

THE LAW SOCIETY OF BRITISH COLUMBIA

ANNUAL REPORT 2006



Building
for the
future

The Benchers' 2006 operational priorities plan, *Building for the Future*, outlined five objectives for enhancing the Law Society's operational effectiveness:

- design and implement a program of universal trust assurance that enhances risk management while reducing law firms' administrative and cost burdens.
- implement an in-house custodianship model to meet our custodial obligations with greater cost-effectiveness and resource leveraging;
- provide support to sole practitioners and small firms to help them meet their practice challenges;
- establish a consultative relationship with government with effective channels for communication and cooperation; and
- provide the Benchers with a dedicated support group to enhance the quality of their governance and adjudication.

Our work throughout 2006 focused on implementing these objectives. The following pages highlight some of the many ways the Law Society worked to build for the future last year.





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Building for the future



2006 Law Society President Robert W. McDiarmid, QC (left) with First Vice-President Anna K. Fung, QC and Second Vice-President John J.L. Hunter, QC.

Personally, the year was immensely rewarding. I was privileged to be your representative at many local, county, national and international events, and I came away with a strong sense of pride in our profession. Here in BC, lawyers are well aware of our responsibility to ensure high standards of ethical practice, and the public is well served.

— Robert W. McDiarmid, QC, President

As I look ahead, I see the Law Society building on the initiatives started in 2006 to connect more effectively with the public on a broad range of important issues, including the independence of the profession and equality rights.

— Timothy E. McGee, CEO

PRESIDENT'S MESSAGE

It was an enormous honour and privilege to serve as President of the Law Society in 2006. During my term, I travelled to many county and local bar association meetings and was always impressed by how our profession strives for excellence in serving the public who are our clients.

The past year has seen many accomplishments:

- The Small Firm Task Force completed the bulk of its work (its report was finalized early in 2007). This included overseeing the online Small Firm Practice Course, which will be a terrific tool to assist BC lawyers in serving their clients.
- The new Trust Assurance Program is up and running. This will provide enhanced protection for the public, enhanced credibility for the profession and, as a side benefit, do away with the need for an external accountant's report for most firms, resulting in significant savings for most members.
- Our provincial government relations program was established. This will enable the Law Society to provide proactive input on behalf of the profession regarding provincial legislation.
- Our relationship with the Canadian Bar Association, BC Branch, which was strained during the cessation of mandatory membership, has been repaired. The CBA remains the pre-eminent national lawyers organization, and is an integral part of our profession's ability to advance public interest legal issues.
- The Benchers approved a preliminary report by the Lawyer Education Task Force, recommending further consideration of mandatory continuing professional development for BC's practising lawyers.
- Internally, the Law Society now has a management team in place that combines excellent long-serving senior staff with a new chief financial officer and a new chief legal officer. Under the able leadership of Chief Ex-

ecutive Officer Tim McGee, there is now a team in place to carry out Law Society duties with renewed enthusiasm and efficiency.

- And last but not least, this year saw 11 new Benchers (nine elected lawyers and two appointed Lay Benchers) gain experience and contribute new perspectives to the Benchers table.

The year did not conclude with total accomplishment of all goals. We continue to press the BC government to make current statutes and regulations freely available online. This province remains the only jurisdiction in Canada that charges its citizens for online access to up-to-date statutes and regulations. As at the date I write this article, statutes are over 13 months out of date, and regulations are over 15 months. We have not finalized the Wirick claims, although that should occur by the end of 2007. We continue to see federal government attacks on the independence of our judiciary, which goes hand in hand with the independence of our profession.

So while I take some pride in our accomplishments in 2006, we must ensure that the Law Society continues to play an active role as an integral part of our justice system. I am pleased that 2007 President Anna Fung, QC has set priorities that build on past accomplishments and look to meet new challenges.

I am most grateful to my fellow Benchers for their support, and in particular to the Lay Benchers who gave so freely of their time to assist me. The encouragement and assistance from Meg Shaw, QC, Frits Verhoeven, Frank Kraemer, QC, Parker McCarthy, QC and Caroline Nevin at the CBA were welcome and appreciat-

ed. Committee volunteers devote a huge amount of time, and I want to thank you all for your help. Finally, I want to thank Tim McGee, who completed his first full year as CEO, and his dedicated management and staff team, who made my life much easier.



Robert W. McDiarmid, QC

President



CHIEF EXECUTIVE OFFICER'S MESSAGE

The Law Society of British Columbia will celebrate its 125th anniversary in just two years time. Reaching this significant milestone will underscore the enduring relevance of the Law Society's mandate, which is to govern the legal profession in British Columbia in the public interest.

While we look forward to marking the past with this anniversary, 2006 was a year in which the Law Society took important steps to plan for the future of our organization and our profession.

At the forefront of our activities in 2006 was the implementation of a plan titled *Building for the Future*, setting out five operational priorities approved by the Benchers in late 2005: a new universal trust assurance program to strengthen the risk management capability of the Law Society and the profession; a new in-house custodianship program, leveraging internal resources to improve the cost-effectiveness of the Society's response to growing demand for custodial services; new web-based support for lawyers facing the unique demands of sole and small firm practice; a new government relations program to build and maintain productive working relationships with government; and a plan to enhance staff support for Benchers' governance and adjudicative responsibilities.

With nearly 10,000 practising lawyers in the province, we are acutely aware of the need to manage the Law Society's resources and operations effectively and efficiently. Last year, we adopted a comprehensive new process for financial planning and management to better anticipate and prioritize demands for our resources. We welcomed Jeanette McPhee as the Society's new Chief Financial Officer to lead this important work.

Another reflection of our commitment to achieving best practices in all facets of our operations was the design in 2006 of a pilot project to expedite complaint resolution through early and informal intervention in appropriate cases. We

welcomed former provincial Ombudsman Howard Kushner as the Law Society's first ever Chief Legal Officer to oversee our professional regulatory activities, including this new initiative.

In 2006 we saw the light at the end of the tunnel for the Wirick matter. Because of the determined work of the Special Compensation Fund Committee throughout the past year, we anticipate that all outstanding Wirick claims will be settled by the end of 2007. This will close a difficult chapter in the Society's history through which our members demonstrated the integrity of the profession in shouldering significant financial burdens to protect the public interest.

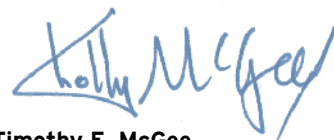
We welcomed 11 new Benchers in 2006 (including two new Lay Benchers), bringing renewed energy and fresh perspectives to the many issues at hand. Sadly, we also mourned the passing of Lay Bencher and noted journalist Patrick Nagle, and in early 2007 the passing of Lay Bencher and senior insurance executive Michael Falkins. We continued to benefit enormously as an organization from the contributions of more than 400 volunteers from all walks of life who brought diverse perspectives to the work of the Society, including our Bencher committees and task forces.

As I look ahead, I see the Law Society building on initiatives started in 2006 to connect more effectively with the public on a broad range of issues to help build confidence in the justice system. Through our new series of public forums we are reaching out to the community on issues such as the importance of the independence of the profession and equality rights. We are continuing to en-

hance our communication capabilities in a number of ways, including improvements to our website, which recorded a dramatic increase in visits last year.

In closing, I would like to acknowledge the hard work and dedication of all Law Society employees. I know our staff have a deep appreciation for the importance of the Society's mandate and I see that reflected in the high quality of the service they provide day in and day out. I am very proud to be part of that team.

I would also like to thank our Benchers and particularly to acknowledge the leadership and support of our 2006 President Rob McDiarmid, QC and to extend a warm welcome to our current President, Anna Fung, QC.



Timothy E. McGee
Chief Executive Officer



Leadership and Governance



→ *The Benchers govern the work of the Law Society in accordance with the Legal Profession Act, setting and enforcing standards of professional responsibility for lawyers and setting policies for Society programs.*

Left: Benchers and Chief Executive Officer of the Law Society of British Columbia, December 2006.

Front row, left to right: Thelma O'Grady (Vancouver County), David A. Zacks, QC (Vancouver County), First Vice-President Anna K. Fung, QC (Vancouver County), President Robert W. McDiarmid, QC (Kamloops District), Gordon Turriff, QC (Vancouver County), CEO Timothy E. McGee.

Second row, left to right: Arthur E. Vertlieb, QC (Vancouver County), Kathryn A. Berge, QC (Victoria County), Bruce A. LeRose, QC (Kootenay County), James D. Vilvang, QC (Vancouver County), Jan Lindsay (Westminster County), Rita C. Andreone (Vancouver County), Robert D. Punnett (Prince Rupert County).

Third row, left to right: Barbara Levesque (Lay Benchers), G. Glen Ridgway, QC (Nanaimo County), Gavin H.G. Hume, QC (Vancouver County), Carol W. Hickman (Westminster County), Ian Donaldson, QC (Vancouver County), Dirk J. Sigale, QC (Okanagan District).

Back row, left to right: David M. Renwick (Westminster County), Michael J. Falkins (Lay Benchers), Ken Dobell (Lay Benchers), Richard N. Stewart (Victoria County), Dr. Maelor Vallance (Lay Benchers), June Preston, MSW (Lay Benchers), Joost Blom, QC (Vancouver County), William F.M. Jackson (Cariboo County).

Not pictured: Leon Getz, QC (Vancouver County), Second Vice-President John J.L. Hunter, QC (Vancouver County), Patrick Kelly (Lay Benchers), Terence E. La Liberté, QC (Vancouver County), Ronald S. Tindale (Cariboo County).

FULFILLING OUR MANDATE

Through its professional standards and regulatory programs, the Law Society upholds and protects the legal profession's honour, integrity and independence, which in turn bolster public confidence and trust in the administration of justice.

Section 3 of the *Legal Profession Act*

Most readers of this report will be familiar with the Law Society's statutory mandate set out in the opening words of s. 3 of the *Legal Profession Act*:

It is the object and duty of the society to uphold and protect the public interest in the administration of justice by ...

Many readers may not be as familiar with the specific actions set out in s. 3(a) by which the Society may fulfil that mandate:

- i) preserving and protecting the rights and freedoms of all persons,
- ii) ensuring the independence, integrity and honour of its members, and
- iii) establishing standards for the education, professional responsibility and competence of its members and applicants for membership.

Through its professional standards and regulatory programs, the Law Society upholds and protects the legal profession's honour, integrity and independence, which in turn bolster public confidence and trust in the administration of justice.

Without lawyers who are prepared to challenge the arbitrary or unlawful exercise of power, and to preserve and protect the rights and freedoms of all persons, whether unpopular, famous, rich or poor, the public interest would neither be upheld nor protected.

Fulfilling this statutory mandate is the purpose underlying the Society's mission statement: "The principal aim of the Law Society of British Columbia is a public well served by a competent, honourable and independent profession."

A Brief History of the Law Society's Crest, Seal and Motto

Although the Law Society of British Columbia was established as an association on July 22, 1869, its first seal didn't appear until 1884, when a new *Legal Professions Act* declared that "The persons who shall be elected Benchers shall be a body politic and corporate under the name of the 'Law Society of British Columbia' and as such shall have continued succession and a common seal."¹

In 1897 the Benchers commissioned Reverend Canon Beanlands, Dean of Victoria's Christ Church Cathedral, to design a crest and prepare a motto: *Lex Liberorum Rex* (meaning "law is the ruler of free people"). It does not appear that this motto was the product of any particular quotation or reference, "rather it appears ... that Dean Beanlands, obviously a scholarly man, drew on his knowledge of early Roman history and that, while the word 'Rex' was historically the word for all power in Rome, after the last of the Kings were expelled the body of Roman law emerged and the free citizens of Rome were then subject to 'Lex' rather than 'Rex'."²



Original Law Society Seal (1884)



Revised Law Society Seal (1897)



Current Law Society Seal (1970)

The conclusion of this brief history is best expressed by Alfred Watts, QC (Secretary of the Law Society from 1947 to 1967):

On the assumption that Canon Beanlands would have consulted the College of Arms concerning the Crest an inquiry was made of the Richmond Herald of Arms, J.P. Brooks-Little Esq., as to its make

up and the following reply was received, "I am afraid that Canon Beanlands did not consult an officer of the College of Arms when he designed the emblem for the Law Society of British Columbia and had he done so I am sure that he would have been informed that it was quite wrong to use the Royal

Crest or an imitation of the Royal Crest as part of the device."

Ah well, back to the drawing board. And back the Benchers went in 1970 producing a somewhat different version of the same design.³

THE BENCHERS

The Benchers govern the work of the Society in accordance with the *Legal Profession Act*, setting and enforcing standards of professional responsibility for lawyers and setting policies for Law Society programs. Twenty-five Benchers are lawyers elected by their peers in nine districts across BC, and up to six are non-lawyers (Lay Benchers) appointed by the provincial government. The Benchers have powers similar to those of directors of corporations and societies.

Benchers serve two-year, renewable terms of office. The senior Bencher is the President, who serves a one-year term in that position. Robert McDiarmid, QC of Kamloops took office as President on January 1, 2006. He was assisted throughout his term by First Vice-President Anna Fung, QC and Second Vice-President John Hunter, QC.

The Hon. Wally Oppal, QC, Attorney Gen-

eral of British Columbia, is an ex officio Bencher under the *Legal Profession Act*, although, in practice the Deputy Attorney General usually attends Bencher meetings on his behalf. The Benchers were pleased to work closely with both Mr. Oppal and his deputy, Allan Seckel, QC throughout 2006.

Under the Law Society Rules past presidents and Benchers who have served

four terms become Life Benchers. The Law Society had 60 Life Benchers in 2006, many of whom remain active as volunteers. Out-going President Ralston Alexander, QC became a Life Bencher at the close of 2005, as did Patricia Schmidt, QC and Ross Tunnicliffe. Life Benchers Colin McQuarrie, QC and Meredith McFarlane, QC passed away during 2006.

¹ Alfred Watts, QC, *History of the Legal Profession in British Columbia 1869-1984* (Vancouver: Evergreen Press Limited, 1984) 5

² *Supra*, 8

³ *Supra*

The Benchers have defined a number of principles that guide their approach to governance:

- outward vision rather than internal preoccupation;
- encouragement of the full examination of all issues and solutions;
- strategic leadership more than administrative detail;
- clear distinction between Bencher and CEO roles;
- collective rather than individual decisions and actions;
- future rather than past or present; and
- proactivity rather than reactivity.

Benchers Perform Many Roles in Protecting the Public Interest

As a board of directors responsible for protecting the public interest in the administration of justice, Benchers provide an important public service. As a group, the Benchers contributed at least 10,000 hours of their valuable time to serving the public and their profession in 2006, including:

- 58 hearing days (usually involving three Benchers);
- 200 or more Bencher/student interviews;
- 6,400 hours spent preparing for and attending Bencher meetings, committee and task force meetings, call ceremonies and the annual retreat; and
- many more hours assisting and informing other lawyers, government and the public.

“Benchers always comment on the collegial atmosphere. It’s the relationships that keep people coming back,” says David Newell, who has worked with many Benchers in his eight years as the Law Society’s Corporate Secretary. Elected a Bencher in Cariboo County in 2002, Bill Jackson echoes that point. “Being a Crown Counsel from the frozen North, I didn’t know what to expect at the Bench-

er table, but everyone has treated me so well,” he comments.

In addition to regular duties, Benchers from outside of the Lower Mainland put in many more hours on the road. To attend a one-day meeting in Vancouver, Jackson needs to tack on two extra days of travel time. With meetings happening two or three times a month, he has found himself spending 15 hours a week or more fulfilling his duties as a Bencher. It’s no small time commitment, but Jackson feels the journey is well worth it.

“The work we do at the Law Society is extremely interesting – the policy aspect, the governance aspect and the regulatory aspect,” Jackson says. “Because of my experience as Crown Counsel, I took to the Discipline Committee like a duck to water.”

Rita Andreone, who was first elected in November 2005, finds it a tough balancing act managing her responsibilities as a mother of two, a partner at Lawson Lundell LLP and a Bencher. Last year she spent nearly 400 hours on her Law Society duties. “I have a very busy transactional practice. I can only do my work as a Bencher because I can rely on people at the firm to look after client matters in my absence.”

Despite the challenges of the job, new candidates step forward at every election. They come from around the province, from big firms and small firms, but they are united by one thing: a commitment to uphold and protect the public interest in the administration of justice.

This commitment has not gone unnoticed by the Lay Benchers. “We Lay Benchers see the great importance that the lawyer Benchers place on addressing issues in the best interest of the public,” says Lay Bencher June Preston. “Elected Benchers value their profession enough to give time from their private lives and busy practices.”

What Benchers do

Benchers can expect their duties to consume four or more days a month, divided among:

- preparing for and participating in Bencher meetings;
- attending the annual Benchers’ retreat;
- serving on at least two committees or task forces;
- sitting on discipline and credentials hearing panels;
- responding to ethics and practice questions from lawyers; and
- interviewing articulated students and attending call ceremonies.

Benchers throughout history

In 16th-century England, lawyers who appeared in court for clients belonged to institutions known as the Inns of Court. They were known as “barristers” because they pleaded cases at the bar that divides the business area of the court from the public gallery. The senior barristers of Inns of Court were known as “Benchers” or “Masters of the Bench.”



