



Annual Report



2000

The Law Society
of British Columbia



The background of the page features a large, faint, light blue seal of the Law Society of British Columbia. The seal is circular and contains a central emblem with a crown at the top, a shield in the middle, and a scale of justice at the bottom. The words "LAW SOCIETY OF BRITISH COLUMBIA" are written around the perimeter of the seal.

PRESIDENT AND VICE-PRESIDENTS

Karl F. Warner, Q.C., President
Richard S. Margetts, Q.C., First Vice-President
Richard C. Gibbs, Second Vice-President

ELECTED BENCHERS

Ralston S. Alexander, Q.C.
Howard R. Berge, Q.C.
Jo Ann Carmichael, Q.C.
Robert D. Diebolt, Q.C.
Ian Donaldson, Q.C.
William M. Everett, Q.C.
Anna K. Fung, Q.C.
David W. Gibbons, Q.C.
Robert W. Gourlay, Q.C.
Gerald J. Kambeitz, Q.C.
Peter J. Keighley, Q.C.
Terence E. La Liberté, Q.C.
Gerald J. Lecovin, Q.C.
Robert W. McDiarmid, Q.C.
D. Peter Ramsay, Q.C.
Emily M. Reid, Q.C.
Patricia L. Schmit
Jane S. Shackell, Q.C.
William J. Sullivan, Q.C.
G. Ronald Toews, Q.C.
Russell S. Tretiak, Q.C.
Ross D. Tunnicliffe
Bruce D. Woolley, Q.C.

LAY BENCHERS

Jaynie W. Clark
Nao Fernando
Ann Howard
Wendy John
Marjorie Martin
Anita Olsen
V. Setty Pendakur

LIFE BENCHERS

R. Paul Beckmann, Q.C.
P. Michael Bolton, Q.C.
Robert W. Bonner, Q.C.
Darrell T.B. Braidwood, Q.C.
Hon. Mr. Justice Thomas R. Braidwood
Cecil O.D. Branson, Q.C.
Trudi L. Brown, Q.C.

Hon. Mr. Justice Grant D. Burnyeat
Hon. A. Brian B. Carrothers, Q.C.
Hon. Mr. Justice Bruce I. Cohen
Hon. Mr. Justice George S. Cumming
Robert M. Dick, Q.C.
Hon. Ujjal Dosanjh, Q.C.
Leonard T. Doust, Q.C.
Hon. Mr. Justice Jack L.T. Edwards
Hon. Thomas K. Fisher, Q.C.
Hon. Dr. James J. Gow, Q.C.
Arthur M. Harper, Q.C.
Hon. David B. Hinds, Q.C.
John M. Hogg, Q.C.
H. Allan Hope, Q.C.
Hon. Henry E. Hutcheon, Q.C.
Robert T.C. Johnston, Q.C.
Donald J. Lawson, Q.C.
Peter Leask, Q.C.
Hon. Hugh P. Legg, Q.C.
Hon. Charles C. Locke, Q.C.
James M. MacIntyre, Q.C.
Hon. Chief Justice Allan D. McEachern
Hon. Meredith M. McFarlane, Q.C.
Hon. Lloyd G. McKenzie, Q.C.
Brian W.F. McLoughlin, Q.C.
Colin D. McQuarrie, Q.C.
Hon. Kenneth E. Meredith
Hon. Peter J. Millward, Q.C.
Dennis J. Mitchell, Q.C.
Karen F. Nordlinger, Q.C.
Richard C.C. Peck, Q.C.
Harry Rankin, Q.C.
Norman Severide, Q.C.
Donald A. Silversides, Q.C.
Gary L.F. Somers, Q.C.
Hon. Madam Justice Mary F. Southin
Marvin R.V. Storrow, Q.C.
Benjamin B. Trevino, Q.C.
William M. Trotter, Q.C.
Alan E. Vanderburgh, Q.C.
Brian J. Wallace, Q.C.
Warren T. Wilson, Q.C.

2000 Benchers



(Front row) Jo Ann Carmichael, Q.C., Vice-President Richard Margetts, Q.C., President Karl Warner, Q.C., Second Vice-President Richard Gibbs, Howard Berge, Q.C. (Second row) Gerald Lecovin, Q.C., Marjorie Martin, Patricia Schmit, Robert McDiarmid, Q.C., Jaynie Clarke (Third row) Gerald Kambeitz, Q.C., Russell Tretiak, Q.C., Ralston Alexander, Q.C., William Everett, Q.C., William Sullivan, Q.C., Jane Shackell, Q.C. (Back row) Ian Donaldson, Q.C., Ronald Toews, Q.C., Terence La Liberté, Q.C., Peter Keighley, Q.C., Robert Diebolt, Q.C., Peter Ramsay, Q.C. (Not pictured) Nao Fernando, David Gibbons, Q.C., Robert Gourlay, Q.C., Ann Howard, Wendy John, Anita Olsen, Dr. Setty Pendakur, Emily Reid, Q.C., Ross Tunnicliffe, Bruce Woolley, Q.C.

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President's report

by Karl F. Warner, Q.C.

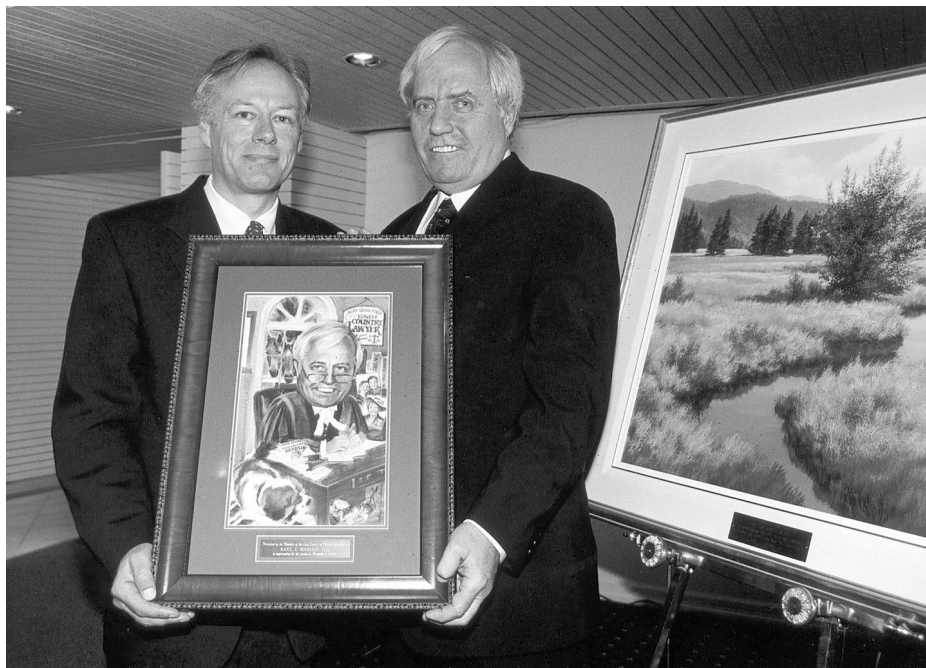
To begin, let me express my thanks for the opportunity to have served as your President and to have met so many of you in communities across B.C. during my term.

Over the past several years, I have been struck by the information revolution upon us — one that holds opportunity for lawyers as professionals who provide information and advice — but one that also requires us to change.

The Benchers have a deep and growing appreciation for the challenges confronting lawyers in modern practice. As the public demands legal services that are better, faster and cheaper, the Law Society is committed to reviewing its own regulatory practices and the resources it offers to help, and not impede, lawyers to innovate their services and meet the new demands.

One of the important tools we put in the hands of lawyers in 2000 was Juricert, a reliable online authentication authority that also features PrivateExpress, a secure digital courier service.

Another new resource, CanLII, is poised to become the leading Canadian online library of federal and provincial statutes, regulations and caselaw. This project was coordinated through the Federation of Law Societies, with the full support of the Law Society of B.C. Once its collections are in place, CanLII will help lawyers in all parts of B.C. — from the Kootenays, to the North Coast to the Peace country — gain equal access to legal resources and a more competitive footing with those in the larger urban centres.



Karl Warner, Q.C. accepts a caricature portrait of himself that graced the cover of the Advocate in early 2000 — a gift from the Benchers on his retirement as President. Vice-President Richard Margetts, Q.C. made the presentation and in turn accepted an Okanagan landscape painting, Mr. Warner's parting gift to the Law Society.

What has become very clear to me over the past year is that Law Society issues are no longer amenable to isolated provincial solutions. In this respect, the Futures Task Force of the Law Society now serves as a strategic advisory body to the Benchers on broad questions affecting the delivery of legal services, with an eye to both national and international trends.

The four law societies in Western Canada have also worked together on liberalizing lawyer mobility in the west. We share a commitment to give the public a greater choice of lawyers and give lawyers from smaller centres more flexibility to compete with the larger inter-jurisdictional firms. Another initiative of the western law societies is a conveyancing protocol

to allow lawyers to offer their client financial institutions greater cost-flexibility.

Some B.C. lawyers have recently picked a more entrepreneurial path by offering properties for sale, giving their vendor clients not only a competitive real estate service but also, as always, the benefit of sound legal advice.

As firms change, both in make-up and size, the Law Society has to shift from a narrow focus on individual lawyers to regulatory controls that are just as effective in the large corporate and international law firms increasingly coming on the provincial scene.

The Benchers also focused efforts in 2000 on multi-disciplinary practice in which lawyers might partner with

Year in review



In 2000 the Benchers focused efforts on studying multi-disciplinary practice — both the opportunities it offers and the core values of the legal profession that must be upheld. The full range of issues and a set of draft rules are before the profession for comment in 2001.

non-lawyers. They have looked at the opportunities MDPs offer, the core values our profession must defend and the rules that would need to be in place for multi-disciplinary practice to work. The full range of issues, and a set of draft rules, are before the profession for comment in 2001, and I would challenge those who see the draft rules as not protecting the core values to make suggestions for change that will.

The delivery of legal services is greatly enhanced through more effective use of legal assistants, provided lawyers maintain both supervision and practice standards. In 2000 the Benchers opened the door to legal assistants negotiating certain claims in tort and also launched a task force study on paralegals.

On the educational front, the Law Society sought and received substantial funding from the Law Foundation to advance projects on articling reform and continuing legal education, taking full advantage of new technologies. I have no doubt that an even better system for legal training is ahead.

The Law Society presented to the Minister of Justice and the Attorney General a comprehensive report of a legal aid study in 2000. *Where the Axe Falls* illustrates the serious social consequences of failing to properly fund legal aid — effectively denying poor people access to independent legal counsel. The next time we hear of a deprivation of legal rights, this report stands to remind government that they have been forewarned of the

consequences. Had they the will, they could prevent many injustices, including those that seriously harm women and children.

We are living in a time of deep change, primarily because of the new empowerment and expectations of clients who now have access to a wider legal marketplace. A primary function of the Law Society must be to facilitate and encourage lawyers toward greater invention and ingenuity, while at the same time preserving and protecting the public interest. There is much to be done, and it cannot be done all at once. That said, there is no time to balk at new initiatives on marketing, technology or staffing that can improve the cost, speed and quality of service. Otherwise, lawyers risk being outflanked by the rest of the marketplace.

The work has begun, and I am grateful to have been part of it.

I must thank all the Benchers for working so hard during the year to grapple with these complex issues. They deserve repeated recognition for the time and effort they devote to serving the public and the profession. So too, I would like to thank others who participated on our committees and in other volunteer capacities, ensuring the work of the Society receives high regard and attention.

Finally, the Law Society cannot run effectively without qualified and experienced staff. I would like to thank publicly our Executive Director, Jim Matkin, and his staff generally, for all their support to me and the other Benchers in our efforts to move forward in these new and sometimes difficult times. They give the Benchers valuable advice on the complex directions taken by the buffeting winds of change.

2000 Highlights

Juricert secures online communications

In 2000 B.C. lawyers, their staff and clients gained a new opportunity — to exchange electronic information and documents through a new service that authenticates the identity and professional credentials of lawyers and offers an easy-to-use digital courier service. This courier — unlike email — is safe, reliable, timely and secure, and is a cost-effective alternative to traditional courier services.

The service is available through Juricert Services Inc., a federally incorporated company owned by the Law Society of B.C., but structured to allow for ownership by all Canadian law societies.

The business of Juricert is to increase security and to authenticate the on-line identity of Canadian lawyers and other professionals. To that end, Juricert entered into an agreement with PrivateExpress Inc. of San Mateo, California to license a digital courier service that complements the Juricert authentication service.

Law societies have traditionally authenticated the identity and credentials of lawyers — such as through official certificates of standing — and this authentication is relied upon by courts and government agencies worldwide. As registries move to on-line filings, the Juricert program will allow law societies to continue in that tradition and help lawyers in their work as trusted providers of legal services.

