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The Law Society of Upper Canada | Barreau du Haut-Canada

April 24, 2014
9:00 a.m.

CONVOCATION MATERIAL

PUBLIC COPY

DRAFT
CONVOCATION AGENDA
April 24, 2014

Convocation Room – 9:00 a.m.

Treasurer's Remarks

Trinity Western University Accreditation [Tabs 1 to 7]

Consent Agenda - Motion [Tab 8]
- **Confirmation of Draft Minutes of Convocation** – February 27, 2014 and Special Convocation March 4, 2014
- **Motion –** Appointments to the Law Society Tribunal and Committee Appointments
- **Report of the Director of Professional Development and Competence** – Deemed Call Candidates
- **Audit and Finance Committee Report –** J. Shirley Denison Fund Application (in camera)
- **Secretary's Report to Convocation –** Effective Date of Amendments to the *Paralegal Rules of Conduct*
- **Treasurer's Reports -** LAWPRO Proxy and LibraryCo Inc. Proxy

Audit & Finance Committee Report *(C. Bredt, C. Hartman)* [Tab 9]
- Law Society Audited Financial Statements for the Year Ended December 31, 2013
- Law Society Auditor

For Information
- In Camera Item
- LAWPRO Annual Financial Statements for the Year Ended December 31, 2013
- LibraryCo Inc. Annual Financial Statements for the Year Ended December 31, 2013
- Investment Compliance Reporting for the Year Ended December 31, 2013
- Other Committee Work
- LawPRO Annual Report 2013

Equity and Aboriginal Issues Committee/Comité sur l'équité et les affaires autochtones Report *(P. Schabas)* [Tab 10]
- Human Rights Monitoring Group Requests for Intervention

REPORTS FOR INFORMATION ONLY

Access to Justice Committee Report [Tab 11]
- Report on Next Steps for Development and Implementation of the Law Society's Access to Justice Strategy

Paralegal Standing Committee Report *(C. Corsetti)* [Tab 12]
- Election of Paralegal Standing Committee Chair

Lunch – Benchers' Dining Room

CONVOCATION

PUBLIC SESSION

THURSDAY, APRIL 10, 2014 - 9:00 A.M.

OSGOODE HALL, TORONTO

CONVOCATION ATTENDANCE - MORNING SESSION

TREASURER - Thomas G. Conway

Robert P. Armstrong (ph.)	George D. Hunter (ph.)
Vern Krishna	Gavin MacKenzie
Harvey Strosberg	Marion Boyd
Jack Rabinovitch	Jan Richardson (ph.)
Gerald Sheff	Baljit Sikand
Catherine Strosberg (ph.)	Larry Banack
Paul Copeland (ph.)	Patrick Furlong (ph.)
Ron Manes (ph.)	Ross Murray
Heather Ross (ph.)	Clayton Ruby
Gerald A. Swaye	Bradley H. Wright (ph.)
Roger Yachetti (ph.)	Raj Anand
Constance Backhouse (ph.)	Jack Braithwaite
Christopher D. Bredt	Robert Burd
John Callaghan	John A. Campion
Cathy Corsetti	Marian Louise Dickson
Adriana Doyle	Ross F. Earnshaw
Lawrence Eustace (ph.)	Robert Evans
Julian Falconer	Avvy Go
Howard Goldblatt	Michelle Haigh
Susan M. Hare	Carol Hartman
Jacqueline Horvat	Brian Lawrie
Janet Leiper	Michael Lerner
Marian Lippa	Virginia MacLean (ph.)

William McDowell	Susan T. McGrath
Malcolm Mercer	Janet E. Minor
Barbara Murchie	Julian Porter
Judith M. Potter	Nicholas John Pustina
Susan Richer	Linda Rothstein
Mark Sandler	James Scarfone (ph.)
Paul Schabas	Alan G. Silverstein
Joseph Sullivan	Beth Symes
Peter Wardle	Laurie H. Pawlitza

CONVOCATION ATTENDANCE - AFTERNOON SESSION

TREASURER - Thomas G. Conway

Gavin MacKenzie	Marion Boyd
Jack Rabinovitch	Jan Richardson (ph.)
Gerald Sheff	Catherine Strosberg (ph)
Patrick Furlong (ph.)	Ron Manes (ph.)
Clayton Ruby	Bradley H. Wright (ph.)
Roger Yachetti (ph.)	Raj Anand
Constance Backhouse (ph.)	Jack Braithwaite
Christopher D. Bredt	Robert Burd
John Callaghan	John A. Campion
Cathy Corsetti	Marian Louise Dickson
Adriana Doyle	Ross F. Earnshaw
Robert Evans	Julian Falconer
Avvy Go	Howard Goldblatt
Michelle Haigh	Susan M. Hare
Jacqueline Horvat	Brian Lawrie
Michael Lerner	Marian Lippa
Virginia MacLean (ph.)	William McDowell
Susan T. McGrath	Janet E. Minor
Barbara Murchie	Julian Porter
Judith M. Potter	Nicholas John Pustina
Susan Richer	Linda Rothstein
James Scarfone (ph.)	Paul Schabas
Alan G. Silverstein	Joseph Sullivan

Beth Symes Laurie H. Pawlitza

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--- Upon commencing at 9:00 a.m.