The Law Society's 2006 Lay Benchers: (left to right) Ken Dobell, Michael J. Falkins, Dr. Maelor Vallance, June Preston, MSW, Patrick Kelly and Barbara Levesque.

Michael Falkins passed away on April 23, 2007 after a long battle with cancer. As 2007 Law Society President Anna Fung, QC, said shortly thereafter: "Michael was truly dedicated to his work as a Lay Benchers and his expertise in insurance matters was a huge asset to the Law Society. He will be sorely missed by all who had the good fortune to work with Mike and to get to know him."

Our 2006 Lay Benchers' Commentary

In 1988, following amendment of the *Legal Profession Act* to provide for non-lawyer representation at the Benchers table, the government appointed veteran broadcaster Jack Webster and UBC medical school professor Dr. Anne Pomeroy Autor as Lay Benchers. Vernon mayor Anne Clarke joined them shortly afterward.

To some people, the role of non-lawyers in governing the legal profession is hard to explain or understand.

"When you consider that the Law Society's main role is to act in the public

interest in the administration of justice, it makes sense to have public representation at the Benchers table," says Lay Benchers Patrick Kelly. "However, at every meeting, whether hearings, committees or monthly board meetings, all Benchers routinely and regularly focus on protecting the public interest."

"The public really needs to know more about the Law Society, its role and the role of the Benchers because, at one time or another, law affects every citizen of the province," says June Preston, also a Lay Benchers.

Dr. Maelor Vallance, a Vancouver psychiatrist, served as chair of the Complainants' Review Committee in 2006, where he helped to ensure the public had the opportunity to challenge Law Society staff decisions on complaints. On the Credentials Committee, Vallance was pleased to note that the Law Society retains a medical consultant to assist committee members with complex medical issues.

Retired insurance executive Michael Falkins typified the commitment of the Law Society's Lay Benchers. In 2006 Falkins served on the Executive Committee and the Practice Standards Committee, and was Vice-chair of the Special Compensation Fund Committee.

After attending three Vancouver Island bar meetings with Law Society President Rob McDiarmid, QC and other Benchers, Falkins recalled: "I was quite overwhelmed with the local bar's keenness to understand what we do. They were particularly impressed that elected Benchers accept Lay Benchers so unequivocally."

The Lay Benchers were saddened by the passing of Patrick Nagle, their valued colleague and friend. A seasoned journalist, Nagle often started his incisive comments at the Benchers table with, "Just briefly, Mr. President..." He will be sorely missed.

Profile of Patrick Kelly, Lay Benchers



Immediately upon his appointment as a Lay Benchers in July 2002, Patrick Kelly began applying the qualities that have marked him as a special person since childhood: a deeply reflective nature, fuelled in equal parts by determination and enthusiasm.

Patrick is a member of the Leq:amel First Nation in the Sto:lo Nation (part of the Coast Salish). He grew up at Harrison and Deroche in a family of 11 children, and credits his grandmother, T'esots (also known as Margaret Pennier) as key to his development as a leader.

"Gramma was a strong spiritual person. She was gentle but persuasive teacher, and had a very powerful influence on me," Patrick says. "When I was 21 she took me aside and told me that I had shown the ability to think deeply and to apply this quality to helping my family and my community.

"She also told me that I had a responsibility to apply my abilities with humility and patience. She said again and again that, when dealing with issues, I must learn to lead by listening carefully to what people are really saying and then help them find lasting solutions."

Over the years Patrick has applied his grandmother's lead-

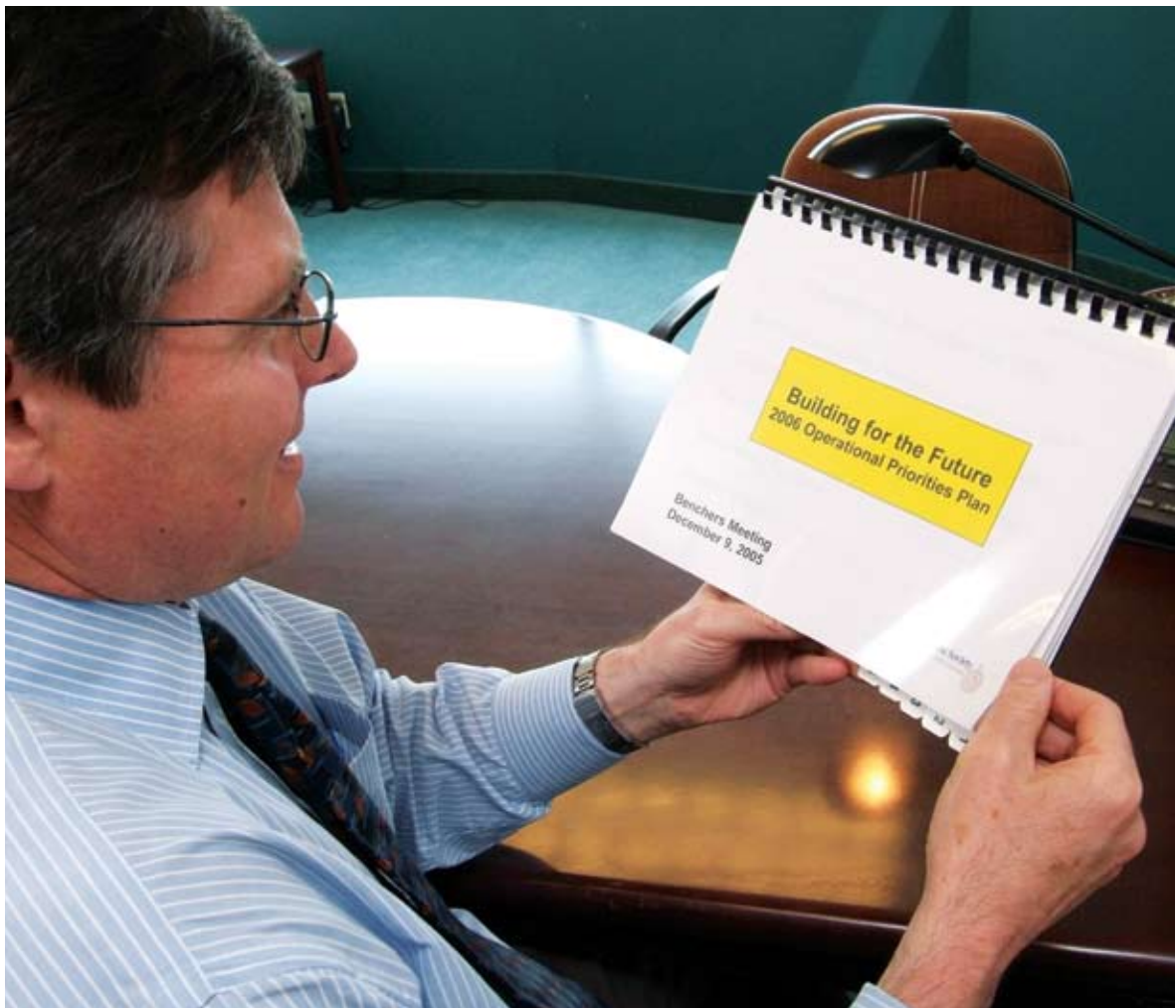
ership lessons through his executive and board roles with a number of community, non-profit, public and private organizations. Following a term as Executive Director of the BC Chapter of the Canadian Council for Aboriginal Business, he was manager of cultural relations and corporate training in BC Hydro's Aboriginal Relations Department from 1993 through 1997, and served as Treaty Representative for the Leq:amel First Nation from 1998 to 2001. In March 2001, Patrick became the director of strategic planning and communications for Indian and Northern Affairs Canada, BC Region – the first aboriginal planning and communications director in INAC's history.

In 2006, he was vice-chair of the Equity and Diversity Committee and a member of the Practice Standards Committee. He has also been a member of the Special Compensation Fund, Ethics and Independence and Self-Governance Committees, the Financial Planning Subcommittee and the Paralegal Task Force.

Patrick concludes, "I am very pleased to be able to play a small part in helping the Law Society provide an invaluable service."

FIVE NEW PROGRAMS

Enhancing our effectiveness



CEO Tim McGee reviews the Law Society's 2006 Operational Priorities Plan.

Over the past year, the Law Society developed five new programs to implement the five objectives of Building for the Future, the Benchers' operational priorities plan, for 2006: the Trust Assurance Program, the In-house Custodianship Program, the Small Firm Task Force, the Government Relations Program and the Benchers Support Program.

Enhancing the Society's operational effectiveness was the broad policy goal driving the Building for the Future approach.

TRUST ASSURANCE PROGRAM: UNIVERSAL AND SELF-REPORTING

Developing a new trust assurance program will improve risk management, build stronger, more cooperative relationships with lawyers, and relieve most law firms of the need to file an external accountant's report.

For many years the Law Society monitored trust compliance by requiring all law firms to file an annual trust report accompanied by the report of an accountant. The combination of these reports was considered adequate to allow Society staff to exercise the judgement and discretion necessary to determine if the circumstances of any particular firm raised issues regarding the proper handling and administration of trust funds and to follow up as required.

The new Trust Assurance Program, which began operation in December 2006 under the leadership of program manager Don Terrillon, CGA, introduced a number of changes to the way the Law Society performs its trust review responsibilities.

Notable among these changes is a new, more extensive annual trust report that eliminates the need for an accountant's report for most established law firms. New firms are required to file an accountant's report with their trust report for two years, establishing a baseline against which their compliance with the trust accounting rules can be measured.

Firms with compliance ratings that raise concerns about their trust accounting practices will also have to file an accountant's report with their trust report. The compliance rating is based on an examination of past trust reports. Any exceptions are assigned a weight based on the nature of the exception and the risk it could pose to the public. More highly weighted exceptions include prohibited large cash transactions, deposits to incorrect bank accounts, insufficient funds in trust and failure to remit taxes. Other factors taken into consideration include areas of practice and number and size of trust transactions.

All law firms will also be subject to a compliance audit to ensure their books, records and accounts comply with the requirements of the *Legal Profession Act*, the Law Society Rules and the *Professional Conduct Handbook*. The goal is to audit each firm at least once every six years. This will be a straightforward review for most firms, providing them an opportunity to raise questions about trust systems and procedures. The au-

ditions will generally be selected at random. Some indicators may, however, trigger an audit, such as failure to file a trust report, referral from another Law Society department or a compliance rating that raises concerns about the firm's trust accounting practices.

Effective and consistent training is key

"The quality and consistency of the work of our trust assurance auditors will be crucial to the success of our new program. Effective and consistent training is a major priority. That's why we've focused on developing the program first, and that's why we've staged the hiring of our auditors. We hope to have our full complement of trust auditors in place by the end of 2007."

Don Terrillon, CGA,
Program Manager

What Other Jurisdictions Do

	Annual Report	Accountant's Report	Self Report for Trust Accounts	Site Visit	Years Audit*	Number of Audits/Yr per Auditor	New Lawyers Initial Accountant's Report
Alberta	Yes	Yes	No	Yes	7	50	Yes
Manitoba	Yes	Yes	Yes	Yes	5	60	No
Ontario	Yes	Yes	Yes	Yes	6	75	No
New Zealand	Yes	Yes	No	Yes	N/A	N/A	Yes
BC (pre-December 2006)	Yes	Yes	No	No	N/A	N/A	No
BC (post-December 2006)	Yes	Some Firms***	Yes	Yes	6	70**	Yes

* Audit Cycle - number of years between each audit per firm

** Based on a complement of eight Trust Assurance Auditors

*** If indicated by compliance ratings



Graeme Keirstead, Manager, Custodianship and Special Fund.

IN-HOUSE CUSTODIANSHIPS: COST-EFFECTIVE AND EFFICIENT

If a lawyer is unable to attend to his or her client's needs because of illness, retirement, death, suspension or disbarment, the Law Society may apply to the court under s. 50 of the *Legal Profession Act* for the appointment of a custodian.

The custodian will then arrange temporary conduct of the lawyer's practice or wind it up, depending on the circumstances and the terms of the order.

Building for the Future, the Law Society's operational priorities plan for 2006, includes provision for the Society's in-house delivery of custodial services by a dedicated custodianship group, with

three specific goals:

- permanent reduction in overall cost of delivery;
- improved overall efficiency; and
- better leveraging and integration of internal services.

By December 2006, the new custodianship department was up and running under the direction of Acting Manager⁴

Graeme Keirstead, an eight-year Law Society staff lawyer with both professional conduct and custodianship experience.

The historical record shows that two-thirds of BC custodianships are accompanied by discipline proceedings and, that two-thirds of custodianships take place in the Lower Mainland. This combination of factors contributes sig-

⁴ In April 2007, Graeme Keirstead was appointed Manager, Custodianship and Special Fund

nificantly to the case for setting up an in-house custodianship program.

"Investigation, judgement and logistics are three vital elements of any custodianship that runs alongside a professional discipline proceeding," Graeme notes. "Apart from the anticipated cost savings achieved when Law Society staff lawyers replace outside lawyers as custodians, we can tap the experience of our colleagues in the professional conduct, investigation and discipline areas.

"We're also able to save money and time by bringing in house the administrative work of cataloguing and securing client files, conducting mass mail-outs to clients, and dealing with disclosure requests by Canada Revenue Agency and other authorities. Having a significant majority of custodianships occur in the Lower Mainland will make it that much easier to take advantage of our in-house capabilities and resources."

Last November more than 100 current and former colleagues gathered at a reception to mark the retirement of Mary Ann Cummings, the Law Society's long-time Manager of Special Compensation Fund and Custodianship.

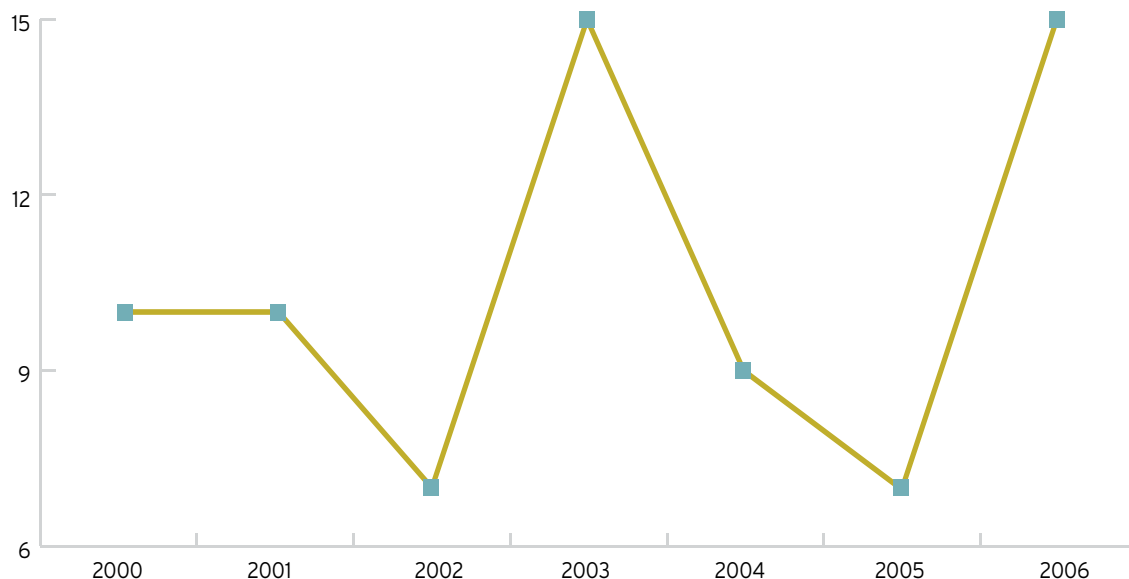
"Mary Ann's enabling approach to training and to mentorship has prepared us well," Graeme says. "Always generous with her knowledge, she also provided people with opportunities to gain first-hand experience, and to develop confidence in their own judgement."

Graeme relies on broad and deep personal interests to inform and balance his judgement. A visit to his office reveals the eclectic range of his tastes in art, music and literature. "So much of custodianship work turns on how we deal with pressure and stress," he says. "We have to make tough decisions daily. Those decisions often turn on how we assess and interact with lawyers going through great personal difficulty as their inabil-

ity to manage their practices hits home. Maintaining and projecting composure in tense situations and treating people with dignity and respect are qualities that I try to bring to work every day."

Sections 50(1) and 51 of the *Legal Profession Act*

The *Legal Profession Act* charges both the Law Society and the custodian with a great deal of responsibility and authority. With or without notice, the Society may apply for a court order appointing a custodian of the practice of a lawyer to take possession of or control over all or part of the property of the lawyer, and to determine the status of, manage, arrange for the conduct of and, if appropriate, terminate the practice of the lawyer.



Total Number of Custodianships 2000-2006



Kensi Gouden, Practice Standards counsel (front) with Law Society staff and contractors who worked together to develop the Small Firm Practice Course: (left to right) Lenore Rountree, Doug Munro, Debra DeGaut and Drew Jackson.