The PrivateExpress software has a user-friendly interface and functions similar to email, allowing users to send, receive and track receipt of



Juricert — a new service introduced to the profession in 2000 — authenticates the identity and professional credentials of lawyers, and offers PrivateExpress, an easy-to-use digital courier service for lawyers, their clients and staff.

messages and attachments over the Internet using public key infrastructure (PKI) technology for encryption.

Under the Juricert program, the professional status of lawyers can be identified. If a lawyer ceases as a member of a law society or is suspended, his or her online certificate is revoked, which is known to others relying on the system. This service will be useful for a range of applications, including digital courier.

The advantages to lawyers in registering for the Juricert/PrivateExpress service and using the software are many:

- The identity and professional status of all lawyers using the service is authenticated online;
- Confidential communications (lawyer/lawyer or lawyer/client)

are encrypted and cannot be read by others;

- The integrity of communications is assured, and messages and attachments cannot be altered during transmission;
- Communications and attachments are recorded and tracked, and lawyers receive proof of sending and delivery;
- Because identity and delivery can be verified, communications cannot be repudiated;
- Transmissions are timely and less costly than traditional courier;
- The service provides the framework for future online applications, such as online filing of land title documents.

Year in review



Research on the Internet ... fast becoming a common feature of legal practice. One of the technology projects the Law Society has helped initiate, through the Federation of Law Societies, is the Canadian Legal Information Institute (CanLII). The CanLII website will make federal and provincial statutes, regulations and case law available on the Internet, 24 hours a day, seven days a week, at no cost to lawyers or the public.

CanLII: the virtual law library

With the introduction of CanLII.org in 2000, the “virtual law library” is not far away.

The vision of the Canadian Legal Information Institute (CanLII) is to create an original web resource that will make primary legal materials available on the Internet, 24 hours a day, seven days a week, at no cost to lawyers or the public.

In October, 2000 the Benchers in B.C. committed \$7.40 per member to the start-up phase of CanLII. Other law societies are likewise funding the start-up, while government and other public bodies are expected to be approached for funding in the long term.

The CanLII site is being developed by

the University of Montreal LexUM (computer law research) team who are well known for the online publishing and distribution of Supreme Court of Canada and other federal court and tribunal decisions. CanLII is modelled on the website of the Australasian Legal Information Institute (austlii.edu.au) and uses the same powerful SINO search software that has been thoroughly tested by Australian lawyers.

Multi-disciplinary practice approved in principle

The Benchers have seriously considered opening the door to multi-disciplinary practice — in which lawyers can partner with non-lawyers — provided the regulatory framework can protect such core values as solicitor-client privilege, confidentiality and professional independence.

After considering the report of a special working group in early 2000, a majority of the Benchers gave approval to a general framework for multi-disciplinary practice. The Law Society would not regulate an MDP directly as an entity or give advance approval to an MDP. Instead, lawyers would be accountable for ensuring that non-lawyer members of the firm do not contravene ethical standards of the profession — such as the marketing, confidentiality or conflicts rules.

Lawyers could associate in partnership with other self-regulating professionals as well as with non-lawyers in other businesses, and lawyers need not have majority control of the MDP. Non-lawyers who are not partners in the MDP, however, would not be able to contribute capital or share in profits. A multi-disciplinary practice could provide any services its members are competent and licensed to provide.

Later in the year, the Benchers passed principles respecting specific issues such as conflicts of interest, confidentiality, solicitor-client privilege and trust accounting standards in an MDP. These principles were for the guidance of the MDP Task Force, which was asked to prepare draft rules, for consideration by the Benchers and consultation with the profession in 2001.

A focus on ADR

Alternative dispute resolution by lawyers received new attention during the year.

Lawyers in the ADR field from throughout B.C. gathered for focus group sessions on alternative dispute resolution. Participants looked at what is working well for lawyers in

ADR and what is not, what is missing and whether new rules or rule changes are needed to support the integrity of the system.

This work falls to a special ADR Task Force that is conducting a full study and will report to the Benchers in 2001.

Western lawyers on the move

By 2000 B.C., Alberta and Saskatchewan adopted the most liberal rules on temporary mobility in the country (allowing a visiting lawyer to act on 10 matters, for not more than 20 days in any 12-month period — known as the “10-20-12” rule) without the need to consult a local lawyer.

In recognition of the inter-jurisdictional nature of law practice, all four western provinces moved further to consider allowing lawyers to practise for up to six months cumulatively within any 12-month period on an unlimited number of matters in any other western province (or any other reciprocating province in Canada). A lawyer wishing to exceed the six-month limit would be required to become a member of the host law society.

The western law societies also worked together on a new conveying protocol to adopt streamlined closing procedures in the prairie provinces, similar to those in B.C., and to allow financial institutions the flexibility of foregoing a building survey when funding a mortgage loan, if there are no known building location defects.

Exposing the real cost of legal aid cutbacks

A Law Society study released in 2000 identifies serious barriers to public access to justice resulting from



Greater mobility can translate into new opportunities for lawyers. In 2000 the law societies in Western Canada liberalized inter-jurisdictional practice beyond what was contemplated by the Federation of Law Societies.

reductions in government funding of legal aid: *Where the Axe Falls — the real cost of government cutbacks to legal aid* (www.lawsociety.bc.ca/library/frame_reports.html).

The study found a very wide gap between the current financial cut-off levels for legal aid and the income required to hire a lawyer. Eligibility for legal aid is now restricted almost entirely to people receiving social assistance or single parents with a very low earned income. In B.C., an adult working at minimum wage, with no children in the household, does not qualify for legal aid. This is the situation for many parents, mostly men, after separation. Lack of coverage for variation of orders in family law is a serious problem.

There are many unrepresented

people, both men and women, in the B.C. Supreme Court and B.C. Provincial Court. The reality is grim.

In three of the four communities covered in the study, court registry staff reported that there are women in situations of domestic violence who are appearing in court unrepresented on maintenance variation applications, custody and access matters and on applications for restraining orders.

Several members of the judiciary who participated in the study also expressed concern that some people are no longer turning to the legal system for help. Many of the lawyers expressed the view that women are more likely than men not to participate in advancing their interests unless they have legal assistance.

Year in review



Legal aid restrictions have meant an increase in unrepresented litigants, both men and women, often facing difficult circumstances. A Law Society study found that, in three of four court registries surveyed, there were reports of women facing domestic violence who were appearing in court unrepresented on variation applications, custody and access matters and restraining orders.

Trust assurance program reviewed

After carefully reviewing the experiences of other Canadian law societies, the B.C. Benchers considered reforming the trust assurance program. One proposal was to replace the current Accountant's Report – Form 47 with a program that would require all law firms to:

- file their own reports on trust accounting activities without the need to hire outside accountants; and
- undergo Law Society audits at least once every four years.

In June, 2000 the Law Society issued a consultation paper, *Proposal for a New Model of Trust Assurance* (www.lawsociety.bc.ca / library / frame_reports.html).

html).

Based on current information, the Benchers have not opted to restructure B.C.'s current trust review program, but will continue to study the options for reform through a new task force.

Aboriginal law graduates study completed

In 2000 a special working group completed the final phase of a study to identify and address discriminatory barriers facing Aboriginal lawyers, law graduates and students. Their work culminated in a 52-page report featuring 35 recommendations for reform, including ways of improving the access of Aboriginal people to legal education, articles and practice opportunities (www.lawsociety.bc.ca / library / frame_reports.html).

The working group reviewed pre-law education programs available to Aboriginals from B.C. and concluded that access to these programs would be improved by offering a distance education option, and by the Law Society developing a funding strategy to ensure that Aboriginal students who have an offer of admission to a B.C. law school have adequate financial means to attend a pre-law program if they wish.

The Group also recommended that the law faculties continue to respond to discriminatory barriers through such means as better preparing incoming Aboriginal students for the culture shock and social isolation they may experience at law school and by promoting and supporting Aboriginal law student activities, such as arranging visits by Elders and guest lecturers. The working group also asked the faculties to look at creating and applying a comprehensive Aboriginal equity policy respecting admissions, curriculum, faculty recruitment and law school environment and to continue to promote the values of anti-racism and anti-discrimination.

Other recommendations in the working group's report include steps for incorporating Aboriginal legal issues into PLTC and establishing a mentorship program for Aboriginal law students that would begin in law school and extend into articles.

The Equity and Diversity Committee drew on a number of the recommendations, along with a plan for implementation, for consideration by the Benchers in 2001.

People

At the Bench & Bar Dinner in November, the Benchers were pleased to



The Hon. E.N. (Ted) Hughes, Q.C. (centre), alongside his wife Helen Hughes and 2000 President Karl Warner, Q.C., displays the Law Society Award, a bronze statue of Sir Matthew Baillie Begbie. The Award was presented to Mr. Hughes on behalf of the Benchers in November in recognition of his lifetime professional service.

present the Honourable **Edward Norman (Ted) Hughes, Q.C.** with the Law Society Award, which is offered every two years to honour the lifetime contribution of the “truly exceptional in our profession.” Following his years as a practising lawyer and 18 years of service as a judge of the Saskatchewan District and Surrogate Courts and the Saskatchewan Court of Queen’s Bench, Mr. Hughes held the position of Deputy Attorney General in British Columbia for seven years. He chaired the Attorney General’s Justice Reform Committee from 1987 to 1988

and the Law Society’s Gender Bias Committee from 1990 to 1992. He also served the profession admirably as Acting Secretary of the Law Society from April, 1997 to January, 1998, following the judicial appointment of Mr. Justice Bryan Ralph. He has served as Complaints Commissioner to the B.C. Police Commission and as Conflict of Interest Commissioner for B.C., the Yukon and the Northwest Territories. Mr. Hughes has been the chief federal treaty negotiator in British Columbia, head of the APEC enquiry and, currently, chair of the B.C. Press Council.

The Benchers also marked the achievement of **Bradley Bryan**, recipient of the 2000 Law Society Scholarship of \$20,000 for graduate legal studies, and of **James Hickling**, **Brett Seifred** and **James Nelson**, Law Society gold medalists.

The year began with new faces at the Benchers’ table — **Ian Donaldson, Q.C.** and **Terry LaLiberté, Q.C.**, newly elected Benchers for Vancouver.

By year-end, fond farewells went to Vancouver Benchers **Bruce Woolley, Q.C.** as he took up a new practice

Year in review



2000 Lay Benchers (Front row) Anita Olsen, Marjorie Martin, (back row) Wendy John, Nao Fernando and Ann Howard. Jaynie Clarke and Dr. Setty Pendakur (not pictured) were appointed in late 2000.

opportunity in Bermuda, to Lay Benchers **Wendy John** who resigned because of other commitments and to Lay Benchers **Nao Fernando** who completed his term and was not reappointed. New Benchers were elected in November, **Ross Tunnicliffe** and **Robert Crawford, Q.C.** (for January, 2001), and two new Lay Benchers were appointed, **Jaynie Clarke** and **Dr. Setty Pendakur**.

Lay Benchers

Lay Benchers, like lawyer Benchers, are Law Society volunteers. They bring a public viewpoint to all work of the Society, whether in policy discussions before committees and task forces or at the Benchers table. They carry a full workload that includes participation on hearing panels.

In 2000 Lay Benchers Marjorie Martin chaired the Complainants' Review

Committee and Lay Benchers participated on several other committees: Executive, Access to Justice, Credentials, Discipline, Practice Standards and Unauthorized Practice.

Credentials

A key responsibility for the Law Society — through the Credentials Committee and staff — is to oversee the enrolment, education and call to the bar of articulated students, the transfer of lawyers from other provinces and the reinstatement of former lawyers.

When the character or fitness of an applicant for admission, re-admission or transfer needs to be addressed, the Committee considers the application directly or orders a formal credentials hearing. The Committee is also responsible for reviewing applications relating to a student's failed standing in the Professional Legal Training Course (PLTC) and for considering any matters arising from the articling system.

The Committee further assists the Benchers in setting credentials policy and in program planning and evaluation.

Towards articling reform

During the year, Law Society and PLTC staff began preparing for a 2001 Benchers retreat devoted solely to reform of the admissions and articling process.

Articling gives students real-life experience in the delivery of legal services — and lays a critical foundation for successful practice as a lawyer.

But articling differs significantly from student to student and from firm to firm. A Law Society survey of principals and articulated students revealed

inconsistency in articling experiences and in the guidance students receive on professional values and attitudes. Some survey respondents flagged problems of principals not taking their role as trainers and mentors seriously enough, leaving most of a student's practical training to PLTC.

Through an Admissions Program Task Force, the Benchers will work on options for meaningful reform of admissions in the coming year and, in particular, an effective integration of PLTC and articles. The Law Foundation is supporting this work — approving a \$406,000 grant to the Law Society in 2000 to research the education and training needs of articling students, to review professional cooperative education programs and online learning resources, to develop articling education plans and to conduct a pilot project to assess potential program enhancements.

