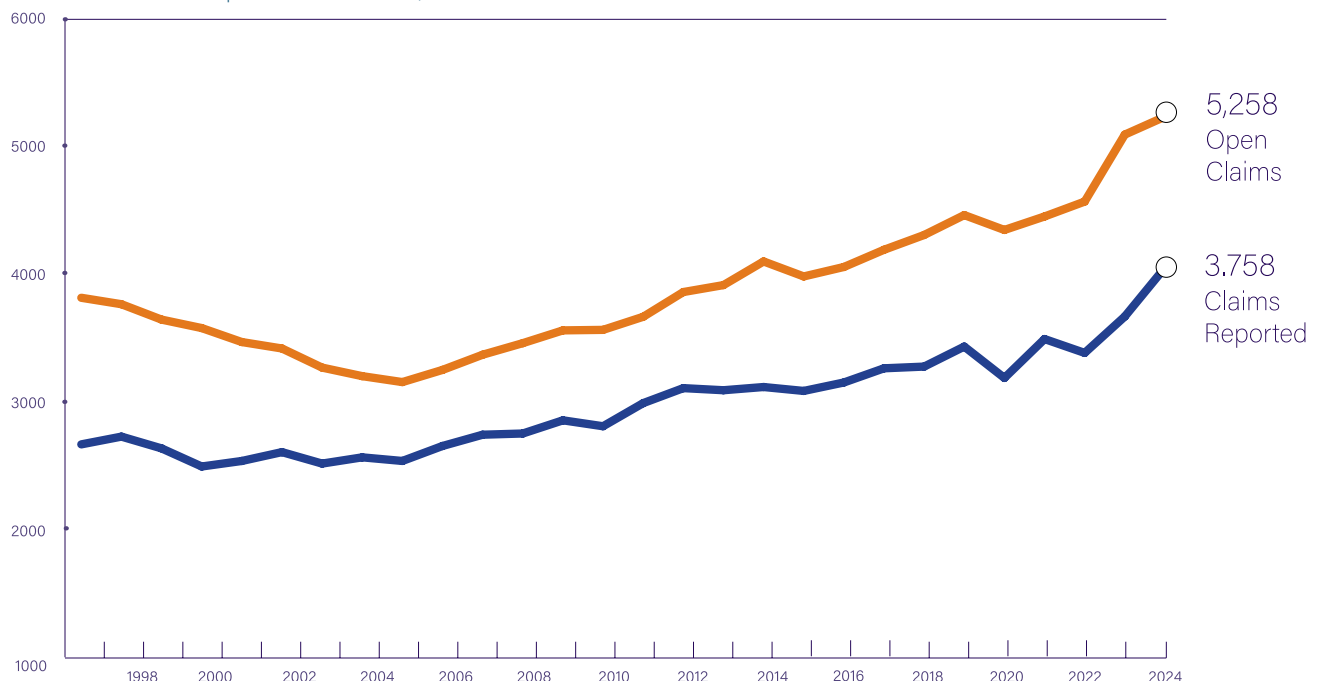
LAWPRO celebrates its 30th anniversary this year: 30 years of providing security and assurance to Ontario lawyers and the public at large. But LAWPRO isn't just taking this time to look back; we're looking to the future. With our new online portal for insureds, LAWPRO is constantly improving the way we provide insurance. And with recent expansions of our policy, LAWPRO covers more risks than ever before.

## LAWPRO is always protecting insureds from a rising tide of E&O claims

LAWPRO saw 3,758 claims in 2024, an increase from the 3,272 claims seen in 2023 and another new high.

### Number of claims reported and open claims

Total number of open claims at Dec. 31, 2024





Of course, more claims mean more costs. In 2024, the total cost of the Primary Program indemnity payments and expenses increased by 5%. The cost per claim at 36 months after reporting—when crystalized costs can more accurately be estimated—increased from \$30,707 (for claims reported in 2021) to \$33,288 (for claims reported in 2022). While the costs per claim after three years are lower than the highs reported 15-20 years ago, the recent increase in the total number of claims reported in 2023 and 2024 require us to remain vigilant in efficiently defending and closing cases in a cost-effective manner.

With a record number of claims, LAWPRO's claims counsel rolled up their sleeves and got to work, closing 36% more files in 2024 than the year before. LAWPRO's response to increasing claims trends is multifaceted: We hired additional claims counsel to respond to new claims, but we also took steps to reduce the number of incoming claims in the first place by educating the profession on current risks and claims trends through LAWPRO Magazine, online CPDs, and regular presentations to lawyers around Ontario.

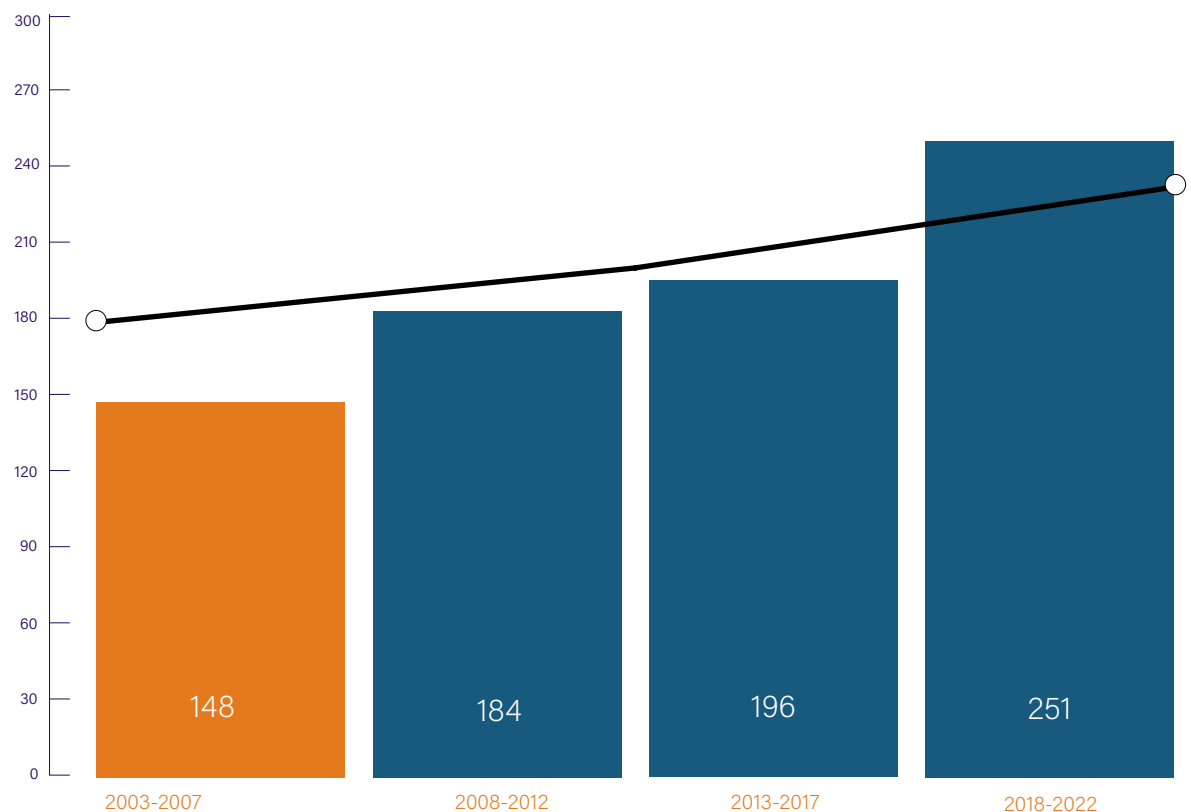
To respond to the needs of our insureds, LAWPRO also recently expanded the scope of the policy in two ways. First, in 2024 LAWPRO revised the policy to respond to the increase in social engineering threats against lawyers. In general terms, social engineering is fraud that is perpetrated by deceiving a target into revealing information or taking action for illegitimate reasons. It is often associated with phishing or email impersonation and can lead to incorrectly wiring funds or transferring property.

Beginning in 2024, Ontario lawyers must now take steps to protect their firm and their clients from Social Engineering to maintain a \$1 million limit for these claims. These steps include establishing instructions for the transfer of funds at the outset of the retainer and confirming any changes to these instructions by telephone call or meeting the client. For more information, please see our Social Engineering Toolkit.

Second, beginning in 2025, LAWPRO offers increased protection for intellectual property lawyers that meets their insurance requirements as mandated by the College of Patent and Trademark Agents. This endorsement can be purchased by insureds regulated by CPATA and provides coverage for extra-jurisdictional services.

## Average number of claims

with a value greater than \$100,000



## LAWPRO adapts by reviewing our data on the causes of claims and the areas where they occur

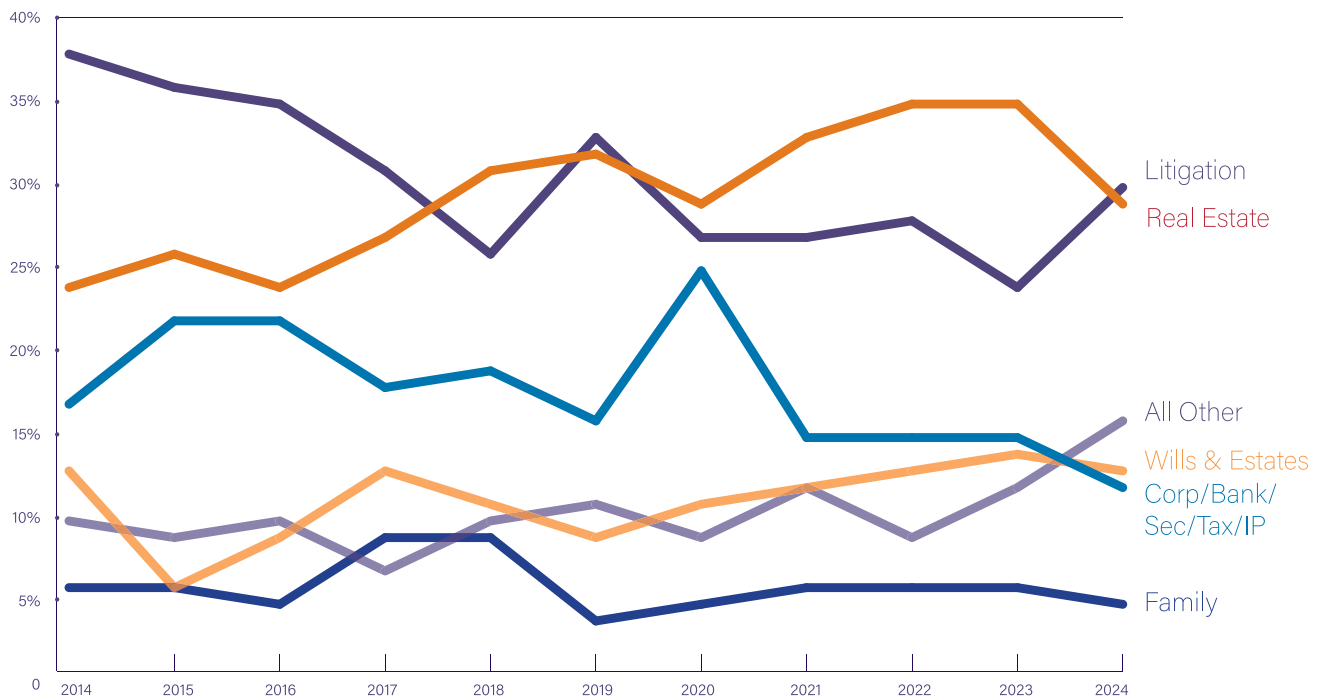
To stay abreast of current trends and to best inform the profession of malpractice threats, LAWPRO is always keeping an eye on claims statistics. By tracking changes over time, LAWPRO can respond to macro-trends and provide relevant claims prevention assistance to the profession.

In 2024, the largest percentage of reported claims costs continued to be related to real estate (29%) and litigation (28%). While the cost of litigation claims increased dramatically, the total number of litigation claims remained stable year-over-year (to 729 from 719). These increased costs are therefore primarily due to an increase in the complexity of the claims we are seeing.

While the proportional costs of real estate claims decreased in 2024 (to 27% from 34%), there was an increase in the total number of real estate claims to 867 from 799. While this increase in the number of real estate claims was partially due to an increase in fraud—targeting lawyers and their clients—it is primarily a consequence of an increasingly active real estate market.

We also continue to see an increasing number of claims in wills and estates. 422 such claims were reported in 2024, a 5% increase from 2023. With an aging population comes an increase in the number of large estates, and as the number of large estates increases, the number of potentially litigious beneficiaries also increases. LAWPRO will continue to keep an eye on this area of law in the years to come.

### Distribution of claims by area of practice



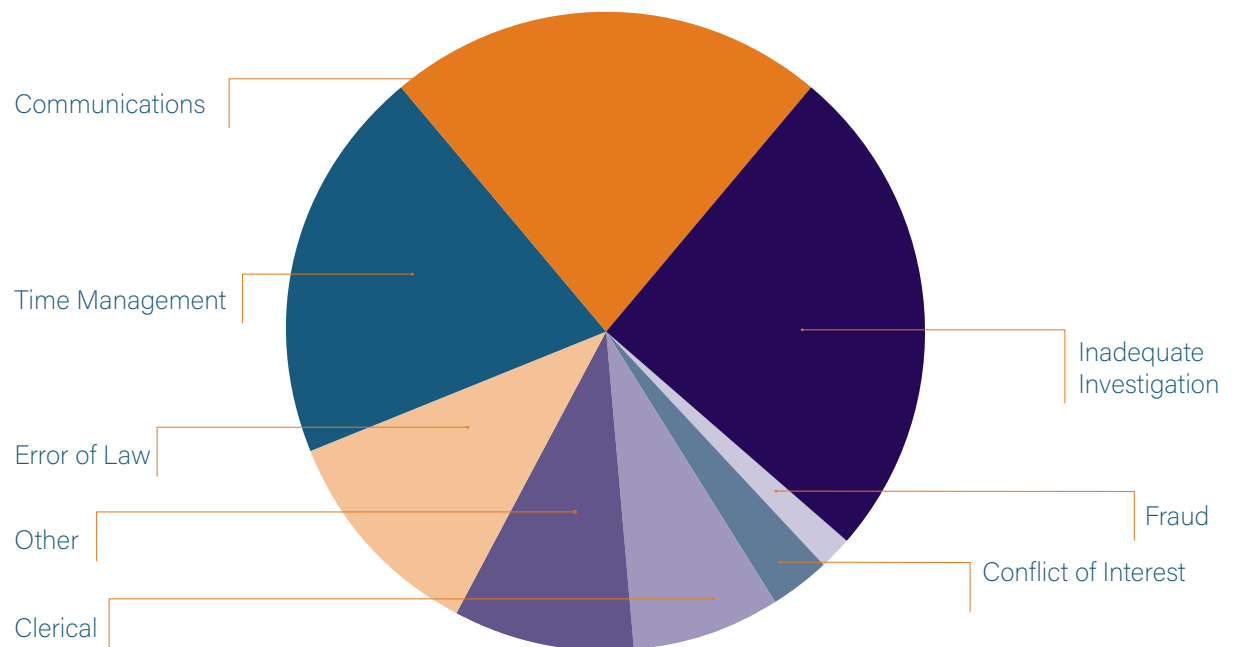
## Causes of claims

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.

As in recent years, inadequate investigation, communication errors and time management mistakes caused the most claims. Five years ago, in 2020, we saw a sharp decrease in the number of claims caused by time management and communication-related errors. This was 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.

In 2024, time management and communication claims largely returned to their pre-pandemic proportional level. One reason for the previously reduced number of time management claims was the pause on administrative dismissals the courts continued through 2024 (where court clerks will dismiss cases that haven't been set down for trial 5 years after commencement). While we expected time management claims to rise in the wake of the return of administrative dismissals in May of 2024, the potential deluge of claims never came. This may, in part, be due to the pre-emptive measures LAWPRO took to educate the profession prior to the lifting of the pause, including communications to all practising lawyers advising them to take specific note of the relevant timelines for every case still moving through the system.

## Reported claims count by cause of loss

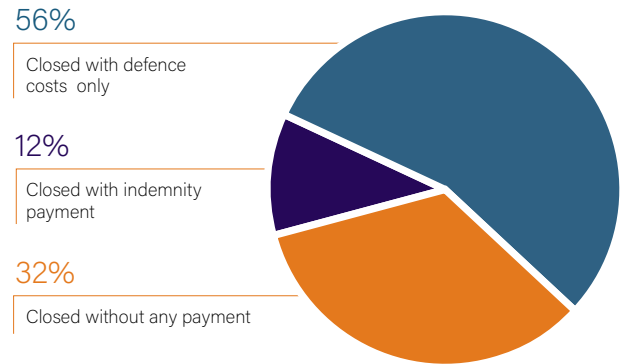


While we expected time management claims to rise in the wake of the return of administrative dismissals in May of 2024, the potential deluge of claims never came.

## LAWPRO continues to close claims and give insureds of mind

As a policy, LAWPRO does not pursue economic settlements and will defend insureds vigorously from false or frivolous claims. In 2024, 88% of claims files that came in were closed without any indemnity payments, whether by settlement or judgment. In fact, 32% of claims were closed without payment of any kind.

### Claims by outcome



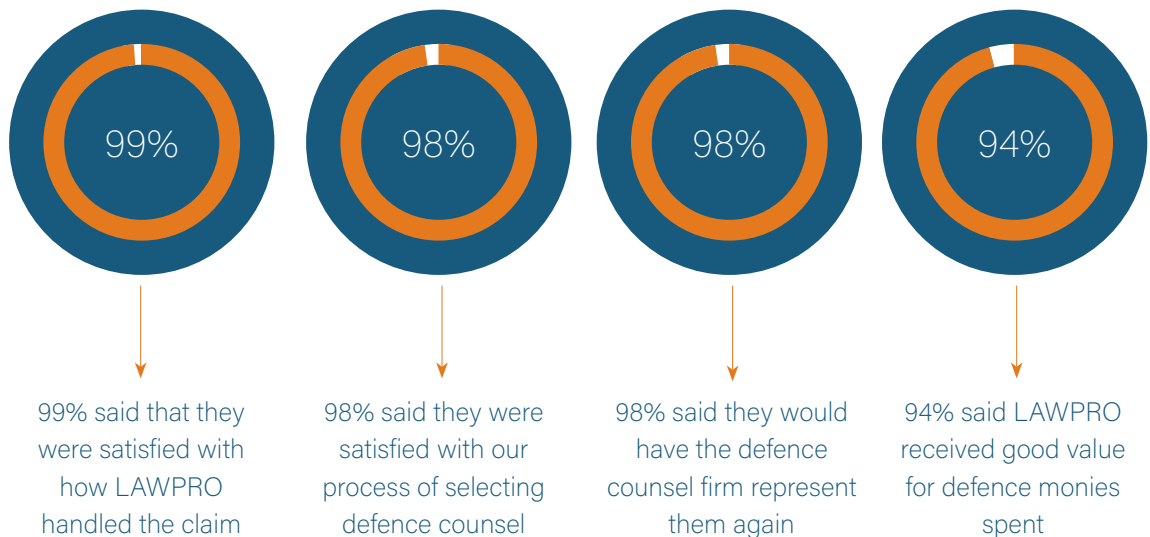
### Trial results:

Successful on matters taken to trial: 7 out of 8

Successful on summary judgment motions: 10 out of 14

Successful on summary judgment appeals: 2 out of 2

The annual survey of LAWPRO E&O insureds with a closed claim indicated the following:



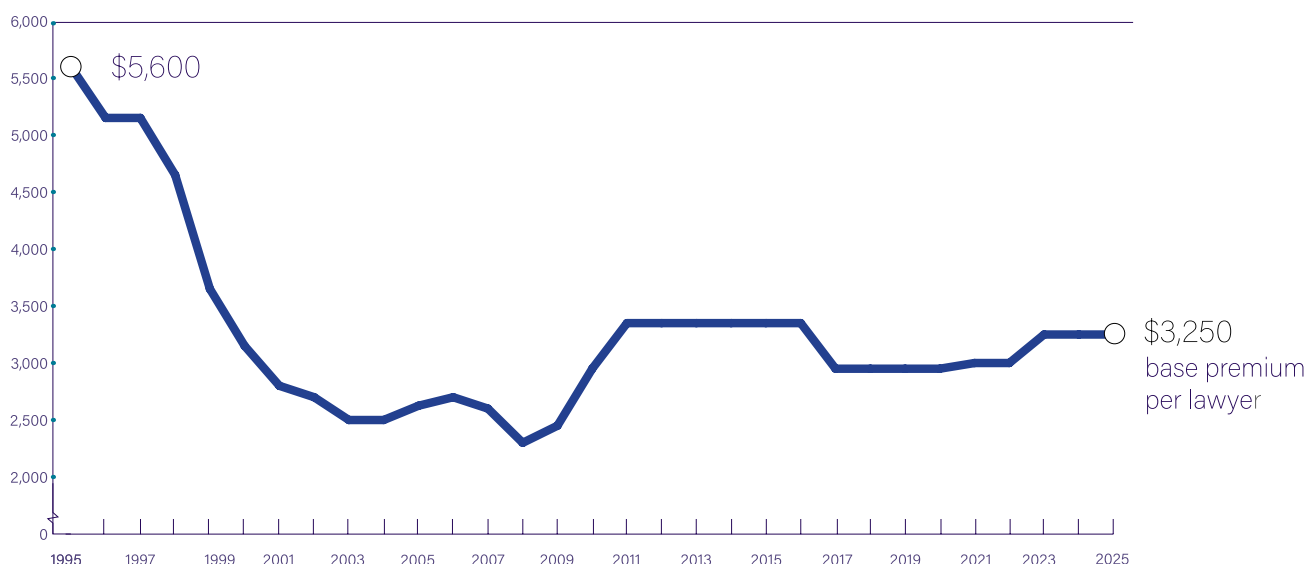


## LAWPRO covers more lawyers and more risks than ever before

Under the mandatory E&O program, LAWPRO insured over 31,000 lawyers in 2024.