POST-CALL EDUCATION: SUPPORTING BC'S SMALL FIRM LAWYERS AND CONTINUING PROFESSIONAL DEVELOPMENT

The need for continuing professional development is a fact of life for 21st century lawyers. Laws change and evolve, new areas of practice emerge and old ones shrink. In 2006 the Law Society addressed these and other professional development issues through two major initiatives, both following recommendations of the Lawyer Education Task Force.

The Small Firm Practice Course

After a year of intensive effort by a development team led by Practice Standards counsel Kensi Gouden⁵, the Law Society's online Small Firm Practice Course went live on January 1, 2007.

"The heart of this story is the collaboration between our outside contractors and Law Society staff," says Kensi, who has been with the Law Society for eight years and now oversees the Practice Standards program. "We were able to combine our in-house expertise with the excellent work of private practitioners

and contractors and complete the project on schedule and under budget."

Our research revealed that nearly 35 per cent of BC's practising lawyers are sole practitioners and another 20 per cent work in firms of two to four lawyers. Outside the major urban centres,

⁵ In April 2007, Kensi Gouden was named the Law Society's Manager, Standards and Professional Development.



Members of the 2006 Lawyer Education Task Force at work, led by Chair Gordon Turriff, QC (right).

sole and small firm practitioners provide the vast majority of legal services in the province. These practitioners face a variety of pressures relating to the nature of their organizational structures, practice locations and clientele.

The Small Firm Practice Course is free, self-paced and available through the Law Society's website. It is designed with self-testing components that allow lawyers to measure their command of key practice issues such as business planning and trust accounting. The course also explores various practice pitfalls, including conflicts, client screening and file management.

Exploring Continuing Professional Development Options

In December 2006, the Benchers approved a preliminary report by the Lawyer Education Task Force, recommending further consideration of continuing professional development for BC's practising lawyers.

"Continuing professional development will demonstrate to the public the Law Society's commitment to ensuring BC lawyers maintain the necessary level of competence after their call to the bar," says Gordon Turriff, QC, task force chair for 2006.

The task force report emphasized that credit for continuing professional de-

velopment should not be limited to attending legal education courses, but should include a broad range of activities such as mentoring programs, in-house educational programs and attendance at professional study group meetings.

The Lawyer Education Task Force will review the various options and present a recommended program to the Benchers by the end of 2007.

WORKING WITH GOVERNMENT: BUILDING PRODUCTIVE RELATIONSHIPS

A critical part of Law Society's 2006 operational priorities plan is devoted to building productive, working relationships with government.

The Law Society of BC receives its mandate through provincial statute – the *Legal Profession Act* – and serves the people of the province by protecting the public interest in the administration of justice.

One might assume such relationships would occur naturally. As with all valuable relationships, however, the Law Society's relationships with government require attention in order to function well. In 2006, the Law Society went through a strategic analysis of its mandate and operations to identify areas where it can work together with government to improve the justice system in BC. Part of this planning process included the identification and integration of best practices in public affairs for self-regulating professions.

The Benchers and senior staff have engaged in regular meetings with both elected and non-elected officials in the provincial government to ensure effective and responsible communications. In

addition to discussing the Law Society's role in regulating the legal profession and changes the Society would like to see to its governing legislation, the Society also made efforts to assist government where appropriate. A small example of this is the provision of a variety of Law Society public education materials to each MLA's office across the province. This will assist the MLAs' staff in referring their constituents to the Society in appropriate circumstances.

The Law Society's efforts to work in the public interest remain apolitical and multi-partisan. The efforts have been well received by both government and opposition MLAs, and should ensure good working relationships in the future. On the federal front, we are continuing to work through the Federation of Law Societies to develop a positive dialogue with the Government of Canada.

The Law Society's efforts to work in the public interest remain apolitical and multi-partisan. The efforts have been well received by both government and opposition MLAs, and should ensure good working relationships into the future.



Law Society General Counsel and Director of Policy and Legal Services Jeff Hoskins.

BENCHER SUPPORT PROGRAM

A key factor in making Bencher support a priority in the 2006 operational priorities plan was the significant Bencher turnover in 2005-2006.

"Eight new Benchers were elected in November 2005 and another in January 2006," notes Jeff Hoskins, the Law Society's General Counsel and Director of Policy and Legal Services. "That's more than one-third of our full complement of 25 elected Benchers. Also, two of our six Lay Benchers were newly appointed. As a result, orientation and training of new Benchers were two of our top staff priorities for 2006."

The bencher support plan consisted of three initiatives:

- Bencher orientation and training;
- tribunal decision-making support; and
- committee organizational support.

Bencher Orientation and Training

David Newell, the Law Society's Corporate Secretary since 1998, led the development of three training modules over the course of 2005. "Bencher orientation has always been an important part of my job," David says. "The Benchers' responsibilities fall into three broad areas: governance, legislation and adjudication.

"Our new Benchers have voracious appetites for information," David explains. "So, the challenge in creating these training modules was to provide the Benchers with enough material over those three

broad areas of responsibility without taking up too much of their time."

Tribunal Decision-making Support

General Counsel Jeff Hoskins is available to provide advice to hearing tribunals and to review decisions before their release. "The Benchers are volunteers with heavy demands on their time," Jeff notes. "We strive to do whatever we can to help them achieve consistently high quality in their tribunal decisions, in law, clarity and timeliness."

The Law Society also benefits from the wide-ranging skills of Michelle Robertson, who has served as Hearing Administra-

BencherNet

Late in 2005 the Law Society launched BencherNet, an online collection of information and resources for the Benchers. Corporate Secretary David Newell defined the project's performance requirements and content specifications, and Programmer/Analyst Catherine Intharangsy handled technical design and programming.

"During my years as Corporate Secretary, I have tried to provide the Benchers with the information they need – when, where and how they need it, from all corners of the organization," David recalls. "Overload and obsolescence have always been the twin challenges to managing that information effectively.

"Now, hearing schedules and reports, agendas and minutes for Bencher and committee meetings, along with our comprehensive board manual and other Bencher resources, can be accessed and updated quickly and as needed."

tor since 1998. Michelle prepares hearing panels and Bencher reviews for the President's approval, catalogues and retains custody of exhibits, and posts hearing reports to the Society website.

Committee Organization and Structure

Under the Bencher support plan, staff assisted the committees to set manageable priorities early in the year and to find ways to maximize the effectiveness of Bencher and volunteer time. In December 2006, the Regulatory Policy Committee was created to assist the Benchers to develop consistent and integrated policy on regulatory issues.



David Newell – The Law Society's Corporate Secretary

In September 1998, David Newell took on the newly created position of Law Society Corporate Secretary, which brought together a number of staff functions – related by their shared focus on supporting the Benchers' work. The Corporate Secretary is the Benchers' primary staff liaison. A 1986 graduate of UBC's Faculty of Law, David joined the Law Society in 1991 as a staff lawyer in what was then called the Complaints Department, following five years of general practice with the North Vancouver firm of Ratcliff and Company. David is renowned for his encyclopedic knowledge of Law Society history.

Some 2006 highlights



President Robert McDiarmid, QC offers his congratulations to Michael Begg, winner of the 2006 Law Society scholarship for graduate legal studies.

→ *The \$12,000 award will help Mr. Begg to complete his LL.M. thesis at the University of British Columbia, focusing on the challenges of achieving sustainable land management while reconciling the interests of aboriginal and non-aboriginal peoples.*

SOME 2006 HIGHLIGHTS

Ensuring Transparency in Regulation

In December 2006, the Disclosure and Privacy Task Force wrapped up a five-year operations review designed to foster openness and transparency in the Law Society's regulatory programs.

"The task force's work will ensure the Law Society remains at the forefront of disclosure and privacy policy among self-regulating professions in Canada," said John J.L. Hunter, QC, the Society's Second Vice-President and task force chair.

Established in 2001, the task force made more than 100 recommendations to ensure the Law Society operates with the level of openness and transparency necessary to maintain public confidence in our regulatory system.

Recommendations adopted over the past five years include rule changes allowing disclosure of discipline decisions on the Society's website, guidelines governing the naming of witnesses in hearing reports, and new rules restricting anonymous publication of decisions and prohibiting non-publication. Additional changes allow the Law Society to disclose more information about complaints and conduct reviews and to post information on the website about restrictions on a lawyer's practice.

The task force and staff group included Benchers, Lay Benchers, lawyers and staff members with expertise in public policy, communications, media relations, professional regulation and corporate governance.

Charles C. Locke, QC was presented with the Law Society Award in recognition of his truly exceptional service to the profession and the justice system over more than 60 years.

Public Forum on Citizenship and the Law

Close to 150 people attended the Law Society's inaugural public forum, Citizenship and the Law, presented on October 19, 2006 in partnership with the North Shore Multicultural Society and MOSAIC.

The free public forum was held in the Law Society building's atrium during Canadian Citizenship Week, exploring some of the conflicting duties and responsibilities of citizenship that may arise when people have dual citizenship, and emphasizing the importance of the rule of law.



Some Law Society programs



- *The Law Society operates more than 20 programs, grouped into six operational areas: Credentials and Education, Insurance, Policy and Legal Services, Professional Regulation, Executive Support and Corporate Services.*

LAW SOCIETY PROGRAMS

This section of our report highlights some of the Law Society's programs and staff. Please refer to lawsociety.bc.ca for information on all of the Society's programs and departments.⁶

Credentials and Education

- Credentials, Admissions
- Professional Legal Training Course
- Member Information
- Member Advice
- Practice Standards

Insurance

- Claims Management
- Underwriting Risk Management
- Directors and Officers Insurance for
 - Law Society of BC
 - Continuing Legal Education Society of BC
 - Law Foundation of BC

Policy and Legal Services

- Governance and Tribunal Support
- Policy and Legislation Development
- Litigation Management
- Unauthorized Practice
- Information and Privacy
- Equity and Diversity

Professional Regulation

- Professional Conduct
- Investigation and Audit
- Discipline Counsel
- Custodianship
- Special Compensation Fund

Executive Support

- Information Services
- Communications

Corporate Services

- Financial Services
- Human Resources
- Trust Review
- Properties and Facilities
- Office Operations

⁶ Use of our website continued to increase in 2006, with 865,193 site visits and 200,878 documents downloaded (up 46 per cent and 16 per cent, respectively, from the previous year).



CREDENTIALS AND EDUCATION

Section 3 of the *Legal Profession Act* lays out the Law Society’s object and duty to “uphold and protect the public interest in the administration of justice by ... (a)(iii) establishing standards for the education, professional responsibility and competence of its members and applicants for membership ...”

Admission to the BC Bar in 2006

Many new lawyers speak of their call ceremonies with a sense of quiet wonder, recalling standing at the threshold of professional life, with familiar words taking on new meaning.

Some may have reflected with fresh insight on the words set out in the Canons of Legal Ethics, part of the *Professional Conduct Handbook*: “A lawyer is a minister of justice, an officer of the courts, a client’s advocate, and a member of an ancient, honourable and learned profession.”

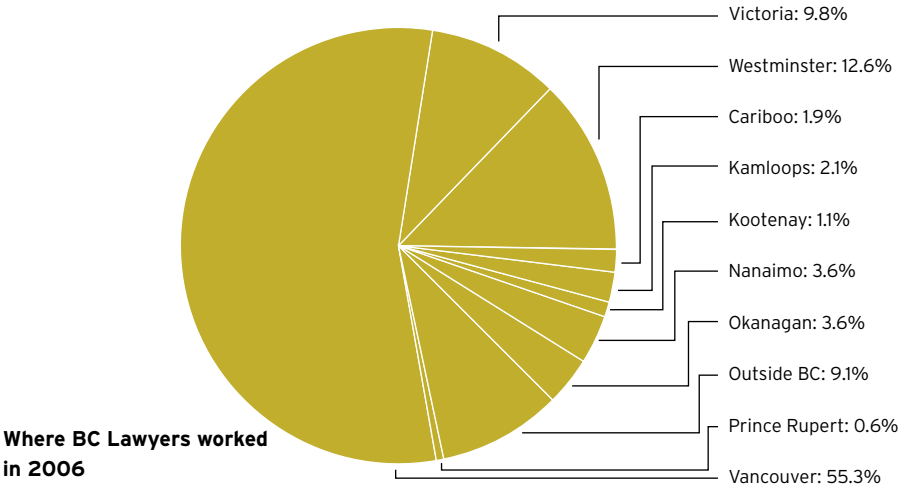
Others may have been moved by words like those offered by President Robert McDiarmid, QC on behalf of the Law Society at the September 22, 2006 call and admission ceremony in Vancouver: “So when it’s been a wearying day and the stresses of the job seem overwhelming,

think back on your last success. Get inspired and look forward to your next one, because you will have many.”

Still others may have been struck by words like those used by BC Supreme Court Justice Harry Slade as he reminded participants in that call ceremony of the importance of professional conduct and independence in protecting society from the state’s encroachment on the liberty and rights of its citizens. Quoting the great American jurist, Justice Louis Brandeis, he said, “The greatest dangers

to liberty lurk in the insidious encroachment by men and women of zeal, well meaning, but without understanding.”

The Law Society welcomed 477 new lawyers to the BC profession in 2006. By the time of their call, most had completed at least three years of an undergraduate degree, some with a graduate degree, along with three years of law school. They had also been through the Society’s admission program, consisting of nine months of articles in a law firm or other legal workplace, the 10-week Professional Legal Training Course and qualification examinations.



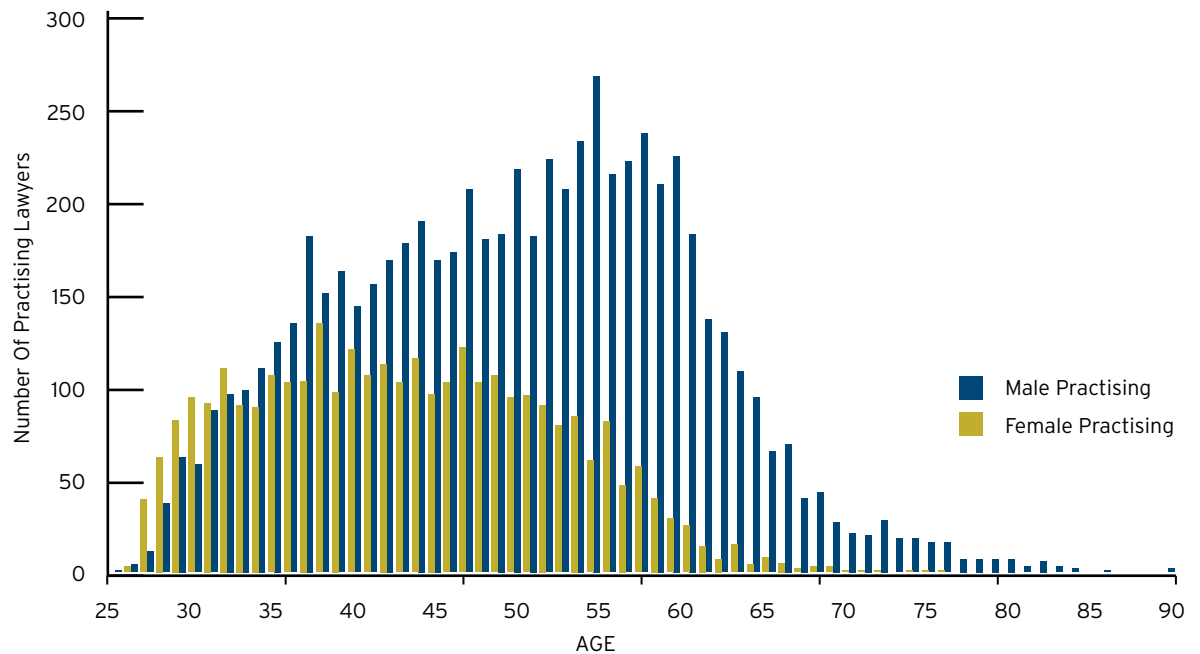
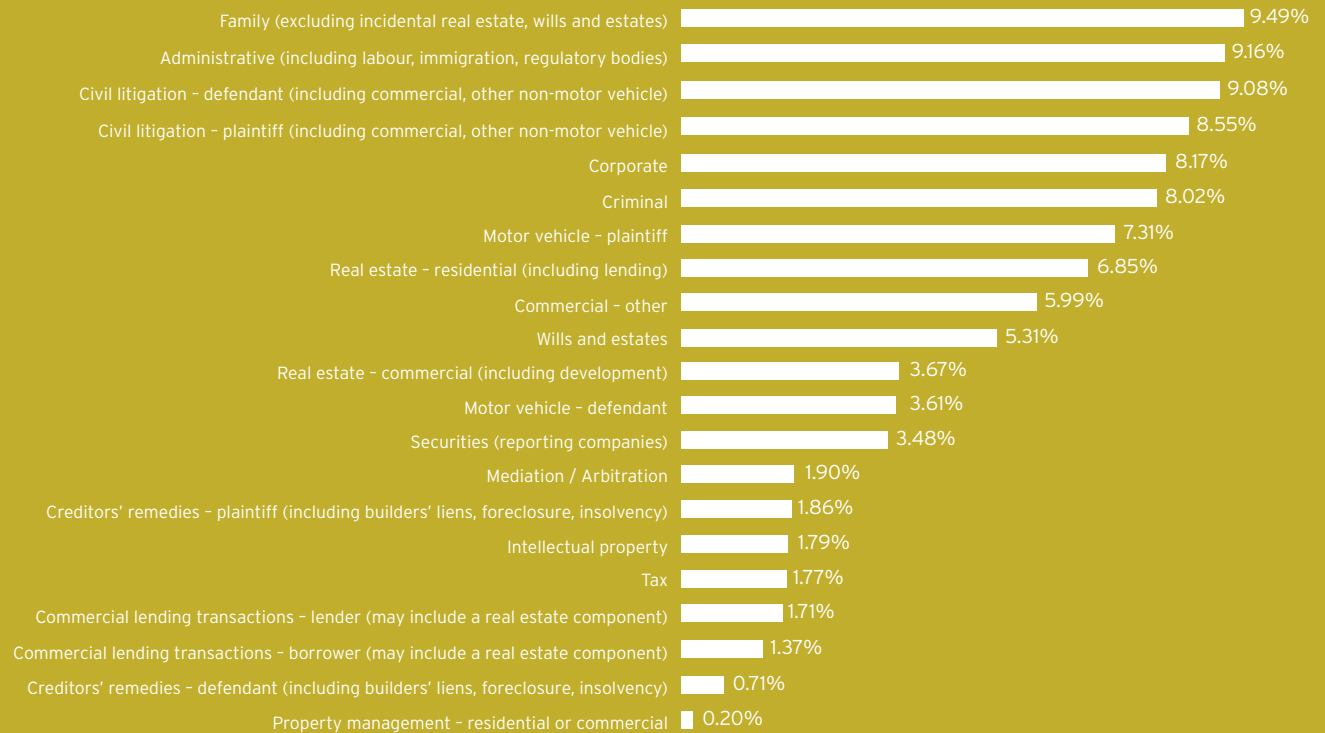
New to the Profession in 2006

New call and admission	
Recent graduates of BC law schools	211
Recent graduates of other Canadian law schools	95
Graduates of foreign law schools	33
	339
Transfers	
Lawyers transferring to BC from other jurisdictions	138
Reinstatement	
Former BC lawyers reinstating as members	37

A Look at BC Lawyers (as at December 31, 2006)

	Male	Female	Total	% of profession
Practising members	6,571	3,130	9,701	85.0%
Non-practising members	612	773	1,385	12.1%
Retired members	288	36	324	2.9%
Total	7,471	3,939	11,410	
	65.5%	34.5%		

A Look at the BC Profession's Areas of Practice in 2006



Men and Women in the BC Profession (as at December 31, 2006)



Lynn Burns, Deputy Director of the Law Society's Professional Legal Training Course.