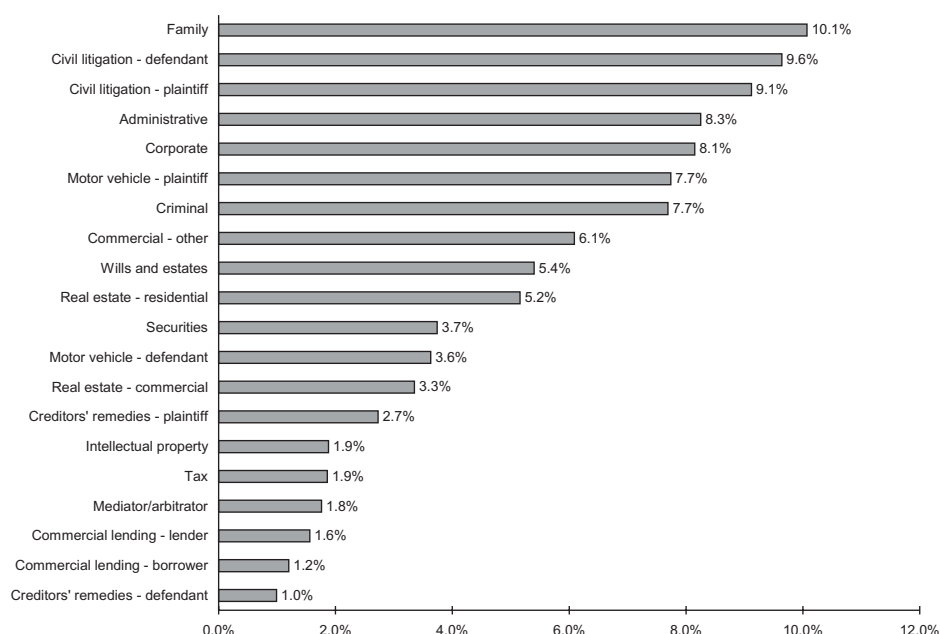
Profile of the profession

Of the 384 people called to the B.C. bar in 2000, most were new law school graduates — 198 (52%) were graduates from B.C. law schools, 101 (26%) were from other Canadian law schools and 18 (5%) were from foreign law schools. There were also 67 lawyers from other Canadian jurisdictions who transferred to B.C. (17% of all calls): see *Lawyers admitted to the B.C. bar (1998-2000)*.

Between 1999 and 2000, the B.C. legal profession grew 1.8%. At the end of 2000, there were 8,864 practising lawyers, 1,164 non-practising lawyers and 177 retired members. Of lawyers with practising status, 77% were in private practice. Women made up 31% of the profession.

The leading areas of practice,

2000 areas of practice



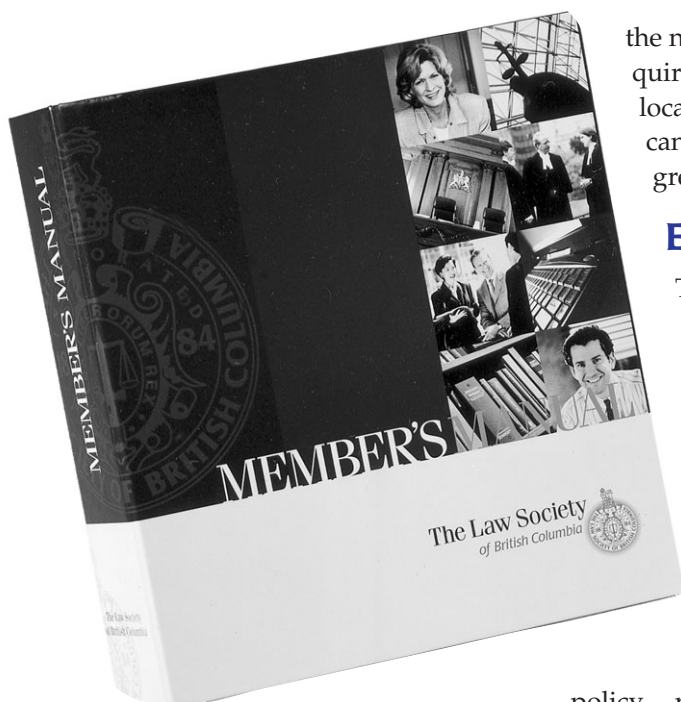
Lawyers admitted to the B.C. bar (1998 – 2000)

	1998	1999	2000
Called to the B.C. bar			
Recent graduates of B.C. law schools	215	220	198
Recent graduates of other Canadian law schools	111	98	101
Graduates of foreign law schools	24	15	18
Lawyers transferring from other jurisdictions	<u>69</u>	<u>60</u>	<u>67</u>
Total	<u>419</u>	<u>393</u>	<u>384</u>
Reinstatements	51	40	41

Law Society members (as at December 31, 2000)

Practising members	8,864	(86.9%)
Non-practising members	1,164	(11.4%)
Retired members	<u>177</u>	(1.7%)
Total	<u>10,205</u>	

Year in review



according to time spent by lawyers, are civil litigation (11.3% motor vehicle and 18.7% other), corporate-commercial (8.1% corporate and 8.9% commercial), family law (10.1%), real estate (5.2% residential and 3.3% commercial) and administrative law (8.3%): see *2000 areas of practice* on page 10.

67.4 per cent of lawyers are located in the Vancouver/Lower Mainland area. There are 9.6% in Victoria district, 3.9% in Nanaimo district, 3.5% in Okanagan, 2.3% in Cariboo, 2.2% in Kamloops, 1.3% in Kootenay and .8% in Prince Rupert.

Another 9% reside out of province. Of those, most hold non-practising membership, although they may have practising privileges in the other province.

With a relaxation of the Federation of Law Societies' inter-jurisdictional practice protocol, most lawyers in the western provinces gained the right to more cross-border practice without

the need for a permit or a requirement to consult with a local lawyer — and lawyers can look forward to even greater mobility in 2001.

Ethical standards

The Ethics Committee assists the Benchers fulfil their responsibility of setting ethical standards for the profession in several ways:

- by identifying current professional responsibility issues;
- by developing policy recommendations and possible changes to the *Professional Conduct Handbook*;
- by interpreting existing rules for individual lawyers; and
- by publishing ethical opinions of interest to the profession as a whole.

Following on the work of the Ethics Committee and staff, the Benchers made several *Handbook* changes in 2000.

No implied aggression, no unqualified statements of past recoveries: In April the Benchers revised the marketing rules to prohibit lawyers from stating or implying in any marketing activity that they are aggressive. They also set requirements for lawyers when advertising past successes or when using client testimonials.

An earlier consultation by the Ethics Committee elicited a diversity of viewpoints on these marketing issues, especially among trial lawyers.

Under the new rules, lawyers can

advertise their past recoveries or past successes, but must provide a disclaimer to the effect that past results are not necessarily indicative of future results and that the amount recovered and other litigation outcomes will vary according to the facts in individual cases. Lawyers may also use client testimonials, but only if the content of a testimonial is true and verifiable and otherwise complies with the marketing rules.

The restrictions are aimed at ensuring that law firm marketing is not misleading or unseemly and does not bring the profession into disrepute.

Clients must understand the meaning of joint representation: Lawyers who jointly represent two or more clients must comply with the provisions of Chapter 6 of the *Handbook* to ensure the clients understand the meaning of joint representation. They must also consent to a course of action should the lawyer receive from one client confidential information relevant to the representation or should a conflict arise. To assist lawyers, the Benchers added to the *Handbook* sample letters suitable for sending to clients in joint representations.

Legal assistants can negotiate settlement of some claims in tort: Finally, the Benchers amended the *Handbook* to allow lawyers to delegate to their legal assistants the negotiation of claims in tort, in addition to liquidated claims, when the amount involved does not justify the cost of lawyer's time and provided the lawyer reviews any proposed terms before the legal assistant offers or accepts a settlement. The change was intended to provide lawyers with greater flexibility in service delivery.

The emergence of Prepaid Legal

Services Inc. in the B.C. marketplace led the Ethics Committee to look closely at the ethics of lawyer participation in the plan and to publish a formal opinion.

Much of the Committee's time during the year was spent dispensing advice to individual lawyers on request. Since some of this advice would be instructive to others, the Committee began publishing a number of opinions in 2000. Questions included *How can lawyers participate in commercial lawyer referral services? Can lawyers take joint representations on divorces? Is it acceptable to witness documents through video display terminals?*

All published opinions of the Committee are available in the *Benchers' Bulletin*, both in print and on the Law Society website (www.lawsociety.bc.ca/frame_bulletin.html).

Equity and diversity

The Equity and Diversity Committee assists the Benchers in developing policy concerning diversity issues, including multiculturalism, gender equality, disability and sexual orientation.

In May, 2000 the Society welcomed Anne Bhanu Chopra as the Law Society's new Discrimination Ombudsperson, replacing Gail Forsythe who had served for five years. Ms. Chopra is available to confidentially assist anyone in a B.C. law firm or legal workplace who asks for help in resolving a discrimination or harassment complaint against a lawyer. She also assists law firms with strategies to prevent discrimination.

In 2000 a special working group completed the final phase of a study that identifies and addresses discriminatory barriers facing Aboriginal

lawyers, law graduates and students. The working group made recommendations for reform directed at different segments of the legal community: see *2000 Highlights* on page 7. The recommendations were before the Benchers in 2001 to consider as priorities for reform.

Another study was underway during the year to consider the barriers to opportunities and career advancement faced by students and lawyers with disabilities, spearheaded by a special Disability Research Working Group. Recommendations from that study are expected to come before the Benchers for consideration in 2001.

A key plank in the equity and diversity program is to provide education and resources to the profession on equity issues. One such project in 2000 was a practice checklist prepared by Barbara Findlay to help lawyers representing clients take account of the new legal status accorded to same-sex relationships in provincial and federal legislation.

Practice programs

The Law Society offers services and

resources to assist lawyers practise competently, ethically and in a way that is financial viable, and to assist them in preventing complaints and insurance claims.

There are many facets to this program, including advice on practice and professional conduct issues. In 2000 the Law Society staff received almost 3,700 requests for advice, the great majority fielded by the Practice Advisor, Practice Management Advisor and Ethics Staff Lawyer.

The more significant or common enquiries frequently lead to practice advice articles published in the *Benchers' Bulletin* and other publications. The practice advice staff lawyers, as well as other Law Society staff lawyers, are frequently involved in continuing education programs as well.

In its commitment to lifelong professional education, the Law Society helps fund courthouse libraries throughout the province and, in 2000, provided some start-up funding for CanLII, a website service offering online access to statutes, regulations and caselaw: see *2000 Highlights* on

Actions taken by Practice Standards Committee

	1998	1999	2000
Practice review ordered	23	15	6
Meeting with senior practitioner ordered	2	6	4
Reprimand	–	4	1
No further action	1	4	2
Other	<u>9</u>	<u>2</u>	<u>5</u>
Total	<u>35</u>	<u>31</u>	<u>18</u>

The Practice Standards Committee considers referrals from Professional Conduct Department staff, the Discipline Committee or other sources, and considers remedial, rather than disciplinary, measures to assist a lawyer who is having difficulty in practice.

Year in review

page 5. With funding from the Lawyers Insurance Fund, the Society also publishes a *Practice Checklists Manual* and (in both 2000 and 2001) issued each practising lawyer \$300 in discount vouchers, redeemable for CLE Society courses.

To encourage lawyers in maintaining wellness, as well as competence, the Law Society funds two independent, confidential services: *Interlock*, which offers professional counselling and referrals for lawyers and their families on a range of personal problems, including relationship difficulties and stress, and the *Lawyers Assistance Program (LAP)*, which relies on a network of “lawyers helping lawyers.” LAP takes self-referrals and can undertake interventions for substance abuse and other problems.

In addition to programs that enhance overall competence in the profession, the practice problems of individual lawyers are addressed by a Practice Standards Committee, in two distinct ways:

- by assisting lawyers whose competency is in question achieve competency; and
- by restricting from practice incompetent lawyers who pose a danger to present or future clients.

When a lawyer is referred to that Committee — often as a result of complaints — the lawyer may first participate in a practice review conducted by a volunteer practitioner and a Law Society staff lawyer. Through these reviews and follow-up measures, the focus is on remediation. When necessary, the Committee may ask a lawyer to stop practising in certain areas or to practise only under the supervision of another lawyer.

Many lawyers approach the program positively and as a way to establish a more viable law practice. If the problems are severe or if the lawyer is unwilling to make necessary changes, however, a disciplinary

referral is still possible. The Practice Standards Committee also plays an important role in overseeing remedial measures ordered by a discipline hearing panel.

Professional conduct and discipline

The Law Society sets standards of professional responsibility for lawyers and enforces those standards through a complaints and discipline process. Complaints are most frequently made by clients, opposing parties or lawyers, but a complaint is defined in the Law Society Rules to include information from any source that suggests a disciplinary violation.