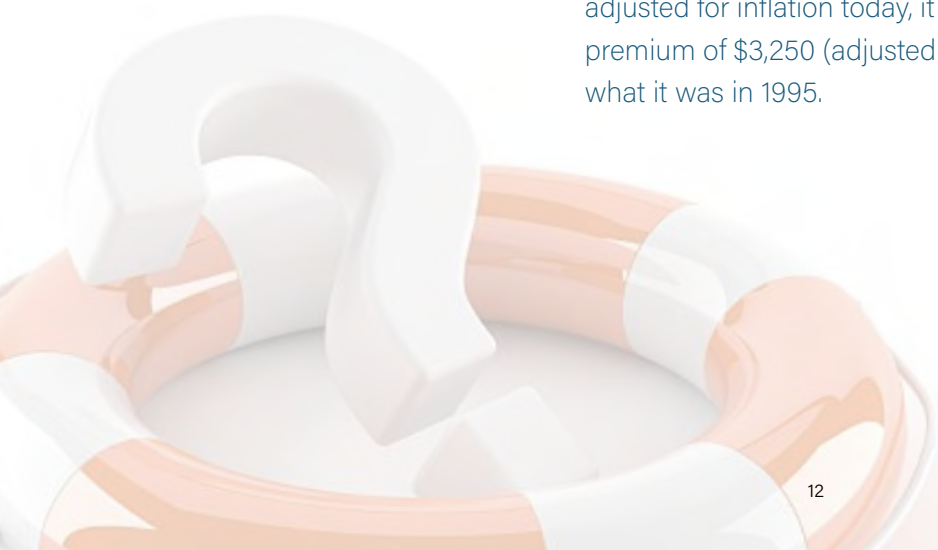
For the 2024 year, the base premium remained \$3,250. However, the annual LAWPRO premium paid by most Ontario lawyers is lower today than it was in the past – something you won't find with just about any other type of insurance. In fact, as recently as 2016, the base LAWPRO premium was \$3,350 -- \$100 more than today.

### Base premium since inception



### Did You Know?

If the base premium charged when LAWPRO was created were to be adjusted for inflation today, it would be \$11,672.95. In other words, today's premium of \$3,250 (adjusted for inflation) is approximately 72% less than what it was in 1995.



## LAWPRO is focused on reducing the cost of insurance

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.

### Discounts and coverage options

Option	Number of Insureds
<b>New Lawyer Discount</b> 20 to 50 % base premium discount for those called in the last one to four years	6782
<b>Part-Time Practice Discount</b> 50 % base premium discount for eligible lawyers	2476
<b>Restricted Area of Practice Option Discount</b> 50 % base premium discount for immigration/criminal law practitioners	1920
<b>Innocent Party Buy-Up</b> Increase in Innocent Party sublimits up to as much as \$1 million per claim/aggregate	4548
<b>Run-Off Buy-Up</b> Increase limits for past services from \$250,000 per claim/aggregate to as much as \$1 million per claim/\$2 million aggregate	1515
<b>Real Estate Practice Coverage Option</b> Required for all lawyers practising real estate law in Ontario	9619

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.

# LAWPRO is helping firms that need more coverage

## 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. Over 1,600 firms received their excess insurance from LAWPRO.

With consistent year-over-year growth, and a retention rate on excess business of over 90%, the program is shown to meet the needs of the small and medium-sized firms that it is designed to serve.

In fact, LAWPRO's Excess program insures almost 20% of 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.

## Title insurance

TitlePLUS is growing, and as the only wholly Canadian-owned title insurer, we're uniquely positioned to safeguard the interests of Ontario's lawyers and homeowners. By strengthening the position of Canadian lawyers, we're empowering their expertise and advancing the Canadian market and economy.

TitlePLUS is the only title insurer in Canada that includes legal services coverage that provides assurance against errors and omissions made by the lawyer for the entire transaction, excluding properties in Quebec and Existing Owner policies.

# LAWPRO is always working for you – Our Customer Service department

For years, the annual volume of correspondence received by the Underwriting & Customer Service department has been in the range of 20,000 to 25,000 pieces. But recent years have seen this increase to almost 50,000.

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.

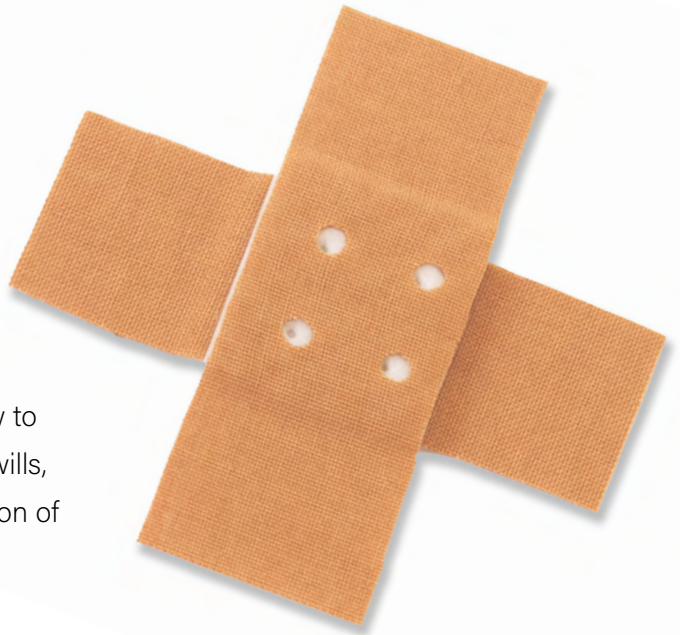
LAWPRO's Underwriting & Customer Service department is the point of contact for licensees seeking to renew, change or inquire about their insurance options. A new account is established soon after a lawyer is called to the Ontario bar, and existing accounts are adjusted as lawyers move their practice or move out of private practice entirely.

Correspondence received by the department is more than just coverage questions. 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, refund requests, and many others.

Even with the increase in communications and applications, LAWPRO is proud to maintain and meet a goal of answering 80% of all calls within 80 seconds. And the implementation of new technologies will allow even faster and more effective service in the future.

# Repairs

When LAWPRO is quickly alerted to potential claims, we can often rectify the problem, and prevent loss and further lawsuits from arising. Our counsel know how to best address issues such as rectification of wills, restoration of lawsuits to the trial list, extension of notice periods, and other repairable matters.



Here are a few examples of cases where LAWPRO successfully repaired potential losses in 2024.

## 1) Taking issue with issue: Rectification of a will

One of the most common causes of malpractice claims is inadequate investigation—a failure to inquire as to all salient facts pertinent to a client’s file. For example, when drafting a will, a lawyer should ask things like: What assets are to be distributed? Who will be the beneficiaries? Does the client have a secret, second family?

Asking the unlikely questions may seem silly in the moment, but they can often unearth key information. While an entire “second family” may not be common, estranged children or descendants originating from before the client’s current family arrangements can go unmentioned if a lawyer does not specifically probe the subjects.

A recent repair handled by LAWPRO illustrated this scenario. In the case, the Insured Lawyer drafted a will for their Client, which expressly distributed much of the residue of their estate to the Client’s “grandchildren” and “issue” alive at the time of their death.

The Client’s issue included the children and grandchildren of their marriage, all of whom were explicitly brought to the Insured Lawyer’s attention. However, unbeknownst to the Insured Lawyer, the Client also had a Third Child, and two more grandchildren, through a relationship prior to their marriage. The Client had only become aware of the existence of this Third Child later in life, when the child sought them out as an adult. While the Client never had a close relationship with this Third Child, the Client had acknowledged them and had communicated with them on multiple occasions. Despite this, the Client’s will made no mention or provision for this Third Child.

Upon the Client's death, the Third Child sought to be declared a beneficiary, along with their own children, as "issue" of the Client as set out in the will. The Client's other children opposed this distribution on the basis that it was the Client's intention for only the children and grandchildren of their marriage to be beneficiaries.

LAWPRO assisted the Insured Lawyer to obtain rectification of the Client's will on the basis that it did not reflect the Client's intentions.

The judge acknowledged that rectification cannot be used to alter a will to avoid unforeseen outcomes or a testator's misunderstanding as to the consequences of the document. It is only appropriate where there is evidence that the document as drafted does not conform to the testator's intentions.

In this case, the Client had provided the Insured Lawyer with written notes that only named the two children and three grandchildren of their marriage, and explicitly made clear that they were to inherit the residue of their estate. The will's use of the broader terms "issue" and "grandchildren", without restriction, was an error made by the Insured Lawyer and did not conform to the written instructions in the Client's notes.

Because the Insured Lawyer did not follow the Client's intentions, the judge found it was appropriate to rectify the will and repair the Insured Lawyer's error.

## 2) Experts, inadvertent errors, and the experts\* in repairing inadvertent errors

\*That's us

One of the most common repairs LAWPRO is able to assist with is the extension of time for serving an expert's report. Courts are generally loathe to punish a client for their lawyer's inadvertent error.

As in past years, LAWPRO was once again able to help lawyers repair an error when they inadvertently failed to serve an expert report in time. In one recent case, this error was due to miscommunication between the Insured Lawyer and the retained expert as to the provision of key information the expert deemed necessary. This miscommunication delayed the delivery of the report past the deadline for service.

Because of this delay, opposing counsel took the position that the Insured Lawyer could not rely on the expert report because of this failure to comply with the service requirements.

LAWPRO successfully assisted the Insured Lawyer in having the time for service of the expert report extended. The court agreed that the failure to comply was due to the lawyer's simple inadvertence, and there was no prejudice to the opposing party that could not be compensated through costs.

Amendments to the Rules of Civil Procedure in March of 2022 regarding the service of expert reports sets out a new discretionary test designed to reduce the number of adjourned trials due to late expert evidence.

## 3) When leisure suits are not a good look: Motions to restore struck actions

Sometimes, neither the defendant nor the plaintiff show much urgency in moving litigation forward. Files can all too easily take on a languorous pallor as they succumb to delays, rescheduling, or lack of urgency. But when files languish in the court system for too long, they are susceptible to being struck from a trial list, or administrative dismissal.

One recent case illustrates the dangers of leisurely paced litigation and how LAWPRO can help get things back on track.

Between 2003 and 2005, the Plaintiff rendered invoices to the Defendant totalling almost \$78,000. These were never paid, and the Defendant entered bankruptcy in 2005. In 2006, the Plaintiff launched a claim against the Defendant under the *Bankruptcy and Insolvency Act* for the amounts owing.

In 2008 the matter was struck from the trial list for the first time, as it was not yet ready for trial. At that time, Plaintiff's Counsel informed Defendant's counsel that a motion to restore the action to the trial list would be brought after examinations for discovery were completed. These examinations were not completed until late 2012.

In early 2017, Plaintiff's Counsel brought a motion to have the action restored to the trial list. At that time, the judge directed that a pre-trial conference should be scheduled before June 30, 2019. In keeping with pace of the action established thus far, scheduling for the pre-trial conference took place very near this deadline, in late June 2019. The pre-trial conference was set for January 2021.

In late 2019, Plaintiff's Counsel informed Defendant's Counsel that they would be bringing a motion to be removed as Plaintiff's lawyers of record. After this, Plaintiff's Counsel did not take necessary steps to ensure the pre-trial conference proceeded, and the action was once again struck from the trial list.

The Plaintiff obtained new counsel, and in early 2022, Plaintiff's New Counsel once again filed a motion to have the action restored to the trial list. In response, the Defendant's Counsel sought to have the action dismissed for delay

LAWPRO assisted the Plaintiff's New Counsel (and prevented a potential claim against Plaintiff's Previous Counsel) by successfully arguing that the deadline for setting a trial date should be extended.

The Court found that the delay during the earlier periods of the litigation was explained in part by the "leisurely pace at which both parties seemed content to proceed." The subsequent delays following the scheduling of the pre-trial conference for January 2021 were reasonably explained by the transition between Plaintiff's Previous and New Counsel as well as poor communication between Plaintiff's Counsel and Defendant's Counsel. This poor communication meant that Defence Counsel was not "absolved of all responsibility for the situation."

Since the Defendant would not suffer any non-compensable prejudice by restoring the action, the motion was granted.

#### 4) Noticeably unfair: Disputing unjust consequences for failing to comply with notice requirements

To state the obvious, lawyers must follow a voluminous set of rules when navigating a dispute from commencement to enforcement. These rules protect the interests of both parties, as well as the efficient operation of judicial and enforcement resources. Failing to follow any of these rules, such as failing to notify the Defendant of steps taken to enforce a decision, inevitably trigger consequences. But what consequences are appropriate when they are unspecified?

A recent case illustrates how excessively severe consequences imposed by a court can be reversed if found to be draconian and unnecessary. In this case, the Plaintiff had obtained an adjudication under the Construction Act for amounts owing from the Defendant. The Act allowed for the adjudicator's decision to be enforced as a court order if filed with the court. However, the Act also required the Defendant to be notified of such a filing within 10 days. Plaintiff's Counsel failed to provide such a notice within the proscribed 10 days.

The Defendant brought a motion to void the writ of enforcement for failure to comply with the notification requirements. The motion judge agreed and not only voided the writ, but ordered that the Plaintiff could not enforce the adjudicator's award moving forward. The Plaintiff appealed.

LAWPRO assisted the Plaintiff in successfully arguing that the motion judge's order preventing any enforcement of the adjudicator's award was inappropriate and not justified under the framework of the Construction Act.

The appeal court found that the legislative scheme prioritized prompt payment of any adjudicator's award. Filing the award with the court for enforcement purposes was only necessary because the Defendant had not already complied with the adjudicator's decision. Prompt payment was "far more central" to the scheme than the notice provisions.

Since the Act did not specify the consequences for failing to provide required notice, it was within the discretion of the motion judge to provide a fair and appropriate sanction. The court observed that, in general, if a defendant suffered no prejudice, a simple declaration of non-compliance may be appropriate. If there was prejudice from the failure to notify, other consequences such as voiding enforcement steps, suspending interest, or an order for costs may be appropriate, but the court found that it was "difficult to imagine" any scenario where preventing enforcement of the adjudicator's decision outright would be warranted.

The Court overturned the motion judge's decision and permitted the Plaintiff to recommence enforcing the adjudicator's decision.

## 5) Unappealing appeals and suitable suits: The scope of judicial review and appropriate alternative remedies

The rule of law depends on the principle of judicial review. Administrative decisions are subject to judicial oversight to ensure fairness and protection of the rights of Canadians. However, this process of judicial review can be lengthy, complicated, and delay just outcomes. Therefore, many legislative schemes are accompanied by legislative dispute resolution processes that are simpler, speedier, and employ knowledgeable decision makers, in lieu of traditional judicial review.

In this case, the Plaintiff was contesting the denial of their insurance benefits under the *Insurance Act*. The Plaintiff was injured in an automobile accident and had originally received accident benefits under the *Statutory Accident Benefits Schedule*. Approximately one year later, the benefits were halted by the Insurance Provider due to the absence of a disability certificate. The Plaintiff received a letter directing them to obtain a medical examination. The letter also contained a dispute resolution form.

Following the medical examination, the Insurer provided the Plaintiff with two more letters. The first letter set out that benefits for housekeeping and home maintenance would no longer be provided. Approximately 7 months later, the second letter advised the Plaintiff that all further benefits were denied and payments would be stopped. Neither letter contained a dispute resolution form.

Seven years later, after initially pursuing unsuccessful mediation with the insurer and commencing an action in the Superior Court of Justice that was later dismissed, the Plaintiff sought adjudication with the *Licence Appeal Tribunal*, which at this time had exclusive jurisdiction of the resolution of such disputes, and whose decisions could only be appealed on pure questions of law.



The *LAT* found that the claim was time barred, as the statute set out a limitation period of 90 days following the conclusion of mediation. The *LAT* concluded that the dispute resolution form contained within the first letter received by the Plaintiff constituted proper notice of the dispute procedures, and there were therefore no grounds to extend the limitation period for contesting the decision. The Plaintiff appealed the *LAT* decision and simultaneously sought judicial review of the underlying denial of benefits on the basis that the 90-day limitation period does not apply since the Plaintiff never received proper notice of the dispute resolution procedures.

The Court of Appeal found that the *LAT* made no errors on pure questions of law. Further the Court of Appeal determined that it would not be appropriate to permit judicial review on a question of mixed fact and law (that being whether the first letter received by the Plaintiff constituted proper notice of the dispute resolution procedures), as the statutory scheme provided the Plaintiff with an alternative remedy.

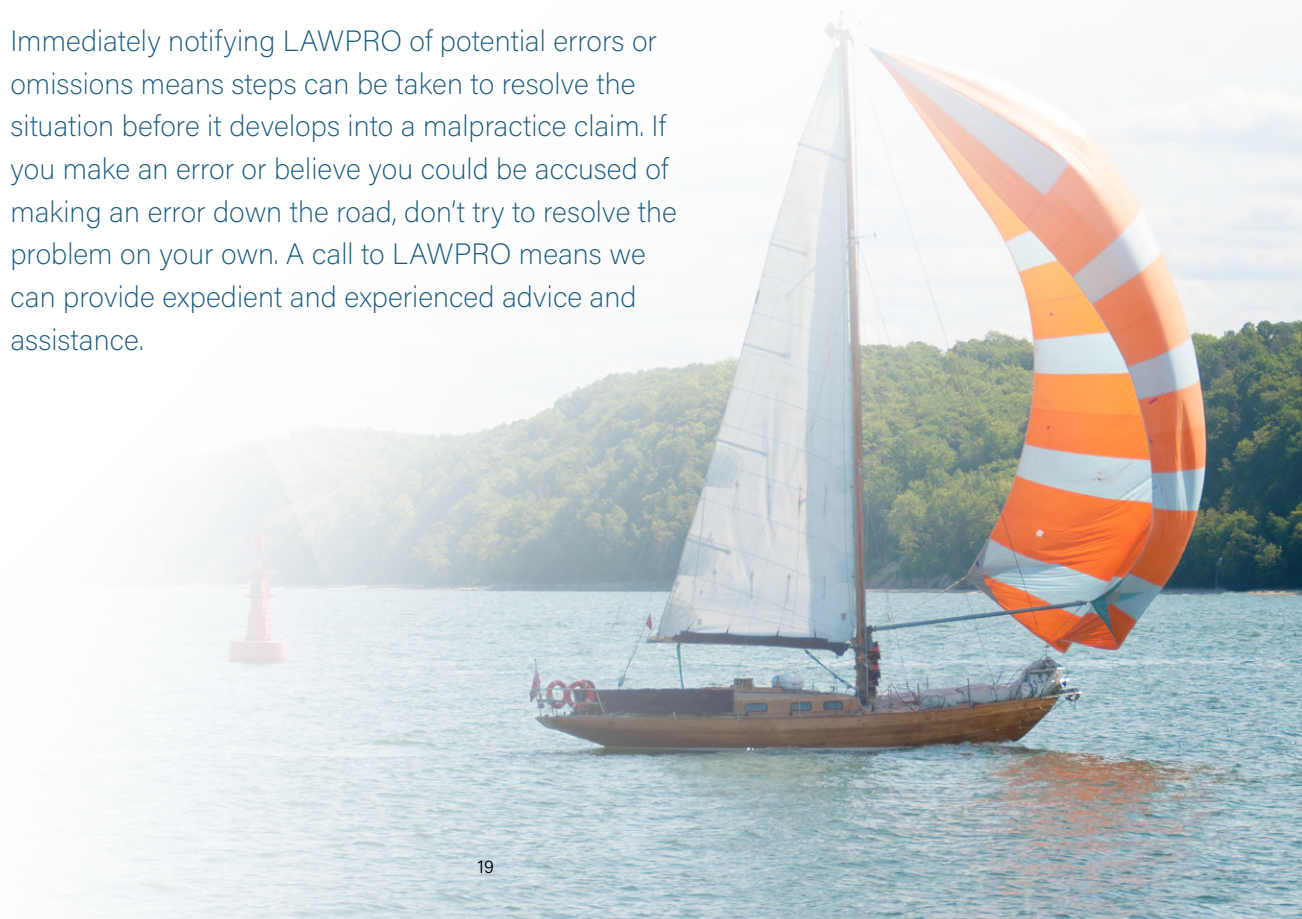
The Plaintiff appealed to the Supreme Court of Canada.