The Professional Legal Training Course

The Professional Legal Training Course (PLTC) helps articulated students make the transition from law school to legal practice. Taught by experienced lawyers, PLTC uses case files and model transactions that replicate as closely as possible what students will experience during articles and in practice. Successful completion of the intensive 10-week course is one of the conditions law school graduates must meet to practise law in British Columbia.

"We had 354 students go through the course in 2006, our highest enrolment

in years," says Lynn Burns, a Law Society Deputy Director who oversees the program. "We also had excellent measures of success – a high pass rate and positive course evaluations by PLTC students."

In 2006, the Law Foundation of BC, whose partial funding support has helped PLTC to hold its fees flat for many years, carried out an independent assessment of the program and found solid support among former students. The Law Foundation survey gave particularly high marks to PLTC's practical skills programs, such as contract drafting and interviewing. Also ranked highly were the instructors and their feedback to students.

Survey respondents especially appreciated the PLTC subjects that are not part of the standard law school curriculum, such as legal ethics and practice management.

"We're quite pleased with the results," says Lynn, who works with a team of seven instructors (four staff lawyers and three practising lawyers). Their work is supplemented by an in-house tutor, a legal editor, three administrators, some summer help and more than 300 practitioners, who volunteer their time to teach specialized topics or give the students feedback on their skills.



PLTC instructor Ian Guthrie in Nunavut, where he taught the Professional Legal Training Course to graduates of the Akitsiraq law school in 2006.

In January 2006, the Law Society sent PLTC Instructor Ian Guthrie to Iqaluit to teach the first-ever Professional Legal Training Course offered in Nunavut.

The nine students enrolled in the program were graduates of the Akitsiraq

Law School, which was created by the Nunavut Arctic College, the University of Victoria law school and the Akitsiraq Law School Society with the support of the Law Society of Nunavut and the governments of Nunavut and Canada. All nine were Inuit and were articling in Iqaluit.

Prior to the Akitsiraq program, there was only one Inuit lawyer in the territory.

The Law Society is proud to have played an important role in an historic event – the education of nine new lawyers in Canada's newest territory.



Catherine Greenall: PLTC's Newest Full-time Instructor

Catherine Greenall became PLTC's newest full-time instructor in February 2006, after four years as Registrar of Land Titles and 16 years of building a thriving real estate and family law practice in East Vancouver.

"I've always loved teaching and I've always admired the PLTC program," Catherine says in explaining her career change. "Also, Andreas, my nine-year old son, likes me to be around after school and on weekends. When Lynn Burns (Deputy Director of PLTC) pointed out that as a PLTC instructor I could make that commitment to my family, PLTC seemed like the perfect fit."

Catherine has been a committed motorcyclist since 1994. "Riding a motorcycle is a whole different way of enjoying travel – all of your senses are involved," she explains. "It's not so important where you go; it's about enjoying how you get there." As for her approach to motorcycle maintenance, Catherine explains, "I like to keep it simple – my toolkit is just big enough for my cell phone and BCAA card."



Su Forbes, QC, Director of the Lawyers Insurance Fund, conducts a “state of the LIF” monthly review meeting with LIF staff lawyers.

THE LAWYERS INSURANCE FUND

An independent claims auditor told the Law Society in 2006 that the Lawyers Insurance Fund (LIF) is in a class of its own among bar mutual organizations.

“The level of professionalism and sense of mission achieved by staff remains unique,” the auditors reported to the Benchers. “We are also satisfied that LIF’s management of its files balances the interests of the public, the members and the Society, in the sense that claims counsel evidently give careful consideration in good faith to all claims against members, and consistently ‘take the high road’ in approaching both coverage and liability issues.”

The group policy provides two types of coverage:

- Part A – professional liability insurance for negligence, subject to limits of \$1 million per error and \$2 million per year, and subject to a member deductible of \$5,000 for a paid claim, increasing to \$10,000 for each subsequent paid claim reported within three years; and

- Part B – trust protection coverage to protect innocent members of the public from financial loss arising from theft of money or property by a BC lawyer, subject to a profession-wide aggregate limit of \$17.5 million for 2006. Effective January 1, 2007, Part B coverage limits recovery to \$300,000 per claim and excludes claims arising from investment schemes where BC lawyers do not misappropriate funds directly. Approved by the Benchers in December 2006, these changes are designed to ensure that the coverage remains sustainable over the long term. See the November 2006 issue of the Benchers’ Bulletin for details.

Fully 75 per cent of the reports closed in 2006 did not involve any payment of either settlement funds or defence costs, and claims counsel successfully repaired 16 per cent of the files.

In 2006 LIF continued its practice of seeking service quality feedback from insured lawyers as their report files were closed. The responses indicated high levels of satisfaction: 95 per cent of survey respondents gave a high approval rating (4 or 5 on a scale of 1 to 5) on the services provided by defence counsel, 93 per cent on the outcome of their claims, 95 per cent on the handling of their claims and 96 per cent on the services provided by claims counsel.

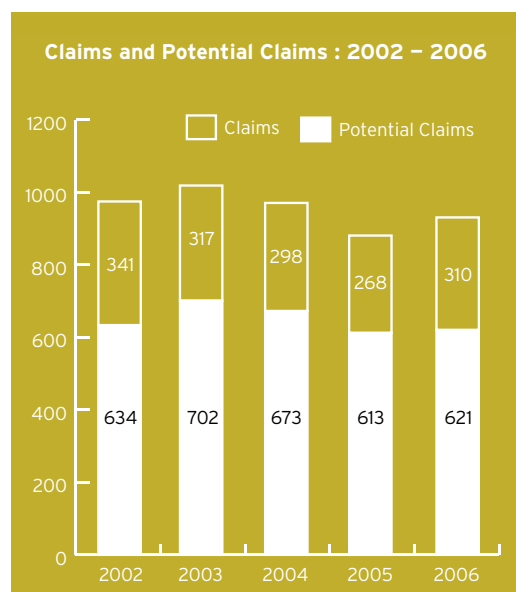
When asked, “What did you most appreciate about the service provided,” the responses included:

- “Most important to me was the courteous, calm, objective and patient approach of claims counsel. Excellent work. I suspect that lawyers, especially litigators, are prone, as a class, to be difficult clients – it takes tact, skill and credibility to represent them.”

- “Claims counsel did a superb job – very professional. He provided very knowledgeable service and was, at all times, responsive, supportive and able to provide some perspective on what was, at the time, a very stressful situation.”

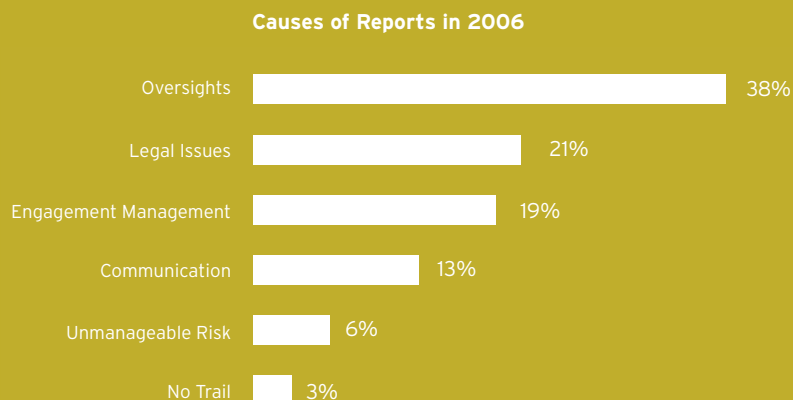
2006 saw the opening of 34 new reports of claims and potential claims against 17 lawyers under Part B of the policy, six of whom also had Part B reports opened in 2004 or 2005. In 2006, three claims totalling \$6,300 were paid on behalf of three different lawyers who are no longer members of the Law Society and who are obliged to reimburse the Society for the amounts paid on their behalf. For more information on Part B claims, see *Insurance Issues 2007: No 1 March* at lawsociety.bc.ca.

The Lawyers Insurance Fund remains an industry model. As the independent auditor concluded in its 2006 LIF claims audit, “In our opinion, the Lawyers Insurance Fund is doing an excellent job, even by its own high standards.”

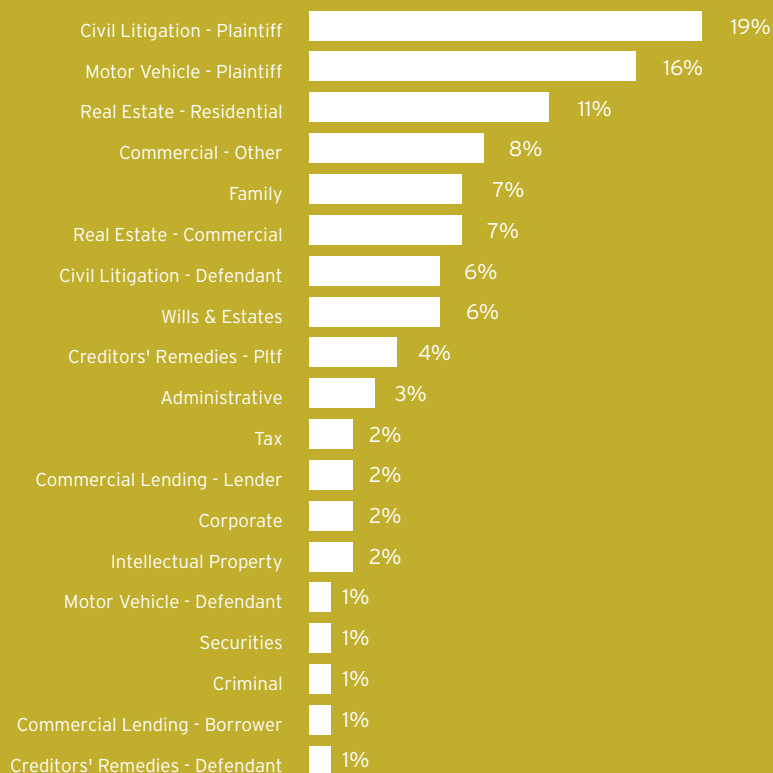


Tracking Underlying Causes of Negligence Claims

Understanding the historical nature and causes of negligence losses goes to the heart of risk management, for insurer and insured alike. In 2000, LIF began categorizing and tracking the underlying causes of negligence claims, generating much more meaningful data than is generally kept by insurers.



Frequency by Claims or Potential Claims by Area of Law in 2006



PROFESSIONAL REGULATION: TOWARD GREATER EFFECTIVENESS AND EFFICIENCY

The Law Society opened 1,489 complaint files in 2006, continuing the modest downward trend in annual complaint filings over the past five years.

"Our experience indicates that only 10 to 15 per cent of complaints raise serious competence or conduct issues," notes Stuart Cameron, Director of Professional Regulation. "Those complaints will generally be referred to the Discipline Committee if they involve ethical concerns or an apparent breach of the *Legal Profession Act*, the Rules or the *Professional Conduct Handbook*. Complaints that suggest incompetence are referred to the Practice Standards Committee."

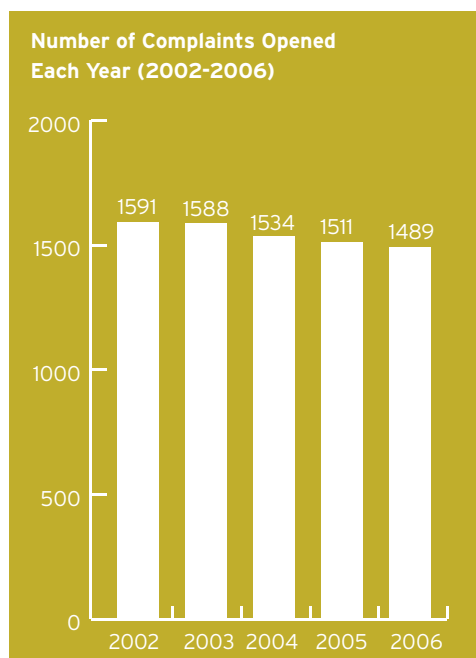
While the Professional Conduct department has always tried to settle less serious complaints as quickly and as informally as possible, in 2006 the Law

Society began planning a more proactive system aimed at resolving these complaints at the intake stage.

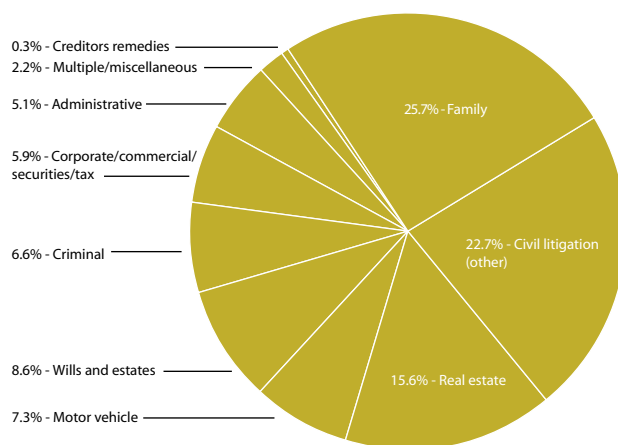
The Intake and Early Assessment (IEA) Group Pilot Project was developed by Professional Conduct staff to strengthen the Society's ability to respond appropriately and in a timely way to all new complaints. An expanded intake team will have the capacity to identify and assess those matters that do not fall within the Society's jurisdiction or raise issues warranting a formal investigation process. At the same time, they will review and stream serious matters to staff lawyers for investigation and more in-depth

follow-up. The intake team will also focus on lawyers who are the subject of repeated complaints and stream those matters to staff lawyers to be addressed more efficiently and effectively.

The pilot project team, made up of two legal assistants and three staff lawyers, will focus on the less serious complaints, using telephone calls or meetings to clarify, investigate, assess, resolve and close these matters, in as timely a way as possible. The pilot project is expected to launch in March 2007.