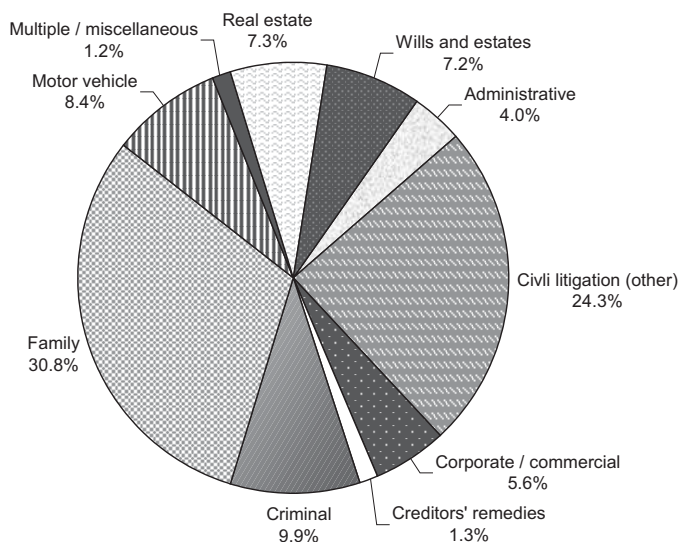
Staff lawyers and complaints officers in the Professional Conduct Department carry out the initial review and assessment. Complaints and enquiries declined slightly from 1,759 in 1999 to 1,666 in 2000.

The Department’s goal is to complete each matter within six months, although complex and serious matters can take longer to investigate and assess. By year-end, staff completed their review and assessment of 1,733 complaints and enquiries.

Of the complaints received in 2000, almost 47% were closed by staff as not revealing a conduct or competency concern or as unprovable or unfounded. Another 20% fell outside the Law Society’s jurisdiction.

In 2000 the Professional Conduct Department pursued alternative forms of complaint resolution. The intent was to improve efficiency, increase the satisfaction of lawyers and complainants and make better use of the Law Society’s resources. It is important to spend less investigative time on minor matters and focus on

2000 complaint files by area of practice



the most serious and complex complaints, including those involving the mishandling of trust funds.

A new telephone complaint resolution (TCR) project, introduced in mid-1999, is intended to resolve less complex complaints. About 20% of complaints flow into the TCR stream, such as those regarding unpaid debts, return of files, general dissatisfaction, simple delay and rudeness. An analysis of the first year of the program shows that, other than simple minor complaints, the process did not prove quicker. However, significantly more complaints were successfully resolved or reconciled through TCR (32%) than those in the regular process (8%), and it is this positive outcome that enhances complainant satisfaction according to Law Society surveys.

The Department also launched a voluntary fee mediation program during the second half of 2000, offering the services of volunteer mediators. Uptake on that initiative, however, was still low by year-end.

In 2000 just over 1% of complaints were referred to the Practice Standards and 12.5% to the Discipline Committee for further consideration. A referral to the Discipline Committee may result in further investigation, such as a trust audit, or in such disciplinary action as a letter to the lawyer from the Committee chair, a conduct review before a Benchers and another senior practitioner, or a citation for a formal hearing before a panel.

A complainant who is unhappy with a staff decision to take no further action on a complaint can, in some circumstances, request a review

Complaint files by type of conduct alleged

Type of file	1998	1999	2000	
Complaints:				
Abuse of process	49	66	38	(2.7%)
Advertising	15	16	28	(2.0%)
Breach of Act or rules	26	17	31	(2.2%)
Breach of confidentiality	20	14	16	(1.1%)
Breach of undertaking	53	62	55	(3.9%)
Conduct unbecoming	–	–	22	(1.5%)
Conflict of interest	99	104	79	(5.6%)
Counselling/engaging in unlawful conduct	–	–	10	(.7%)
Court: missed limitation/disrespect	7	8	14	(.9%)
Criminal/quasi-criminal conduct	–	–	11	(.8%)
Delay/inactivity	73	67	67	(4.7%)
Discrimination	9	8	4	(.3%)
Dissatisfaction with legal service	334	365	226	(15.9%)
Error/negligence/incompetence	83	71	63	(4.4%)
Failure to communicate/respond	128	159	139	(9.8%)
Failure to follow/obtain client instructions	38	29	45	(3.2%)
Fees	73	78	69	(4.8%)
Miscellaneous/unclassifiable*	270	151	40	(2.8%)
Misleading/dishonest conduct	24	11	77	(5.4%)
Office management/employee supervision	3	13	5	(.3%)
Opposing party: direct contact/dissatisfaction	17	6	116	(8.2%)
Personal problems affecting practice	8	4	3	(.2%)
Rudeness	60	53	30	(2.1%)
Sharp practice	69	68	42	(3.0%)
Threatening	36	37	29	(2.0%)
Trust defalcation	19	24	24	(1.7%)
Unpaid creditor/disbursement	100	84	81	(5.7%)
Withdrawal from case	–	–	13	(.9)
Withholding file/funds	53	42	46	(3.2%)
Total complaint files opened	1,666	1,557	1,423	
Public enquiry files opened**	259	202	243	
Total complaints and public enquiries	1,925	1,759	1,666	
Files closed	1,730	2,016	1,733	

* Several file categories were added in 2000, resulting in a drop in "miscellaneous" complaints.

** In addition to complaint files, the Law Society opens files for all written public enquiries about lawyer conduct (in which no particular lawyer is identified) or enquiries that do not relate to lawyer competency or conduct, but to some aspect of the legal system. The Professional Conduct Department staff also routinely offer information by telephone about lawyers in general, the Law Society and justice system, handling close to 4,500 public calls in 2000.

continued on page 16

Year in review

Disposition of complaints and public enquiries closed in 2000

	# of files	% of all files
Reconciled/resolved ¹	197	11.3%
Minor misconduct	81	4.7%
Minor error	58	3.3%
Referred to Discipline Committee	216	12.5%
Referred to Practice Standards Committee	20	1.1%
Misconduct not established after investigation ²	808	46.6%
Outside Law Society jurisdiction: complainant advised of possible civil remedies ³	<u>353</u>	20.4%
Total	<u>1,733</u>	

Note 1: Over 11% of all complaints were reconciled or resolved between the lawyer and client, sometimes with Law Society assistance such as through telephone complaint reconciliation. When there was minor misconduct or a minor error, this was often acknowledged by the lawyer and the acknowledgement conveyed to the client, without need for a discipline referral. 13.6% of complaints were sufficiently serious to warrant a referral to either the Discipline or Practice Standards Committee.

Note 2: After investigation, the Professional Conduct Department may determine that a complaint is invalid or that there is insufficient evidence to substantiate the allegation. When a complainant finds a staff determination unsatisfactory, he or she may in some circumstances have the matter reviewed by the Complainants' Review Committee.

Note 3: The Law Society frequently receives complaints that fall outside its jurisdiction, most commonly complaints of dissatisfaction over a lawyer's fees or services that do not amount to a conduct or competency concern for the Society. The Law Society explains the difference between its regulatory jurisdiction over lawyers and the complainant's legal options, which may include a fee review before a registrar.

Actions taken by Discipline Committee

	1998	1999	2000
Citations	22	35	28
Admonishments from Discipline chair	35	38	26
Conduct reviews	84	73	68
Audits	<u>14</u>	<u>11</u>	<u>34</u>
Total	<u>155</u>	<u>157</u>	<u>156</u>

Note: For Practice Standards Committee actions, see page 12.

Disposition of 2000 reviews by Complainants' Review Committee

No further action	143
Complaint withdrawn	1
Referred to Discipline Committee	<u>10</u>
Total	<u>154</u>

Disposition of citations

	1998	1999	2000
Admissions of guilt (Rule 4-21)	7	9	1
Resignations	—	4	—
Disbarments	—	4	—
Suspensions	2	9	3
Fines	7	7	3
Reprimands	6	7	7
Citation rescissions by Discipline Committee*	12	12	11
Citation dismissals by hearing panels	<u>5</u>	<u>3</u>	<u>1</u>
Total citations completed	<u>39</u>	<u>55</u>	<u>26</u>

* May include matters referred for conduct review.

Note: A complainant who is dissatisfied with the staff's disposition of a complaint may ask the Complainants' Review Committee, which is chaired by a Lay Benchler, to reconsider the disposition. The Committee could find no grounds for further action on 93% of 154 matters completed.

before the Complainants' Review Committee, which is chaired by a Lay Benchers. A further review by the office of the provincial Ombudsman is also an option.

The Law Society complaints process is confidential, and the Society reports out only to the complainant and lawyer. This ensures the integrity of an investigation, fairness to the lawyer's reputation and privacy of the complainant. If, however, a complaint is already known to the public, such as through media reports, the Society may comment publicly on the status of the complaint.

When there is enough evidence of misconduct to merit a formal discipline hearing, that hearing is open to the public, and both the circumstances of the misconduct and results of any discipline action are also public. The Law Society posts upcoming hearings on its website and also publishes discipline news releases and discipline summaries to the profession.

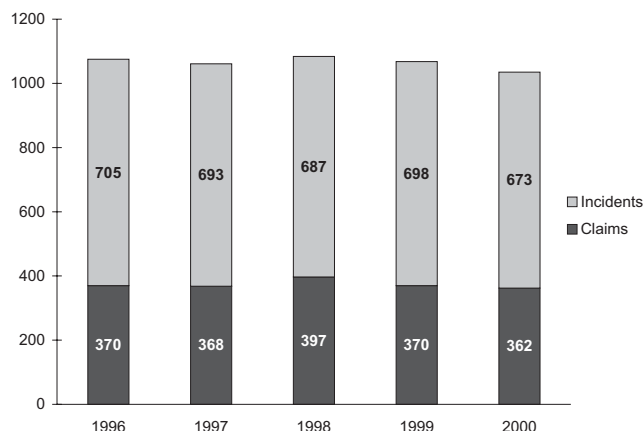
Lawyers Insurance Fund

To protect the public as consumers of legal services, the Law Society requires that all lawyers in private practice have liability insurance providing coverage of up to \$1 million per error and \$2 million annually.

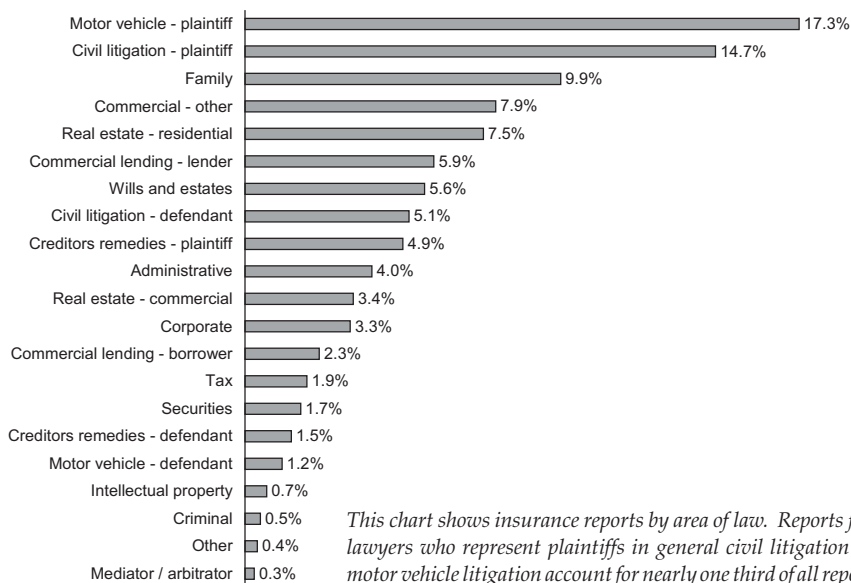
The Lawyers Insurance Fund closed out the decade in a very favourable position.

As at December 31, 2000, the Fund had assets of over \$111.2 million and liabilities of less than \$92 million, leaving a fund reserve (unrestricted net assets) of just over \$19.2 million available to pay any unexpected losses. For detailed financial information, see the financial statements

Claim and incident reports 1996 – 2000



Reports by area of law – 2000



This chart shows insurance reports by area of law. Reports from lawyers who represent plaintiffs in general civil litigation and motor vehicle litigation account for nearly one third of all reports.

on pages 27 to 29 and also "Finances" on page 19.

The stable loss experience and effective management of the insurance program over the past decade have resulted in both lower insurance assessments and better coverage for B.C. lawyers. Indeed, the base annual insurance assessment dropped from \$2,600 in 1990 to \$1,500 in 2000, while coverage increased from \$500,000 per

error in 1990 to \$1 million per error for 1992-2000.

The continued success of the program, however, remains contingent on a stable loss experience. No amount of effective management can alter the effect of an increasing number of claims or increased damage awards.