LAWPRO assisted the Plaintiff in arguing before the Supreme Court that the legislative appeal scheme did not prevent the availability of judicial review on questions of mixed fact and law. While the court has discretion to decline judicial review if there is an available alternative appeal procedure, the court must also consider whether the alternative remedy is suitable and appropriate. Since the statutory appeal procedure did not permit appeals on questions of mixed fact and law, it was not a suitable alternative remedy to judicial review in this circumstance.

The appeal was allowed, and the matter was sent back to the *LAT* adjudicator to reconsider whether the initial letter constituted sufficient notice of the dispute resolution procedures for the purposes of triggering the limitation period.

## 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 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 2024 on behalf of insureds.

## Real estate – Allegations against lawyers for mortgagees by the mortgagors

Lawyers hold a duty of care with respect to their clients. They rarely hold a duty of care with respect to someone else's clients—whether they be someone on the other side of a dispute or parties on the other side of a contract.

Despite this, LAWPRO often sees cases where lawyers are sued by individuals who are not their clients. In these cases, LAWPRO is quick to mount a full defence of lawyers in circumstances where no duty of care was owed.

One such recent case involved a Couple that obtained two private mortgages as part of an agreement to purchase property. The Couple alleged that they were misled as to various elements of the mortgage agreements. The Couple alleged a conspiracy by the private mortgagees, the mortgage broker, the lawyers representing the mortgagees, and others to defraud the Couple and misrepresent the terms of the mortgages.



The Couple proceeded to stop payment on all interest and principals owed under the mortgages, which then went into default. The mortgagees sued the Couple for defaulting on the agreements, and the Couple counterclaimed with respect to the alleged fraud.

The lawyers for the mortgagees moved to have the claims against them dismissed for disclosing no cause of action.

LAWRO successfully assisted the lawyers for the mortgagees in establishing that there was no genuine issue for trial against them. The judge found that there was no evidence that the lawyers owed a duty of care to the Couple or that the Couple relied on the lawyers for the mortgagees to perform any services for them. In fact, the lawyers for the mortgagees had no dealings or communications with the Couple, and their role was simply to prepare the paperwork required for the mortgages.

For these reasons, the case was dismissed as against the lawyers for the mortgagees.

## Civil litigation – Alleged improvident settlement

In civil litigation, a reasonable settlement will often reflect the estimated value of the Plaintiff's damages adjusted to reflect the probability of success. Thus, the weaker the Plaintiff's case, the more likely a lawyer is to advise their client to accept a settlement valued at notably less than the alleged damages. And when determining the strength or weakness of a personal injury case, a key factor to consider is whether the Defendant actually was negligent or whether the Plaintiff actually may have been the cause of their own misfortune.

In a recent matter defended by LAWPRO, the Plaintiff pursued a claim against various parties in negligence after a motor vehicle accident wherein the Plaintiff crashed their vehicle into the rear of a tractor-trailer stopped on the shoulder of a highway. The Plaintiff suffered serious injuries from the accident, including a traumatic brain injury.

In investigating the facts of the case, Plaintiff's Counsel reviewed the police report of the incident, spoke with independent witnesses to ascertain their observations, reviewed the medical records, obtained an expert medical report and income loss report, spoke with an accident reconstruction expert on two occasions, and personally visited the accident scene. After doing so, Plaintiff's Counsel advised the Plaintiff to accept the settlement offered by the Defendants—a settlement the Plaintiff would later claim to be unreasonably deficient.

Years later, the Plaintiff sued their lawyer for recommending the improvident settlement, claiming it was negligent to do so and a breach of the solicitor-client contract.

LAWPRO successfully assisted Plaintiff's Counsel in defending the claim of alleged solicitor negligence. The court affirmed that an allegation of improvident settlement required the Plaintiff to conduct a "trial within a trial" to determine the likelihood of success in the original claim. The Plaintiff did not adduce evidence to do so, claiming that too much time had passed since the original incident. The court therefore could not determine the settlement was improvident.

Regarding the allegations of negligence on the part of the lawyer generally, the court found that the Plaintiff did not produce any evidence to show that the Defendants in the original case, including the driver of the tractor-trailer, were negligent in temporarily stopping the trailer on the shoulder of the highway, nor did the Plaintiff adduce any evidence to rebut the presumption that it was the Plaintiff who was solely negligent in driving their vehicle into a stopped trailer that was not on the driving portion of the highway.

The court therefore dismissed the claim.

## Real estate law – Alleged failure to adduce key testimonial evidence at trial

Lawyers can make for difficult clients. It is not uncommon to see claims where a lawyer-cum-client has taken issue with their own lawyer's alleged failure to follow specific strategies or instructions when pursuing an ultimately unsuccessful claim. These lawyer-clients know how they would have pursued the case and often believe, rightly or wrongly, that they would have done a "better" job.

In a recent claim defended by LAWPRO, the Client, a retired lawyer, was selling a double lot in Toronto. The Client sought zoning changes necessary to permit the construction of 18 townhouses on the property. Before the necessary zoning consultations concluded, the Client sold the property to a development company (the "Purchaser"). The contract of sale included a vendor take back mortgage with an adjustment clause that reduced the purchase price if the potential and pending zoning changes approved the property for fewer than 18 residential units.

Ultimately, zoning approval was not obtained for any townhouses. The Client pursued litigation (the "Underlying Litigation") against the Purchaser for the full amount owing under the contract, claiming that the failure to secure zoning approval was solely due to the Purchaser's alteration of the proposed development plans. The Client retained the Defendant Lawyer to represent them in the Underlying Litigation.

The Client was unsuccessful in the Underlying Litigation. Subsequently, the Client pursued a claim against the Defendant Lawyer for breach of contract and negligence stemming from the Defendant Lawyer's failure to call a particular city counsellor as an Alleged Key Witness—an individual that the Client believed would provide key evidence by supporting the Client's position that the development project was on track for approval prior to the Purchaser altering the development plans.

LAWPRO successfully assisted the Defendant Lawyer in defending the claim. The Defendant Lawyer testified that they spoke with the Alleged Key Witness and determined that their potential evidence would not advance the Client's case. The Defendant Lawyer testified that they had discussed this with the Client and the Client had agreed with the decision not to pursue that witness's testimony.

At trial, the court heard the Alleged Key Witness's potential testimony and agreed it would not have advanced the Client's case. The Alleged Key Witness would have testified that they, as city counsellor, had initially supported the Client's proposed development, but this support was contingent upon an eventual endorsement by City Staff. The court found that such an endorsement would never have been provided due to underlying density concerns with an 18-unit development. Therefore, the Alleged Key Witness would not have ultimately supported the proposal even absent the Purchaser's alterations to the development plan.

The court found there could be no causation between the failure to call the Alleged Key Witness and the outcome of the case. Therefore, negligence or breach of contract against the Defendant Lawyer could not be established.

## Criminal law – Allegations of ineffective assistance of counsel

In this case, the Defendant was convicted of sexual assault with a minor. At the time of the assault, the Defendant was 22 and the victim was 14.

According to the Defendant's testimony at trial, the victim arrived at the Defendant's home on the night in question seeking a place to stay after running away from a youth justice facility. The Defendant claimed to have never met the victim prior to that night.

According to the Defendant, the victim suggested they engage in sexual activity. The Defendant testified at trial that they then asked the victim for their age and the victim replied that they were 18. The Defendant testified that they asked the victim for their age three times and asked for documentary evidence of their age, but the victim did not provide such evidence.

At trial, the Defendant and Defendant's Counsel relied on the defence of mistake of age. The trial judge rejected this defence on the basis that the Defendant's own testimony supported a finding of guilt. Specifically, by testifying that they asked for the victim's age three different times and then asked for documentary evidence, the Defendant conceded that they suspected the victim was underage but proceeded with sexual activity anyway. The Defendant did not take sufficient steps to assuage that suspicion after the victim failed to produce the requested documentary evidence.

The Defendant was found guilty and sentenced to 12 months.

On appeal, the Defendant argued ineffective assistance of counsel on two bases. First, that Defendant's Counsel failed to adduce expert evidence as to the Defendant's "mild intellectual disability" and its impact on the Defendant's decision making on the night in question. Second, that the Defendant's Counsel failed to cross examine the victim on a past incident where they lied about being the victim of a sexual assault.

LAWPRO successfully assisted the Trial Lawyer through the Criminal Defendant's appeal. The appeal panel agreed that the alleged errors by Defence Counsel did not result in any prejudice to the Defendant. First, the trial judge was aware of the Defendant's intellectual disability. Second, the trial judge expressly questioned the victim's credibility and account of the events in question. The judge stated that the finding of guilt was not based on the victim's account, but was explicitly predicated on the Defendant's own testimony regarding their doubts as to the victim's age. Therefore, the alleged errors by Defence Counsel could not have resulted in a different outcome of the trial.

The appeal court therefore dismissed the Criminal Defendant's appeal, and there was no remaining potential claim against the Trial Lawyer.

## Immigration law – Alleged ineffective representation in pre-removal risk assessment

Refugee claims in Canada require the applicant to meet certain legal standards in order to avoid deportation or rejection of said claims. One such legal requirement is the “internal flight alternative.” That is, even if an applicant can show that they are not safe if returned to their city or town of origin, they must also show that there is no practical alternative safe harbour within their country of origin.

In this case, the Application Lawyer represented the Applicant in their pre-removal risk assessment Application. The Application was rejected after an Immigration Officer determined that an internal flight alternative existed within Mexico, the Applicant’s country of origin.

According to the Immigration Officer, the Applicant did not have a profile such that they would be targeted by cartels even after relocating within Mexico. There was no evidence that a cartel or other group had shown an interest in pursuing them to another location. The Immigration Officer also determined that it would not be unreasonable for the Applicant to relocate within Mexico.

The Applicant sought judicial review based on ineffective representation by the Application Lawyer. The Applicant alleged that the Application Lawyer did not understand the relevant law pertaining to the application, failed to file material evidence during the application, failed to file to re-open an appeal based on alleged new evidence, and failed to understand the nature of the Applicant’s claims generally.

The Application Lawyer took the position that there was no negligence, and that they understood both the law and nature of the Applicant’s claims.

LAWPRO successfully assisted the Application Lawyer in having the Applicant’s claims dismissed. The judge found that this was not an “extraordinary circumstance” warranting a finding that the Application Lawyer was incompetent, or a breach of natural justice had occurred.

The judge determined that the evidence the Application Lawyer allegedly failed to adduce would either have not displaced the Immigration Officer’s findings, or, alternatively, was already before the relevant decision makers. The evidence actually showed that the Application Lawyer made reasonable arguments and submissions pertaining to the availability of an internal flight alternative, and no evidence supported a finding of incompetence.

The application for judicial review, and a potential claim against the Application Lawyer, were 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 provides effective assistance and prides itself on defending licensees.



# Caring about our community

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.

## Supporting our future legal community

LAWPRO's efforts and activities to support law students included 12 presentations at law schools, LPP programs and colleges.

In its thirteenth year, LAWPRO's sponsorship of the annual award of the Caron Wishart Memorial Scholarship went to University of Toronto Faculty of Law student Harjaap Kaur Brar.

The Caron Wishart Memorial Scholarship was created in memory of Caron Wishart, LAWPRO's first Vice President, Claims who passed away in 2010. Caron had a 26-year career, transitioning from working as a claim examiner in the Law Society of Ontario (at the time, known as Law Society of Upper Canada) E&O department and when LPIC (as LAWPRO was formerly known) became a full-fledged insurance company in 1995.

The fully endowed scholarship, managed by the University of Toronto, was funded by donations from LAWPRO, Caron's family members, and members and organizations of the legal profession.

In 2024, LAWPRO held a Women's Networking event and an Early Career Mentorship event to develop relationships and build community with new and established counsel. Both events received great feedback from attendees who enjoyed connecting in person.

## Providing a healthy and rewarding workplace

In furtherance of LAWPRO's commitment to advancing mental health awareness, LAWPRO provided approximately one-half of the funding for the Law Society arm's-length Member Assistance Program (MAP).

LAWPRO is certified as a Living Wage employer in Ontario.. This certification looks at living wage, market competitiveness and total compensation with the goal to ensure a competitive program to attract, retain and reward employees.

LAWPRO continued its Equity, Diversity and Inclusion journey and partnership with the Canadian Centre for Diversity and Inclusion ("CCDI"). Various free CCDI webinars were made available to employees. The EDI Advisory Group regularly posted awareness days/months and provided additional resources.

## Giving back to the Canadian community

Over 90% of employees participated in LAWPRO's employee-led charitable giving program and the funds raised were matched by LAWPRO. LAWPRO continued to encourage employees to take a paid day to volunteer at an eligible charity of their choice. Other initiatives included participating in Partners for Life (Canadian Blood Services).

To strengthen our community, LAWPRO staff nominate and elect five charities to support each year through employee payroll deductions and special events. In 2024, \$31,030 was raised for the following five charities: Food4Kids, Fanconi Canada, Daily Bread Food Bank, Toronto Humane Society, and Scarborough Food Security Initiative. LAWPRO employees are proud to support charities that are doing critical work to build a more just and equitable future.



# PracticePRO

LAWPRO's PracticePRO program provides risk management, claims prevention and law practice management information for lawyers in Ontario and beyond. Our resources, precedents and checklists help lawyers take proactive steps to avoid errors and omissions claims, and help grow successful and thriving practices.

In 2024, practicePRO developed new CPDs, charts, and checklists to address the issues of the day.

## Virtual ID

In response to the Law Society of Ontario's requirements around virtual identification, LAWPRO invited companies listed on the Digital Identification and Authentication Council of Canada directory, along with other known vendors, to provide information about the service they provide including costs, onboarding time, turnaround time, process, and privacy. The vendors completed a survey and provided self-asserted information. The responses were included in our Virtual Identity Verification (IDV) service Provider Chart.

Visit [practicepro.ca](https://practicepro.ca) to access all our free resources.

## An area with growing claims

### Practice tips for wills and estates lawyers CPD

This program brought together leading practitioners, including LAWPRO senior claims counsel, to provide key tips and explore some of the leading cause of claims in the area of wills & estates. Covering content of particular interest to wills & estates solicitors, the panel discussed topics such as discovering assets and liabilities when will-drafting, avoiding conflict-of-interest hazards when working with joint retainers, flagging capacity concerns, and issues surrounding minors and defendants.

In September, PracticePRO launched the second video in the "Area of Law" series, this time focusing on Wills & Estates claims. The video delves into the top causes of claims in this field, insightful claim stories from our Claims Counsel, and practical strategies to minimize liability risks.

## A focus on fraud

### The confidence client – survival tips to prevent fraud

Cybercrime targeting lawyers continues to get increasingly more sophisticated, and this issue of LAWPRO Magazine featured a discussion on the many ways fraudsters can target lawyers, as well as an article explaining how social engineering frauds work and how client portals can improve security for clients and firms.

### How to ensure you have secure funds

A common question among lawyers is when can they be certain that money deposited into their trust accounts is secure. Ray Leclair provided an overview of how payments are handled by Canadian financial institutions, and when funds can truly be considered "irrevocable".



## Social engineering – what is it?

To assist lawyers in understanding the necessary steps for extending social engineering fraud coverage, we developed a comprehensive social engineering toolkit, which has generated 2,624 visits as of the end of October. This toolkit includes a detailed instructional video available on LAWPRO's YouTube channel, sample retainer language, and a dedicated FAQ page.

## Real estate questions answered

### Unlocking real estate wisdom CPD

This program summarized recent legislative developments impacting the industry, and ID verification rules and procedures, the CRA's new trust reporting rules, legal advice for bare trustees, and essential tax considerations impacting real estate practitioners.

### Residential real estate tax considerations checklist

This checklist was designed to navigate the complex landscape of tax-related issues real estate lawyers need to consider when representing buyers and sellers.

### Real estate due diligence: NOSIs, easements, fraud and common electronic registration issues

This program provided a refresher on title searching, fraud, and electronic registrations. It covered critical updates to Notices of Security Interests (NOSIs) and their impact on due diligence requirements. There were also practical tips from TitlePLUS on avoiding current fraud threats and common title issues involving registered easements and restrictive covenants, and Ontario's Director of Titles gave insights on avoiding returns for correction and correcting common registration errors.

## How demographics are affecting the profession

### LAWPRO magazine – time for tomorrow

This issue focused on issues of an aging demographic of both lawyers and clients, featuring a discussion on how a population that is getting older will impact the practice of wills and estates law. As well there are tips on retirement and succession planning for lawyers, and a case study of how time mismanagement and a delayed will resulted in a claim.

## September – time to declare risk management credits

LAWPRO approved 134 programs as eligible for the risk management credit.

The Credit is designed to help lawyers hone their legal skills, learn new strategies and techniques, reduce their exposure to claims, and lower their insurance premiums

To encourage participation in CPD programs that include risk management content, LAWPRO offers a \$50 premium credit (to a maximum of \$100) for each qualifying program completed by mid-September. The maximum \$100 credit is applied to next year's insurance premium.

In 2024, 11,159 credits were claimed by Ontario lawyers.

## Successful practice management

### What they didn't teach you in law school: marketing, management and mentorship

This CPD focused on the essential skills that law school didn't cover. It included practical management tips, including how to manage up and navigate challenges in a multi-generational workplace. It emphasized the development of key skills and the importance of building strong peer and mentor relationships, while offering guidance on how to maximize the benefits of the Coach and Advisor Network program.

### When ILA isn't ILA

It is important that lawyers understand the difference between ILA and traditional legal representation, and know when ILA is appropriate and when it is not. This article used a claims case study to explain when a lawyer should avoid acting beyond the scope of the retainer.

## Want to get on the list?

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**Practice**PRO®



# Report on TitlePLUS®



Four years ago, TitlePLUS revolutionized its offering- rewriting the residential title policy with simplified language and streamlined coverage, building and launching a cutting-edge application portal that is integrated with most conveyancing platforms and can issue a policy within minutes, while offering Legal Counsel Fees to lawyers for the work that they do to prepare and submit a title insurance policy.

The revamped program has yielded impressive results, driving steady growth and earning widespread acclaim from both new and existing customers.

Building on this momentum, we're driving further improvements going forward: working to enhance our commercial offering, expanding software integrations and continually upgrading our systems. By streamlining and innovating our products and services, lawyers can focus on delivering exceptional value, advocacy, and service to their clients in real estate transactions, which is and will always remain TitlePLUS' core mission: keeping the lawyer central and integral to the real estate transaction.

## Did you know?

**TitlePLUS stands proudly as Canada's only 100% domestically owned title insurer**, offering unparalleled protection with the most comprehensive errors and omissions coverage in the industry- included automatically in most policies at no additional cost. Every policy written with us has been submitted by the lawyer involved in the transaction.

Real Estate consistently ranks among the highest for claims by area of practice. As such, it's crucial to understand the coverage of the title insurance policy and how it will impact you as the lawyer and your clients- the homeowner and the lender- in the event of a claim.

Other title insurer claims scenario: A lawyer closes a purchase of vacant land but misses adding one of the PINs on a transfer due to an administrative error. When their client attempts to later sell the property, the missing PIN is discovered to be in the prior owner's name. The client submits a claim under the title insurance policy. However, since coverage is limited to the land as legally described in Schedule A, the claim is denied. Further, although the policy included a legal protection endorsement, it is subject to the same exclusions, conditions, and exceptions of the title insurance policy and unfortunately, there is no coverage.

The TitlePLUS difference: This claim scenario would have been covered if the lawyer had ordered a TitlePLUS policy, as a TitlePLUS policy explicitly states there is coverage if the lawyer: "Commits an error or omission in providing legal services for the Transaction for which liability is imposed by law."

Unlike TitlePLUS, other title insurers offer packages that contain limited coverage, protecting against only minor errors and omissions and capping claim payouts at restrictive monetary limits.

A TitlePLUS policy has no limitations on payouts other than the policy amount.

Lastly, some legal service options from other title insurers require the lawyer to purchase the coverage each time they order a policy. This additional step can be easily missed, especially in a time of competing priorities and busy days. With a TitlePLUS policy, there are no extra steps. Legal Services Coverage is automatically included in most policies – no missed coverage, no extra input, and no extra charge.

## TitlePLUS earns high praise from lawyers and clerks:

"They're very helpful at digging deeper and trying to find out what the issue is and understanding what that issue is so you can get the right coverage for your client."

"They probably have the best customer service of any title insurance company I've used."

"You can phone in and speak to the underwriters who are lawyers and knowledgeable in real estate law to walk you through any stumbling blocks."