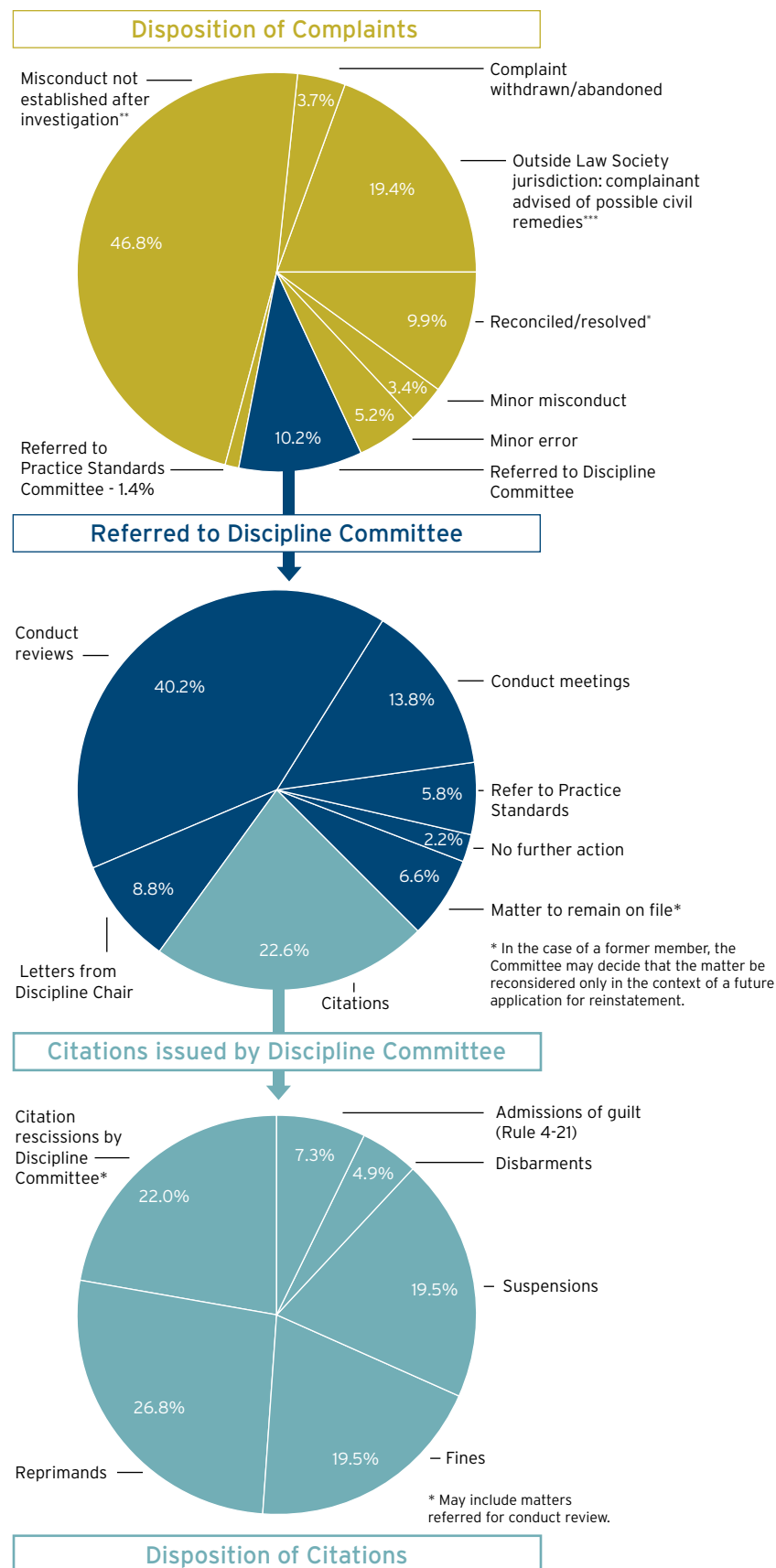


2006 Complaints by Area of Law*



* This chart reflects the percentage of complaint files by area of law for all 2006 complaints in which the area of law is identified.

Disposition of Complaints, Discipline Committee Decisions and Citations in 2006



* Almost 10 per cent 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. Just over 11% of complaints were sufficiently serious to warrant a referral either to the Discipline Committee or the Practice Standards Committee.

** 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.

*** 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. The 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. If both the complainant and the lawyer prefer a less formal option, the Law Society offers fee mediation.

Regulatory Information Online

As part of its commitment to transparency, the Law Society publishes a great deal of its regulatory information online. Visit lawsociety.bc.ca for:

- *The Legal Profession Act*, Law Society Rules and *Professional Conduct Handbook*
- Discipline and Credentials hearing schedule and hearing reports and admissions
- Discipline news releases and summaries, Special Compensation Fund Committee decision summaries, and Unauthorized Practice undertakings and injunctions



Howard Kushner, Chief Legal Officer.

Howard Kushner: the Law Society of BC's First Chief Legal Officer

In August 2006 Howard Kushner became the Law Society's first Chief Legal Officer, responsible for overseeing all of the Society's regulatory programs, as well as its Policy and Legal Services division. Howard brings more than 25 years of legal, management, academic and public service experience to his new office.

Our new CLO dedicated the past seven years to serving as the Ombudsman of British Columbia. Before that he spent three years as Director of Legal Services for the Yukon government, preceded by a decade with Alberta's Department of Justice, in a succession of increasingly senior legal and management roles. Preparation for those responsibilities included seven years as a member of the UBC law faculty, teaching constitutional, administrative, municipal and corporate law.

Born and raised in Edmonton, Howard earned a B.Sc. (Honours) degree in mathematics from the University of Alberta

before doing his LL.B at the University of Toronto and then an LL.M at the London School of Economics.

Howard sums up his primary focus as "the pursuit of fairness in all aspects of the Law Society's regulatory process." Howard credits his experience as provincial Ombudsman for expanding his view of the importance of procedural fairness, as he observes: "Our work as lawyers and as regulators of the legal profession tends to focus on results. As Ombudsman, I learned that for many complainants the process is at least as important as the underlying grievance and its resolution. First-time complainants particularly value information about our complaint procedure and what they may expect. The timeliness and clarity of our explanation of the resolution of a complaint file can sometimes be as important, if not more important, than the actual result."

Howard sees strong potential for improving member and complainant satisfaction through the currently unfolding reorganization and redesign of

the Law Society's regulatory process. He notes, "We are well underway in our planning to improve our handling of complaints at the intake stage. We want to identify and stream matters that can be resolved quickly by providing early communication and reconciliation support. My personal goal is to strive for a complaints process that consistently delivers fairness and respect to all participants."

Our lead regulator stresses the critical role played by the Society's professional conduct and discipline staff in the pursuit of fairness. "We are fortunate to have talented, experienced and dedicated staff," Howard says. "In my early months on the job I've been very impressed by the degree of sensitivity and empathy they show for people on both sides of a complaint."



Ruth Long, Professional Conduct staff lawyer and leader of the Intake and Early Assessment Group Pilot Project.

Ruth Long and the Intake and Early Assessment Pilot Project

A staff lawyer for the Law Society since 1989, Ruth Long has seen a lot of Professional Conduct files. "Inadequate, unclear or broken communication between lawyer and client is a thread running through the overwhelming majority of complaints," she says. "Most lawyers are very busy; many lawyers take on too many active files and have trouble managing client expectations; and our legal culture still isn't fully accepting of lawyers who ask for help."

"Our new Intake and Early Assessment Project has two broad goals," Ruth explains. "First, we want to re-start communication between lawyer and client where possible. It's our experience that many complainants are more interested in getting their lawyer's attention than in pursuing disciplinary action. Often, they just want to get on with the relationship and with resolving their legal matter. Second, we want to deal more quickly and effectively with the large number of

complaints that do not warrant disciplinary action, but may require some other type of response or resolution."

Complainants often say they appreciate a prompt and personal response from the Law Society. Ruth notes, "In cases where the conflict is more a matter of client dissatisfaction or disappointment, a formal response can sometimes generate more heat than light. Complainants have stressed the value of simply being heard, and of receiving information and advice that is both practical and objective."

Lawyers are also often grateful for that early phone call. "They appreciate the opportunity to resolve a conflict before it escalates," Ruth says. "Early action can often correct misunderstandings and restore working relationships, avoiding further harm and costs. Also, streamlining the less serious complaints to staff lawyers or paralegals skilled in dealing with these types of matters frees our investigation counsel to focus on the more serious matters."

Julie Boyce and the Complainants' Review Committee - "The Law Society's Moral Compass"

The work of the Complainants' Review Committee (CRC) provides a clear example of what it really means for the Law Society to protect the public interest in the administration of justice.

"The CRC is really the Law Society's moral compass," says paralegal Julie Boyce, an 18-year Law Society veteran, who has worked with the committee since 1992. "The committee trusts its 'sense of smell' and won't hesitate to act on it. If a complaint file doesn't pass the smell test, they'll refer it to the Discipline Committee for a closer look."

The six-member committee (two Lay Benchers, three lawyer Benchers and one non-Benchers lawyer) reviews the files of complainants who are dissatisfied with staff decisions on their complaints.

The Lay Benchers play an important role in the committee's discharge of its public interest mandate. While Lay



Julie Boyce, Law Society paralegal and staff liaison for the Complainants' Review Committee.

Complainants' Review Committee Disposition of Complaints in 2006

Referred to Discipline Committee	5
Referred to Practice Standards Committee	1
Referred to a Benchers	2
Referred to staff for further investigation	4
No further action	78

Note: A complainant who is dissatisfied with the staff's disposition of a complaint may ask the Complainants' Review Committee, chaired by a Lay Benchers, to reconsider the disposition. The committee could find no grounds for further action on 87% of the matters reviewed in 2006.



Brian McKinley, Law Society Discipline Counsel.

Benchers may sit on all Law Society committees, the CRC is specifically required by the Law Society Rules to include a Lay Benchers. The Law Society also has a long-standing tradition of appointing a Lay Benchers as the committee's chair, a position held by Dr. Maelor Vallance in 2006. A second Lay Benchers, Ken Dobell, was added to the committee in mid-year.

Over the past four years, 327 complainants have requested a review. In 298 of those cases, the CRC concluded no further action was required. Another 23 cases were referred to the Discipline Committee and five to the Practice Standards Committee.

"That's a strong endorsement of the good work and judgement of staff in the Law Society's Professional Conduct Department," Julie explains. "But the committee's willingness to order a second look when appropriate speaks to the independence of the review process."

Brian McKinley: Inside the Mind of a Discipline Counsel

Although Brian McKinley had almost 10 years of Crown counsel experience when he became a Law Society discipline counsel in January 2005, he found that he still had plenty to learn about regulating the practice of law.

"I was fine with trial advocacy, the rules of evidence and witness preparation, but it took a while to develop my feel for the lines between poor practice, conduct unbecoming a lawyer, professional misconduct, professional incompetence and breach of the Act, Rules and Handbook," Brian says.

"On the question of whether or not to prosecute, there are significant differences between a Crown counsel's assessment of a *Criminal Code* charge and Discipline counsel's assessment of a Law Society citation," he continues.

"If the conduct alleged in the citation raises questions of integrity, misleading conduct, or even careless disregard for the truth, then the Benchers are very concerned, regardless of the actual harm experienced by the complainant. That's because such questions go to the heart of the lawyer's duties to the court and to others and may undermine public respect for the law and the legal profession. Then, even if the conduct alleged is proven to the requisite standard, a hearing panel must go on to consider whether or not the conduct amounts to conduct unbecoming a lawyer, professional misconduct, professional incompetence or a breach of the *Legal Profession Act* or the Rules."

Brian credits good advice received from other experienced discipline counsel in his early months at the Law Society for his successful ascent of the learning curve.

"Discipline counsel seek out the perspectives of our professional conduct and investigation colleagues as we prepare complaint files for prosecution," Brian concludes. "We understand that discipline proceedings can be stressful, even traumatic, for parties on both sides of the process. We're committed to do our best to ensure consistency and fairness in our conduct of that process – regular and wide-ranging consultation with our colleagues is part of that commitment."

Special Compensation Fund

Since 1949 the Law Society has maintained the Special Compensation Fund as a lawyer-funded reserve for people who incur financial loss resulting from theft by a lawyer. The Special Compensation Fund Committee exercises its discretion to make full or partial payments out of the Fund, allowing the Society to respond effectively to those rare instances where a lawyer misappropriates funds or other valuables.

Effective May 1, 2004 such compensation claims fall under the trust protection coverage of the Lawyers Insurance Fund's liability insurance policy. Claims discovered prior to May 1, 2004 continue to be considered by the Special Compensation Fund Committee.

The majority of the Committee's work in 2006 was in response to claims arising out of the actions of former lawyer Martin Wirick. The Committee met regularly under the leadership of Committee chair Bruce LeRose, QC, and by the end of the year, all Wirick claims had been considered, with only 26 adjourned into 2007 for further consideration. Claims were also considered in relation to six other former lawyers.

Since the Wirick matter arose in 2002, the Committee and the Law Society have ensured that no innocent purchasers lost their homes through foreclosure, although hundreds were in danger of doing so. The profile of one such family follows on page 38.

Policy and Legal Services

The Law Society's Policy and Legal Services department provides information, analysis and advice to the Benchers, their committees and task forces on a wide range of policy and practice issues, including governance and the Society's statutory mandate to uphold and protect the public interest in the administration of justice.

Governance support includes: policy development and legal research; legislative drafting for amendments to the Law Society Rules and *Professional Conduct Handbook*; and monitoring legal developments relevant to the regulation and independence of the profession, to access to justice, and to equity and diversity.

The department provides support to the Executive, Access to Justice, Equity and Diversity, Futures, Independence and Self-governance, Regulatory Policy and



Staff Lawyer Michael Lucas: Fulfilling the role of policy advisor

"Our job is to make sure the Benchers have the information they need about the law and the regulation of the profession to discharge their policy-making function properly," explains Michael Lucas, a staff lawyer in the Policy and Legal Services department.

Benchers are busy professionals who often do not have the time for the detailed research and analysis sometimes necessary when responding to issues affecting the public interest, the profession or the administration of justice.

"That's where Policy and Legal Services staff step in," Michael says. "Each of our staff lawyers acts as a policy adviser to one or more committees or task forces and is responsible for assisting committee and task force members in developing recommendations for consideration by the Benchers."

Michael joined the Law Society in 1995 after eight years in private practice. In 2006 he provided support for the Credentials, Independence and Self-Governance, and Unauthorized Practice Committees, as well as for the Lawyer Education Task Force.

"The job is a bit like a juggler trying to keep a whole bunch of balls in the air – keeping track of legislative bills and legal developments, liaising with other regulatory bodies and government officials," says Michael. "There's generally something new every day and I find it immensely rewarding."



The Ng family and their east Vancouver home.

Wirick Claimant Profile: the Allan and Sanlly Ng Family

In July 2001, Allan and Sanlly Ng moved into their new east Vancouver home with their two pre-school children and Allan's parents. Allan and Sanlly were excited to have more space; they had shared an apartment in Vancouver with Allan's parents since the senior Ngs' arrival from China in 1995.

About a year later, Allan and Sanlly received a letter from their lawyer, advising them that two mortgages worth nearly \$400,000 were still registered against their new home, ahead of the mortgage held by their own bank. The letter also advised that the vendor's lawyer, Martin Wirick, had apparently released the sale proceeds without discharging those two prior mortgages, in breach of his undertakings.

"We couldn't understand that letter," Sanlly recalls. "When my employer explained the letter to me, I was confused and frightened. In Chinese culture, the home is the family's anchor. We will sacrifice food and clothing to protect the security of our home."

Allan and Sanlly were both raised in the Chinese city of Guangzhou, home to more than 3.3 million people. A trained teacher, Sanlly moved to Vancouver in 1990. Soon, she was working as a cashier in the Granville Island Market by day and studying English by night. Allan followed Sanlly to Vancouver in 1993 and they married the following year. A business college graduate, Allan quickly found work – first delivering for a restaurant, and then driving a truck and managing delivery routes for a local produce company.

Allan and Sanlly submitted their compensation claim to the Law Society in October 2002. In just over a year, the Special Compensation Fund Committee completed its investigation and committed to restoring the Ngs and their bank to the positions they would have held had Wirick honoured his undertakings.

"We were very relieved and very grateful to the Law Society for its fair and fast handling of our claim," Allan said. "We knew from newspapers and television that many people had suffered losses through Mr. Wirick's actions, and that the Law Society had received hundreds of claims totalling millions of dollars. We had lost faith in lawyers. The way the Law Society has responded to those claims, including ours, has restored our trust in the legal profession."

Unauthorized Practice Committees and to seven task forces. The 2006 team of Policy and Legal Services staff lawyers was made up of Charlotte Ensminger, Kuan Foo, Michael Lucas, Doug Munro, David Newell and Carmel Wiseman, led by General Counsel Jeff Hoskins.

"Our goal is to provide timely, relevant and balanced information and analysis to the Benchers, committees, task forces and tribunals," Jeff explains. "We also want to ensure the Law Society's legal obligations receive the best possible service from staff lawyers and outside counsel."

"Our background work for that support role includes reviewing provincial and federal legislation, court decisions and more than 100 publications from law societies, bar association, and professional regulatory bodies," Jeff says. "That reviewing also enables us to feed current information on trends and developments relating to the legal profession to appropriate departments of our organization."

Policy and Legal Services also assists the Executive Committee in determining whether it is appropriate for the Law Society to intervene in litigation when asked to do so by litigants or the courts. Other legal services include instructing outside counsel on litigation involving the Society, overseeing the Society's obligations under the *Freedom of Information and Protection of Privacy Act*, and responding to instances of unauthorized practice.

Policy and Legal Services also oversees the scheduling of discipline and credentials hearings and publication of their decisions. These functions are kept separate from the investigative and prosecutorial functions of other Law Society departments to ensure procedural fairness.