Fortunately, there is every indication that B.C. lawyers continue to practise

Year in review



Benchers, volunteers and staff work together year-round on committees, critical to policy development and regulatory work at the Law Society. Here the Special Compensation Fund Committee prepares for the start of an evening session. (Circling left to right) Staff Lawyer Mary Ann Cummings and Chair Robert Gourlay, Q.C., Executive Director Jim Matkin, Chief Financial Officer Neil Stajkowski, Staff Lawyer Luisa Hlus, lawyer Ron Skolrood, Bencher Ian Donaldson, Q.C., lawyers David Renwick and David Masuhara and Bencher Gerald Lecovin, Q.C.

Special Compensation Fund claims paid (1996 – 2000)

Year	\$ Paid	No. of paid claims involved	No. of lawyers
1996	177,870	12	5
1997	46,595	5	3
1998	44,061	5	4
1999	45,692	2	2
2000	363,022	10	5

Over the past five years, the Special Compensation Fund paid out \$677,240 on 34 claims. These claims were caused by 17 lawyers — out of almost 6,800 lawyers in private practice (the claims against several of these lawyers were paid out over the course of more than one year).

“safe law.” The number of lawyers reporting claims and incidents (which may or may not become actual claims) has remained very consistent over the last five years: see *Claim and incident reports 1996-2000*. In addition, annual expenditures on

defence costs and damages have been very stable over the same period. In keeping with the general stability in the number of reports, the expected losses have been consistently less than the total assets of the Fund.

Overall, the Lawyers Insurance Fund

remains in a favourable position to compensate the public for lawyers’ errors and omissions while providing reasonable protection for lawyers from malpractice.

Special Compensation Fund

To protect the public and ensure continued public confidence in the profession, B.C. lawyers maintain a Special Compensation Fund. This Fund compensates people for loss suffered through theft by a lawyer acting in that capacity.

Whenever there is evidence of misappropriation, the Law Society has strong public protection measures at its disposal. It can order a forensic audit and investigation of the law practice, order an interim suspension of the lawyer if the public is at risk, secure the law practice, alert clients and take disciplinary proceedings.

Fortunately, there are very few trust misappropriations by lawyers. A review of claims paid by the Fund over the past five years shows that the payment history varies year to year, reflecting the unpredictable nature of misappropriation: see *Special Compensation Fund payments (1996 – 2000)*. For financial information see financial statements on pages 25 to 26 and “Finances” on page 19.

Although the number of paid claims and the number of lawyers causing those claims in 2000 was comparable to other years, the dollar amount of the paid claims was higher in 2000 than in the previous four years. The amount of paid claims is expected to increase again in 2001.

Most of the money paid from the Fund in 2000 resulted from misappropriations by Bruce Pomeroy in the

mid-1990s. Mr. Pomeroy ceased practice in 1996, left the profession in 1997 and was disbarred in April, 2001 following a discipline hearing.

It is an unfortunate reality that the actions of a few can hurt the reputation of many. The Special Compensation Fund is a critical and unique protection for the public, and the profession can be justifiably proud of its collective commitment.

The Fund is not available for claims of lawyer negligence or for fee disputes, and this fact is carefully explained to potential claimants.

A claimant to the Fund may, at the discretion of the Special Compensation Fund Committee, be asked to obtain a civil judgment against a lawyer as a way of substantiating an allegation of theft. When disciplinary proceedings are underway against a lawyer and misappropriation is alleged, the Committee will generally await the outcome of those proceedings, but it retains a discretion to decide a claim in advance. The Committee did exercise this discretion on certain claims in 2000. In doing so, it considered all of the circumstances, including such factors as clear evidence of defalcation and hardship to the claimant.

The circumstances of those few lawyers who steal are complex and difficult, but prevention and detection are important priorities for the Law Society. The Committee spent considerable time during 2000 reviewing the trust assurance program and options for reform.

Unauthorized practice

The *Legal Profession Act* places responsibility on the Law Society to ensure that anyone in B.C. who offers legal

services is qualified to do so and that the public can properly trust the high standards of ethics, competency and education of those providing legal services.

While upholding lawyer regulatory standards, the Society must likewise ensure that unqualified people do not illegally offer legal services or misrepresent themselves as lawyers, which can put the public at risk.

The Law Society investigates complaints of unauthorized practice. If the facts bear out a complaint, the Society will explain the restrictions that apply to law practice and will ask the non-lawyer to refrain from the activity. Usually this step is sufficient. When it is not, the Society will seek a court injunction, which may proceed by consent.

In 2000 the Law Society obtained 27 undertakings from non-lawyers to refrain from unauthorized practice, one consent injunction and four other injunctions on activities ranging from debt collection lawsuits, to incorporations to divorce services. In April a non-lawyer was found in contempt of court for engaging in unauthorized practice contrary to a 1992 court injunction.

In June the Supreme Court determined in *Law Society of B.C. v. Siegel* 2000 BCSC 875 that a notary public may not charge fees to prepare corporate documents and resolutions, to maintain a corporate registered and records office or to transfer corporate records to the notary's office. These activities are not part of the lawful practice of a notary under the *Notaries Act* and amount to unauthorized practice.

In November the Society was successful in obtaining an injunction

against a lay WCB consultant in Kelowna not to appear as counsel or advocate before a *Workers Compensation Act* adjudicative or appellate body, draw documents or offer legal advice for fee.

The Law Society held off action against immigration consultants throughout 2000, pending a decision from the Supreme Court of Canada in *Law Society of British Columbia v. Mangat and WestCoast Immigration Consultants*. The B.C. Court of Appeal earlier held that the *Immigration Act* allows a non-lawyer to appear before immigration tribunals for a fee. Mr. Mangat, whose actions were at issue as a non-lawyer consultant, has since become a lawyer in Alberta. The Society has nevertheless pursued the appeal since unregulated non-lawyer immigration consultants continue to present a risk to the public.

The Law Society publishes all undertakings and injunctions to the profession and, more recently, to the general media. A higher profile for this aspect of Law Society regulation helps build understanding in the community and may also lessen the likelihood that a non-lawyer under an undertaking or injunction will resume offering legal services.

Finances

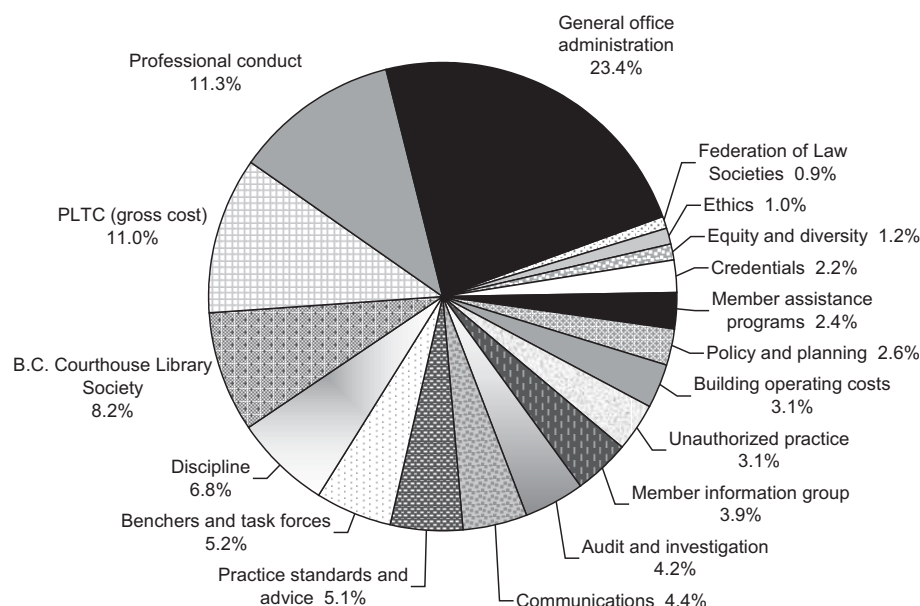
B.C. lawyers pay the cost of Law Society operations through annual assessments and other fees.

The Society carries out its duties through three funds:

- General Fund — the primary source of funding for Society regulation, programs and services;
- Lawyers Insurance Fund — a fund to provide errors and

Year in review

2000 General Fund expenditures



This chart shows gross program expenditures as a percentage of total 2000 General Fund expenditures, other than building operations, which are shown on a net basis.

omissions insurance coverage for lawyers for professional services;

- Special Compensation Fund — a fund to reimburse those who suffer a loss as a result of lawyer theft.

The 2000 audited financial statements for these funds are set out on pages 20 to 29 of this report. These statements reflect the not-for-profit organization presentation and disclosure standards of the Canadian Institute of Chartered Accountants.

All funds are financed and accounted for separately. The Lawyers Insurance Fund and Special Compensation Fund each make a proportionate contribution to the General Fund for Law Society facilities, administrative

services and some defined program expenses. These expenses are incurred by the General Fund and recovered from the other two Funds.

The General Fund receives the majority of its revenue from the annual practice fee paid by practising lawyers. The pie chart *2000 General Fund expenditures* shows the gross program costs of the main programs as a percentage of the General Fund's total cost, including the related space and staffing costs.

Overall, from both a program and operational perspective, 2000 operating results of the General Fund were similar to those of 1999. Expenditures, net of building operations, increased by less than .5% as compared to 1999. With changes in priorities

dictating adjustments in allocation of resources, some program costs increased while others decreased.

Building costs were \$220,000 higher than 1999, due mainly to increased internal financing costs. As noted in the financial statements, the General Fund pays the Lawyers Insurance Fund interest on the loan to finance the Law Society building purchase. Interest rate increases accounted for this increase in building costs between 1999 and 2000.

As a result of increased expenses, mostly for building financing, the overall General Fund budget exceeded the planned deficit of \$275,000 by \$94,610, leaving the Fund with a reserve of just under \$550,000.

Despite an increased commitment to current practice issues, in addition to its primary regulatory responsibilities, the Law Society continued to charge a practice fee that compared favourably with other Canadian law societies.

The Special Compensation Fund reserve decreased by \$555,000 to \$8.34 million. Custodian expenses was the primary area where costs have been higher than expected. Claim costs were up significantly in 2000 and there remained a significant claims inventory at year-end.

The Lawyers Insurance Fund's reserve also decreased, although the Fund's overall assets increased by \$3.5 million to \$111.2 million. A reduction in this Fund's unrestricted net assets was planned, and insurance assessments were set at a level to achieve this result.

All funds of the Society are financially sound. The Law Society expects continued stability in program operations, fees and assessments.

**GENERAL FUND
SPECIAL COMPENSATION FUND
LAWYERS INSURANCE FUND**

AUDITORS' REPORT

**To the members of
The Law Society of British Columbia**

We have audited the statements of financial position of **The Law Society of British Columbia – General Fund, Special Compensation Fund and Lawyers Insurance Fund** as at December 31, 2000 and, for each of these Funds, the statements of revenue and expense, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also

includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Funds as at December 31, 2000 and the results of their operations and their cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Vancouver, B.C.
March 28, 2001

Chartered Accountants

Financial Statements

For the year ended December 31, 2000

STATEMENT OF FINANCIAL POSITION as at December 31, 2000

	2000 \$	1999 \$
Assets		
Current assets		
Cash and cash equivalents	1,442,570	7,901,047
Unclaimed trust funds	416,112	719,215
Accounts receivable and prepaid expenses	327,425	215,365
B.C. Courthouse Library Fund	781,092	806,461
Due from Lawyers Insurance Fund (note 5)	3,221,024	–
Due from Special Compensation Fund (note 5)	<u>513,607</u>	<u>30,669</u>
	6,701,830	9,672,757
Capital assets		
Cambie Street property – net (note 2)	14,070,956	14,751,072
Other – net (note 2)	<u>1,106,221</u>	<u>1,063,333</u>
	<u>21,879,007</u>	<u>25,487,162</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	3,877,183	4,838,282
Liability for unclaimed trust funds	416,112	719,215
Current portion of building loan payable (note 4)	500,000	500,000
Deferred revenue	5,644,125	6,661,670
B.C. Courthouse Library Grant	781,092	806,461
Due to Lawyers Insurance Fund (note 5)	–	432,429
Deposits	<u>12,500</u>	<u>11,500</u>
	11,231,012	13,969,557
Long-term debt		
Building loan payable (note 4)	<u>10,100,000</u>	<u>10,600,000</u>
	<u>21,331,012</u>	<u>24,569,557</u>
Net assets		
Invested in capital assets – net	4,577,177	4,714,406
Unrestricted	<u>(4,029,182)</u>	<u>(3,796,801)</u>
	547,995	917,605
	<u>21,879,007</u>	<u>25,487,162</u>

Commitments (note 6)

Approved by


President

Chair of Audit Committee

STATEMENT OF CHANGES IN NET ASSETS

	2000		1999	
	Invested in capital assets – net of associated debt	Unrestricted	Total	Total
	\$	\$	\$	\$
Net assets – beginning of year	4,714,406	(3,796,801)	917,605	1,495,560
Net excess (deficiency) of revenue over expense for the year	(1,052,100)	682,490	(369,610)	(577,955)
Repayment of associated debt	500,000	(500,000)	–	–
Purchase of capital assets	<u>414,871</u>	<u>(414,871)</u>	–	–
Net assets – end of year	<u>4,577,177</u>	<u>(4,029,182)</u>	<u>547,995</u>	<u>917,605</u>