## What does it mean to be backed by LAWPRO?

- TitlePLUS coverage for lawyers' errors and omissions is provided without exception, without exclusion and without conditions
- Zero potential on most policies for a gap in coverage between your title insurer and your E&O insurance provider
- TitlePLUS coverage, backed by LAWPRO = no E&O claim and therefore no deductible and no claims history levy surcharge
- One complete title insurance policy keeping claims out of the LAWPRO E&O portfolio which is better for all lawyers practicing in Ontario

# Financial Statements

Lawyers' Professional Indemnity Company



Years ended December 31, 2024 and 2023

# 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, 2024, in comparison with the year ended December 31, 2023. 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 2024 the Company had an Insurance Service Result of \$14.7 million, an increase of \$5.6 million over 2023. The Company generated Investment Income, including unrealized gains and losses, of \$63.3 million compared to a gain of \$53.0 million in 2023.

The Company generated a profit after tax of \$32.2 million, an increase of \$10.8 million over 2023, and experienced a comprehensive income of \$32.4 million, an increase of \$11.4 million from 2023.

### Insurance Revenue

Insurance revenue increased by \$4.1 million to \$126.3 million, mainly due to the increase of premium volume and rise of insured count.

Gross written premiums (non-GAAP measure) from the mandatory Ontario errors and omissions ("E&O") insurance program were 4.1% higher than 2023 results. The optional excess E&O insurance program grew by 2.4% in the year, while TitlePLUS premiums increased by 14.1% from 2023 results.

### Insurance Service Expenses

Insurance service expenses under IFRS 17 co-mingles claims related costs and a significant portion of general expenses. Insurance service expenses increased by \$2.7 million to \$110.3 million in 2024. The increase is mainly driven by higher claims related costs and early recognition of loss-making contracts.

### Net Expenses from Reinsurance Contracts Held

Net expenses from reinsurance contracts held decreased by \$4.2 million to \$1.3 million mainly due to additional recovery from reinsurers on the reported large Excess E&O claims and lower reinsurance *premiums due to change of quota share reinsurance* from 90% to 80% in 2024.

Similar to recent years, the Company purchased 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 obtains reinsurance on optional excess E&O program with 20% retention in 2024 up from 10% retention in 2023. The reinsurance arrangement significantly mitigates exposure to the Company from claims in this program.

### Investment income

Investments generated \$63.3 million income in 2024 compared to a \$53.0 million income in 2023. As all unrealized gains and losses are now in the Company's Statement of Profit or Loss under IFRS 9, there will be greater volatility in investment income.

Interest and dividend income was \$23.4 million in 2024, compared to \$21.5 million in 2023, representing an increase of \$1.9 million. Net realized gains was \$6.1 million in 2024 compared to \$1.1 million losses in 2023, representing an increase of \$7.2 million. Change in unrealized gains was \$35.4 million in 2024 compared to change in unrealized gains of \$34.0 million in 2023, representing an increase of \$1.4 million.

### Insurance Finance Income/(Expense)

In 2024, there was insurance finance expense of \$28.0 million compared to expense of \$26.0 million in 2023. Under IFRS 17, the impact of discounting insurance contract liabilities is reported under Insurance Finance Income/(Expense), separate from Insurance Service Expense. Higher insurance finance expense in 2024 was directly impacted by the reduction in the overnight rate by the Bank of Canada where discounting assumptions were revised to align to the current market environment.

### Reinsurance Finance Income/(Expense)

In 2024, there was reinsurance finance income of \$1.6 million compared to income of \$1.4 million in 2023. The \$0.2 million improvement mirrors the year-over-year change in insurance finance income/(expense), but less pronounced for reinsurance.

### Other Expenses

Other expenses increased by 7.3% to \$8.6 million in 2024. Under IFRS 17, LAWPRO's expenses are split between insurance and non-insurance related costs on approximately 80%/20% basis, with the former residing within Insurance Service Expenses and the latter within General and Operating Expenses. Higher expenses in 2024 are mainly due to rising salaries and benefits expenses.

## Statement of financial position

The Company ended 2024 with shareholder's equity of \$332.9 million, up \$32.4 million from last year. The increase represents \$32.2 million in profit after tax plus \$0.2 million other comprehensive income for the remeasurement of the defined benefit plan.

### Investments

As of December 31, 2024, the market value of the Company's investment portfolio was \$721.7 million, compared to \$674.4 million in 2023, representing an increase of \$47.3 million. Investment assets, inclusive of cash and cash equivalents and investment income due and accrued, increased by \$39.1 million to \$758.9 million as of December 31, 2024. This reflects the overall improved performance of both the fixed income products and equity pooled funds.

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 via pooled funds, the values of which are more subject to market volatility.

### Insurance Contract Liabilities

The insurance contract liabilities represent the amount required to satisfy all the Company's obligations to claimants prior to reinsurance recoveries. The balance as at December 31, 2024 was \$460.7 million, an increase of \$1.2 million from 2023 of \$459.5 million. This is predominantly due to the \$1.6 million increase in the present value of future cash flows in the liability for incurred claims ("LIC"), partially offset by the \$0.4 million decrease in the liability for remaining coverage ("LRC"), excluding loss component.

## 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 of Ontario 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. Through its PracticePRO initiative, LAWPRO educates lawyers on where and why malpractice claims occur and provides tools and resources to reduce their claims exposure.

# 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 25, 2025

*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



## Independent auditor's report

To the Shareholder of Lawyers' Professional Indemnity Company

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### 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, 2024 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 Accounting Standards).

#### What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2024;
- 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, comprising material accounting policy information and other explanatory information.

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### 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

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



# 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 26, 2025

# Appointed Actuary's Report



I have valued the policy liabilities of the Lawyers' Professional Indemnity Company for its financial statements prepared in accordance with International Financial Reporting Standards for the year end 31 December 2024.

In my opinion, the amount of the policy liabilities is appropriate for this purpose. The valuation conforms to accepted actuarial practice in Canada and the financial statements fairly present the results of the valuation.

A handwritten signature in black ink, appearing to read "Louis-Christian Dupuis".

Louis-Christian Dupuis, FCAS, FCIA

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

19 February 2025



# Statement of Financial Position

Amounts stated in thousands of Canadian dollars

AS AT	DECEMBER 31 2024	DECEMBER 31 2023
<b>Assets</b>		
Cash and cash equivalents	\$ 33,402	41,522
Investment income accrued	3,755	3,801
Investments (note 5)	721,704	674,419
Reinsurance contract assets (note 11)	36,094	30,249
Current tax asset	-	1,621
Fixed, intangible & Right of Use assets (note 7, 8)	10,840	12,440
Deferred tax asset (note 14)	369	-
Other assets	7,217	9,181
<b>Total assets</b>	<b>\$ 813,381</b>	<b>773,233</b>
<b>Liabilities</b>		
Insurance contract liabilities (note 10)	460,652	459,473
Lease liabilities (note 9)	8,515	8,987
Expenses due and accrued	3,130	3,419
Deferred tax liability (note 14)	-	865
Other taxes due and accrued	576	-
Current tax liability	7,592	-
<b>Total liabilities</b>	<b>\$ 480,465</b>	<b>472,744</b>
<b>Equity</b>		
Capital stock (note 16)	5,000	5,000
Contributed surplus (note 16)	30,645	30,645
Retained earnings	297,271	264,844
<b>Total equity</b>	<b>\$ 332,916</b>	<b>300,489</b>
<b>Total liabilities and equity</b>	<b>\$ 813,381</b>	<b>773,233</b>

The 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 YEARS ENDED DECEMBER 31	2024	2023
Insurance Revenue (note 10)	\$ 126,301	122,162
Insurance Service Expenses (note 10, 15)	(110,298)	(107,608)
Net Expenses from Reinsurance contracts held (note 11)	(1,282)	(5,489)
<b>Insurance service result</b>	<b>\$ 14,721</b>	<b>9,065</b>
Investment income (note 5, 6)	63,323	53,026
Insurance Finance Income (Expense) (note 10)	(28,028)	(26,013)
Reinsurance Finance Income (Expense) (note 11)	1,626	1,364
<b>Net investment result</b>	<b>36,921</b>	<b>28,377</b>
<b>Net insurance and investment result</b>	<b>51,642</b>	<b>37,442</b>
Other Expenses (note 15)	(8,611)	(8,025)
<b>Profit (loss) before tax</b>	<b>43,031</b>	<b>29,417</b>
Income Tax Expense (note 14)	(10,873)	(8,047)
<b>Profit (loss) after tax</b>	<b>\$ 32,158</b>	<b>21,370</b>

*The accompanying notes are an integral part of the financial statements.*

# Statement of Comprehensive Income

Amounts stated in thousands of Canadian dollars

FOR THE YEARS ENDED DECEMBER 31	2024	2023
<b>Profit (loss) after tax</b>	\$ 32,158	21,370
Other comprehensive income, net of income tax:		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit plan, net of income tax expense (recovery) of \$97 [2023: (\$119)]	269	(330)
<b>Other comprehensive income</b>	<b>269</b>	<b>(330)</b>
<b>Total Comprehensive income</b>	<b>\$ 32,427</b>	<b>21,040</b>

# Statement of Changes in Equity

Amounts stated in thousands of Canadian dollars

	Capital stock	Contributed surplus	Retained earnings	AOCI**	Total Equity
<b>Balance at December 31, 2022</b>	\$ 5,000	30,645	243,804	-	279,449
Profit (loss) after tax	-	-	21,370	(330)	21,040
Other comprehensive income	-	-	(330)	330	-
<b>Balance at December 31, 2023</b>	\$ 5,000	30,645	264,844	-	300,489
Profit (loss) after tax	-	-	32,158	269	32,427
Other comprehensive income	-	-	269	(269)	-
<b>Balance at December 31, 2024</b>	\$ 5,000	30,645	297,271	-	332,916

The accompanying notes are an integral part of the financial statements.

## Amounts stated in thousands of Canadian dollars

*The accompanying notes are an integral part of the financial statements.*

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

## 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. ACCOUNTING AND REPORTING CHANGES

There are no significant changes in the current year.

## 3. MATERIAL ACCOUNTING POLICIES

### 3.1 Statement of compliance

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 as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

These financial statements have been prepared in accordance with IFRS Accounting Standards issued and effective on or before December 31, 2024. Accounting requirements of FSRA do not represent exceptions to IFRS Accounting Standards. These financial statements were authorized for issuance by the Company's Board of Directors on February 25, 2025.

### 3.2 Preparation and presentation of financial statements

#### a) Basis of presentation

The Company presents its Statement of Financial Position in order of liquidity. Certain comparative disclosures have been reclassified for consistency with the current year presentation and have no effect on previously reported results.

#### b) 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:

Insurance contract liabilities	Note 10
Reinsurance contract assets	Note 11
Employee benefits	Note 13

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

## Financial assets and financial liabilities

Pursuant to IFRS 9, all recognized financial assets 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 ("SPPI") 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 SPPI on the principal amount outstanding, are measured at Fair Value Through Other Comprehensive Income ("FVOCI"). All other debt securities, as well as equity securities, are measured at fair value through profit or loss ("FVTPL"). At initial recognition, an entity may make an irrevocable election to present in OCI subsequent changes in the fair value of an investment in an equity instrument that is within the scope of IFRS 9, and that is not held for trading. Amounts presented in OCI are never recycled to profit or loss. In addition, under the fair value option, entities may elect for amortized cost or FVOCI debt securities to be classified as FVTPL if certain criteria are met.

With regards to debt securities measured at amortized cost or FVOCI, IFRS 9 requires an expected credit loss model for determining impairment. 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.

Based on the company's overall investment objective of preserving capital and maximizing the return, the company's entire investment portfolio is classified as FVTPL.

The following table summarizes classification and measurement impacts under IFRS 9.

	<b>Measurement</b>
Cash and cash equivalents	FVTPL
Bonds	FVTPL
Preferred shares	FVTPL
Equities	FVTPL
Receivables and payables	Amortized cost

### b. i) Classification

Based on the company's overall investment objective of preserving capital and maximizing returns, the company's entire investment portfolio is classified under FVTPL including cash and cash equivalents. Cash and cash equivalents consist of cash on deposit and short-term investments with original maturities of three months or less.

### b. ii) Measurement

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. 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 considers the characteristics of the asset or liability that market participants would likely consider when pricing the asset or liability at the measurement date. The Company accounts for the purchase and sale of financial assets using trade date accounting. Realized gains or losses on disposition are determined on an average cost basis. Investment income includes:

- Realized gains and losses and changes in unrealized gains and losses;
- Dividend income on common and preferred shares (as of the ex-dividend date);
- Net interest income, including amortization of premiums and the accretion of discounts; and
- Changes in fair value resulting from changes to foreign exchange rates.

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

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

Fair value is based on quoted market prices in active markets for identical assets or liabilities.

## *Level 2* – Modelled with significant observable market inputs

Fair value is based on observable inputs other than Level 1 prices, such as quoted market prices for similar, but not identical, assets or liabilities in active markets, quoted market prices for identical assets or liabilities in markets that are not active, and other inputs that are observable, such as interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment spreads, credit risks, and default rates.

## *Level 3* – Modelled with significant unobservable market inputs

Fair value is based on unobservable inputs 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.

## c) Leases

The Company is a lessee under various leases relating to premises and equipment. For all leases, except for leases which are short term or 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 and depreciated on a straight-line basis over the lease term. Lease liabilities are measured at the present value of future payments, using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured to reflect any lease modifications or reassessments.

## d) Fixed assets and Right of Use Assets

Fixed Assets and Right of Use Assets are recorded in the statement of financial position on a net basis (cost less accumulated amortization). Amortization is charged to profit and loss 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 |

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

An item of fixed assets and right of use assets 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 fixed assets and right of use assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized immediately in profit or loss.

## e) Intangible Assets

Intangible assets with finite useful lives that are acquired separately or internally developed are carried at cost, less any applicable accumulated amortization. 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.

## f) Impairment

At the end of each reporting period, the Company reviews the carrying amount of its fixed assets and right of use assets, 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 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.

## g) 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 profit or loss, any exchange component of that gain or loss is also recognized in profit or loss.

## h) Insurance contract issued and reinsurance contracts held

IFRS 17 replaced IFRS 4 Insurance Contracts effective January 1, 2023. The adoption of IFRS 17 did not change the classification of the Company's insurance contracts.

IFRS 17 provides a General Measurement Model ("GMM") for the recognition of long-duration contracts, as well as a simplified model which is the Premium Allocation Approach ("PAA") for short-duration 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 IFRS17 applicable to the company are as follows:



# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

- The concept of portfolio and groups of contracts. A portfolio includes contracts covering similar risks and managed together as a single pool. A group of contracts within a portfolio, will define the unit of account for measurement purposes.
- For presentation in the statement of financial position, the Company aggregates insurance contracts issued, and reinsurance contracts held, respectively and presents separately: 1) portfolios of insurance contracts issued that are liabilities; and 2) portfolios of reinsurance contracts held that are assets.
- Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows.
- Income and expenses from reinsurance contracts other than reinsurance finance income and expenses are now presented within net expenses from reinsurance contracts held.
- Insurance finance income and expenses are presented separately from insurance revenue and insurance service expenses in the Statement of Profit or Loss.
- Extensive disclosures to provide information on the recognized amounts from insurance contracts and the nature and extent of risks arising from these contracts.

IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Net expenses from reinsurance contracts held
- Insurance finance income/(expense)
- Reinsurance finance income/(expense)

IFRS 17 applies to annual periods beginning on or after January 1, 2023, and is applied retrospectively as of January 1, 2022, to each group of insurance contracts. On transition, for title insurance the Company applied a fair value approach for years 2021 and prior because full retrospective approach was considered impracticable as the information required had not been collected with sufficient granularity and was unavailable because of system migrations or data retention requirements. For all other lines, which are measured under the PAA approach, the company transitioned applying the full retrospective approach.

## h) i) Scope and separating components

Under IFRS 17, the Company is required to determine if contracts are in scope of this standard and if non-insurance components exist. The Company issues insurance contracts (direct business) and holds reinsurance contracts (ceded business). The Company's insurance policies do not include any components that require separation.

## h) ii) Level of aggregation

Insurance and reinsurance contracts are aggregated into portfolios and groups for measurement purposes. Portfolios comprise contracts with similar risks which are managed together. Portfolios are further divided into groups based on expected profitability at inception. This requires an entity to divide portfolios of insurance contracts into a) a group of contracts that are onerous at initial recognition, if any; b) a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and c) a group of the remaining contracts in the portfolio, if any. The IFRS 17 portfolios align to the Company's insurance coverage types, and reinsurance coverage types. Aside from transitional elections, IFRS 17 also requires that no group may contain contracts issued more than one year apart (i.e., annual cohort). The Company will measure the insurance contract liability using annual cohorts.

Portfolios of insurance contract liabilities and portfolios of reinsurance contract assets are presented separately in the statement of financial position.

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

## h) iii) Recognition and derecognition

The Company recognises groups of insurance contracts that it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts.
- The date when the first payment from a policyholder in the group is due, or when the first payment is received if there is no due date.
- For a group of onerous contracts, as soon as facts and circumstances indicate that the group is onerous.

For PAA insurance contracts, if a group of insurance contracts (e.g., fund year) is onerous, the Loss Component (“LC”) is recognized in advance of the coverage period effective January 1<sup>st</sup> (i.e., the fourth quarter of the year preceding the fund year coverage period). For GMM insurance contracts, if a group of insurance contracts is onerous, the LC would be recognized when the contract is issued.

The Company recognizes a group of reinsurance contracts held at the earlier of a) the beginning of the coverage period of the group of reinsurance contracts held; and b) the date that the Company recognizes an onerous group of underlying insurance contracts, if the Company entered into the related reinsurance contract held at or before that date.

Notwithstanding the preceding paragraph, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date that any underlying insurance contract is initially recognized, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.

The Company derecognizes its reinsurance contracts when the underlying insurance contract is extinguished, or the entity is no longer at risk and is therefore no longer required to transfer any economic resources to satisfy the insurance contract.

## h) iv) Contract boundary

Contract boundary is used to determine which cash flows should be considered in the measurement of an insurance contract. Cash flows that are not in the boundary of an insurance contract relate to future insurance contracts. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the period in which the policyholder is obliged to pay premiums, or the entity has a substantive obligation to provide the policyholder with insurance coverage or other services.

If an entity has the practical ability to reassess the risk presented by a policyholder (or a portfolio of insurance contracts) and has the right to reprice without any constraints the risks, or terminate the contract, then the cash flows after the reassessment date will be outside of the contract boundary.

The Company has the following contract boundaries for its group of contracts:

- Mandatory professional liability insurance (“Mandatory E&O”) – 12 months
- Excess professional liability insurance (“Excess E&O”) – 12 months
- Title insurance (“TitlePLUS”) – 20 years
- Quota share reinsurance for Excess E&O – 12 months
- Clash reinsurance for Mandatory E&O and TitlePLUS – 12 months

## h) v) Fulfilment cash flow

Fulfilment cash flows (“FCF”) comprise unbiased and probability-weighted estimates of future cash flows. The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation. The estimates of future cash flows are also adjusted by risk adjustments to account for non-financial risks.

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

Risk of the Company's non-performance is not included in the measurement of groups of insurance contracts issued. In the measurement of reinsurance contracts held, the probability-weighted estimates of the present value of future cash flows reflect the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer. The Company estimates certain FCF at the portfolio level and then allocates such estimates to groups of contracts.

The Company uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

## h) vi) Onerous contracts and loss component

If there is a net outflow of FCF within a group of contracts at initial recognition, then the corresponding group is considered to be onerous.

For any group that is determined to be onerous, the Company has established a LC within the Liability for Remaining Coverage ("LRC"). A LC represents a notional record of the losses attributable to each group of onerous insurance contracts (or contracts profitable at inception that have become onerous). For contracts measured under the PAA, the LC is released in insurance service expense as the underlying contract is recognized. For contracts measured under the GMM, the LC is released based on a systematic allocation of the subsequent changes relating to future service in the FCF. The LC is also updated for subsequent changes relating to future service in estimates of the FCF and the Risk Adjustment ("RA"). The systematic allocation of subsequent changes to the LC results in the total amounts allocated to the LC being equal to zero by the end of the coverage period of a group of contracts.

## h) vii) Loss recovery component

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Company recognizes income and establishes a loss recovery component within the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses.

A loss recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

## h) viii) Discount rate

The Company has chosen a bottom-up approach to estimate the discount rate curve at the valuation date, whereby the Government of Canada risk-free yield curve plus an illiquidity premium is used. The illiquidity premium reflects the characteristics of the Company's insurance contract liabilities.

For the Company's Contractual Service Margin ("CSM"), the locked-in discount rate curve is selected based on the date of initial recognition of the group of insurance contracts and is applied at the group level. Note that under the PAA, a locked-in discount rate curve is only used if a group of insurance contracts is onerous. Otherwise, under the PAA, the LRC are undiscounted.