Unauthorized Practice

One of the many ways the *Legal Profession Act* and the Law Society protect the public is by ensuring that only properly trained lawyers provide legal advice for a fee.

"Non-lawyers are generally not subject to any regulation," explains Carmel Wiseman, staff lawyer in charge of the Law Society's unauthorized practice files. "Generally they have no formal legal training or standards, no errors and omissions insurance, no ethical requirements and there is no one who can investigate their conduct if something should go wrong."

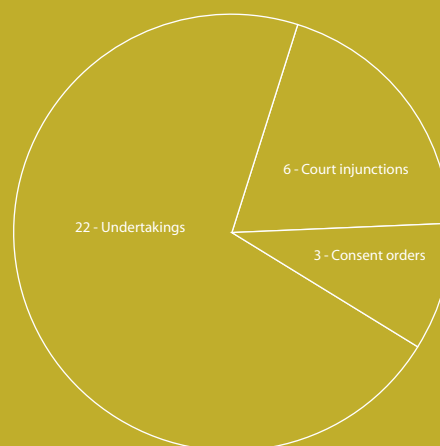
Some non-lawyers are allowed to provide legal services – notaries and immigration consultants, for example. But there are also those who have had some exposure to the legal system and want to turn it into a new source of revenue.

Often it is simply a case of ignorance – the person does not realize his or her activities are prohibited by law. When contacted by the Law Society, most people agree to end the prohibited activity. Occasionally, a person will refuse or will challenge the Law Society's claim of unauthorized practice. In such cases, the Society can take the matter to court and ask for a formal injunction. In rare cases where a person breaches an injunction, the courts will find the person in contempt of court.

Not all cases, however, involve non-lawyers who are well intentioned, but misinformed. Many are outright rogues preying on the vulnerable. And even the best intentions can result in damages when non-lawyers try to give legal advice.

"As is the case most years, 2006 saw two or three dramatic examples of how people can be hurt by unauthorized practice," Carmel notes. "In one case, a non-lawyer prepared a complicated will that failed to provide for disposition of the estate – meaning that the client was relying on a will that had no legal effect. The Society has brought contempt proceedings against the practitioner for several breaches of an earlier injunction we obtained against him."

The Law Society's unauthorized practice work is overseen by the Unauthorized Practice Committee, chaired in 2006 by Bencher Glen Ridgeway, QC.



Disposition of Unauthorized Practice Matters by the Law Society in 2006

It's about the people



July 2006 Benchers' meeting: Dr. Silvana Carr, coordinator of Interpreting Programs at Vancouver Community College, making a presentation on behalf of the Equity and Diversity Committee's Interpreters' Working Group.

→ *"We benefit enormously as an organization from the contributions of more than 400 volunteers from all walks of life who bring diverse perspectives to the work of the Society, including our Benchers' committees and task forces."*

— Timothy E. McGee, CEO

2006 MANAGEMENT BOARD

The Law Society's executive leadership is provided by the Chief Executive Officer, supported by the seven-member Management Board.



2006 Management Board: (front left): Susan Forbes, QC, Director, Lawyers Insurance Fund; Timothy E. McGee, Chief Executive Officer and Executive Director; Howard Kushner, Chief Legal Officer; (back left): Alan Treleaven, Director, Education and Practice; Adam Whitcombe, Chief Information Officer; Jeffrey Hoskins, Director, Policy and Legal Services / General Counsel; Jeanette McPhee, Chief Financial Officer; and Stuart Cameron, Director, Professional Regulation.

The Employee Council: Engagement through Collaboration

Late in 2005 the Law Society encouraged its staff to consider organizing an employee council as a vehicle for staff engagement.

"Our research confirmed our instinct that employees are more motivated and

productive when they feel that their views are heard and valued by their leaders," says Human Resources Manager Sue Hoff. "Leading organizations take deliberate steps to engage with their workforces on employees' 'hot button' issues and management's strategic priorities. A council organized by employees with our organization's support

to address workplace issues – that just seemed to make sense."

At 12:30 pm, February 20, 2006, the Law Society's Employee Council was born. The minutes of the council's inaugural meeting show that 12 staff members nominated by their peers from all corners of the organization gathered for a wide-ranging discussion of "... meeting



The Law Society's Employee Council for 2006 (left to right): Maureen Hall, Jackie Drozdowski, Thomas Kampioni, Josie Noble, Dominique Stryk, Patricia Parker, Katherine Potter, Tjammie Overgaard, Ingrid Reynolds, Mary Irvine and Leanne Brown. Not pictured: David Bilinsky and Sue Hoff.

structure, voting policies, council mandate..." By mid-April the Council had held its third meeting, settled its terms of reference, committed to maintain order at its meetings under Robert's Rules, and elected PLTC Program Co-ordinator Katherine Potter as its first chair.

Katherine joined the Law Society in 2000 as technical support for the Juricert project. In 2003 she moved into her current role with the Professional Legal Training Course, where she facilitates the registration process, issues transcripts and manages the student databases.

The focus of the new council's terms of reference is "enhancing the employment experience and ensuring a positive work environment at the Law Society."

"Our rules for membership, voting, conduct of meetings and communications have been designed with three goals

in mind: promoting openness, ensuring fairness and protecting confidentiality," Katherine explains. "By April the Council had received many suggestions and requests through our new online suggestion box. We picked three themes for development into proposed initiatives: health and wellness, morale, and building trust. We also came up with a simple slogan for our perspective: "Work smarter, live better."

The council attended a Management Board meeting in May. "We received strong support to proceed with development of a health and wellness program for staff," says Katherine. "In the months that followed, Maureen Hall (the Society's Library Technician since 2001) led the way with background research and concept development and our plan came together."

In November 2006, the Employee Council launched the Health and Wellness Benefit Program. Also in November, CEO Tim McGee convened a Town Hall meeting of all employees to review the results of an online employee survey conducted by TWI Surveys.

"Those were the two milestones of our first year," Katherine says proudly. "From a standing start in February, our group established a solid protocol for meetings and communications, learned to work together, and saw these two major initiatives through to completion. Lots of progress to build on in 2007!"

2006 COMMITTEES AND TASK FORCES

The bulk of the Law Society's policy-making, governance and adjudicative work is carried out through its various Benchers committees and task forces. The Society benefits greatly from the dedication shown by the Benchers, Lay Benchers and other volunteers recognized below.



The Executive Committee (left to right): Michael J. Falkins¹, Arthur E. Vertlieb, QC, Robert W. McDiarmid, QC, Anna K. Fung, QC, Ian Donaldson, QC and Gordon Turriff, QC. Not pictured: John J.L. Hunter, QC and G. Glen Ridgway, QC.

Committees

Executive

Benchers: Robert McDiarmid, QC (Chair), Ian Donaldson, QC, Michael Falkins, Anna Fung, QC (Vice-chair), John Hunter, QC, Glen Ridgway, QC, Gordon Turriff, QC, Arthur Vertlieb, QC

Access to Justice

Benchers: Terrence La Liberté, QC (Chair), Carol Hickman (Vice-chair), June Preston, Robert Punnett, Gerald Lecovin, QC (Life Bencher)

Non-Benchers: Dr. Carol Matusicky, David Mossop, QC

Audit

Benchers: David Zacks, QC (Chair), Bruce LeRose, QC (Vice-chair), Gavin Hume, QC

Non-Bencher: Deborah Armour, Ted Strocel

Complainants' Review

Benchers: Dr. Maelor Vallance (Chair), Ian Donaldson, QC (Vice-chair), Ken Dobell, William Jackson, Thelma O'Grady

Non-Bencher: Peter Gorgopa

Credentials

Benchers: John Hunter, QC (Chair), Gordon Turriff, QC (Vice-chair), Carol Hickman, Barbara Levesque, Thelma O'Grady, Glen Ridgway, QC, Richard Stewart, Ronald Tindale, Dr. Maelor Vallance, Ronald Toews, QC (Life Bencher)

Non-Benchers: Myron Claridge, Bruce Kulla, John Leathley, QC

Discipline

Benchers: Anna Fung, QC (Chair), Ian Donaldson, QC (Vice-chair), Rita Andreone, Ken Dobell, Terence La Liberté, QC, Jan Lindsay, June Preston, Arthur Vertlieb, QC, Jane Shackell, QC (Life Bencher)

Non-Benchers: Dan Bennett, Jo Ann Carmichael, QC, Peter Voith, QC

Equity and Diversity

Benchers: Arthur Vertlieb, QC (Chair), Patrick Kelly (Vice-chair), Jan Lindsay

Non-Benchers: Aleem Bharmal, Hall-dor Bjarnason, Robert Brun, QC, Brenda Edwards, Lisa Fong, Najeeb Hassan, Elizabeth Hunt, Lila Quastel, Lee Schmidt, Baldwin Wong

¹ The Law Society mourned the passing of Lay Bencher Michael Falkins in April 2007.

Ethics

Benchers: Gavin Hume, QC (Chair), Joost Blom, QC (Vice-chair), Kathryn Berge, QC, Leon Getz, QC, William Jackson, James Vilvang, QC, William Sullivan, QC (Life Bencher), Russell Tretiak, QC (Life Bencher), William Trotter, QC (Life Bencher)

Non-Benchers: Patricia Bond, Peter Ramsay, QC, Anne Stewart, QC

Futures

Benchers: John Hunter, QC (Chair), Anna Fung, QC (Vice-chair), Joost Blom, QC, Robert McDiarmid, QC, June Preston, Gordon Turriff, QC, Ralston Alexander, QC (Life Bencher)

Non-Bencher: Craig Dennis, Stan Lanyon, QC

Independence and Self-Governance

Benchers: Gordon Turriff, QC (Chair), James Vilvang, QC (Vice-chair), Robert McDiarmid, QC, June Preston, MSW, Ronald Tindale, David Zacks, QC, William Everett, QC (Life Bencher), Jane Shackell, QC (Life Bencher)

Non-Benchers: John Baigent, Hamar Foster, Byran Gibson, Jack Giles, QC, Leslie Muir, John Smith, Josiah Wood, QC

Legal Information and Technology

Benchers: Dirk Sigalet, QC (Chair), Leon Getz, QC, Thelma O'Grady, Patricia Schmit, QC (Life Bencher), Ross Tunnicliffe (Life Bencher)

Non-Benchers: Catherine Best (Vice-chair), Johanne Blenkin, Neil Campbell, Jeffrey Hayes, Mary Mitchell, Glen Nicholson, Alex Szibbo

Practice Standards

Benchers: David Zacks, QC (Chair), Michael Falkins (Vice-chair), Patrick Kelly, Bruce LeRose, QC, Robert Punnett, David Renwick, Dirk Sigalet, QC, Gerald Kambeitz, QC (Life Bencher)

Non-Benchers: Jeffrey Hayes, Charlotte Morganti, Margaret Ostrowski, QC, Dale Sanderson, QC, Mark Skwarok

Special Compensation Fund

Benchers: Bruce LeRose, QC (Chair), Michael Falkins (Vice-chair), Rita Andreone, Robert McDiarmid, QC, David Renwick, Richard Stewart, Patricia Schmit, QC (Life Bencher)

Non-Benchers: Azim Datoo, QC, Peter Ramsay, QC, Ron Skolrood

Unauthorized Practice

Benchers: Glen Ridgway, QC (Chair), William Jackson (Vice-chair), Kathryn Berge, QC, Barbara Levesque, June Preston

Non-Bencher: Fred Hansford, QC, James Herperger, Ken Kramer, Joseph Zak

2006 Task Forces

Alternative Dispute Resolution

Benchers: Ralston Alexander, QC (Chair, Life Bencher), John Hunter, QC

Non-Benchers: Stan Lanyon, QC, Jerry McHale, QC

Conveyancing Practices

Benchers: David Zacks, QC (Chair), Ralston Alexander, QC (Life Bencher), Gerald Kambeitz, QC (Life Bencher)

Non-Benchers: Paul Bradley, Kenneth Jacques, James Mooney, Franco Trasolini

Disclosure and Privacy

Benchers: John Hunter, QC (Chair), June Preston

Non-Benchers: Maureen Baird, Jean Whittow, QC

Fee Review

Benchers: Richard Gibbs, QC (Chair, Life Bencher)

Non-Benchers: Patricia Bond, Hamish Cameron, QC

Lawyer Education

Benchers: Gordon Turriff, QC (Chair), Patricia Schmit, QC (Vice-chair, Life Bencher), John Hunter, QC, Bruce LeRose, QC, Thelma O'Grady, Dirk Sigalet, QC, Dr. Maelor Vallance, Ross Tunnicliffe (Life Bencher)

Non-Bencher: Mary Childs, Susan Sangha

Paralegal

Benchers: Brian Wallace, QC (Chair, Life Bencher), Ralston Alexander, QC (Life Bencher), William Sullivan, QC (Life Bencher)

Non-Bencher: Jaynie Clark

Small Firm

Benchers: Bruce LeRose, QC (Chair), Kathryn Berge, QC, Arthur Vertlieb, QC, Patricia Schmit, QC (Life Bencher)

Non-Benchers: Christine Elliott, Robert Ellis

Title Insurance

Benchers: Ralston Alexander, QC (Chair, Life Bencher), Leon Getz, QC, Warren Wilson, QC (Life Bencher)

Non-Benchers: Neil Kornfeld, Charlene Loui-Ying, Albert McClean, QC, Ian Smith

Unbundling Legal Services

Benchers: Carol Hickman (Chair), Kathryn Berge, QC, Marjorie Martin (Life Bencher), Patricia Schmit, QC (Life Bencher)

Non-Benchers: Mark Benton, Christine Elliott, Doug Harrison, David Mossop, QC, Judy Williams

Women in the Legal Profession

Benchers: Gavin Hume, QC (Chair), Jan Lindsay, June Preston, Warren Wilson, QC (Life Bencher)

Non-Benchers: Beverly Briscoe, Jennifer Conkie, QC, Renee Miller, Margaret Ostrowski, QC

As in previous years, the 2006 committees and task forces received on-going support and guidance from Law Society staff. The composition and extent of that support varied throughout the year, depending on Bencher needs and availability of staff.

LAW SOCIETY FINANCES

BC lawyers fund the work of the Law Society through annual membership fees and other assessments, which are accounted for in three separate funds: the General Fund, Lawyers Insurance Fund and Special Compensation Fund.

The 2006 audited financial statements for these funds are set out on pages 40 to 60 of this report. The statements are presented in accordance with the presentation and disclosure standards of the Canadian Institute of Chartered Accountants respecting not-for-profit organizations.

The Audit Committee, chaired in 2006 by Vancouver Benchers David Zacks, QC, assists the Benchers in determining that Law Society staff properly manages the financial affairs of the Society. This includes:

- reviewing periodic financial statements of the General, Lawyers Insurance and Special Compensation Funds
- reviewing investment performance as managed by investment counsellors Phillips Hager and North
- reviewing the annual Audit Committee report prepared by the Law Society auditors
- reviewing with the Law Society's auditors regarding their approach, scope and audit results.

General Fund

In 2006, BC lawyers paid \$825 for the Law Society's general operations. The balance of the practice fee funded the BC Courthouse Library Society, the Lawyers Assistance Program (LAP) and the provision of *The Advocate* to all lawyers.

The Law Society component of the 2006 practice fee was \$50 higher than in 2005. Total 2006 revenues were higher because of this practice fee increase, in addition to increased revenue from enrolment fees and revenues related to the Land Title and Survey Authority electronic filing system. Revenue from the trust administration fee (TAF) was just over \$3.3 million during 2006. In

accordance with directions from the Benchers regarding the permitted uses for TAF revenue, \$3.1 million was allocated to cover expenses in the General Fund for trust assurance, audit and investigations and custodianship costs (not related to Martin Wirick).

Total expenses accounted for in the General Fund in 2006 were very similar to 2005. Education-related costs increased due to development of the Small Firm Practice Course now being offered to members. Audit, investigation and trust assurance costs also increased in 2006, reflecting the implementation of the new Trust Assurance Program.

Overall, the increased revenues were offset by the budgeted General Fund deficit. With the planned use of surplus during 2006, the fund recorded a deficit of just under \$800,000 in the year, an improvement of \$1.6 million from the 2005 deficit. At the end of 2006, the General Fund reserve was \$660,000. An additional \$190,000 has been retained in the General Fund for future trust administration-related expenses.

Special Compensation Fund

The Special Compensation Fund exists to reimburse those who suffer a loss as a result of lawyer theft prior to May 1, 2004. Defalcation claims discovered after May 1, 2004 are covered under Part B of the group insurance policy.

The Special Compensation Fund was funded through a \$600 assessment of each practising lawyer in 2006. The assessment was used to pay claims and to cover the direct costs associated with the administration of the Special Compensation Fund. Costs for custodianships and trust reviews and certain audit and investigation costs that were funded from the Special Compensation Fund assessment in prior years have been allocated to the General Fund since 2005.

Unlike the Lawyers Insurance Fund, this Fund does not set a claims reserve. All claim expenses are shown as an expense,

net of any recoveries from the insurer or the lawyer in respect of whom a claim is made.