Financial Statements

For the year ended December 31, 2000

STATEMENT OF REVENUE AND EXPENSE

	2000 \$	1999 \$
Revenue		
Practice fees	8,206,454	7,816,263
Enrolment fees	746,670	711,370
Application fees	348,277	307,049
Fines and penalties	170,620	133,594
Interest and other income	<u>191,547</u>	<u>300,045</u>
	<u>9,663,568</u>	<u>9,268,321</u>
Expense		
Allocated PLTC office/classroom rent	304,728	363,720
Amortization of other capital assets	371,984	342,722
Annual report and meeting	48,150	45,837
Audit and investigation	545,254	429,616
Bencher and other committee meetings	668,397	561,138
British Columbia Courthouse Library Society	1,050,000	925,000
Communications and publications	520,002	664,759
Credentials	280,827	242,504
Discipline and complaints	2,315,871	2,298,625
Equity and diversity	154,394	172,306
Ethics	130,398	157,260
External audit	19,446	12,067
Federation of Law Societies' contribution	120,283	115,112
General office administration	2,517,893	2,340,419
Member information group	507,895	673,935
Membership assistance programs	303,213	330,799
Non-program legal	95,568	53,952
Policy and planning	338,096	368,793
Practice advice	436,458	511,451
Practice standards	218,425	422,230
Professional Legal Training Course	1,104,037	1,088,845
Unauthorized practice	<u>404,006</u>	<u>287,122</u>
	<u>12,455,325</u>	<u>12,408,212</u>
Costs recovered from Special Compensation and Lawyers Insurance Funds		
Co-sponsored program costs	(1,279,017)	(1,288,679)
Administrative	<u>(1,541,891)</u>	<u>(1,449,233)</u>
	<u>9,634,417</u>	<u>9,670,300</u>
Excess (deficiency) of revenue over expense before the following:	29,151	(401,979)
Cambie Street property operating costs – net (note 3)	<u>(398,761)</u>	<u>(175,976)</u>
Net deficiency of revenue over expense for the year	<u>(369,610)</u>	<u>(577,955)</u>

STATEMENT OF CASH FLOWS

	2000 \$	1999 \$
Cash flows from operating activities		
Net deficiency of revenue over expense for the year	(369,610)	(577,955)
Non-cash items		
Amortization of Cambie Street building and tenant improvements	680,116	709,744
Amortization of other capital assets	<u>371,984</u>	<u>342,722</u>
	682,490	474,511
Decrease (increase) in current assets		
Unclaimed trust funds	303,103	(24,420)
Accounts receivable and prepaid expenses	(112,060)	27,373
B.C. Courthouse Library Fund	25,369	176,633
Due from Lawyers Insurance Fund	(3,221,024)	1,726,477
Due from Special Compensation Fund	(482,938)	(30,669)
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	(961,099)	369,681
Liability for unclaimed trust funds	(303,103)	24,420
Deferred revenue	(1,017,545)	267,817
B.C. Courthouse Library Grant	(25,369)	(176,633)
Due to Lawyers Insurance Fund	(432,429)	432,429
Due to Special Compensation Fund	–	(186,868)
Deposits	<u>1,000</u>	<u>(11,612)</u>
	(5,543,605)	3,069,139
Cash flows from financing activities		
Decrease in long-term debt – net	(500,000)	(534,764)
Cash flows from investing activities		
Capital asset additions – net	<u>(414,872)</u>	<u>(1,263,813)</u>
Increase (decrease) in cash and cash equivalents	(6,458,477)	1,270,562
Cash and cash equivalents – beginning of year	<u>7,901,047</u>	<u>6,630,485</u>
Cash and cash equivalents – end of year	<u>1,442,570</u>	<u>7,901,047</u>
Represented by		
Cash	708,107	4,898,047
Short-term investments	<u>734,463</u>	<u>3,003,000</u>
	<u>1,442,570</u>	<u>7,901,047</u>

The Law Society of British Columbia — GENERAL FUND

Financial Statements

For the year ended December 31, 2000

NOTES TO FINANCIAL STATEMENTS

1. Significant accounting policies and description of the Fund

Description of the Fund

The General Fund (the Fund) comprises the assets, liabilities, net assets, revenue and expense of the operations of The Law Society of British Columbia (the Society) other than those designated to the statutory Special Compensation and Lawyers Insurance Funds. The Society is a not-for-profit organization and the Fund is considered to be non-assessable under current income tax legislation.

The Society, as the initial shareholder, incorporated a company called Juricert Services Inc. (Juricert) in September 1999 for the purposes of establishing a process of electronic authentication of lawyers. Juricert commenced initial operations in 2000. As at December 31, 2000, the Society remained the sole shareholder of Juricert. However, under the business proposal developed for Juricert, it is intended that all members of the Federation of Law Societies of Canada become equal shareholders through the subscription for common shares of Juricert. The subscription by other law societies in the common shares of Juricert is expected to be completed in 2001.

As the sole ownership of Juricert by the Society is of a temporary nature prior to subscription for shares by other law societies, the financial results of Juricert have not been consolidated with the results of the Fund. The Society has incurred costs of \$216,000 on behalf of Juricert to December 31, 2000.

Allocated administrative expenses

Administrative expenses are recovered by the Fund from both the Lawyers Insurance and Special Compensation Funds. Recoveries are based on budgeted amounts derived either on a percentage of use or the percentage of the Fund's staff as compared to the Society's total direct program staff.

Allocated rental revenue

The Cambie Street property is treated as a separate cost centre. Allocated rental revenue represents rent allocated to each of the Funds. Rental revenue allocated to the Fund has not been eliminated in the preparation of these financial statements.

Amortization

Amortization is provided on a straight-line basis as follows:

Buildings	2-1/2% per annum
Computer hardware and software	20% per annum
Furniture and fixtures	10% per annum
Leasehold improvements	10% per annum

Tenant improvements are amortized over the term of the lease to which they relate. The Society recognizes a full year's amortization expense in the year of acquisition.

B.C. Courthouse Library Fund

The Society administers funds held on behalf of the B.C. Courthouse Library. Such funds are held in trust and the use of the funds is not recorded in the statement of revenue and expense of the Fund.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Revenue recognition

The Society follows the deferral method of accounting for annual fees. Fees are billed and received in advance on a calendar-year basis. Accordingly, fees for the next fiscal year received prior to December 31 have been deferred for financial reporting purposes and will be recognized as revenue in the next calendar year.

All other revenues are recognized when receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unclaimed trust funds

The Fund recognizes a liability for unclaimed trust funds on the statement of financial position. If these funds are claimed, the owner of the trust fund balance is entitled to the principal balance plus interest at prime rate minus 2%. Due to the historically low collection rates on these balances, the Fund does not accrue for any interest owing on the trust fund amounts held and recognizes income earned from the unclaimed trust fund investments in the statement of revenue and expense. Unclaimed funds outstanding for more than five years are transferred to the Law Foundation.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the period reported. Actual results could differ from those estimates.

2. Capital assets – Cambie Street property and other

Cambie Street property

	2000		1999	
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Land	4,189,450	–	4,189,450	4,189,450
Buildings	11,269,721	2,448,714	8,821,007	9,105,556
Leasehold improvements	3,079,938	2,186,245	893,693	1,210,646
Tenant improvements	946,988	780,182	166,806	245,420
	<u>19,486,097</u>	<u>5,415,141</u>	<u>14,070,956</u>	<u>14,751,072</u>

(continued on page 24)

The Law Society of British Columbia — **GENERAL FUND**
Financial Statements

For the year ended December 31, 2000

NOTES TO FINANCIAL STATEMENTS
(continued)

2. Capital assets – Cambie Street property and other
(continued)

Other capital assets

	2000		1999	
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Furniture and fixtures	1,543,145	1,083,612	459,533	552,216
Computer hardware	872,778	649,522	223,256	197,690
Computer software	944,938	521,507	423,431	313,426
Law libraries, at nominal value	<u>1</u>	<u>–</u>	<u>1</u>	<u>1</u>
	<u>3,360,862</u>	<u>2,254,641</u>	<u>1,106,221</u>	<u>1,063,333</u>

3. Cambie Street property operating costs – net

	2000	1999
	\$	\$
Rental revenue	418,667	402,655
Allocated rental revenue	<u>995,753</u>	<u>1,207,294</u>
	<u>1,414,420</u>	<u>1,609,949</u>
Expense		
Amortization	680,116	709,744
Insurance	29,354	29,354
Net loan interest	653,027	588,697
Property management salaries	142,610	139,385
Property taxes	267,331	275,974
Repairs and maintenance	218,796	205,980
Utilities	117,371	113,851
Recovery from tenants	<u>(295,424)</u>	<u>(277,060)</u>
	<u>1,813,181</u>	<u>1,785,925</u>
Net operating costs	<u>(398,761)</u>	<u>(175,976)</u>

4. Building loan payable

In 1992, the Benchers authorized the lending of monies from the Lawyers Insurance Fund to fund the capital development of the Society's buildings at 839 and 845 Cambie Street, Vancouver, B.C. The loan has no fixed repayment terms and bears interest calculated

monthly at a rate equal to the stated monthly yield to maturity earned on the Lawyers Insurance Fund bond investment portfolio. It is the intention of the Fund to repay a minimum of \$500,000 on the principal each year. During 2000, principal of \$500,000 (1999 – \$534,764) was repaid.

	2000	1999
Weighted average rate of interest	<u>6.00%</u>	<u>5.66%</u>

5. Interfund transactions

The operations of the Fund, the Lawyers Insurance Fund and the Special Compensation Fund are controlled by the management of the Society. Transactions between the Funds are recorded at fair values at the dates of the transactions.

Amounts due to and from the Lawyers Insurance and Special Compensation Funds arise from transactions of an operating nature, and have no fixed terms of repayment. The amounts due to and from the Special Compensation Fund are non-interest bearing.

Monthly interest on the Fund's net loan position with the Lawyers Insurance Fund is paid by the Fund at a rate equal to the stated monthly bond yield to maturity earned on the Lawyers Insurance Fund investment portfolio. The Fund's net loan position includes the General Fund building loan and other operating balances with the Lawyers Insurance Fund. This net loan position fluctuates during the year as amounts are transferred between the Fund and the Lawyers Insurance Fund to finance ongoing operations.

Interest paid to the Lawyers Insurance Fund totalled \$653,027 (1999 – \$588,697) after deduction of approximately \$13,017 (1999 – \$41,531) of interest revenue received from Fund cash balances held by the Lawyers Insurance Fund during the year.

Other interfund transactions are disclosed elsewhere in these financial statements.

6. Commitments

During the year, Juricert renegotiated an agreement with a services provider that calls for minimum guaranteed payments of \$45,000 over the period of January to June 2001. The Society has committed to making these payments on behalf of Juricert.

Additionally, Juricert entered into an agreement with a systems developer that provides payment based on a percentage of gross revenues earned by Juricert. Cumulative payments totalling \$300,000 (minimum guaranteed payment) must be paid to the systems developer by January 2005. The Society has provided a guarantee to the systems developer to make up any shortfall in the minimum guaranteed payment.