Under GMM, all expected FCF are discounted whereas under PAA only the LC within LRC, and the entire LIC are discounted.

## h) ix) Risk adjustment

IFRS 17 requires a RA in the measurement of insurance liabilities to reflect the non-financial risks associated with the uncertainty about the amount and timing of the cash flows. The RA includes the benefit of diversification and excludes the impact of financial risks.

The Company has chosen RA factors based on confidence levels for the group of contracts measured under PAA method and is using the margin method for the group of contracts measured under GMM. These RA factors will be applied to the present value of future loss cashflows.

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

The Company has elected to disaggregate the impacts related to RA within the Statement of Profit and Loss under the Insurance Service Expenses and Insurance Finance Expenses.

## h) x) Initial recognition

The GMM measures a group of insurance contracts at initial recognition as the total of the FCF and CSM. The CSM represents the unearned profit the Company will recognize as it provides insurance services.

When estimating FCF, the Company includes all cash flows that are within the contract boundary and includes insurance acquisition cash flows which are allocated pro-rata to profit or loss over the period of the contract in a systemic and rational way.

The PAA measures a group of insurance contracts at initial recognition as the total of premiums received (if any).

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on to the same basis as insurance contracts that it issues to which the reinsurance covers.

The Company's expectations of fulfilment cashflows are based on providing sufficient working capital for operations. The cash flow forecasts consider the probability of the Company experiencing a period of sustained surplus beyond working capital requirements. When such surplus may benefit insured members, a liability for FCF attributable to current or future insured members will be recognized and measured within insurance contract liabilities.

## h) xi) Subsequent recognition

For contracts measured using the GMM, the CSM at the end of the reporting period represents the profit in the group of insurance contracts that has not yet been recognized because it relates to future service to be provided. The CSM at the end of the reporting period represents the carrying amount at the beginning of the period adjusted, as follows:

- Effect of any new contracts added to the group;
- Interest accreted on the carrying amount of the CSM during the period;
- Changes in FCF related to future service, except to the extent that:
  - Such increases in the FCF exceed the carrying amount of the CSM, giving rise to a loss, or
  - Such decreases in the FCF are allocated to the LC of the LRC;
- The amount recognized as insurance revenue based on services provided in the period.

For contracts measured using the PAA, the LRC at the end of each reporting period is the LRC at the beginning of the period, adjusted for:

- Premiums received in the period;
- Minus the amount of insurance revenue for service provided .

The estimates of the expected future cash flows are required for the initial and subsequent measurement of the LIC. The LIC is recorded when claims are incurred and comprises discounted estimates of cash flows plus a risk adjustment for non-financial risks; it has no CSM. The subsequent measurement of the expected cash flows of the LIC are updated at each reporting period.

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

## h) xii) Insurance revenue

Insurance revenue reflects the consideration to which the insurer is entitled in exchange for the services provided on an earned basis. Insurance revenue excludes any investment components.

Insurance revenue under the PAA is the amount of premiums received allocated to the period. The allocation of premiums received to each period of coverage is based on the passage of time as this does not differ significantly from the timing of expected incurred losses during the coverage period.

Under the GMM, insurance revenue comprises amounts relating to changes in the LRC as follows:

- Expected Insurance service expenses incurred during the period;
- Change in RA for non-financial risk for service provided in the period;
- CSM recognized in profit or loss because of the transfer of services in the period; and
- An allocation of acquisition cash flows.

Insurance policies written under the Mandatory E&O and Excess E&O insurance programs are effective on a calendar year basis. Revenue recognition for the Mandatory E&O and Excess E&O insurance programs are earned over the term of coverage of the underlying insurance policies, which is generally one year. Revenue recognition for title insurance premiums will be spread over the contract boundary period of 20 years.

## h) xiii) Insurance service expenses

Insurance service expenses represent the costs an insurer incurs to fulfil the obligations of its insurance contracts. These, at a minimum, comprise the following:

- Incurred claims and other incurred insurance service expenses that are directly attributable to a group of contracts;
- Amortization of insurance acquisition cash flows directly attributable to a portfolio of contracts, for GMM;
- Expensing as incurred the insurance acquisition cash flows directly attributable to a portfolio of contracts, for PAA;
- Changes that relate to past service (i.e., relating to LIC);
- Losses on onerous contracts and reversals.

Insurance service expenses related to group of contracts exclude any investment components. Similar to the requirement for revenue, these amounts get identified and are excluded from the related claims expense.

The Company recognizes the directly attributable acquisition costs for TitlePLUS as a component of both revenue and expense over the contract boundary period of 20 years or less, and expenses the insurance acquisition costs as incurred for Mandatory E&O and Excess E&O.

For contracts measured under the GMM, amortization of insurance acquisition cash flows is based on the undiscounted coverage units used to recognize insurance revenue. For contracts measured under the PAA, insurance acquisition cash flows are expensed as incurred.

## h) xiv) Insurance finance income and expense

Insurance finance income or expense represent the effects of, and changes in, the carrying amount of a group of insurance contracts relating to the time value of money and financial risks. This includes:

- The effect of discounting and changes to discount rates; and
- The effect of financial risk and changes in financial risk.

The Company has elected to present all impacts related to the discount rate and financial risk within the Statement of Profit and Loss.

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

## h) xv) Net expenses from reinsurance contracts held

Net expenses from reinsurance contracts held is comprised of the amounts that are expected to be recovered from reinsurers, as well as an allocation of the reinsurance premiums ceded, based on passage of time, in conjunction with the expiry of the respective insurance policy to which the reinsurance contract relates to.

The Company treats reinsurance cash flows that are contingent on claims of the underlying contracts as part of the amounts recoverable from reinsurers and includes ceded commissions not contingent on claims as a reduction of the premiums ceded to reinsurers.

## h) xvi) Insurance contract liabilities

The Insurance contract liabilities include the fulfilment cashflows of all estimated costs of projected final settlements of insurance claims incurred on or before the date of the statement of financial position. 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 double the amount for claims involving a conflict of interest, and 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 insurance contract liability.

The Insurance contract liabilities are separated into two components, LRC and LIC. It takes into consideration the time value of money using discount rates based on the risk-free yield curve and the illiquidity premium. A RA is then added to the discounted liabilities, to represent the compensation an insurer requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risks in order to generate the fulfilment cash flows.

These estimates of insurance contract liabilities are subject to uncertainty and are the unbiased probability weighted expected cashflows of all 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 changes that relate to past service in the LIC for both PAA and GMM and changes that relate to future service in LRC for GMM in the reporting period in which they are determined.

Insurance contract liabilities are classified as non-current, except for the LRC for contracts measured under the PAA, any claims expected to be settled within the next 12 months and the related attributable portion of RA and CSM. See note 19 for a breakdown of the expected settlement of claims.

## i) Income taxes

The tax expense for the year is comprised of current and deferred taxes. Tax is usually recognized as an expense or income in the statement of profit or loss except when it relates to an item included in OCI, in which case tax is recognized in OCI.

The current tax expense (recovery) is based on taxable income (loss) for the year under local tax regulations and the enacted or substantively enacted tax rate for the year for each taxable entity and any adjustment to tax payable in respect of previous years.

Deferred income 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 assets also include tax losses not deductible in the current year. Deferred income 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 way 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.

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

## j) Employee benefits

The Company maintains a defined contribution pension plan (“DCPP”) for its employees. It also maintains a supplemental designated executive plan (“SDEP”), for certain designated employees, which provides benefits in addition to the benefits provided by the Company’s DCPP. Employee benefits is presented under other assets on the Statement of Financial Position.

DCPP expenses are recognized in the reporting period in which services are rendered.

The benefit obligation for the SDEP 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. 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 directly attributable expense and other expenses in the statement of profit or loss. The retirement benefit obligation recognised 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.

## 4. NEW AND REVISED IFRS ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

New and amended IFRS Accounting Standards to be adopted in 2025 or later

### a) IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures

IASB amended IFRS 9 and IFRS 7, effective for years beginning on or after January 1, 2026, with earlier application permitted, to:

- clarify the date of recognition and derecognition of some financial assets and liabilities with a new exception for some financial liabilities settled through an electronic cash transfer system.
- clarify and add further guidance for assessing whether a financial asset meets the SPPI criterion.
- add new disclosures for certain instruments with contractual terms that can change cash flows such as instruments with features linked to the achievement of environment, social and governance (“ESG”) targets; and
- update the disclosures for equity instruments designated at FVOCI.

The Company is currently assessing the impact the above amendments and do not expect material impacts.

### b) IFRS 18–Presentation and Disclosure in Financial Statements

IFRS 18 is the new standard on financial statement presentation and disclosure with a focus on updates to the statement of profit or loss. IFRS 18 will replace IAS 1 Presentation of Financial Statements and retains many of the existing principles in IAS 1. Effective for years beginning on or after January 1, 2027, with earlier application permitted. Retrospective application is required.

The Company is currently assessing the impact of IFRS 18 adoption and expects some impact which cannot be quantified at this time.



# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

## 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:

AS AT	DECEMBER 31 2024			DECEMBER 31 2023		
	Fair value	Carrying value	Net Unrealized Gain (Loss)	Fair value	Carrying value	Net Unrealized Gain (Loss)
Classified as FVTPL						
Fixed income securities	\$ 568,791	567,987	804	540,001	553,580	(13,579)
Common equities (pooled funds)	152,508	96,971	55,537	134,002	99,525	34,477
Preferred equities	405	613	(208)	416	615	(199)
<b>Total</b>	<b>\$ 721,704</b>	<b>665,571</b>	<b>56,133</b>	<b>674,419</b>	<b>653,720</b>	<b>20,699</b>

### b) Maturity profile of fixed income securities

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

AS AT	DECEMBER 31, 2024			
	Within 1 year	1 to 5 years	Over 5 years	Total
Canadian federal government	\$ 942	24,573	47,143	72,658
Canadian provincial and municipal governments	12,120	108,665	141,980	262,765
Mortgage backed securities	-	4,389	1,306	5,695
Corporate debt	33,859	139,835	53,979	227,673
<b>Total fixed income securities</b>	<b>\$ 46,921</b>	<b>277,462</b>	<b>244,408</b>	<b>568,791</b>
<i>Percentage of total</i>	8%	49%	43%	100%

AS AT	DECEMBER 31, 2023			
	Within 1 year	1 to 5 years	Over 5 years	Total
Canadian federal government	\$ 17,517	12,025	42,803	72,345
Canadian provincial and municipal governments	13,726	77,826	101,805	193,357
Mortgage backed securities	-	4,962	1,289	6,251
Corporate debt	36,284	167,139	64,625	268,048
<b>Total fixed income securities</b>	<b>\$ 67,527</b>	<b>261,952</b>	<b>210,522</b>	<b>540,001</b>
<i>Percentage of total</i>	12%	49%	39%	100%

The weighted average duration of fixed income securities as at December 31, 2024, is 4.20 years (December 31, 2023: 3.93 years).  
The effective yield on fixed income securities as at December 31, 2024, is 3.49% (December 31, 2023: 3.36%).



# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

## c) Investment income

Investment income arising from investments classified as FVTPL are recorded in net income.

FOR THE YEARS ENDED DECEMBER 31	2024	2023
	Classified as FVTPL	Classified as FVTPL
Interest and dividends	\$ 23,421	21,519
Net realized gains (losses)	6,051	(1,116)
Change in net unrealized gains (losses)	35,434	33,998
	64,906	54,401
Less: Investment expenses	(1,583)	(1,375)
<b>Investment income</b>	<b>\$ 63,323</b>	<b>53,026</b>

## d) Net investment result

The investment portfolio is invested with the primary objective of matching the invested asset cash flows with the expected future payments of the insurance contract liabilities. The investments are managed to provide liquidity and address cash flow needs as claims are settled and preserve capital while achieving an appropriate return consistent with the objectives of the Company. Insurance and reinsurance finance income represent unwinding of discount of insurance and reinsurance contract liabilities and effects of financial risks. They are components of net investment results.

The table below presents an analysis of net investment results recognised in profit or loss in the period:

AS AT	2024	2023
<b>Investment income</b>	<b>\$ 63,323</b>	<b>53,026</b>
<b>Insurance Finance Income (Expense)</b>		
Interest accreted	(19,725)	(20,710)
Effect of financial risk and changes in financial risk	(8,303)	(5,303)
<b>Total Insurance Finance Income (Expense)</b>	<b>(28,028)</b>	<b>(26,013)</b>
<b>Reinsurance Finance Income (Expense)</b>		
Interest accreted	1,169	1,177
Effect of financial risk and changes in financial risk	457	187
<b>Total Reinsurance Finance Income (Expense)</b>	<b>1,626</b>	<b>1,364</b>
<b>Net Investment Result</b>	<b>\$ 36,921</b>	<b>28,377</b>

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

## 6. FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS

The following tables present the Company's financial assets measured at fair value and classified by the fair value hierarchy.

AS AT DECEMBER 31, 2024		FAIR VALUE			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Cash and cash equivalents	\$	33,402	-	-	33,402
Fixed income securities		327,695	241,096	-	568,791
Common equities (pooled funds)		152,508	-	-	152,508
Preferred equities		-	405	-	405
	\$	513,605	241,501	-	755,106

AS AT DECEMBER 31 2023		FAIR VALUE			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Cash and cash equivalents	\$	41,522	-	-	41,522
Fixed income securities		259,534	280,467	-	540,001
Common equities (pooled funds)		134,002	-	-	134,002
Preferred equities		-	416	-	416
	\$	435,058	280,883	-	715,941

There were no transfers between any levels during the year ended December 31, 2024 (2023: none).

## 7. FIXED ASSETS AND RIGHT OF USE ASSETS

During the years ending December 31, details of the movement in the carrying values by class of fixed assets and right of use assets are as follows:

	Furniture and fixtures	Computer equipment	Computer software	Leasehold improvements	Right-of-use assets	Total
January 1, 2023	\$ 89	499	159	405	8,750	9,902
Additions	-	476	750	-	-	1,226
Amortization	(44)	(289)	(181)	(74)	(576)	(1,164)
December 31, 2023	\$ 45	686	728	331	8,174	9,964
Additions	-	63	504	-	-	567
Amortization	(17)	(348)	(343)	(75)	(566)	(1,349)
December 31, 2024	\$ 28	401	889	256	7,608	9,182

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

Details of the cost and accumulated amortization of fixed assets and right of use assets are as follows:

AS AT	DECEMBER 31, 2024			DECEMBER 31, 2023		
	Cost	Accumulated amortization	Carrying value	Cost	Accumulated amortization	Carrying value
Furniture and fixtures	\$ 2,267	(2,239)	28	2,267	(2,222)	45
Computer equipment*	1,500	(1,099)	401	4,375	(3,689)	686
Computer software*	1,595	(706)	889	2,188	(1,460)	728
Leasehold improvements	4,403	(4,147)	256	4,403	(4,072)	331
Right-of-use assets	11,065	(3,457)	7,608	11,065	(2,891)	8,174
<b>Total</b>	<b>\$ 20,830</b>	<b>(11,648)</b>	<b>9,182</b>	<b>24,298</b>	<b>(14,334)</b>	<b>9,964</b>

\* During 2024, \$2,938 of computer equipment and \$1,097 of computer software cost and accumulated amortization was written off because they were no longer in use and were already fully amortized.

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 considers 10 years of extension.

## 8. INTANGIBLE ASSET

The Company's intangible asset consists of an internally developed platform for the TitlePLUS product. The Company started capitalization of development costs related to the platform on January 1, 2019, with amortization beginning on June 1, 2020. During the years ending December 31, details of the movement in the carrying values are as follows:

AS AT	2024	2023
<b>Cost</b>		
Balance, beginning of year	\$ 4,167	4,607
Additions	277	802
Disposal	-	(1,242)
Balance, end of year	4,444	4,167
<b>Accumulated amortization and impairment</b>		
Balance, beginning of year	(1,691)	(2,030)
Amortization expense	(1,095)	(903)
Disposal	-	1,242
Balance, end of year	(2,786)	(1,691)
<b>Carrying amount</b>	<b>\$ 1,658</b>	<b>2,476</b>

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

## 9. LEASE LIABILITIES

Lease liabilities are comprised of the following:

AS AT DECEMBER 31	2024	2023
Expected to be settled in less than one year	\$ 491	472
Expected to be settled in more than one year	8,024	8,515
<b>Total</b>	<b>\$ 8,515</b>	<b>8,987</b>

## 10. INSURANCE CONTRACT LIABILITIES

### a) Roll Forward of insurance contract balances

The roll-forward of the liability for insurance contracts issued, showing the LRC and the LIC is disclosed in the table below:

FOR THE YEAR ENDED DECEMBER 31, 2024	LIABILITY FOR REMAINING COVERAGE		LIABILITY FOR INCURRED CLAIM CONTRACTS UNDER PAA			
	Excluding loss component	Loss component	Contracts under GMM	Present value of future cash flows	Risk adjustment	Total
<b>Insurance contract liabilities, beginning of period</b>	<b>\$ (492)</b>	<b>3,831</b>	<b>6,749</b>	<b>423,947</b>	<b>25,437</b>	<b>459,472</b>
<b>Insurance revenue</b>	<b>(126,301)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(126,301)</b>
Incurred claims and other insurance service expense	-	(4,123)	3,589	125,259	5,658	130,383
Amortization of insurance acquisition cash flows	2,987	-	-	-	-	2,987
Losses and reversals on onerous contracts	-	7,382	-	-	-	7,382
Prior-year development	-	-	2,184	(25,620)	(7,017)	(30,453)
<b>Insurance service expense</b>	<b>2,987</b>	<b>3,259</b>	<b>5,773</b>	<b>99,639</b>	<b>(1,359)</b>	<b>110,299</b>
<b>Insurance service result from insurance contracts</b>	<b>(123,314)</b>	<b>3,259</b>	<b>5,773</b>	<b>99,639</b>	<b>(1,359)</b>	<b>(16,002)</b>
Insurance finance expense/(income)	727	327	215	25,245	1,514	28,028
<b>Total changes in Profit &amp; Loss</b>	<b>(122,587)</b>	<b>3,586</b>	<b>5,988</b>	<b>124,884</b>	<b>155</b>	<b>12,026</b>
<b>Cash flows</b>						
Premium received	125,609	-	-	-	-	125,609
Claims and other insurance service expense paid	-	-	(7,123)	(122,287)	-	(129,410)
Insurance acquisition cash flows	(7,046)	-	-	-	-	(7,046)
<b>Total cash flows</b>	<b>118,563</b>	<b>-</b>	<b>(7,123)</b>	<b>(122,287)</b>	<b>-</b>	<b>(10,847)</b>
<b>Insurance contract liabilities, end of period</b>	<b>\$ (4,516)</b>	<b>7,417</b>	<b>5,614</b>	<b>426,544</b>	<b>25,592</b>	<b>460,651</b>

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

FOR THE YEAR ENDED DECEMBER 31, 2023	LIABILITY FOR REMAINING COVERAGE			LIABILITY FOR INCURRED CLAIM CONTRACTS UNDER PAA		
	Excluding loss component	Loss component	Contracts under GMM	Present value of future cash flows	Risk adjustment	Total
<b>Insurance contract liabilities, beginning of period</b>	<b>\$ 2,568</b>	<b>4,151</b>	<b>7,220</b>	<b>415,494</b>	<b>24,948</b>	<b>454,381</b>
<b>Insurance revenue</b>	<b>(122,162)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(122,162)</b>
Incurred claims and other insurance service expense	-	(4,694)	4,374	117,726	5,415	122,821
Amortization of insurance acquisition cash flows	2,283	-	-	-	-	2,283
Losses and reversals on onerous contracts	-	4,145	-	-	-	4,145
Prior-year development	-	-	1,052	(16,384)	(6,309)	(21,641)
<b>Insurance service expense</b>	<b>2,283</b>	<b>(549)</b>	<b>5,426</b>	<b>101,342</b>	<b>(894)</b>	<b>107,608</b>
<b>Insurance service result from insurance contracts</b>	<b>(119,879)</b>	<b>(549)</b>	<b>5,426</b>	<b>101,342</b>	<b>(894)</b>	<b>(14,554)</b>
Insurance finance expense/(income)	1,144	229	208	23,049	1,383	26,013
<b>Total changes in Profit &amp; Loss</b>	<b>(118,735)</b>	<b>(320)</b>	<b>5,634</b>	<b>124,391</b>	<b>489</b>	<b>11,459</b>
<b>Cash flows</b>						
Premium received	122,162	-	-	-	-	122,162
Claims and other insurance service expense paid	-	-	(6,105)	(115,937)	-	(122,042)
<b>Insurance acquisition cash flows</b>	<b>(6,487)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,487)</b>
<b>Total cash flows</b>	<b>115,675</b>	<b>-</b>	<b>(6,105)</b>	<b>(115,937)</b>	<b>-</b>	<b>(6,367)</b>
<b>Insurance contract liabilities, end of period</b>	<b>\$ (492)</b>	<b>3,831</b>	<b>6,749</b>	<b>423,947</b>	<b>25,437</b>	<b>459,472</b>