During 2006, the Special Compensation Fund Committee continued to deal with the claims arising from the activities of former member Martin Wirick. The commercial insurance policy that applied to the Wirick claims was exhausted during 2005. The claims paid in 2006 were funded by the Special Compensation Fund assessment and by funds borrowed on a temporary basis from the Lawyers Insurance Fund. All outstanding claims and interim borrowings will be paid down by the Special Compensation Fund assessments over the next few years.

Lawyers Insurance Fund

The Lawyers Insurance Fund (LIF) provides liability insurance for BC lawyers in the event they are negligent in the delivery of professional services. Through Part B of the insurance policy, LIF also provides trust protection coverage, which offers financial protection in cases of defalcation by a lawyer.

In 2006, the net expenses of LIF were \$9 million against revenue of \$17.5 million. The fund reserve was just over \$44.6 million at the end of 2006, which is to cover both Part A and Part B claims. The increase in the fund reserve was due to improved investment returns and the improved realization of claims reserves over the year. LIF ended the year with a claims provision of \$58.8 million.

The commercial building at 750 Cambie Street, Vancouver, acquired by LIF as an investment in 2004, was renovated and tenanted in 2005, with full occupancy occurring in early 2006. This investment makes up approximately 14 per cent of the book value (12 per cent of market value) of the fund's investments overall.

The financial strength of the Lawyers Insurance Fund is reflected both in its strong surplus and in the fact that, for a seventh year running, the Benchers have been able to hold the insurance fee at \$1,500, the lowest since 1986.

April 23, 2007

**AUDITORS' REPORT
TO THE MEMBERS OF THE LAW
SOCIETY OF BRITISH COLUMBIA
– GENERAL FUND**

We have audited the statement of financial position of **The Law Society of British Columbia – General Fund** as at December 31, 2006 and 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 Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 Fund as at December 31, 2006 and the results of its operations, the changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP
Chartered Accountants
Vancouver, BC

**STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2006**

	2006 \$	2005 \$
Assets		
Current assets		
Cash and cash equivalents	960,564	4,320,220
Unclaimed trust funds	900,835	833,232
Accounts receivable and prepaid expenses	1,175,797	1,579,753
B.C. Courthouse Library Fund (note 2)	408,094	301,555
Due from Lawyers Insurance Fund (note 7)	7,271,751	1,696,165
Due from Special Compensation Fund (note 7)	52,971	351,526
	10,770,012	9,082,451
Property, plant and equipment		
Cambie Street property - net (note 3)	12,883,171	12,519,765
Other - net (note 3)	1,393,702	1,222,181
	25,046,885	22,824,397
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	4,588,624	3,502,674
Liability for unclaimed trust funds	900,835	833,232
Current portion of building loan payable (note 6)	500,000	500,000
Deferred revenue	10,670,212	8,386,517
B.C. Courthouse Library Grant (note 2)	408,094	301,555
Deposits	28,870	54,000
	17,096,635	13,577,978
Long-term debt		
Building loan payable (note 6)	7,100,000	7,600,000
	24,196,635	21,177,978
Net assets		
Invested in property, plant and equipment - net	6,676,872	5,641,946
Unrestricted	(5,826,622)	(3,995,527)
	850,250	1,646,419
	25,046,885	22,824,397

Approved by

President

Chair of Audit Committee

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006**

			2006	2005
	Invested in property, plant and equipment – net of associated debt \$	Unrestricted \$	Total \$	Total \$
Net assets - Beginning of year	5,641,946	(3,995,527)	1,646,419	4,005,078
Net (deficiency) excess of revenue over expense for the year	(934,153)	137,984	(796,169)	(2,358,659)
Repayment of associated debt	500,000	(500,000)	-	-
Purchase of property, plant and equipment	1,469,080	(1,469,080)	-	-
Net assets - End of year (note 5)	6,676,873	(5,826,623)	850,250	1,646,419

**STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2006**

	2006 \$	2005 \$
Revenue		
Practice fees	8,386,474	7,713,630
Trust administration fees	3,313,337	3,020,045
Enrolment fees	913,365	869,065
Interest and other income	718,971	625,063
E-filing revenue	413,544	257,905
Application fees	319,254	339,964
Fines and penalties	227,138	226,594
	14,292,083	13,052,266
Expense		
Amortization of other property, plant and equipment	487,234	359,364
Audit and investigation	1,156,625	874,884
Bencher, AGM and other committee meetings	1,213,061	1,318,170
Communications and publications	682,859	655,268
Credentials	437,810	386,336
Custodianship costs	1,296,267	1,746,107
Discipline and complaints	2,905,575	3,892,694
Equity and diversity	59,157	64,325
Ethics	110,470	92,571
Federation of Law Societies' contribution	126,317	73,871
General office administration	3,613,430	3,323,801
Member services	419,207	401,422
Membership assistance programs	195,851	166,775
Policy and planning	1,390,743	1,040,895
Practice advice	421,151	472,542
Practice standards	274,821	235,840
Professional Legal Training Course and Education	1,711,897	1,427,745
Trust assurance	565,060	342,020
Unauthorized practice	190,880	176,401
	17,258,415	17,051,031
Contribution to Lawyers Insurance Fund for Part B defalcation coverage from Trust Administration Fee	-	1,116,067
Costs recovered from Special Compensation and Lawyers Insurance Funds		
Co-sponsored program costs	(634,112)	(610,266)
Administrative	(1,319,108)	(1,994,984)
	15,305,195	15,561,848
Deficiency of revenue over expense before the following	(1,013,112)	(2,509,582)
845 Cambie operating revenue - net (note 4)	216,943	150,923
Net deficiency of revenue over expense for the year	(796,169)	(2,358,659)

STATEMENT OF CASH FLOWS **FOR THE YEAR ENDED DECEMBER 31, 2006**

	2006 \$	2005 \$
Cash flows from operating activities		
Net deficiency of revenue over expense for the year	(796,169)	(2,358,659)
Items not affecting cash		
Amortization of Cambie Street building and tenant improvements	446,919	444,563
Amortization of other property, plant and equipment	487,234	359,364
	137,984	(1,554,732)
Decrease (increase) in current assets		
Unclaimed trust funds	(67,603)	(182,509)
Accounts receivable and prepaid expenses	403,956	(1,231,503)
B.C. Courthouse Library Fund	(106,539)	(64,696)
Due from Lawyers Insurance Fund	(5,575,586)	5,747,643
Due from Special Compensation Fund	298,555	299,853
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	1,085,950	480,444
Liability for unclaimed trust funds	67,603	182,509
Deferred revenue	2,283,695	717,839
B.C. Courthouse Library Grant	106,539	64,696
Deposits	(25,130)	19,500
	(1,390,576)	4,479,044
Cash flows from financing activities		
Decrease in long-term debt - net	(500,000)	(500,000)
Cash flows from investing activities		
Property, plant and equipment additions - net	(1,469,080)	(314,268)
(Decrease) increase in cash and cash equivalents	(3,359,656)	3,664,776
Cash and cash equivalents - Beginning of year	4,320,220	655,444
Cash and cash equivalents - End of year	960,564	4,320,220
Supplementary cash flow information		
Interest paid	356,227	239,590

NOTES TO FINANCIAL STATEMENTS

1 Nature of operations and basis of presentation

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

2. Significant accounting policies

Allocated administrative expenses

Administrative expenses are recovered by the Fund from both the Lawyers

Insurance and Special Compensation Funds. Recoveries are based on amounts derived either on percentage of use or the percentage of the Fund's staff as compared to the Society's total staff costs or a set amount. In previous years, recoveries were based on budgeted amounts derived either on percentage of use or the percentage of the Fund's staff as compared to the Society's total staff costs.

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	20% per annum
Computer software	10-20% 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. Beginning 2003, the Society grants money to the B.C. Courthouse Library by fees per lawyer assessment.

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.

Comparative figures

Certain comparative figures in these statements have been reclassified to conform to the current year's presentation.

Fair value of financial instruments

The fair value of cash and cash equivalents, accounts receivable and prepaid expenses, accounts payable and accrued liabilities and deferred revenue corresponds to their carrying values due to their short-term nature.

The carrying value of the building loan approximates its fair value based upon the discount rates applied.

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 accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of certain revenues and expenses during the year. Actual results could differ from these estimates.

3. Property, plant and equipment

Cambie Street property

			2006	2005
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	4,189,450	-	4,189,450	4,189,450
Buildings	11,377,245	4,168,686	7,208,559	7,490,644
Leasehold improvements	4,778,618	3,335,119	1,443,499	772,232
Tenant improvements	1,096,707	1,055,044	41,663	67,439
	21,442,020	8,558,849	12,883,171	12,519,765

Other property, plant and equipment

			2006	2005
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Furniture and fixtures	2,424,698	1,681,584	743,114	574,117
Computer hardware	1,619,568	1,328,036	291,532	200,911
Computer software	1,582,066	1,223,011	359,055	447,152
Law libraries - at nominal value	1	-	1	1
	5,626,333	4,232,631	1,393,702	1,222,181

4. 845 Cambie operating revenue - net

	2006 \$	2005 \$
Rental revenue	344,467	336,743
Allocated rental revenue	1,378,138	1,143,110
	1,722,605	1,479,853
Expense		
Amortization	446,919	444,563
Insurance	76,398	74,927
Net loan interest (note 6)	356,227	239,590
Property management salaries	140,419	168,265
Property taxes	276,086	282,086
Repairs and maintenance	316,881	256,242
Utilities	138,443	115,337
Recovery from tenants	(245,711)	(252,080)
	1,505,662	1,328,930
Net operating revenue	216,943	150,923

5. Unrestricted net assets

The General Fund unrestricted net assets contains \$190,000 which has been retained in the General Fund for contribution to future Trust Administration Fee related expenses. During the year, \$3.3 million in trust administration fee revenue was collected, and \$3.1 million in trust administration fee expenses were incurred, consisting of expenses related to trust assurance, audit and investigations and custodianships.

6. 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 835-845 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 bond yield to maturity earned on the Lawyers Insurance Fund investment portfolio. It is the intention of the Fund to repay a minimum of \$500,000 of the principal each year. During 2006, principal of \$500,000 (2005 - \$500,000) was repaid.

	2006 %	2005 %
Weighted average rate of interest	4.52	4.11

7. 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 arise from transactions of an operating nature and are recorded at fair values at the dates of the transactions.

Amounts due to and from the Lawyers Insurance Fund are due on demand and have no fixed terms of repayment. The amounts due to and from the Special Compensation Fund are due on demand, have no fixed terms of repayment and 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 average bond yield for 2006 was 4.52% (2005 average rate - 4.12%). The Fund's net loan position includes the Fund's 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.

During the year, interest paid to the Lawyers Insurance Fund totalled

\$356,227 (2005 - \$239,590) after deduction of approximately \$9,893 (2005 - \$113,870) of interest revenue received from Fund cash balances held by the Lawyers Insurance Fund.

Other interfund transactions are disclosed elsewhere in these financial statements.

8. Related parties

The Benchers are drawn from law firms across the province. These law firms may at times be engaged by the Society in the normal course of business.

April 23, 2007

**AUDITORS' REPORT
TO THE MEMBERS OF THE LAW
SOCIETY OF BRITISH COLUMBIA
– LAWYERS INSURANCE FUND**

We have audited the consolidated statement of financial position of **The Law Society of British Columbia – Lawyers Insurance Fund** as at December 31, 2006 and the consolidated 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 Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2006 and the results of its operations, the changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, BC

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2006**

	2006 \$	2005 \$
Assets		
Cash and cash equivalents	6,325,661	5,772,316
Accounts receivable	16,402	161,818
Income taxes receivable	4,130	13,737
Prepaid expense	27,713	253,783
Accrued interest receivable	-	66
Reinsurers' share of provision for claims (note 4)	5,051,537	4,813,717
Due from members	1,420,801	2,096,775
General Fund building loan (note 3)	7,600,000	8,100,000
Due from Special Compensation Fund (note 6)	-	3,956,410
Investments (note 2)	104,148,841	92,591,072
	124,595,085	117,759,694
Liabilities		
Accounts payable and accrued liabilities	843,819	811,869
Deferred revenue	5,012,110	5,291,513
Due to General Fund (note 6)	7,271,751	1,696,165
Due to Special Compensation Fund (note 6)	1,066,212	-
Provision for claims (note 5)	58,818,291	62,338,012
Provision for ULAE (note 5)	6,923,518	7,347,988
Mortgage payable - 750 Cambie Street (note 2)	-	4,124,684
	79,935,701	81,610,231
Net assets		
Unrestricted net assets	44,659,384	36,149,463
	124,595,085	117,759,694

Approved by



President



Chair of Audit Committee

**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	2006 \$	2005 \$
Unrestricted net assets - Beginning of year	36,149,463	29,734,537
Excess of revenue over expense for the year	8,509,921	6,414,926
Unrestricted net assets - End of year	44,659,384	36,149,463

**CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2006**

	2006 \$	2005 \$
Revenue		
Annual assessments	10,676,076	10,411,359
Investment income (note 2)	6,819,985	5,454,163
Other income	50,748	41,394
Contribution from General Fund for Part B defalcation coverage from Trust Administration Fee	-	1,116,067
	17,546,809	17,022,983

The Law Society of British Columbia – Lawyers Insurance Fund

Insurance expense

Actuary, consultant and investment broker fees	403,464	252,379
Allocated office rent	122,175	122,120
Audit	76,382	38,000
Contribution to costs of General Fund		
Administrative	1,223,071	1,110,169
Office	441,373	462,509
Premium taxes	9,111	8,938
Provision for settlement of claims (note 5)	4,939,476	6,739,667
Provision for ULAE (note 5)	(424,470)	(160,248)
Salaries, wages and benefits	1,610,186	1,424,244
	8,400,768	9,997,778

Loss prevention expense

Contribution to costs of General Fund		
Co-sponsored program costs	637,750	610,266
	9,038,518	10,608,044
Excess of revenue over expense before the following	8,508,291	6,414,939
Income tax recovery (provision)	1,630	(13)
Excess of revenue over expense for the year	8,509,921	6,414,926

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2006

	2006 \$	2005 \$
Cash flows from operating activities		
Excess of revenue over expense for the year	8,509,921	6,414,926
Items not affecting cash		
Writedown of investments	-	1,038,934
Realized gain on disposal of investments	(3,533,569)	(3,622,152)
Amortization of 750 Cambie Street building	459,869	199,654
Amortization of deferred tenant inducement	45,826	-
	5,482,047	4,031,362
Decrease (increase) in assets		
Accounts receivable	145,416	(104,028)
Accrued interest receivable	65	2,005
Prepaid expense	226,070	(169,407)
Reinsurers' share of provision for claims	(237,819)	(241,074)
Due from members	675,974	(204,279)
Income taxes payable (recoverable)	9,607	(16,121)
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	31,950	(11,319)
Deferred revenue	(279,403)	133,103
Due to/from General Fund	5,575,586	(5,747,643)
Provision for claims	(3,519,721)	(2,101,999)
Provision for ULAE	(424,470)	(160,248)
	7,685,302	(4,589,648)
Cash flows from investing activities		
(Purchase) sale of investments - net	(7,289,762)	7,050,730
Decrease in General Fund building loan	500,000	500,000
Increase in 750 Cambie Street asset	(831,427)	(4,634,174)
Deferred tenant inducement	(408,706)	-
Decrease in mortgage payable	(4,124,684)	(138,023)
Decrease (increase) in loan to Special Compensation Fund	5,022,622	(3,956,410)
	(7,131,957)	(1,177,877)
Increase (decrease) in cash and cash equivalents	553,345	(5,767,525)
Cash and cash equivalents - Beginning of year	5,772,316	11,539,841
Cash and cash equivalents - End of year	6,325,661	5,772,316

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2006

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 subsidiary LSBC Captive Insurance Company Ltd. (the Captive) is considered assessable for income tax under current legislation.

At the December 2003 meeting, the Benchers approved, to be effective May 1, 2004, a Part B amendment to the B.C. Lawyers' Compulsory Professional Liability Insurance Policy that provides defined insurance coverage for dishonest appropriation of money or other property entrusted to and received by insured lawyers in their capacity of barrister and solicitor and in relation to the provision of professional services.

Basis of consolidation

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

Deferred tenant inducements

In 2006, the Fund provided two of its tenants in the 750 Cambie St. building with free gross rent at the start of the lease. The total value of this free gross rent is \$408,706. This free gross rent is amortized over the term of the lease.

Allocated administrative expenses

Administrative expenses are recovered by the General Fund of the Society from the Fund. Recoveries are based on amounts derived either on percentage of use or the percentage of Fund's staff as compared to the Society's total staff cost. In previous years, recoveries were based on budgeted amounts derived either on 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.

Comparative figures

Certain comparative figures in these statements have been reclassified to conform to the current year's presentation.

Fair value of financial instruments

The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities corresponds to their carrying value due to their short-term nature.

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 excess of revenue over expense for the year.

Investment income

Investment income is recorded on an accrual basis. Dividends are recorded on the date of record. Gains and losses realized on the disposal of investments are taken into income on the date of disposal.

Provision for claims

The provision for claims represents an estimate for all costs of investigating and settling claims incurred prior to the balance sheet date. The provision is adjusted as additional information on the estimated amounts becomes known during the course of claims settlement. All changes in estimates are expensed in the current period. The Society presents its claims on a discounted basis.