Financial Statements

For the year ended December 31, 2000

STATEMENT OF FINANCIAL POSITION as at December 31, 2000

	2000 \$	1999 \$
Assets		
Current assets		
Cash and cash equivalents	611,005	721,249
Accrued interest receivable	<u>74,871</u>	<u>93,535</u>
	685,876	814,784
Investments (note 2)	<u>9,317,295</u>	<u>9,189,514</u>
	<u>10,003,171</u>	<u>10,004,298</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	144,874	55,192
Deferred revenue	1,007,600	1,025,850
Due to General Fund (note 3)	<u>513,607</u>	<u>30,668</u>
	1,666,081	1,111,710
Net assets		
Unrestricted net assets	<u>8,337,090</u>	<u>8,892,588</u>
	<u>10,003,171</u>	<u>10,004,298</u>

Claims (note 4)

Approved by



President

Chair of Audit Committee

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STATEMENT OF CHANGES IN NET ASSETS

	2000 \$	1999 \$
Unrestricted net assets – beginning of year	8,892,588	9,277,506
Deficiency of revenue over expense for the year	<u>(555,498)</u>	<u>(384,918)</u>
Unrestricted net assets – end of year	<u>8,337,090</u>	<u>8,892,588</u>

* * *

STATEMENT OF REVENUE AND EXPENSE

	2000 \$	1999 \$
Revenue		
Annual assessments	1,325,157	997,616
Investment and interest income	<u>601,778</u>	<u>563,061</u>
	<u>1,926,935</u>	<u>1,560,677</u>

(continued above)

STATEMENT OF REVENUE AND EXPENSE (continued)

Expense		
Allocated office rent	18,132	45,360
Audit	9,996	10,000
Claims and costs	363,022	45,692
Contribution to costs of General Fund		
Administrative	467,305	455,772
Co-sponsored program costs	630,318	519,908
Counsel costs	38,511	38,390
Custodians' fees, net of recoveries	398,672	308,771
Insurance premium	149,565	139,000
Investment brokers' fee	15,770	16,915
Miscellaneous	65,957	53,666
Salaries, wages and benefits	214,317	188,590
Spot audits and related costs	<u>110,868</u>	<u>123,531</u>
	2,482,433	1,945,595
Deficiency of revenue over expense for the year	<u>(555,498)</u>	<u>(384,918)</u>

* * *

STATEMENT OF CASH FLOWS

	2000 \$	1999 \$
Cash flows from operating activities		
Deficiency of revenue over expense for the year	(555,498)	(384,918)
Add: Non-cash item		
Amortization of premium on bonds	<u>62,108</u>	<u>84,784</u>
	(493,390)	(300,134)
Decrease (increase) in current assets		
Accrued interest receivable	18,664	(15,709)
Due from General Fund	–	186,868
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	89,682	46,067
Deferred revenue	(18,250)	255,580
Due to General Fund	<u>482,939</u>	<u>30,669</u>
	79,645	203,341

Cash flows from investing activities

Purchase of investments – net	(189,889)	101,521
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Increase (decrease) in cash and cash equivalents

Cash and cash equivalents – beginning of year	<u>721,249</u>	<u>416,387</u>
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Cash and cash equivalents – end of year	<u>611,005</u>	<u>721,249</u>
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Represented by

Cash	11,005	46,249
Short-term investments	<u>600,000</u>	<u>675,000</u>
	<u>611,005</u>	<u>721,249</u>

NOTES TO FINANCIAL STATEMENTS**1. Significant accounting policies and description of the Fund****Description of the Fund**

The Special Compensation Fund (the Fund) is maintained by The Law Society of British Columbia (the Society) pursuant to section 31 of the *Legal Profession Act* to reimburse persons who sustain a pecuniary loss as a result of the misappropriation or wrongful conversion by a member of the Society of money or other property entrusted to or received by the member in his or her capacity as a barrister or solicitor. The Fund is financed by members' annual assessments, and claims are recorded net of recoveries from the Fund's insurers when they have been approved for payment by the Special Compensation Fund Committee as delegated by the Benchers.

The Society is a not-for-profit organization and the Fund is considered to be non-assessable under current income tax legislation.

Allocated administrative expenses

Administrative expenses are recovered by the General Fund from the Fund. Recoveries are based on budgeted amounts derived either on a percentage of use or the percentage of the Fund's staff as compared to the Society's total direct program staff.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Investments

Bonds are carried at amortized cost, providing for the amortization of the discount or premium on a straight-line basis to maturity. When an investment has experienced a loss in value that is other than temporary, the investment is written down to its estimated net realizable value. Realized gains and losses are included in the determination of excess (deficiency) of revenue over expense for the year.

Revenue recognition

The Society follows the deferral method of accounting for annual assessments. Assessments are billed and received in advance on a calendar-year basis. Accordingly, assessments for the next fiscal year received prior to December 31 have been deferred for financial reporting purposes and will be recognized as revenue in the next calendar year.

All other revenues are recognized when receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the period reported. Actual results could differ from those estimates.

2. Investments

	2000 \$	1999 \$
Investments – at amortized cost (market value: \$9,577,481; 1999 – \$9,136,916)	<u>9,317,295</u>	<u>9,189,514</u>

Investments consist primarily of domestic government treasury bills, government bonds, and high grade corporate bonds, generally having a maturity up to six years.

The effective yield to maturity on the total portfolio is 5.52% (1999 – 6.06%).

3. Interfund balances

Amounts due to or from the General Fund are current and non-interest bearing.

4. Special Compensation Fund claims

Pursuant to section 31(6) of the *Legal Profession Act*, the payment of Fund claims is at the discretion of the Special Compensation Fund Committee as delegated by the Benchers. No provision has been made in these financial statements for claims not resolved by the Benchers. As at December 31, 2000, 119 claims or potential claims (1999 – 108 claims) were known to the Benchers but not yet determined. These claims amounted to approximately \$14,009,970 (1999 – \$12,014,493). If all claims were approved for approximate payment, \$3,619,455 (1999 – \$5,075,364) would be payable by the Fund and \$10,390,515 (1999 – \$6,939,129) by the Fund's insurers. These amounts do not include an estimate for claims attributable to 2000 or prior years that have not as yet been filed.

Effective January 1, 1997, the Society implemented a policy regarding the recognition of valid claims such that where the amount claimed is greater than \$1,000,000, and there is no evidence presented to support a claim in that amount, the claim is shown at \$1,000,000. No such claims have been noted in 2000 (1999 – one).

The Society has renewed its indemnity bond for January 1, 2001 to January 1, 2002. The bond provides that total claims attributable to the period in excess of \$2,500,000 are 100% reimbursed by a commercial insurer up to a maximum of \$15,000,000 for claims against one lawyer and in total. An annual aggregate cap has been placed on claims paid by the Fund, set at the deductible plus the limit of the purchased insurance, including co-insurance amounts. For 2000, this cap is \$17,500,000 (1999 – \$17,500,000).

Consolidated Financial Statements

For the year ended December 31, 2000

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at December 31, 2000

	2000 \$	1999 \$
Assets		
Cash and cash equivalents	9,080,798	6,071,373
Accounts receivable	46,201	93,630
Accrued interest receivable	529,006	645,525
Income tax recoverable	14,433	—
Due from General Fund (note 6)	—	432,429
Due from reinsurers	—	660,739
Reinsurers' share of provision for claims	10,505,000	13,157,000
Due from members	2,362,201	1,988,617
General Fund building loan (note 4)	10,600,000	11,100,000
Investments (note 2)	<u>78,081,666</u>	<u>73,429,746</u>
	<u>111,219,305</u>	<u>107,579,059</u>

Liabilities

Accounts payable and accrued liabilities	519,518	656,413
Income taxes payable	—	17,680
Deferred revenue	3,137,600	4,108,340
Due to General Fund (note 6)	3,221,024	—
Provision for claims (note 5)	<u>85,094,586</u>	<u>72,679,304</u>
	91,972,728	77,461,737

Net assets

Unrestricted net assets	<u>19,246,577</u>	<u>30,117,322</u>
	<u>111,219,305</u>	<u>107,579,059</u>

Approved by



President

Chair of Audit Committee

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

	2000 \$	1999 \$
Unrestricted net assets – beginning of year	30,117,322	35,046,310
Deficiency of revenue over expense for the year	<u>(10,870,745)</u>	<u>(4,928,988)</u>
Unrestricted net assets – end of year	<u>19,246,577</u>	<u>30,117,322</u>

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CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE

	2000 \$	1999 \$
Revenue		
Annual assessments	9,061,102	10,777,081
Investment income (note 2)	5,445,266	5,194,588
Other income	<u>24,791</u>	<u>27,005</u>
	<u>14,531,159</u>	<u>15,998,674</u>

Insurance expense

Actuary, consultant and investment broker fees	156,601	149,402
Allocated office rent	88,370	111,898
Audit	38,000	36,066
Contribution to costs of General Fund		
Administrative	1,077,906	997,700
Office	172,675	170,888
Premium taxes	9,123	9,606
Provision for settlement of claims	22,043,000	17,581,000
Salaries, wages and benefits	<u>1,165,824</u>	<u>1,084,651</u>
	24,751,499	20,141,211

Loss prevention expense

Contribution to costs of General Fund		
Co-sponsored program costs	<u>648,699</u>	<u>768,771</u>
	<u>25,400,198</u>	<u>20,909,982</u>

Deficiency of revenue over expense before the following	(10,869,039)	(4,911,308)
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Income tax payable	<u>1,706</u>	<u>17,680</u>
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Deficiency of revenue over expense for the year	<u>(10,870,745)</u>	<u>(4,928,988)</u>
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Consolidated Financial Statements

For the year ended December 31, 2000

**CONSOLIDATED STATEMENT
OF CASH FLOWS**

	2000 \$	1999 \$
Cash flows from operating activities		
Deficiency of revenue over expense for the year	(10,870,745)	(4,928,988)
Add: Non-cash items		
Amortization of premium on bonds	733,097	769,523
Realized gain on disposal of investments	<u>(255,220)</u>	<u>(483,634)</u>
	(10,392,868)	(4,643,099)
Decrease (increase) in assets		
Accounts receivable	47,429	154,060
Accrued interest receivable	116,519	(80,732)
Due from reinsurers	3,312,739	(98,739)
Due from members	(373,584)	304,383
Due to/from General Fund	3,653,453	(2,158,906)
Income tax recoverable	(14,433)	—
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	(136,895)	70,159
Income taxes payable	(17,680)	16,032
Deferred revenue	(970,740)	(155,508)
Provision for claims	<u>12,415,282</u>	<u>6,027,279</u>
	<u>7,639,222</u>	<u>(565,071)</u>
Cash flows from investing activities		
Purchase of investments, net	(5,129,797)	(3,685,714)
Decrease in General Fund building loan	<u>500,000</u>	<u>534,764</u>
	<u>(4,629,797)</u>	<u>(3,150,950)</u>
Increase (decrease) in cash and cash equivalents	3,009,425	(3,716,021)
Cash and cash equivalents – beginning of year	<u>6,071,373</u>	<u>9,787,394</u>
Cash and cash equivalents – end of year	<u>9,080,798</u>	<u>6,071,373</u>
Represented by		
Cash	2,048,798	64,373
Short-term investments	<u>7,032,000</u>	<u>6,007,000</u>
	<u>9,080,798</u>	<u>6,071,373</u>

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS****1. Significant accounting policies and description of the Fund****Description of the Fund**

The Lawyers Insurance Fund (the Fund) is maintained by The Law Society of British Columbia (the Society) pursuant to section 30 of the *Legal Profession Act*. The Society is a not-for-profit organization and only the consolidated LSBC Captive Insurance Company Ltd. (the Captive) is considered assessable for income tax under current legislation.

Allocated administrative expenses

Administrative expenses are recovered by the General Fund of the Society from the Fund. Recoveries are based on budgeted amounts derived either on a percentage of use or the percentage of the Fund's staff as compared to the Society's total direct program staff.

Basis of consolidation

These consolidated financial statements include the accounts of the Fund and the Captive, a wholly owned subsidiary.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Investments

Bonds and treasury bills are carried at amortized cost, providing for the amortization of the discount or premium on a straight-line basis to maturity. When an investment has experienced a loss in value that is other than temporary, the investment is written down to its estimated net realizable value. Realized gains and losses are included in the determination of net excess (deficiency) of revenue over expense for the year.

Reinsurance

The Society reflects reinsurance balances on the statement of financial position on a gross basis to indicate the extent of credit risk related to reinsurance and its obligations to policy holders, and on a net basis on the statement of revenue and expense to indicate the results of its retention of assessments retained.

Revenue recognition

The Society follows the deferral method of accounting for annual assessments. Assessments are billed and received in advance on a calendar-year basis. Accordingly, assessments for the next fiscal year received prior to December 31 have been deferred for financial reporting purposes and will be recognized as revenue in the next calendar year.

All other revenues are recognized when receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Use of estimates

The preparation of financial statements in conformity with

(continued on page 29)

Consolidated Financial Statements

For the year ended December 31, 2000

Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the period reported. Actual results could differ from those estimates.

2. Investments

	2000	1999
	\$	\$
Investments, at book value (market value – \$79,254,979; 1999 – \$71,922,315)	<u>78,081,666</u>	<u>73,429,746</u>

Investments consist primarily of domestic government treasury bills, government bonds, high grade corporate bonds and pooled funds, generally having an average maturity of 7.25 years.

The effective yield to maturity on the total portfolio is 5.51% (1999 – 6.15%).

	2000	1999
	\$	\$
Investment income		
Cash and treasury bills	975,299	619,394
Bond interest	4,294,817	4,272,386
Amortization of premium on bonds	(733,097)	(769,523)
Net interfund loan interest	653,027	588,697
Gain on sale of investments	<u>255,220</u>	<u>483,634</u>
Net investment income	<u>5,445,266</u>	<u>5,194,588</u>

3. Errors and omissions insurance claims

Effective January 1, 1990, the Fund began underwriting the program by which errors and omissions insurance is provided to members of the Society. The Society's members have coverage as follows:

	2000	1999
	\$	\$
Deductible – member	5,000 or 10,000	5,000 or 10,000
Deductible – the Fund	995,000 or 990,000	995,000 or 990,000
Total coverage per occurrence	<u>1,000,000</u>	<u>1,000,000</u>
Annual aggregate per member	<u>2,000,000</u>	<u>2,000,000</u>

The amount of the member deductible is \$5,000 for each initial claim resulting in the payment of damages and \$10,000 for each additional claim within a three-year period resulting in the payment of damages.