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

## b) Roll-forward of insurance contract balances by component

The roll-forward of the liability for insurance contracts issued measured under the GMM showing estimates of each component is disclosed in the table below:

FOR THE YEAR ENDED DECEMBER 31, 2024	Present value of future cash flows	Risk adjustment	Contractual service margin		Total
			Contracts using the fair value approach	Other contracts	
<b>Insurance contract liabilities, beginning of period</b>	<b>\$ 18,236</b>	<b>2,157</b>	<b>576</b>	<b>114</b>	<b>21,083</b>
<i>Changes that relate to past services:</i>					
Adjustments to liabilities for incurred claims	1,351	142	-	-	<b>1,493</b>
<b>Total Changes that relate to past services</b>	<b>1,351</b>	<b>142</b>	<b>-</b>	<b>-</b>	<b>1,493</b>
<i>Changes that relate to current services:</i>					
Contractual service margin recognised in net income for the services provided	-	-	(155)	(2)	(157)
Change in risk adjustment for non-financial risk expired	-	(368)	-	-	(368)
Experience adjustments	196	(446)	-	-	(250)
<b>Total Changes that relate to current services</b>	<b>196</b>	<b>(814)</b>	<b>(155)</b>	<b>(2)</b>	<b>(775)</b>
<i>Changes that relate to future services:</i>					
Changes in estimates that adjust the contractual service margin	(183)	(23)	305	(98)	1
Contracts initially recognized in the period	2,575	500	-	-	3,075
Changes in estimates that result in losses and reversal of losses on onerous contracts	27	42	-	-	69
<b>Total Changes that relate to future services</b>	<b>2,419</b>	<b>519</b>	<b>305</b>	<b>(98)</b>	<b>3,145</b>
<b>Insurance service result from insurance contracts</b>	<b>3,966</b>	<b>(153)</b>	<b>150</b>	<b>(100)</b>	<b>3,863</b>
Insurance finance expense/(income)	1,123	137	8	-	1,268
<b>Total changes in Profit &amp; Loss</b>	<b>5,089</b>	<b>(16)</b>	<b>158</b>	<b>(100)</b>	<b>5,131</b>
<b>Cash flows:</b>					
Premiums received for insurance contracts	8,787	-	-	-	8,787
Claims, benefits and other expenses paid	(7,123)	-	-	-	(7,123)
Insurance acquisition cash flows	(7,045)	-	-	-	(7,045)
<b>Total cash flows</b>	<b>(5,381)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,381)</b>
<b>Insurance contract liabilities, end of period</b>	<b>\$ 17,944</b>	<b>2,141</b>	<b>734</b>	<b>14</b>	<b>20,833</b>

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

FOR THE YEAR ENDED DECEMBER 31, 2023	Present value of future cash flows	Risk adjustment	Contractual service margin		Total
			Contracts using the fair value approach	Other contracts	
<b>Insurance contract liabilities, beginning of period</b>	<b>\$ 19,532</b>	<b>2,311</b>	<b>478</b>	<b>194</b>	<b>22,515</b>
<i>Changes that relate to past services:</i>					
Adjustments to liabilities for incurred claims	2,471	260	-	-	2,731
<b>Total Changes that relate to past services</b>	<b>2,471</b>	<b>260</b>	<b>-</b>	<b>-</b>	<b>2,731</b>
<i>Changes that relate to current services:</i>					
Contractual service margin recognised in net income for the services provided	-	-	(53)	(19)	(72)
Change in risk adjustment for non-financial risk expired	-	(377)	-	-	(377)
Experience adjustments	(1,472)	(509)	-	-	(1,981)
<b>Total Changes that relate to current services</b>	<b>(1,472)</b>	<b>(886)</b>	<b>(53)</b>	<b>(19)</b>	<b>(2,430)</b>
<i>Changes that relate to future services:</i>					
Changes in estimates that adjust the contractual service margin	(72)	(9)	146	(64)	1
Contracts initially recognized in the period	2,499	430	-	-	2,929
Changes in estimates that result in losses and reversal of losses on onerous contracts	(725)	(120)	-	-	(845)
<b>Total Changes that relate to future services</b>	<b>1,702</b>	<b>301</b>	<b>146</b>	<b>(64)</b>	<b>2,085</b>
<b>Insurance service result from insurance contracts</b>	<b>2,701</b>	<b>(325)</b>	<b>93</b>	<b>(83)</b>	<b>2,386</b>
Insurance finance expense/(income)	1,402	171	5	3	1,581
<b>Total changes in Profit &amp; Loss</b>	<b>4,103</b>	<b>(154)</b>	<b>98</b>	<b>(80)</b>	<b>3,967</b>
<b>Cash flows:</b>					
Premiums received for insurance contracts	7,195	-	-	-	7,195
Claims, benefits and other expenses paid	(6,104)	-	-	-	(6,104)
Insurance acquisition cash flows	(6,490)	-	-	-	(6,490)
<b>Total cash flows</b>	<b>(5,399)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,399)</b>
<b>Insurance contract liabilities, end of period</b>	<b>\$ 18,236</b>	<b>2,157</b>	<b>576</b>	<b>114</b>	<b>21,083</b>

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

## c) Contractual service margin

The Company expects to recognise the CSM in profit or loss for existing GMM contracts within twenty years, which represents the longest coverage period for the contracts in force issued by the Company.

The following table sets out the timeline of when the CSM is expected to be in profit and loss:

2024							
	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
<b>Insurance contracts issued</b>	\$ 144	122	102	86	71	223	748

2023							
	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
<b>Insurance contracts issued</b>	\$ 133	113	96	82	70	196	690

## d) Analysis of Insurance Revenue recognized

FOR THE YEARS ENDED DECEMBER 31	2024	2023
<b>Insurance Revenue</b>		
CSM recognized for services provided	\$ 157	72
Change in risk adjustment for non-financial risk for risk expired	274	328
<b>Expected insurance service expenses incurred:</b>		
Claims	1,500	1,840
Expenses	689	775
<b>Total Expected insurance service expenses incurred</b>	<b>2,189</b>	<b>2,615</b>
Recovery of insurance acquisition cash flows	2,987	2,283
<b>Total Revenue from Contracts Not Measured Under PAA</b>	<b>5,607</b>	<b>5,298</b>
<b>Contracts Measured the Under PAA</b>		
Expected premium receipts allocation under the PAA	120,694	116,864
<b>Total Revenue from Contracts Measured Under PAA</b>	<b>120,694</b>	<b>116,864</b>
<b>Total Insurance Revenue</b>	<b>\$ 126,301</b>	<b>122,162</b>



# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

## e) Liability for incurred claims

The determination of the LIC 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 insurance contract liabilities, 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, liquid risk-free yield curve, illiquidity premium, 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 experts, 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 insurance contract 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.

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.

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

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 ("ELR") 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, and for a portion of the portfolio includes internal claims adjustment expenses. A provision for internal claims costs has been derived by an approach that is based on the number of expected future claims transactions by lines of business.

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

## e) i) Discount rate

The insurance contract liabilities are discounted using a risk-free rate that is derived by the bottom-up approach based on the Government of Canada zero-coupon bond rates as at the valuation date, and an illiquidity premium that is derived by the top-down approach based on a linear regression of the yield to maturity of the reference portfolio that is comprised of corporate and municipal bonds as at the reference portfolio date. The reference portfolio date for December 31, 2024, was very close to the valuation date, as the illiquidity premium was based at November 30, 2024, while the risk-free rate was based at December 24, 2024. For comparison, the reference portfolio date for December 31, 2023, was the also close to the valuation date, where the illiquidity premium was based at November 30, 2023, and the risk-free rate was based at December 27, 2023. The reinsurance contract assets estimate and claims recoverable from other insurers are discounted in a manner consistent with the method used to establish the related liability. The discount rates are defined up to 30 years from the valuation date, more than sufficient for all expected future cash flows projected.

The FCF are initially discounted applying the discount rate determined at initial recognition of a group of contracts. This discount rate is applied in the calculation of the CSM and referred to as the "locked-in" discount rate.

The "locked-in" discount rate also applies for accreting the unwind of the discount on the CSM of a group of contracts when applying the GMM. In addition, changes in FCF related to future service of the insurance contracts (such as arising from premium related experience adjustments, changes in estimates in FCF related to future periods) are recorded using current rates, but the impact on CSM is recorded applying the "locked-in" rate. This creates a mismatch that is included in insurance finance income or expense.

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

Illiquid Discount Rates are as follows:

AS AT	DECEMBER 31, 2024						DECEMBER 31 2023					
	1 year	3 years	5 years	10 years	20 years	30 years	1 year	3 years	5 years	10 years	20 years	30 years
Yield %	3.53%	3.50%	3.65%	4.07%	4.34%	4.35%	5.39%	4.44%	4.20%	4.23%	4.24%	4.17%

## e) ii) Risk Adjustment

The Company has estimated the risk adjustment factors for the Mandatory E&O and Excess E&O portfolios and the reinsurance portfolios based on the Confidence Level Method. In the Confidence Level Method (also referred to as “quantile”), the compensation that the entity requires for bearing the uncertainty is reflected in the RA calculations in the form of a target confidence level selected by the entity, resulting in a required additional provision such that the probability that the present value of future cash flows would exceed the total booked amount would be equal to one minus the target confidence level.

Based on the results of the Mandatory E&O reserve variability analysis as at December 31, 2024, distributions for LIC and LRC were determined, RA factors were calculated at the 80% confidence level.

The Company has estimated the RA factors for the TitlePLUS portfolio based on the Margin Method. The risk adjustment factors were selected by adapting the margins for adverse development (MfADs) that were used under IFRS 4 and repeated under IFRS 17. The qualitative risk characteristics underlying the selected RA factors reflect the following considerations:

- Current claims development MfAD considerations (i.e., reflecting the current CIA guidance);
- RA factors for TitlePLUS based on the Margin approach;
- IFRS 17 qualitative principles for consideration when estimating the liability for RA; and
- Judgment to align with the 80% confidence level selected by the Company.

Considering the volume of TitlePLUS business relative to Mandatory E&O, the RA for TitlePLUS would have no material impact on the confidence level of the total RA for the Company. Therefore, the confidence level of the total RA for the Company will be the same as the confidence level of the RA for Mandatory E&O portfolios (i.e., 80% confidence level).

The primary assumption inherent in this approach is that historical claims development can be used to generate the full range of potential outcomes.

The company also incorporates qualitative judgmental factors not included in the historical data.

## f) Liability for remaining coverage under the GMM

In determining the estimated future cash flows, the company considers the full range of possible outcomes, each scenario is probability-weighted and discounted using current assumptions.

The Company includes all cash flows that are within the contract boundary and incorporates, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing, and uncertainty of those future cash flows.

## g) Coverage units

The Company’s CSM from the GMM portfolio is released to insurance revenue by the pattern of coverage units released, which quantifies the amount of insurance service provided in any given period. For TitlePLUS business, data is not readily available to directly assess the number of title insurance contracts in force (exposure) at any given point in time. Therefore, the Ontario house sales data and mortgage loans discharge data were used as a surrogate to estimate the contract boundary of the Company’s TitlePLUS business and the exposure unit underlying the Company’s TitlePLUS insurance contracts over time.

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

## h) Changes in methodologies or basis of selection of assumptions

The methods used to compute the insurance contract liabilities are largely unchanged from those used in the previous actuarial valuation. Most of the assumptions employed in the actuarial valuation process were determined in a similar manner to those used in the previous valuations. All assumptions were selected after considering the experience that emerged in the preceding year.

## 11. REINSURANCE CONTRACT ASSETS

The Company's reinsurance program consists of 1) 80% quota share cession on its Excess E&O policies (2023: 90%); and 2) \$10 million in excess of \$5 million per occurrence clash reinsurance arrangement which provides protection for single events that bring about multiple claims on Mandatory E&O and/or TitlePLUS 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. If 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 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, the company has recognized non-performance risk for reinsurers in the 0.05% to 1.62% range based on the timing of the expected future cashflows. The highest factor of 1.62% for the cashflows that are 15 years and beyond in the future reflects the highest level of uncertainty based on the average credit score of the Company's reinsurers.

### a) Roll forward of reinsurance contract balances

The roll forward of the asset for reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims is disclosed in the table below:

FOR THE YEAR ENDED DECEMBER 31, 2024	ASSET FOR REMAINING COVERAGE		ASSET FOR INCURRED CLAIMS CONTRACTS UNDER PAA		
	Excluding loss recovery component	Loss recovery component	Present value of future cash flows	Risk adjustment	Total
<b>Reinsurance contract assets, beginning of period</b>	\$ (770)	-	29,272	1,747	30,249
<b>Allocation of reinsurance premiums</b>	(5,640)	-	-	-	(5,640)
Amounts recoverable for incurred claims and other expenses	-	-	3,025	170	3,195
Loss recoveries and reversals on onerous contracts	-	-	-	-	-
Prior-year development	-	-	-	-	-
Adjustments to assets for incurred claims	-	-	1,101	62	1,163
<b>Amounts recoverable from reinsurers</b>	-	-	4,126	232	4,358
<b>Net expense from reinsurance contracts</b>	(5,640)	-	4,126	232	(1,282)
Reinsurance finance income/(expense)	-	-	1,534	92	1,626
<b>Total changes in Profit &amp; Loss</b>	(5,640)	-	5,660	324	344
<b>Cash flows</b>					
Premium paid	5,582	-	-	-	5,582
Amounts received	-	-	(80)	-	(80)
<b>Total cash flows</b>	5,582	-	(80)	-	5,502
<b>Reinsurance contract assets, end of period</b>	\$ (828)	-	34,852	2,071	36,095

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

FOR THE YEAR ENDED DECEMBER 31, 2023	ASSET FOR REMAINING COVERAGE		ASSET FOR INCURRED CLAIMS CONTRACTS UNDER PAA		
	Excluding loss recovery component	Loss recovery component	Present value of future cash flows	Risk adjustment	Total
<b>Reinsurance contract assets, beginning of period</b>	\$ (723)	-	28,770	1,667	29,714
<b>Allocation of reinsurance premiums</b>	(6,069)	-	-	-	(6,069)
Amounts recoverable for incurred claims and other expenses	-	-	3,349	184	3,533
Loss recoveries and reversals on onerous contracts	-	-	-	-	-
Prior-year development	-	-	-	-	-
Adjustments to assets for incurred claims	-	-	(2,784)	(169)	(2,953)
<b>Amounts recoverable from reinsurers</b>	-	-	565	15	580
<b>Net expense from reinsurance contracts</b>	(6,069)	-	565	15	(5,489)
Reinsurance finance income/(expense)	-	-	1,287	77	1,364
<b>Total changes in Profit &amp; Loss</b>	(6,069)	-	1,852	92	(4,125)
<b>Cash flows</b>					
Premium paid	6,022	-	-	-	6,022
Amounts received	-	-	(1,350)	(12)	(1,362)
<b>Total cash flows</b>	6,022	-	(1,350)	(12)	4,660
<b>Reinsurance contract assets, end of period</b>	\$ (770)	-	29,272	1,747	30,249

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

## 12. 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 E&O insurance program with the Company.

The insurance policy under the Mandatory E&O 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, 2024, 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 Insurance contract 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, 2024, \$113.9M of the Insurance Revenue was related to Mandatory E&O insurance coverage provided to the Law Society and its members (2023: \$110.2M). Insurance contract liabilities relating to Mandatory E&O coverage was \$397.1M as at December 31, 2024 (2023: \$402.6M). As at December 31, 2024, the Company had a balance due from the Law Society of \$9.0M (2023: \$11.3M due from Law Society). Out of this due from the Law Society balance, \$1.0M (2023: \$3.2M) relates to non-insurance. The balance due from Law Society is due on demand and bears no interest.

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

The total compensation to Officers and Directors of the Company, being those having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly, is as follows:

FOR THE YEARS ENDED DECEMBER 31	2024	2023
Short-term compensation and benefits	\$ 3,843	3,303
Post employment benefits	369	321
	<b>\$ 4,212</b>	<b>3,624</b>

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

## 13. EMPLOYEE BENEFITS

The Company has a Defined Contribution Pension Plan which is available to all its employees upon meeting the eligibility requirements. In 2024, each employee was required to contribute a minimum of 4% of their annual salary and may voluntarily contribute up to an additional 4%, up to a combined maximum employee contribution of 8%. In 2023, each employee was required to contribute 4.5% of their annual salary up to the year's maximum pensionable earnings plus 6% of annual earnings more than the maximum pensionable earnings. Under the plan, the Company matches all employee contributions. In 2024, the Company made payments of \$1,405,457 (2023: \$854,387) and recorded pension expense of \$1,437,947 (2023: \$886,031).

The Company also has a Supplemental Designated Executive Plan for certain designated employees 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 SDEP commenced in 2005, with no contributions made in 2024 (2023: nil) and recorded \$61,783 pension expense in 2024 (2023: \$25,470 pension income). Funding requirements are reviewed annually with an actuarial valuation for funding purposes effective as at December 31. As the Company's SDEP qualifies as a Retirement Compensation Arrangement ("RCA") 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, 2024. Management's preliminary estimate is that there are no required contributions to the plan during the year ending December 31, 2025.

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

The SDEP 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.

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

The following represents the assets and liabilities associated with pension benefits:

<i>SDEP obligation</i> <b>AS AT</b>	<b>DECEMBER 31, 2024</b>	<b>DECEMBER 31, 2023</b>
<b>Accrued benefit obligation</b>		
Balance, as at January 1	\$ 8,237	7,629
Current service cost	271	224
Interest cost	373	374
Remeasurement (gains) losses:		
Actuarial (gains) losses - financial assumptions	-	352
Actuarial (gains) losses - experience adjustments	6	95
Benefits paid	(437)	(437)
<b>Balance, as at December 31</b>	<b>\$ 8,450</b>	<b>8,237</b>

<i>SDEP assets</i> <b>AS AT</b>	<b>DECEMBER 31, 2024</b>	<b>DECEMBER 31, 2023</b>
<b>Plan assets</b>		
Fair value, as at January 1	\$ 12,747	12,563
Interest income on plan assets	582	623
Return on plan assets greater (less) than interest	373	(2)
Benefits paid	(437)	(437)
<b>Balance, as at December 31</b>	<b>\$ 13,265</b>	<b>12,747</b>

The SDEP assets arise primarily from employer contributions that are originally allocated between fixed income securities, investments in the units of a balanced equity pooled fund, and a real estate 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:

<b>AS AT</b>	<b>DECEMBER 31, 2024</b>	<b>DECEMBER 31, 2023</b>
Equity securities	36.4%	33.7%
Fixed income securities	10.3%	10.6%
Real Estate	10.3%	10.6%
Cash & cash equivalents	1.46%	0.6%
Refundable-tax account	41.6%	44.5%
<b>Balance, as at December 31</b>	<b>100.0%</b>	<b>100.0%</b>

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

<b>AS AT</b>	<b>DECEMBER 31, 2024</b>	<b>DECEMBER 31, 2023</b>
Fair value of plan assets	\$ 13,265	12,747
Accrued benefit obligation	(8,450)	(8,237)
<b>Balance, as at December 31</b>	<b>\$ 4,815</b>	<b>4,510</b>

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



# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

SDEP Expense AS AT	DECEMBER 31, 2024	DECEMBER 31, 2023
Current service cost	\$ 271	224
Net interest (income) expense	(209)	(249)
<b>Components of defined benefit costs recognized in profit or loss</b>	<b>\$ 62</b>	<b>(25)</b>
Actuarial (gain) loss due to liability experience	6	95
Actuarial (gain) loss due to liability assumption changes	-	352
<b>Actuarial (gain) loss arising during the year</b>	<b>6</b>	<b>447</b>
Return on plan assets (greater) less than discount rate	(372)	2
<b>Components of defined benefit costs recognized in OCI</b>	<b>\$ (366)</b>	<b>449</b>

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

AS AT	2024	2023
Discount rate	4.65%	4.65%
Rate of compensation increase	3.50%	3.50%
Mortality	CPM 2014 Priv mortality table with generations 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 generations 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, 2024, if the discount rate was 1.0% higher/(lower) the defined benefit obligation would decrease by \$837,894 (increase by \$998,054). 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 SDEP obligation as at December 31, 2024, is as follows:

FOR THE YEARS ENDED DECEMBER 31	2025	2026	2027	2028	2029	Post 2024
Expected benefit payments	\$ 437	435	434	555	675	3,296

The SDEP obligation by participant category is as follows:

AS AT	2024	2023
Active participants	\$ 2,479	2,133
Pensioners	5,971	6,104
<b>Total</b>	<b>\$ 8,450</b>	<b>8,237</b>

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

## 14. INCOME TAXES

### a) Income tax expense recognized in comprehensive income

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

FOR THE YEARS ENDED DECEMBER 31	2024	2023
<b>Current income tax</b>		
Expensed (recovered) during the year	\$ 12,636	1,674
Prior year adjustments	(432)	703
Total current income tax expense (recovery)	12,204	2,377
<b>Deferred income tax</b>		
Origination and reversal of temporary differences	(100)	6,982
IFRS 17 adoption and impact of the IFRS 17 transitional adjustment	(1,231)	(1,312)
Total deferred income tax expense (recovery)	(1,331)	5,670
<b>Total income tax</b>	<b>\$ 10,873</b>	<b>8,047</b>

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

FOR THE YEARS ENDED DECEMBER 31	2024	2023
Unused tax losses	\$ -	6,916
IFRS 17 adoption and impact of the IFRS 17 transitional adjustment	(1,231)	(1,312)
Pensions	3	21
Investments	(41)	(40)
Insurance contract liabilities	44	(117)
Fixed, intangible, and other assests	(106)	202
<b>Total deferred income tax expense (recovery)</b>	<b>\$ (1,331)</b>	<b>5,670</b>

### b) 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 comprehensive income.

FOR THE YEARS ENDED DECEMBER 31	2024		2023	
Profit or loss before income taxes	\$ 43,031		29,416	
Income tax (expense) recovery	(10,873)		(8,047)	
Profit or loss after income taxes	32,158		21,369	
Statutory income tax	11,403	26.5%	7,795	26.5%
Investments	(305)	-0.7%	(264)	-0.9%
Other non-deductible items	(225)	-0.5%	516	1.8%
<b>Income tax (expense) recovery</b>	<b>\$ 10,873</b>	<b>25.3%</b>	<b>8,047</b>	<b>27.4%</b>

The statutory rate applicable to the Company at December 31, 2024, is the same as at December 31, 2023.