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 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.

Future accounting changes - financial instruments

In 2005, the Canadian Institute of Chartered Accountants issued new accounting standards for financial instruments, which became effective for the Society beginning January 1, 2007.

The standards require that all financial assets be classified as trading, available for sale, held to maturity or loans and receivables. In addition, the standards require that all financial assets, including derivatives, be measured at fair value on the balance sheet with the exception of loans, receivables and investments classified as held-to-maturity, which will be measured at amortized cost. Changes in the fair value of available-for-sale securities will be reported within the

statement of changes in net assets, until the financial asset is disposed of or becomes impaired. Changes in the fair value of trading securities are recorded directly into income.

Similarly, the standards require that all financial liabilities be measured at fair value on the balance sheet when they are held for trading or are derivatives. Other financial liabilities should be measured at amortized cost.

2. Investments

	2006 \$	2005 \$
Investments - at book value (fair value - \$103,772,312; 2005 - \$89,276,048)	89,653,134	78,829,803
750 Cambie Street Building	14,495,707	13,761,269
	104,148,841	92,591,072

The effective yield to maturity on the total portfolio is 2.15% (2005 - 1.88%).

	Carrying value \$	Gross unrealized gains \$	Gross unrealized losses \$	2006 Estimated fair value \$
Bonds				
Pooled Funds	49,309,683	868,251	-	50,177,934
Equity				
Canadian Pooled Funds	10,163,085	7,142,053	-	17,305,138
U.S. Pooled Funds	15,920,846	1,439,477	-	17,360,323
Non-North America Pooled Funds	14,259,520	4,669,397	-	18,928,917
	40,343,451	13,250,927	-	53,594,378
	89,653,134	14,119,178	-	103,772,312

	Carrying value \$	Gross unrealized gains \$	Gross unrealized losses \$	2005 Estimated fair value \$
Bonds				
Pooled Funds	38,593,273	1,070,589	-	39,663,862
Equity				
Canadian Pooled Funds	12,252,756	8,109,841	-	20,362,597
U.S. Pooled Funds	14,429,329	-	-	14,429,329
Non-North America Pooled Funds	13,554,445	1,265,815	-	14,820,260
	40,236,530	9,375,656	-	49,612,186
	78,829,803	10,446,245	-	89,276,048

The estimated fair value of equity share and debt securities is based on quoted market value.

Management has reviewed currently available information regarding investments whose estimated fair value is less than carrying value, and ascertained that the carrying values are expected to be recovered. Debt securities whose carrying value exceeds market value can be held until maturity.

Liquidity and interest rate risk

The maturity profile based on the market value as at December 31, 2006 and 2005 is as follows:

	Within 1 year \$	1 to 5 years \$	5 to 10 years \$	Over 10 years \$	Total \$
Bonds pooled					
2006	3,813,522	21,425,978	9,483,630	15,454,804	50,177,934
2005	1,903,865	16,976,133	9,439,999	11,343,865	39,663,862

Investment income

	2006 \$	2005 \$
Investment income		
Cash and treasury bills	3,186	25
Pooled distribution income	2,823,729	3,331,620
Net interfund loan interest (note 6)	475,186	360,600
Realized gain on disposal of investments	3,533,569	3,622,152
Writedown of investments	-	(1,038,934)
Building loss - 750 Cambie Street	(15,685)	(821,300)
Net investment income	6,819,985	5,454,163

750 Cambie Street Building

In 2004, a building at 750 Cambie Street was purchased as an investment for the Fund. The building was purchased for \$9,388,820 and a \$4,339,383 mortgage was assumed for this purchase. In 2006, the mortgage was repaid.

			2006	2005
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	4,299,850	-	4,299,850	4,299,850
Building	4,971,376	310,767	4,660,609	4,786,571
Base building improvements	3,198,809	158,262	3,040,547	3,034,756
Tenant improvements	2,384,387	252,566	2,131,821	1,640,092
Deferred tenant inducements	408,706	45,826	362,880	-
	15,263,128	767,421	14,495,707	13,761,269

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

Building	2-1/2% per annum
Base building - improvements	2-1/2% per annum
Tenant improvements	over lease period
Deferred tenant inducements	over lease period

3. 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 835-845 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 bond yield to maturity earned on the Fund investment portfolio. It is the intention of the Benchers to require the General Fund to repay a minimum of \$500,000 on the principal each year. During 2006, principal of \$500,000 (2005 - \$500,000) was repaid.

	2006 %	2005 %
Weighted average rate of return	4.52	4.11

4. 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 current coverage as follows:

	2006 \$	or	\$
Deductible - member	5,000	or	10,000
Deductible - the Fund	995,000	or	990,000
Total coverage per occurrence	1,000,000		
Annual aggregate per member	2,000,000		

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 claims reported between 1990 and 1996, the Captive entered into reinsurance contracts under which all claim payments above a per claim limit and in excess of inner aggregate retentions were ceded to reinsurers. Reinsurance does not relieve the Captive of primary liability as the originating insurer. The Captive has not entered into reinsurance contracts for claims reported since January 1, 1997. All losses on claims since 1997 are fully reimbursed, as a deductible, by the Law Society under agreement.

Effective May 1, 2004, the Captive's B.C. Lawyers' Compulsory Professional Liability Insurance Policy was amended to include Part B defalcation coverage. For the 2006 policy period, there is a \$17,500,000 profession wide aggregate limit. The Lawyers' Insurance Fund has obtained insurance in the amount of \$5,000,000 to cover a portion of the annual aggregate limit. This insurance is subject to a \$3,000,000 deductible and is co-insured 30/70.

5. Provision for claims and unallocated loss adjustment expenses (ULAE)

The changes in unpaid claims recorded in the consolidated statement of financial position are as follows:

	2006 \$	2005 \$
Part A Insurance Coverage		
Provision for claims - Beginning of year	61,938,488	64,440,011
Provision for losses and expenses for claims occurring in the current year	11,563,000	15,962,142
Decrease in estimated losses and expenses for losses occurring in prior years	(6,583,000)	(9,622,000)
Provision for claims liability	66,918,488	70,780,153
Less:		
Payments on claims incurred in the current year	(1,055,827)	(760,335)
Payments on claims incurred in prior years	(8,223,276)	(9,411,743)
Recoveries on claims	939,906	478,413
Change in reinsurers' share of provision for claims	562,000	637,000
Change in due from members	(682,000)	215,000
Claim payments - net of recoveries	(8,459,197)	(8,841,665)
Provision for claims - End of year	58,459,291	61,938,488
Part B Insurance Coverage	359,000	399,524
Total provision for part A and B Insurance Coverage	58,818,291	62,338,012

The determination of the provision for unpaid claims, and adjustment expenses and the related reinsurers' share requires the estimation of three major variables or quanta, being development of claims, reinsurance recoveries and the effects of discounting, to establish a best estimate of the value of the respective liability or asset.

The provision for unpaid claims and adjustment expenses and related reinsurers' share is an estimate subject to variability, and the variability, as with any insurance company, could be material in the near term. The variability 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 receipt of additional claim information, changes in judicial interpretation of contracts, significant changes in severity or frequency of claims from historical trends, the timing of claims payments, the recoverability of reinsurance, and future rates of investment return. The estimates are principally based on the Society's historical experience. Methods of estimation have been used that the Society believes produce reasonable

results given current information.

The provision for ULAE is an actuarially determined estimate of the Society's future costs relating to the administration of claims incurred up to the statement of financial position date.

The Society discounts its best estimate of claims provisions at a rate of interest of 6.6% (2005 - 6.74%). The Society determines the discount rate based upon the expected return on its investment portfolio of assets with appropriate assumptions for interest rates relating to reinvestment of maturing investments.

To recognize the uncertainty in establishing these best estimates, to allow for possible deterioration in experience and to provide greater comfort that the actuarial liabilities are adequate to pay future benefits, the Society includes Provisions for Adverse Deviations (PFADs) in some assumptions relating to claims development, reinsurance recoveries and future investment income. The PFADs selected are in the mid range of those recommended by the Canadian Institute of Actuaries.

Part B (Trust Protection Coverage)

Trust protection coverage was introduced on May 1, 2004. Part B provides a profession-wide annual aggregate of \$17.5 million, inclusive of both defence costs and settlements. The Society purchased insurance for Part B losses. The policy provides a limit of \$5 million subject to a self-insured retention of \$3 million, and co-insurance of 30%. The actuarial provision as at December 31, 2006 for unpaid claims is \$359,000 (2005 - \$399,524). As of December 31, 2006, there were 58 reports of claims and potential claims under Part B. This compares with 24 reports of claims and potential claims under Part B as of December 31, 2005.

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 arise from transactions of an operating nature and are recorded at fair values at the dates of the transactions.

Amounts due to and from the General Fund are due on demand and have no fixed terms of repayment.

Amounts due to and from the Special Compensation Fund have no fixed terms of repayment. The Fund has provided a loan facility of up to \$8 million to the Special Compensation Fund.

Monthly interest on the Fund's net loan position with the General Fund and Special Compensation Fund is paid to the Fund at a rate equal to the stated monthly bond yield to maturity earned on the Fund investment portfolio. The average bond yield for 2006 was 4.52% (2005 average rate - 4.12%). The Fund's net loan position includes the General Fund building loan, other operating balances with the General Fund and the loan with the Special Compensation Fund. This net loan position fluctuates during the year as amounts are transferred between the General Fund and the Fund to finance ongoing operations.

The interest received by the Fund totalled \$475,186 (2005 - \$360,600) after deduction of approximately \$9,893 (2005 - \$113,870) 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, 2006.

April 23, 2007

AUDITORS' REPORT TO THE MEMBERS OF THE LAW SOCIETY OF BRITISH COLUMBIA – SPECIAL COMPENSATION FUND

We have audited the statement of financial position of **The Law Society of British Columbia – Special Compensation Fund** as at December 31, 2006 and 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 Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 Fund as at December 31, 2006 and the results of its operations, the changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, BC

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2006

	2006 \$	2005 \$
Assets		
Current assets		
Cash and cash equivalents	7,660	4,008,726
Due from Insurance Fund (note 2)	1,066,212	-
	1,073,872	4,008,726
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	12,000	15,428
Current portion of claims payable (note 3)	1,885,882	-
Deferred revenue	4,699,000	5,526,600
Due to General Fund (note 2)	52,971	351,526
Due to Insurance Fund (note 2)	-	3,956,410
	6,649,853	9,849,964
Claims payable (note 3)	5,657,646	-
	12,307,499	9,849,964
Net assets		
Unrestricted net deficit	(11,233,627)	(5,841,238)
	1,073,872	4,008,726
Claims (note 3)		

Approved by

President



Chair of Audit Committee



**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	2006 \$	2005 \$
Unrestricted net (deficit) assets - Beginning of year	(5,841,238)	1,195,774
Deficiency of revenue over expense for the year	(5,392,389)	(7,037,012)
Unrestricted net deficit - End of year	(11,233,627)	(5,841,238)

**STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2006**

	2006 \$	2005 \$
Revenue		
Annual assessments	5,832,400	5,692,400
Investment and interest income	18	161,022
	5,832,418	5,853,422
Expense		
Allocated office rent	19,900	33,150
Audit	9,929	14,000
Claims and costs (note 3)	10,367,839	11,125,365
Contribution to administrative costs of General Fund	100,000	887,759
Counsel costs	127,380	2,159
Custodians' fees - net of recoveries	48,138	1,278
Insurance premium	993	28,706
Investment brokers' fee	-	906
Loan interest to Insurance Fund (note 2)	118,959	121,010
Miscellaneous	95,417	51,539
Salaries, wages and benefits	309,540	420,505
Spot audits and related costs	26,712	204,057
	11,224,807	12,890,434
Deficiency of revenue over expense for the year	(5,392,389)	(7,037,012)

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	2006 \$	2005 \$
Cash flows from operating activities		
Deficiency of revenue over expense for the year	(5,392,389)	(7,037,012)
Increase (decrease) in current assets		
Insurance recoverable	-	1,261,480
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	(3,428)	1,428
Deferred revenue	(827,600)	126,600
Due to General Fund	(298,555)	(299,853)
Increase in claims payable	7,543,528	-
	1,021,556	(5,947,357)
Cash flows from investing activities		
Sale of investments - net	-	1,336,684
Cash flows from financing activities		
Due from Insurance Fund	(5,022,622)	3,956,410
Decrease in cash and cash equivalents	(4,001,066)	(654,263)
Cash and cash equivalents - Beginning of year	4,008,726	4,662,989
Cash and cash equivalents - End of year	7,660	4,008,726
Supplementary cash flow information		
Interest paid	118,959	121,010

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

December 31, 2006

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 and the settlement has been accepted by the claimant.

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

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of certain revenues and expenses during the year. Actual results could differ from these estimates.

Allocated administrative expenses

Administrative expenses are recovered by the General Fund of the Society from the Fund. Recoveries are based on a set amount for the year at management's discretion. In previous years, recoveries were based on budgeted amounts derived either on 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.

Comparative figures

Certain comparative figures in these statements have been reclassified to conform to the current year's presentation.

Claims liabilities

In accordance with the absolute discretionary nature of the Fund arrangements, the claims become a liability only when approved by the Special Compensation Fund Committee and accepted by the claimant.

Fair value of financial instruments

The fair value of cash and cash equivalents, accounts payable and accrued liabilities and deferred revenue corresponds to their carrying values due to their short-term nature.

The fair value of claims payable is disclosed in note 3(b).

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.

2. Interfund balances

The operations of the Fund, the General Fund and the Insurance Fund are controlled by the management of the Society. Transactions between the Funds arise from transactions of an operating nature and are recorded at fair values at the dates of the transactions.

Amounts due to and from the General Fund are due on demand, have no fixed terms of repayment and are non-interest bearing.

Amounts due to and from the Insurance Fund have no fixed terms of repayment and bear interest at bond yield of 4.52% average rate (2005 average rate - 4.12%) of the Insurance Fund. The Insurance Fund has provided a loan facility of \$8 million to the Fund.

3. Special Compensation Fund claims

As the Fund is in deficiency, its ability to make further settlements and reduce the deficiency is dependent on future member assessments and a loan facility from the Insurance Fund (note 2).

a) Outstanding 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. As at December 31, 2006, 117 claims or potential claims (2005 - 285 claims) were known but not yet determined. These claims amounted to approximately \$29,251,297 (2005 - \$49,745,896). If all claims were approved for payment, \$25,384,459 (2005 - \$44,287,498) would be payable by the Fund and \$3,866,764 (2005 - \$5,458,398) by the Fund's insurers. These amounts do not include an estimate for claims attributable that have not as yet been filed. In addition, these amounts include potential duplicate claims.

For claims reported prior to May 1, 2004, the insurance 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, other than as noted in note 3(b).

At the December 2003 meeting, the Benchers approved, to be effective May 1, 2004, a Part B amendment to the B.C. Lawyers' Compulsory Professional Liability Insurance Policy that provides defined insurance coverage for dishonest appropriation

The Law Society of British Columbia – Special Compensation Fund

of money or other property entrusted to and received by insured lawyers in their capacity as barrister and solicitor and in relation to the provision of professional services. The Part B (Trust Protection Coverage) is recorded in the Insurance Fund.

b) Wirick case

In May 2002, the Discipline Committee ordered an audit investigation, pursuant to Rule 4-43, of Martin Keith Wirick's practice. Since then, the

Society has continued to investigate the various claims attributed to Mr. Wirick's practice activities. Information continues to be received to assist in the investigation of claims. At each Benchers' meeting since May 2002, the Benchers have been given a detailed update of the status of the outstanding claims, investigation costs and any relevant information concerning possible recoveries. This will continue until the file is closed.

	2006	2005
Number of open claims as at December 31	26	163
	\$	\$
Amount claimed	700,000	19,000,000
Amount reviewed (number of claims - 157; 2005 - 132)	15,600,000	25,000,000
Amount denied due to duplication (number of claims - 22; 2005 - 38)	1,600,000	6,000,000
Amount adjourned (number of claims - 26; 2005 - 150)	700,000	15,000,000
Total approved for payment	9,500,000	4,000,000
Total paid - net of recoveries	2,800,000	11,000,000

Until May, 1, 2004, the Fund carried insurance of \$15,000,000 for each bond period (\$17,500,000 total coverage with a deductible of \$2,500,000). The bond period is defined as the year in which the Society becomes aware of evidence indicating a member may have been guilty of an act or acts of misappropriation or wrongful conversion. All claims concerning Mr. Wirick will fall into the 2002 bond period and as such, the Fund has claims greater than its level of insurance. The Insurer's coverage for the 2002 bond period is \$15,000,000. In early 2005, the final proof of loss that reached this limit was filed. In 2002, the Benchers agreed to allow the Special Compensation Fund Committee to exceed the \$17,500,000 cap they had imposed in the Society rules.

In 2006, the Benchers approved a payment of \$7,543,528 to be paid to claimants over four years commencing in fiscal 2007 at \$1,885,882 per year.

The fair values of these payments are estimated as follows:

	\$
2007	1,885,882
2008	1,795,926
2009	1,716,703
2010	1,640,975
Claims payable	7,039,486

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