For 1996 and previous years, the Captive entered into reinsurance contracts under which all risks in excess of the inner aggregate retentions, which are borne by the company, were ceded to reinsurers. The policy of ceding reinsurance does not relieve the Captive of primary liability as the originating insurer.

Since January 1, 1997, the Captive has not renewed its annual reinsurance contracts, and therefore all losses on claims since 1997 will be fully borne by the Captive as primary insurer and reimbursed by the Society under agreement.

4. General Fund building loan

In 1992, the Benchers authorized the lending of monies from the

Fund to fund the capital development of the Society's buildings at 839 and 845 Cambie Street, Vancouver, B.C. The loan has no fixed repayment terms and bears interest calculated monthly at a rate equal to the stated monthly yield to maturity earned on the Fund investment portfolio. It is the intention of the General Fund to repay a minimum of \$500,000 on the principal each year. During 2000, principal of \$500,000 (1999 – \$534,764) was repaid.

	2000	1999
Weighted average rate of return	<u>6.00%</u>	<u>5.66%</u>

5. Provision for claims

The provision for settlement of claims is an actuarially determined estimate of the Fund's portion of settlement costs relating to claims incurred prior to the statement of financial position date. The provision is an estimate subject to variability, which arises because all events affecting the ultimate settlement of claims have not taken place and may not take place for some time. Variability can be caused by the receipt of additional information, changes in judicial interpretation, or significant changes in severity or frequency of claims from historical trends.

The provision is based on the historical claims experience of the Society and is reviewed annually by an independent actuary using updated information. All changes in provision estimates are expensed in the current period. Although the provision is believed to be adequate, it is based on estimates, and the final actual loss values may vary significantly from those estimated.

6. Interfund transactions

The operations of the Fund, the General Fund and the Special Compensation Fund are controlled by the management of the Society. Transactions between the Funds are recorded at fair values at the dates of the transactions.

Amounts due to and from the General Fund arise from transactions of an operating nature and have no fixed terms of repayment.

Monthly interest on the Fund's net loan position with the General Fund is paid to the Fund at a rate equal to the stated monthly yield to maturity earned on the Fund investment portfolio. The Fund's net loan position includes the General Fund building loan and other operating balances with the General Fund. This net loan position fluctuates during the year as amounts are transferred between the General Fund and the Fund to finance ongoing operations.

Interest received by the Fund totalled \$653,027 (1999 – \$588,697) after deduction of approximately \$13,017 (1999 – \$41,531) of interest revenue paid to the General Fund on General Fund cash balances held by the Fund during the year.

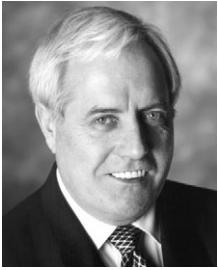
Other interfund transactions are disclosed elsewhere in these consolidated financial statements.

7. Regulatory requirements

The Captive is licensed under the *Insurance (Captive Company) Act* of B.C. The regulations of this Act require the Captive to maintain certain minimum reserves. The Captive was in compliance with those regulations as at December 31, 2000.

8. Comparative figures

Certain comparative figures on the statement of financial position have been restated to conform to the current year's format.



*K.F. Warner, Q.C.,
Executive Chair*



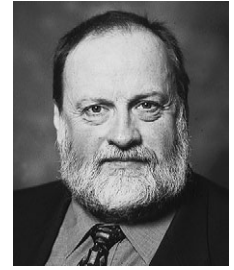
*G.J. Lecovin, Q.C.,
Access to Justice Chair*



*J.S. Shackell, Q.C.,
Audit Chair*



*M. Martin,
Complainants' Review
Chair*



*R.C. Gibbs,
Credentials Chair*

Committee	Members and staff
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Access to Justice	<p>Benchers: G.J. Lecovin, Q.C. (Chair), P.J. Keighley, Q.C., M. Martin, G.R. Toews, Q.C.</p> <p>Non-Benchers: Ross Tunncliffe, Deborah Lynn Zutter</p> <p>Staff: C. Ensminger, L. Cooney</p>
Audit	<p>Benchers: J.S. Shackell, Q.C. (Chair), G.J. Kambeitz, Q.C., D.P. Ramsay, Q.C., E.M. Reid, Q.C., B.D. Woolley, Q.C.</p> <p>Non-Benchers: Dirk Sigalet, Ted Strocel</p> <p>Staff: J.G. Matkin, D. Newell, N. Stajkowski</p>
Complainants' Review	<p>Benchers: M. Martin (Chair), I. Donaldson, Q.C., W. John, A. Olsen</p> <p>Non-Benchers: Jan Lindsay, Paul Love</p> <p>Staff: C. Picard, A. Said</p>
Credentials	<p>Benchers: R.C. Gibbs (Chair), J.A. Carmichael, Q.C., N. Fernando, A.K. Fung, Q.C., M. Martin, E.M. Reid, Q.C., J.S. Shackell, Q.C.,</p> <p>Non-Benchers: Hugh Braker, Q.C., Valliammai Chettiar, Peter Warner, Q.C.</p> <p>Staff: A. Treleaven, L. Small</p>
Discipline	<p>Benchers: R.S. Margetts, Q.C. (Chair), H.R. Berge, Q.C., W.M. Everett, Q.C., D.W. Gibbons, Q.C., A. Howard, W. John, B.D. Woolley, Q.C.</p> <p>Non-Benchers: Robert Crawford, Q.C., Deborah Lovett, Q.C., Steve Mulhall</p> <p>Staff: J. Whittow, M. Currie, J. Dent, B. Evans, T. Follett, J. Gossen, K. Gounden, L. Hlus, T. Holmes, P. Kalsi, G. Keirstead, K. Kim, M. Lucas</p>
Equity and Diversity	<p>Benchers: A.K. Fung, Q.C. (Chair), T.E. La Liberté, Q.C., P.L. Schmit</p> <p>Non-Benchers: Hilal Bangash, Halldor Bjarnason, Terrance Brown, Gerry Ferguson, barbara findlay, Angela Julien, Ken Kramer, Kathy Louis, Beverly Nann, Michiko Sakamoto-Senge, Georgina Spilos, Tim Timberg, Henry Vlug</p> <p>Staff: K. Foo</p>

2000 committees



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Equity and Diversity
Chair*



*W.J. Sullivan, Q.C.,
Ethics Chair*



*R.W. Gourlay, Q.C.,
Practice Standards and
Special Compensation
Fund Chair*



*G.J. Kambeitz, Q.C.,
Unauthorized Practice
Chair*

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Non-Benchers: James Herperger

Staff: C. Wiseman

Bencher task force

Members and staff

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Non-Benchers: Ron Friesen

Staff: J.G. Matkin, R. Usher

Futures

Benchers: R.C. Gibbs (Chair), J.A. Carmichael, Q.C., D.W. Gibbons, Q.C., R.S. Margetts, Q.C., D.P. Ramsay, Q.C., W.J. Sullivan, Q.C., K.F. Warner, Q.C., W.T. Wilson, Q.C. (Life Bencher)

Non-Benchers: Sabrina Ali, Stan Lanyon, Q.C., Ross Tunnicliffe, Diane Turner

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B.C. Law Institute	James MacIntyre, Q.C. Sholto Heberton, Q.C.	Hamber Foundation	R.P. Beckmann, Q.C. Mdm. Justice Mary Newbury
B.C. Medical Services Foundation	Andrew Wilkinson	Law Foundation	E. Patricia Boyd Mdm. Justice Alison Beames Ian Caldwell Andrew Croll Azim Dato, Q.C. Victoria Gray, Q.C. Sholto Heberton, Q.C. Paul Love Marina Pratchett, Q.C. D. Heather Raven D.A. Silversides, Q.C. Peter Warner, Q.C.
Building Permit Board of Appeal, City of Vancouver	Arlene Henry		
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CBA (B.C.) Benevolent Society	W.J. Sullivan, Q.C.		
CLE Society	Benchers: A.K. Fung, Q.C. W.J. Sullivan, Q.C. Practitioners: ¹ James Baird Danielle Byres David E. Jones Robert Kasting Linda Locke William McNaughton Margaret Sasges Ronald Smith Charles Stein Ken Walker	Legal Services Society ²	Pinder Cheema Geoffrey Cowper, Q.C. Grant Gray Kenneth Learn Barbara Yates, Q.C.
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		UBC Faculty of Law, Faculty Council	D.P. Ramsay, Q.C.
		UVic Faculty of Law, Faculty Council	R.S. Alexander, Q.C.
		Vancouver International Airport Authority	J. Thomas English, Q.C.

¹ appointed jointly with the CBA, B.C. Branch

² appointed after consultation with the CBA, B.C. Branch

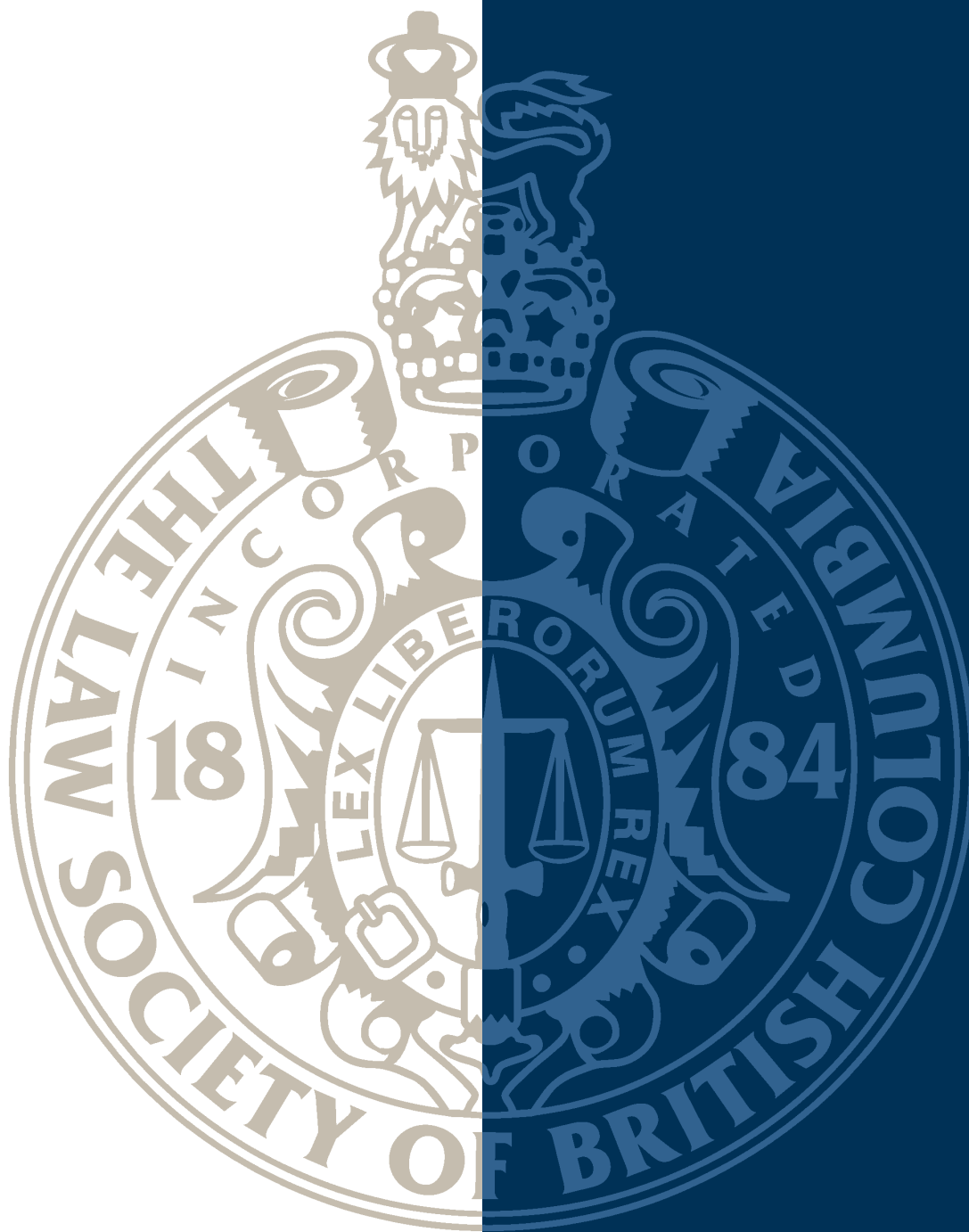


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Jean Whittow
Deputy Executive Director

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Raymond Fong	John Nalleweg	Anne Wilson
Kuan Foo	Jerry Negraeff (P/T)	Carmel Wiseman



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