During the year, the Company made income tax payments of \$3,483,825 (2023: \$208,253) and received income tax refunds of \$491,659 (2023: \$2,965,565) from the various taxing authorities.

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

## c) 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:

AS AT DECEMBER 31	2024	2023
<b>Deferred tax assets</b>		
Insurance contract liabilities	\$ 6,243	6,208
Fixed & intangible assets & other	337	468
	<b>6,580</b>	<b>6,676</b>
<b>Deferred income tax liabilities</b>		
IFRS 17 transitional adjustment	(3,694)	(5,247)
Fixed & intangible assets & pension	(1,990)	(2,214)
Reinsurance Contract Assets	(489)	—
Investments	(38)	(80)
	<b>(6,211)</b>	<b>(7,541)</b>
<b>Total net deferred tax assets (liabilities)</b>	<b>\$ 369</b>	<b>(865)</b>
<b>Deferred tax assests</b>		
Within one year	1,122	1,216
Greater than one year	5,458	5,460
	<b>6,580</b>	<b>6,676</b>
<b>Deferred income tax liabilities</b>		
Within one year	(1,786)	(1,354)
Greater than one year	(4,425)	(6,187)
	<b>(6,211)</b>	<b>(7,541)</b>
<b>Total net deferred tax assets (liabilities)</b>	<b>\$ 369</b>	<b>(865)</b>

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.

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

## 15. OPERATING EXPENSES

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

FOR THE YEARS ENDED DECEMBER 31	2024	2023
Claims	\$ 72,657	81,008
Salaries and employee benefits	27,137	23,960
Defined benefit pension plan expense	62	(25)
Directors remuneration	1,107	1,040
Professional Fees	3,925	3,981
Legal fees	123	96
Losses on onerous insurance contracts	7,382	(549)
Amortization of fixed and right of use assets	1,349	1,164
Amortization of intangible assets	1,095	903
Occupancy expenses	1,233	1,211
Information systems	2,809	3,383
Other finance costs	345	363
Other general expenses	3,488	3,380
<b>Subtotal</b>	<b>122,712</b>	<b>119,615</b>
Amounts attributed to insurance acquisition cash flows	(6,790)	(6,265)
Amortization of insurance acquisition cash flows	2,987	2,283
<b>Total</b>	<b>\$ 118,909</b>	<b>115,633</b>
<b>Represented by:</b>		
Insurance Service Expenses	\$ 110,298	107,608
Other General Expenses	8,611	8,025
<b>Total</b>	<b>\$ 118,909</b>	<b>115,633</b>

Included in salaries and benefits are the employer contributions to employee DCP of \$1,405 (2023: \$854).

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

## 16. 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.

## 17. STATUTORY INSURANCE INFORMATION

The Company does not hold any security for the assets for incurred claims from unregistered reinsurers (2024: nil).

## 18. CAPITAL MANAGEMENT

Capital is comprised of the Company's equity. As at December 31, 2024, the Company's equity was \$332,916 (December 31, 2023: \$300,489). The Company's objectives when managing capital are to maintain financial strength and protect its claims paying abilities, to maintain creditworthiness. In conjunction with the Company's Board of Directors and its Audit Committee, 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. These metrics are the 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 property and casualty insurance companies. To ensure that it attains its objectives, the Company has established an internal target of 170% (2023: 170%). The Company has set a preferred operating range of 210% to 240% (2023: 210% to 240%). During the year ended December 31, 2024, the Company complied with the provincial regulators' guidelines and as at December 31, 2024, the Company has a MCT ratio of 257.9% (December 31, 2023: 240.8%). 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.

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

## 19. RISK MANAGEMENT

The adoption of IFRS 17 and IFRS 9 has not changed the company's approach to risk management. 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 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 cyclicity 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.

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

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 by considering 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 inadequate diversification 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 (2023: 99%) and 93% in professional liability (2023: 96%), 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. To mitigate this risk, the Company utilizes information systems to maintain claims data integrity, and the claims provision valuations are prepared by an internal actuary and reviewed by management on a quarterly basis and reviewed by 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 LIC 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 LIC and Asset for Incurred Claims ("AIC"). Reported claims count development factors and average claim severity selections are the most critical of the assumptions used. The following table provides the estimated changes to LIC and AIC if the estimate of unreported claims was 20% higher or if the average claim severity selections were 1% higher. Other changes in assumptions are less material.

AS AT	DECEMBER 31, 2024			DECEMBER 31, 2023		
	LIC	AIC	Net Equity	LIC	AIC	Net Equity
Unreported claims +20%	\$ 2,074	-	(1,525)	\$ 1,589	-	(1,168)
Average claim severities +1%	\$ 1,320	-	(970)	\$ 1,003	-	(737)

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

The following tables summarize the estimates of cumulative LIC and AIC for each successive policy year at each reporting date, together with cumulative claim payments and claims ceded to date.

## LIABILITY FOR INCURRED CLAIMS AS AT DECEMBER 31, 2024

### POLICY YEAR

	All Prior Years	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
<b>Liability of Incurred Claims</b>												
At end of Policy year	\$	104,351	112,369	111,489	107,713	110,804	94,735	104,753	112,946	109,898	113,694	
One Year Later		94,881	105,749	99,581	92,395	103,636	91,154	104,738	109,830	107,101		
Two Years Later		90,722	97,942	96,368	94,427	105,566	90,997	94,344	99,158			
Three Years Later		94,742	96,397	95,215	94,082	101,398	91,504	86,778				
Four Years Later		92,141	94,511	92,909	94,981	102,980	92,333					
Five Years Later		90,143	95,132	93,336	93,772	102,410						
Six Years Later		89,787	94,524	94,361	93,765							
Seven Years Later		88,093	95,965	93,352								
Eight Years Later		87,332	96,969									
Nine Years Later		89,435										
<b>Cumulative Claims Paid</b>												
At end of Policy year		(5,896)	(7,299)	(6,969)	(8,043)	(8,233)	(7,632)	(9,712)	(10,885)	(9,129)	(11,456)	
One Year Later		(19,993)	(21,104)	(22,535)	(21,020)	(25,783)	(21,182)	(22,773)	(29,744)	(29,410)		
Two Years Later		(30,943)	(35,102)	(33,687)	(32,348)	(41,616)	(31,751)	(38,251)	(43,360)			
Three Years Later		(42,433)	(45,204)	(41,954)	(43,269)	(53,060)	(41,466)	(48,196)				
Four Years Later		(54,319)	(55,156)	(51,263)	(51,596)	(61,528)	(48,823)					
Five Years Later		(59,854)	(61,265)	(58,983)	(59,510)	(73,026)						
Six Years Later		(65,522)	(66,154)	(64,825)	(66,236)							
Seven Years Later		(69,743)	(71,898)	(68,628)								
Eight Years Later		(72,897)	(77,771)									
Nine Years Later		(76,917)										
Estimate of Ultimate Claims		89,435	96,969	93,352	93,765	102,410	92,333	86,778	99,158	107,101	113,694	
Cumulative Claims Paid		(76,917)	(77,771)	(68,628)	(66,236)	(73,026)	(48,823)	(48,196)	(43,360)	(29,410)	(11,456)	-
Undiscounted LIC	\$ 30,732	12,518	19,198	24,724	27,529	29,384	43,510	38,582	55,798	77,691	102,238	<b>461,904</b>
Provision for DAE												<b>32,259</b>
Effect of Discounting												<b>(36,412)</b>
Present Value recognized for LIC												<b>457,751</b>



# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

## ASSETS FOR INCURRED CLAIMS AS AT DECEMBER 31, 2024

## POLICY YEAR

	All Prior Years	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
<b>Asset of Incurred Claims</b>												
At end of Policy year	\$	4,345	4,347	4,261	4,349	4,342	4,299	4,354	3,615	3,664	3,334	
One Year Later		4,346	4,347	4,261	4,350	4,342	4,299	3,133	4,989	3,707		
Two Years Later		4,346	4,347	4,260	4,350	4,343	2,882	2,928	4,067			
Three Years Later		4,346	4,347	4,261	4,350	2,888	2,678	3,802				
Four Years Later		4,345	4,347	4,261	2,504	2,683	2,474					
Five Years Later		4,345	4,347	4,050	2,298	2,747						
Six Years Later		4,346	4,083	3,848	3,126							
Seven Years Later		1,883	3,877	4,096								
Eight Years Later		1,677	4,121									
Nine Years Later		4,221										
<b>Cumulative Claims Ceded</b>												
At end of Policy year		-	-	-	-	-	-	-	-	-	-	-
One Year Later		-	-	-	-	-	-	(8)	-	-		
Two Years Later		-	(100)	-	-	(169)	-	(10)	-			
Three Years Later		-	(99)	-	-	(183)	-	(10)				
Four Years Later		-	(1,202)	-	-	(184)	-					
Five Years Later		-	(1,126)	-	-	(230)						
Six Years Later		-	(1,098)	-	-							
Seven Years Later		-	(1,104)	-								
Eight Years Later		-	(1,145)									
Nine Years Later		-										
Estimate of Undiscounted Claims		4,221	4,121	4,096	3,126	2,747	2,474	3,802	4,067	3,707	3,334	
Cumulative Claims Paid		-	(1,145)	-	-	(230)	-	(10)	-	-	-	-
Undiscounted AIC	\$ 5,062	\$4,221	\$2,976	\$4,096	\$3,126	\$2,517	\$2,474	\$3,792	\$4,067	\$3,707	\$3,334	\$39,372
Provision for DAE	-											-
Effect of Discounting												(2,450)
Present Value recognized for AIC												36,922

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

## b) Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a borrower or counterparty to fulfil 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 advisor and 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.

There is no significant credit risk arising from insurance contracts.

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.

The following table provides a credit risk exposure of the Company's applicable investment assets and reinsurance contract assets.

AS AT	DECEMBER 31, 2024					Carrying value
	AAA	AA	A	BBB	Not rated	
Cash and cash equivalents	\$ 29,848	-	3,258	-	296	33,402
Fixed income securities	82,798	185,365	220,719	79,909	-	568,791
Investment income due and accrued	248	857	1,708	799	143	3,755
Reinsurance contract assets	-	-	25,404	10,690	-	36,094
<b>Total</b>	<b>\$ 112,894</b>	<b>186,222</b>	<b>251,089</b>	<b>91,398</b>	<b>439</b>	<b>642,042</b>

AS AT	DECEMBER 31, 2023					Carrying value
	AAA	AA	A	BBB	Not rated	
Cash and cash equivalents	\$ 37,991	-	3,375	-	156	41,522
Fixed income securities	79,055	151,387	222,399	87,160	-	540,001
Investment income due and accrued	268	688	1,822	834	189	3,801
Reinsurance contract assets	-	-	30,249	-	-	30,249
<b>Total</b>	<b>\$ 117,314</b>	<b>152,075</b>	<b>257,845</b>	<b>87,994</b>	<b>345</b>	<b>615,573</b>

Fixed income securities are rated using a composite of Moody's, Standard & Poor, and Dominion Bond Rating Service, and reinsurance contract assets are rated using A.M. Best.

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

## 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.

Insurance contract 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 insurance contract liabilities. Operationally, total investments are managed to provide liquidity and address cash flow needs as claims are settled and preserve capital while maximizing 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, 2024				
	Less than one year	One to five years	Over five years	No fixed maturity	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 33,402	-	-	-	33,402
Investments	46,921	277,462	244,408	152,913	721,704
Investment income due and accrued	3,755	-	-	-	3,755
Reinsurance contract assets	8,474	17,969	9,651	-	36,094
Other assets	2,401	-	-	4,816	7,217
<b>Total</b>	<b>\$ 94,953</b>	<b>295,431</b>	<b>254,059</b>	<b>157,729</b>	<b>802,172</b>
<b>Liabilities</b>					
Lease liabilities	819	3,274	6,890	-	10,983
Expenses due and accrued	3,130	-	-	-	3,130
<b>Total</b>	<b>\$ 3,949</b>	<b>3,274</b>	<b>6,890</b>	<b>-</b>	<b>14,113</b>

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

AS AT	DECEMBER 31, 2023				
	Less than one year	One to five years	Over five years	No fixed maturity	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 41,522	-	-	-	41,522
Investments	67,527	261,952	210,522	134,419	674,420
Investment income due and accrued	3,801	-	-	-	3,801
Reinsurance contract assets	6,989	15,553	7,707	-	30,249
Other assets	4,671	-	-	4,510	9,181
<b>Total</b>	<b>\$ 124,510</b>	<b>277,505</b>	<b>218,229</b>	<b>138,929</b>	<b>759,173</b>
<b>Liabilities</b>					
Lease liabilities	819	3,274	7,709	-	11,802
Expenses due and accrued	3,419	-	-	-	3,419
<b>Total</b>	<b>\$ 4,238</b>	<b>3,274</b>	<b>7,709</b>	<b>-</b>	<b>15,221</b>

The following table summarises the maturity profile of portfolios of insurance contract liabilities of the Company based on the estimates of the undiscounted future cash flows expected to be paid out in the periods presented.

2024						
	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Insurance contract liabilities	\$ 98,118	76,399	61,916	52,127	44,549	140,175
						<b>473,284</b>

2023						
	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Insurance contract liabilities	\$ 100,659	81,173	66,175	55,182	43,635	134,575
						<b>481,399</b>

## d) Market 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.

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

For financial assets and 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.

The following table presents an analysis of how a possible change in interest rates may impact the balances of investment assets and insurance contract liabilities, as well as the net impact on profit or loss and equity. The Company's other financial assets and liabilities are not significantly sensitive to interest rates.

AS AT	IMPACT OF 1% INCREASE IN INTEREST RATES ON INVESTMENTS DECEMBER 31, 2024		IMPACT OF 1% INCREASE IN INTEREST RATES ON INVESTMENTS DECEMBER 31, 2024	
	Profit (loss)	Equity	Profit (loss)	Equity
Investments	\$ (22,927)	(16,851)	24,517	18,020

AS AT	DECEMBER 31, 2023		DECEMBER 31, 2023	
	Profit (loss)	Equity	Profit (loss)	Equity
Investments	\$ (20,026)	(14,719)	21,303	15,658

AS AT	IMPACT OF 1% INCREASE IN INTEREST RATES ON INSURANCE CONTRACT LIABILITIES DECEMBER 31, 2024		IMPACT OF 1% INCREASE IN INTEREST RATES ON INSURANCE CONTRACT LIABILITIES DECEMBER 31, 2024	
	Profit (loss)	Equity	Profit (loss)	Equity
Insurance contract liabilities	\$ 14,288	10,502	(15,340)	(11,275)

AS AT	DECEMBER 31, 2023		DECEMBER 31, 2023	
	Profit (loss)	Equity	Profit (loss)	Equity
Insurance contract liabilities	\$ 13,791	10,136	(14,779)	(10,863)

Market risk and interest rate risk is managed through established policies and standards of practice that limit market risk and interest rate risk exposure. Company-wide market risk 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.

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

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 following chart provides the estimated changes to the Company's after-tax profit/(loss), assuming all other variables held constant, after an immediate 10% shock to equity prices as at December 31.

AS AT DECEMBER 31		Impact on after-tax profit (loss)	
		2024	2023
Equity prices	+10%	\$ 11,209	9,849
	-10%	\$ (11,209)	(9,849)

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 exist in a different currency than the currency in which they are measured. As the Company does not hold significant liabilities in foreign currencies, limited currency risk is borne by the Company. The table below details the effect of a 10% movement of Canadian dollar against other currencies as at December 31, with all other variables held constant.

AS AT DECEMBER 31		Effect on profit (loss) before taxes			
		2024		2023	
		10%	-10%	10%	-10%
<b>Currancies</b>					
US Dollar	\$	6,238	(6,238)	5,267	(5,267)
Taiwan Dollar		785	(785)	381	(381)
Other		2,408	(2,408)	2,083	(2,083)
	\$	<b>9,431</b>	<b>(9,431)</b>	<b>7,731</b>	<b>(7,731)</b>

The Company also manages concentration risk. Concentration risk arise when several 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. The Company is exposed to concentration of credit risk where exposure to a single debtor or a group of related debtors that have similar credit risk characteristics or in the same geographic region exists. To minimize concentrations of credit risk, the Company applies specific policies on maintaining a diversified portfolio. Identified risk concentrations are managed accordingly.

# Notes to Financial Statements

For the year ended December 31, 2024 (Amounts stated in thousands of Canadian dollars)

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

AS AT	DECEMBER 31, 2024					
	Cash and cash equivalents	Fixed income securities	Equities	Investment income due and accrued	Total	% of total
Canada	\$ 33,106	535,780	58,846	3,534	631,266	83.2%
USA	4	33,011	62,217	163	95,395	12.6%
Taiwan	-	-	7,849	-	7,849	1.0%
United Kingdom	-	-	6,321	-	6,321	0.8%
Others	292	-	17,680	58	18,030	2.4%
<b>Total</b>	<b>\$ 33,402</b>	<b>568,791</b>	<b>152,913</b>	<b>3,755</b>	<b>758,861</b>	<b>100.0%</b>

AS AT	DECEMBER 31, 2023					
	Cash and cash equivalents	Fixed income securities	Equities	Investment income due and accrued	Total	% of total
Canada	\$ 41,591	505,075	57,110	3,501	607,277	84.4%
USA	11	34,926	52,749	237	87,923	12.2%
Switzerland	14	-	6,024	-	6,038	0.8%
United Kingdom	-	-	6,132	-	6,132	0.9%
Others	(94)	-	12,403	63	12,372	1.7%
<b>Total</b>	<b>\$ 41,522</b>	<b>540,001</b>	<b>134,418</b>	<b>3,801</b>	<b>719,742</b>	<b>100.0%</b>

# Board of Directors

As at December 31, 2024



**Andrew J. Spurgeon**  
Chair of the Board



**Frederick W. Gorbet, O.C.**  
Vice Chair of the Board



**Daniel E. Pinnington**  
President & CEO, LAWPRO



**Susan M. Armstrong,**  
FCPA FCA



**Clare A. Brunetta**  
Principal, Clare A. Brunetta



**Rebecca Durcan**



**Susan Forbes, KC**



**Heather L. Hansen, C.S.**



**Rita Hoff**  
President, R. Hoff Financial  
Management Ltd.



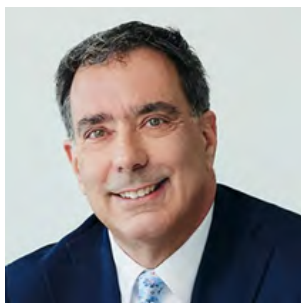
**Diana C. Miles**  
Chief Executive Officer, The Law  
Society of Ontario



**Binah Nathan**



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



**Mark Surchin**



**Mark D. Tamminga**  
Partner, Gowling WLG



**Anne-Marie Vanier**

FCA denotes Fellow  
Chartered Accountant

FCPA denotes Fellow Chartered  
Professional Accountant



# Management

As at December 31, 2024



**Daniel E. Pinnington**  
President & CEO



**Stephen R. Freedman**  
Executive Vice President and  
General Counsel



**Krista Franklin**  
Chief Financial Officer



**Domenic Bellacicco**  
Vice President, Claims



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



**Naomi Dummett**  
Director of Communications



**Mark Huttram**  
Vice President, TitlePLUS



**Ray Leclair**  
Vice President Public Affairs



**Mike Seto**  
Chief Information Officer



**Karen Wood**  
Vice President, Human Resources  
& Administration

## Board Committees

### EXECUTIVE COMMITTEE<sup>1</sup>

Andrew Spurgeon,  
Chair of Board  
Frederick W. Gorbet,  
Vice Chair of Board  
Sue Armstrong  
Daniel E. Pinnington (A), CEO

### AUDIT COMMITTEE<sup>2</sup>

Sue Armstrong\*  
Diana C. Miles (A)  
Binah Nathan  
David R. Oliver  
Anne-Marie Vanier  
Heather Hansen

### CONDUCT REVIEW COMMITTEE<sup>2</sup>

Binah Nathan\*  
Sue Armstrong  
David R. Oliver  
Anne-Marie Vanier

### INVESTMENT COMMITTEE

Rita Hoff\*  
Binah Nathan  
David R. Oliver  
Sue Armstrong  
Mark Surchin  
Mark D. Tamminga

### GOVERNANCE COMMITTEE

Clare A. Brunetta\*  
Sue Armstrong  
Susan Forbes  
Rita Hoff  
Mark Surchin

### RISK COMMITTEE

Anne-Marie Vanier\*  
Susan M. Armstrong  
Clare A. Brunetta  
Susan Forbes  
Rita Hoff  
Rebecca Durcan  
Mark D. Tamminga

<sup>1</sup> 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.

<sup>2</sup> 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.

\* Committee Chair

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

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

# 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.



Risk management  
practicepro.ca



Additional professional  
liability insurance  
lawpro.ca/excess



Title insurance  
titleplus.ca



AvoidAClaim.com



LAWPRO



LAWPRO insurance  
TitlePLUS Home Buying Guide – Canada



LAWPRO  
TitlePLUS



LAWPRO

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Pour obtenir une copie de ce rapport annuel, veuillez contacter le département de la prévention de réclamations et relations avec les intervenants.

# **FOR INFORMATION**

## **LiRN INC. – Audited Financial Statements for the year ended December 31, 2024**

The audited Annual Financial Statements for LiRN Inc. (LiRN) for the year ended December 31, 2024 are presented to the Audit and Finance Committee and to Convocation, for information.

LiRN is the central manager of the Ontario county courthouse library system in accordance with the objectives, policies and principles established and approved by the Law Society, in consultation with the Federation of Ontario Law Associations (FOLA) and the Toronto Lawyers' Association (TLA), all shareholders of the organization.

LiRN is a wholly owned subsidiary of the Law Society with two classes of shares: 100 common shares and 100 special shares. The Law Society holds all of the common shares outstanding. Of the special shares outstanding, 25 are held by the TLA and 75 are held by the FOLA.

LiRN's operating budget is primarily funded by a grant from the Law Society through the lawyer annual fee. This grant is determined and approved as part of the Law Society annual budget process. LiRN's 2024 approved budget of \$10.8 million includes the grant from the Law Society of \$10.08 million, funded through the County Libraries Fund component of the lawyer annual fee of \$207 per lawyer.

Any variance resulting from the imposition of the per lawyer fee on the actual number of lawyers billed and the grant paid to LiRN is retained in the Law Society's County Libraries Fund. This Fund is available to mitigate the future LiRN component of the annual fee or to support LiRN operations at the discretion of Convocation. Grants to the 48 county libraries comprised most of LiRN's expenditures with the balance being centralized expenses such as access to online research products.

In addition to Law Society funding, in 2023 and 2024 LiRN also received grant funding from the Law Foundation of Ontario to support a special project to foster innovation and promote equity of access to legal resources in the province.

These financial statements have been approved by the LiRN Board. They received an unqualified audit opinion from the auditors, BDO Canada LLP, with no issues or control deficiencies identified.



Legal Information and Resource Network

## MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2024

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### Results of Operations

The financial results of LiRN Inc. (LiRN) were in line with its 2024 operational budget with overall expenses exceeding revenues by \$178,000 (2023 – \$291,000 excess revenues over expenses). The 2024 budget planned for expenses to exceed revenues by \$200,000 through use of available fund balance within the General Fund. LiRN ends the year in a solid financial position with total fund balances of \$975,000. While expenses items such as electronic products and services exceeded budget, overall results were slightly better than anticipated following lower insurance and benefit costs as well as notable interest returns on holdings in LiRN's bank account.

The grant from the Law Society of Ontario (Law Society) for LiRN operations was \$10.08 million, an increase of 5% over the prior year (2023 - \$9.6 million), which provided for:

- an overall increase of \$900,000, or 12%, in comparison to 2023, to fund the operation of the 48 county and district law libraries, and
- maintaining the expanded e-LiRN suite of digital legal resources that is accessible through the network of county and district law libraries.

In 2024, LiRN also received \$560,000 in additional funding as part of the \$1.4 million grant from The Law Foundation of Ontario (the Foundation) for the Innovation and Equity of Access in Ontario Courthouse Libraries Project (Innovation Project) approved in 2023. With the Foundation's generous funding commitment, LiRN continued to foster innovation and promote equity of access to legal resources across the 48 county law libraries, giving them an opportunity to:

- experiment with and pilot new technologies, equipment, and service models, and
- address discrepancies in their print and digital collection legal resources.

LiRN moves into 2025 positioned to sustain its support of the county law library network while it also invests in increasing the accessibility of legal information resources across the province and in evolving and modernizing the delivery of legal information services through the Innovation Project that will continue throughout the year.

## Statement of Revenues and Expenses

### *Revenues*

LiRN's primary source of revenue, the Law Society grant, totalled \$10.08 million (2023 - \$9.6 million). It predominantly funds the operation of the 48 county libraries across Ontario, electronic legal information resources available through the libraries, and LiRN administration.

As noted above, LiRN received a second grant instalment of \$560,000 from the Foundation in 2024, for a total of \$1.26 million since the Innovation Project launched in 2023. This funding is designated solely for expenses incurred in relation to the Innovation Project and is recognized as revenue when project expenses are incurred. In 2024, \$468,000 of the Foundation funding was invested in related activities, which included select grants to libraries for approved initiatives that align with Innovation Project objectives.

### *Expenses*

Head office and administration expenses for 2024 of \$566,000 (2023 - \$465,000) increased in comparison to prior year, primarily attributable to staffing related costs and professional fees. A portion of these expenses pertain to the Innovation Project and are partially offset by the related funding.

With the continuation of expanded centralized digital legal resources through e-LiRN, and annual service contract inflationary increases, expenses for electronic products and services for 2024 increased to \$1.17 million (2023 - \$1.07 million).

County and district law library grants of \$8.6 million (2023 - \$7.7 million) are detailed by county in the notes to the financial statements and include the annual grants approved as part of the 2024 budget and interim grants from the Capital Fund or as otherwise approved by LiRN's Board. In addition, \$317,000 in grants were provided to select libraries to advance the objectives of the Innovation Project.



## **Statement of Financial Position**

At the end of 2024, total assets of \$1.87 million is comparable to the prior year at \$1.98 million, with the change in cash attributed to the inflows and outflows associated with the receipt of Foundation grant funding and Innovation Project related spending. Deferred funding of \$767,000 (2023 - \$674,000) represents the balance of Foundation grant received and available for future Innovation Project related expenses.

The General Fund accounts for the delivery, management and administration of library services. The fund balance of the General Fund decreased to \$375,000 (2023 - \$608,000) with the 2024 budget planning for use of \$200,000 to fund operations and an in-year, Board approved interfund transfer to increase the Capital Fund to \$100,000 (2023 - \$50,000). This Fund was established in 2023 to fund capital expenses or investment in assets for the benefit of the law library network.

The Reserve Fund has an unchanged balance of \$500,000.



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BDO Canada LLP  
360 Oakville Place Drive, Suite 500  
Oakville ON L6H 6K8 Canada

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## Independent Auditor's Report

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**To the Board of Directors of LiRN Inc.**

### **Opinion**

We have audited the financial statements of LiRN Inc. ("LiRN"), which comprise the statement of financial position as at December 31, 2024, the statements of revenues and expenses, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of LiRN as at December 31, 2024, and its financial performance and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### **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 are independent of LiRN in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other matter**

The financial statements for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 28, 2024.

### **Information Other than the Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.



### **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 Canadian accounting standards for not-for-profit organizations, 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 LiRN'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 LiRN or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing LiRN'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 LiRN'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 LiRN'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 LiRN 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.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario  
March 31, 2025



Legal Information and Resource Network

## STATEMENT OF FINANCIAL POSITION

*Stated in dollars*

*As at December 31, 2024*


	2024	2023
<b>Assets</b>		
<b>Current Assets</b>		
Cash	1,739,932	1,903,724
Accounts receivable	50,144	38,103
Prepaid expenses	81,613	40,026
<b>Total Assets</b>	<b>1,871,689</b>	<b>1,981,853</b>
<b>Liabilities, Share Capital &amp; Fund Balances</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (notes 4 and 7)	130,048	154,484
Deferred funding (note 5)	766,641	674,449
<b>Total Liabilities</b>	<b>896,689</b>	<b>828,933</b>
<b>Share Capital &amp; Fund Balances</b>		
Share capital (notes 1 and 6)	200	200
General fund	374,800	608,117
Capital fund (note 11)	100,000	44,603
Reserve fund	500,000	500,000
<b>Total Share Capital &amp; Fund Balances</b>	<b>975,000</b>	<b>1,152,920</b>
<b>Total Liabilities, Share Capital &amp; Fund Balances</b>	<b>1,871,689</b>	<b>1,981,853</b>

*The accompanying notes are an integral part of these financial statements*

On behalf of the Board of Directors

Signed by:  
  
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Chair – Board of Directors

DocuSigned by:  
  
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Vice-Chair – Board of Directors



Legal Information and Resource Network

## STATEMENT OF REVENUES AND EXPENSES

*Stated in dollars*

*For the year ended December 31, 2024*

	2024	2023
<b>Revenues</b>		
Law Society of Ontario grant (note 7)	10,079,900	9,572,427
Law Foundation of Ontario grant (note 5)	467,808	25,551
Interest income	83,893	58,122
<b>Total Revenues</b>	<b>10,631,601</b>	<b>9,656,100</b>
<b>Expenses</b>		
<b>Head Office / Administration</b>		
Administration	392,050	362,821
Professional fees	112,976	60,784
Other (note 8)	61,348	41,229
<b>Total Head Office / Administration Expenses</b>	<b>566,374</b>	<b>464,834</b>
<b>Law Libraries - Centralized Purchases</b>		
Electronic products and services (note 7)	1,171,142	1,065,114
Group benefits and insurance	408,046	364,131
Group benefits premiums refund (note 9)	-	(100,567)
IT Infrastructure	-	2,965
Other (notes 7 and 10)	119,525	106,886
<b>Total Law Libraries - Centralized Purchases</b>	<b>1,698,713</b>	<b>1,438,529</b>
<b>Grants</b>		
County and district law libraries grants (note 12)	8,601,180	7,706,939
Innovation & Equity of Access project grants to law libraries	317,145	-
<b>Total Grants to County and District Law Libraries</b>	<b>8,918,325</b>	<b>7,706,939</b>
<b>Total Expenses</b>	<b>11,183,412</b>	<b>9,610,302</b>
<b>Excess of (Expenses over Revenues) Revenues over Expenses from</b>		
<b>Operations</b>	<b>(551,811)</b>	<b>45,798</b>
<b>Recovered County Library Excess Fund Balances</b>	<b>373,891</b>	<b>244,731</b>
<b>Excess of (Expenses over Revenues) Revenues over Expenses</b>	<b>(177,920)</b>	<b>290,529</b>

*The accompanying notes are an integral part of these financial statements*



Legal Information and Resource Network

## STATEMENT OF CHANGES IN FUND BALANCES

*Stated in dollars*

*For the year ended December 31, 2024*

	2024			2023	
	General Fund	Capital Fund	Reserve Fund	Total	
Balance, beginning of year	608,117	44,603	500,000	<b>1,152,720</b>	862,191
<b>Excess of (Expenses over Revenues) Revenues over Expenses</b>	(176,140)	(1,780)	-	<b>(177,920)</b>	290,529
Interfund transfers (note 11)	(57,177)	57,177	-	-	-
<b>Balance, end of year</b>	<b>374,800</b>	<b>100,000</b>	<b>500,000</b>	<b>974,800</b>	1,152,720

*The accompanying notes are an integral part of these financial statements*



Legal Information and Resource Network

## STATEMENT OF CASH FLOWS

*Stated in dollars*

*For the year ended December 31, 2024*

	2024	2023
<b>Net inflow (outflow) of cash related to the following activities</b>		
<b>Excess of (Expenses over Revenues) Revenues over Expenses for the year</b>	<b>(177,920)</b>	290,529
Net change in non-cash operating working capital items:		
Accounts receivable	(12,041)	(6,422)
Prepaid expenses	(41,587)	2,331
Accounts payable and accrued liabilities	(24,436)	(24,255)
Deferred Revenue	92,192	674,449
<b>Cash (used)/sourced in operating activities</b>	<b>(163,792)</b>	936,632
<b>Net (outflow) inflow of Cash during the year</b>	<b>(163,792)</b>	936,632
Cash, beginning of year	1,903,724	967,092
<b>Cash, end of year</b>	<b>1,739,932</b>	1,903,724

*The accompanying notes are an integral part of these financial statements*





Legal Information and Resource Network

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ending December 31, 2024*

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### 1. General

LiRN Inc. (LiRN) was established to develop policies, procedures, guidelines and standards for the delivery of county law library services and legal information across Ontario, and to administer funding from the Law Society of Ontario (Law Society).

LiRN has two classes of shares: Common shares and Special shares. The Law Society holds all of the 100 Common shares outstanding. Of the 100 special shares outstanding, 25 are held by the Toronto Lawyers Association (TLA) and 75 are held by the Federation of Ontario Law Associations (FOLA).

LiRN is not subject to federal or provincial incomes taxes.

The Law Society provides certain support services to LiRN for no fee.

### 2. Significant Accounting Policies

#### ***Basis of Presentation***

The financial statements have been prepared in accordance with the accounting standards for not-for-profit organizations (ASNPO) set out in Part III of the Chartered Professional Accountants of Canada Handbook – Accounting.

#### ***General, Capital and Reserve Funds***

LiRN follows the deferral method to account for its funding. The General Fund accounts for the delivery, management and administration of library services. The Capital Fund is maintained for capital expenses or investment in assets for the benefit of the county law library system. The Reserve Fund is maintained to assist LiRN's cash flows and act as a contingency fund.

#### ***Cash***

Cash consists of amounts on deposit with LiRN's financial institution.

***Deferred Funding***

Deferred funding consists of externally restricted grant funding received that will fund expenses to be incurred in future periods. Deferred funding is recognized as revenue under the deferral method in the year expenses are incurred.

***Revenue Recognition***

Unrestricted grants are recorded as revenue in the General Fund in the fiscal year in which they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted grants are recognized as revenue in the General Fund in the fiscal year the related expenses are incurred if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest income is recognized when the right to receive the interest has been established and if the amount can be reasonably estimated.

***Grants Paid***

Grants paid are recognized in the fiscal year in which they are paid or payable.

***Use of Estimates***

The preparation of financial statements in accordance with ASNPO requires management to sometimes make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the year. Actual results could differ from such estimates.

**3. Financial Instruments**

LiRN's financial assets and financial liabilities are classified and measured as follows:

Asset / Liability	Measurement
Cash	Fair value
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

### ***Credit Risk***

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. LiRN is exposed to credit risk resulting from the possibility that a debtor or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or if financial obligations which have similar economic characteristics are such that they could be similarly affected by changes in economic conditions. LiRN is exposed to credit risk mainly arising from its cash. Management considers its exposure to credit risk over cash to be low as LiRN holds cash deposits at a major Canadian financial institution.

### ***Liquidity risk***

Liquidity risk is the risk that LiRN will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, because of operational liquidity requirements, LiRN will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. LiRN is exposed to this risk mainly in respect of its accounts payable and commitments.

## **4. Accounts Payable and Accrued Liabilities**

There are no amounts payable for government remittances.

## **5. Deferred Funding**

In 2023, the Law Foundation of Ontario (the Foundation) approved funding for LiRN's Innovation and Equity of Access in Ontario Court Libraries project (Innovation & Equity of Access project). Grant payments were received from the Foundation in 2023 and 2024. These amounts are recorded as a liability as they are unearned at year end. The deferred funding balance is as follows:

	<b>2024</b>	<b>2023</b>
Deferred funding, beginning of year	<b>\$674,449</b>	\$ -
Total restricted grants received	<b>560,000</b>	700,000
Total expenses incurred	<b>(467,808)</b>	(25,551)
Deferred funding, end of year	<b>\$766,641</b>	\$674,449

## 6. Share Capital

### Authorized:

Unlimited number of Common shares

Unlimited number of Special shares

### Issued:

	2024	2023
100 Common shares	\$100	\$100
100 Special shares	100	100
<b>Total</b>	<b>\$200</b>	<b>\$200</b>

## 7. Related Party Transactions

LiRN is substantially dependent on the ongoing financial support of the Law Society. LiRN derives a significant portion of its annual funding each year from the Law Society as established in a Unanimous Shareholders Agreement. The Law Society provided LiRN with a grant of \$10,079,900 (2023 - \$9,572,427) during the year, which represents 95% (2023 - 99%) of LiRN's total revenue.

The Law Society provides certain support services to LiRN (note 1) as well as other services and publications.

The total amount billed by the Law Society for 2024 was \$25,210 (2023 - \$33,447). Included in accounts payable and accrued liabilities are amounts due to the Law Society of \$119 (2023 - \$4,149).

The Lawyers' Professional Indemnity Company (LAWPRO) provides professional liability insurance to lawyers in Ontario and is also a wholly owned subsidiary of the Law Society. There were no transactions with LAWPRO during 2024 or 2023.

These transactions are entered in the ordinary course of business and are recorded at fair value.

#### **8. Other Expenses – Head Office/Administration**

Included in these expenses are directors' and officers' insurance, Board of Directors' meetings, telephone services and other miscellaneous items.

#### **9. Group Benefits Premiums Refund**

This reduction of expenses in 2023 relates to a refund of premiums paid in prior periods in excess of the requirements for the plan's Claims Fluctuation Reserve.

#### **10. Other Expenses – County and District Law Libraries – Centralized Purchases**

Included in these expenses are costs associated with continuing education bursaries, conference bursaries, the Conference for Ontario Law Associations' Libraries, document delivery, publications, committee meetings and miscellaneous items.

#### **11. Interfund Transfers**

During the year, LiRN's Board approved an interfund transfer of \$57,177 from the General Fund to the Capital Fund increasing its fund balance to \$100,000.

#### **12. County and District Law Libraries Grants**

These grants represent the quarterly distribution of funds to the 48 County and District Law Associations for library specific operations, including any capital and special needs grants. The grants are distributed in accordance with policies and procedures established by LiRN's Board of Directors. The following page contains individual law library grants that were distributed by the LiRN during 2024 and 2023. It does not reflect grants made related to the Innovation and Equity of Access project.

## County and District Law Libraries Grants

Law Association	2024	2023	Law Association	2024	2023
Algoma	\$183,055	\$166,794	Middlesex	503,179	458,828
Brant	127,421	116,977	Muskoka	83,899	85,590
Bruce	71,101	67,716	Nipissing	98,684	98,694
Carleton	675,513	652,670	Norfolk	134,855	118,788
Cochrane	61,626	56,024	Northumberland	136,176	102,786
Dufferin	73,890	51,100	Oxford	82,490	79,700
Durham	205,067	202,533	Parry Sound	60,131	60,240
Elgin	97,225	95,016	Peel	462,630	326,599
Essex	369,276	355,868	Perth	80,000	72,916
Frontenac	145,000	154,383	Peterborough	162,343	163,099
Grey	79,419	77,150	Prescott & Russell	30,000	22,551
Haldimand	89,908	58,654	Rainy River	36,750	35,000
Halton	244,564	160,000	Renfrew	184,582	162,421
Hamilton	560,373	547,848	Simcoe	224,682	206,568
Hastings	135,821	98,876	Stormont Dundas & Glengarry	140,975	90,000
Huron	110,535	88,218	Sudbury	153,107	199,233
Kenora	98,365	95,500	Temiskaming	51,240	48,514
Kent	108,777	83,129	Thunder Bay	229,998	212,703
Lambton	119,425	117,655	Toronto	635,770	617,252
Lanark	57,300	47,600	Victoria-Haliburton	149,171	117,124
Leeds & Grenville	77,350	65,959	Waterloo	396,886	315,776
Lennox & Addington	39,500	35,800	Welland	179,268	133,231
Lincoln	254,322	214,008	Wellington	87,348	87,348
Manitoulin	-	-	York	312,183	282,500
				<b>\$8,601,180</b>	<b>\$7,706,939</b>