TREASURER CONWAY: Good morning, everyone. I'd like to take attendance, for those members of Convocation who are attending by phone. When I call your name, would you please indicate that you're present. Robert Armstrong?

MR. ARMSTRONG: Good morning, Treasurer.

TREASURER CONWAY: Constance Backhouse?

MS. BACKHOUSE: Present.

TREASURER CONWAY: Larry Banack?

MR. BANACK: Present in the room.

TREASURER CONWAY: Thank you. Paul Copeland? Paul Copeland? Seymour Epstein?

MR. COPELAND: Present. Paul Copeland present.

TREASURER CONWAY: Thank you. Seymour Epstein? Lawrence Eustace?

MR. EUSTACE: I'm here.

TREASURER CONWAY: Patrick Furlong?

MR. FURLONG: Here.

TREASURER CONWAY: Virginia MacLean?

MS. MacLEAN: Here.

TREASURER CONWAY: Jan Richardson?

MS. RICHARDSON: Present.

TREASURER CONWAY: Heather Ross?

MS. ROSS: Present.
TREASURER CONWAY: Catherine Strosberg?
MS. STROSBERG: Present.
TREASURER CONWAY: Bradley Wright?
MR. WRIGHT: Here.
TREASURER CONWAY: James Scarfone?
MR. SCARFONE: Here.
TREASURER CONWAY: Is there anyone on the phone whose name I have not called?
MR. SANDLER: Mark Sandler.
TREASURER CONWAY: I'm sorry?
MR. SANDLER: Mark Sandler.
TREASURER CONWAY: Thank you, Mr. Sandler. Anyone else?
MR. MANES: Ron Manes.
TREASURER CONWAY: Anyone else? All right.
MR. YACHETTI: Roger Yachetti is here.
TREASURER CONWAY: Thank you, Mr. Yachetti. Anyone else?
MR. HUNTER: George Hunter.
TREASURER'S REMARKS:
TREASURER CONWAY: Thank you, Mr. Hunter. Anyone else? All right. Before turning to the business at hand, I'd like to review the

instructions for the phone system for those participating by phone. Once we determine who is on the telephone, I will let everyone know that we will be placing those calling into the meeting in what we call lecture mode.

This means that from our end we are muting all callers and, once muted, they will be able to hear the meeting, but cannot speak. We, of course, will need to come out of lecture mode to hear callers who wish to speak and we will do that as the day progresses with the speakers' list. Unless callers wish to speak I ask that they star 6 their telephones, as we have done in the past, and we will repeat this procedure throughout Convocation as necessary.

I have one additional bit of business to deal with today, not anticipated, but it comes as a result of a happy event for one of our bencher colleagues.

As you know from the memorandum from the secretary, Robert Wadden was appointed a judge of the Ontario Court of Justice last week. On behalf of Convocation, I congratulate Justice Wadden on his appointment and wish him well as he begins his career on the bench in Ottawa.

This appointment has created a vacancy

for a bencher in the electoral region outside of Metropolitan Toronto, and we have a motion before us at tab 5 -- sorry, tab 6, to elect Peter Festeryga from Leamington as a bencher.

The motion before Convocation is moved by Adriana Doyle and seconded by Ross Earnshaw. Any discussion? All in favour of the motion? Opposed, if any? Carried.

Mr. Festeryga will be joining us on April 24th, when I will give him a more fulsome introduction. I know you will extend a warm welcome to him at that time.

On behalf of Convocation I also wish to congratulate the five paralegal benchers who were elected on March 31st and took office yesterday. Robert Burd, Cathy Corsetti, Michelle Haigh, Brian Lawrie and Marian Lippa. Welcome. For most of you, welcome back to Convocation.

Before we begin the deliberations respecting Trinity Western University, I want to take this opportunity to review today's proceedings. Before that, however, I would like to acknowledge three individuals who are joining us today in Convocation room; Bob Kuhn, the president and vice chancellor of Trinity Western University, Janet F. Buckingham, LLC,

director and associate professor of political studies and history at Trinity Western University, and Eugene Meehan, of Supreme Advocacy LLP Ottawa, counsel to Trinity Western University.

TWU is the applicant seeking accreditation. Its representatives are here today as observers only and will not be participating in our discussions. They will have the opportunity provide a written response following this Convocation for Convocation on April the 24th and to address Convocation at that time.

As you know, we are webcasting Convocation today and on April the 24th so that anyone who wishes can view our Convocation proceedings from their desktop computer. For those benchers who are following the debate on the telephone and were thinking of also watching the webcast, you should know there is a 60 second delay and, as a result, I suggest you do not try to follow the webcast or at least mute the volume if you do.

In addition, some rooms have been set aside here at the Law Society for lawyers, paralegals and members of the public to watch the webcast. Today these individuals are in the upper and lower barrister's lounges and on April 24th will be in the

Lamont Learning Centre.

On February 27th, 2014, I advised Convocation of the process we would follow in determining the Law Society's accreditation of TWU. A copy of my statement is available on the Law Society's website and on BoardBooks at tab 1. I don't intend to repeat that statement here.

In a few moments, Ms. Freya Kristjanson, who is acting as counsel to the Law Society on this matter, will provide Convocation with some overview information and will refer to some of the issues I addressed in my February statement.

Ms. Kristjanson is a partner at Cavalluzzo, Shilton, McIntryre, Cornish LLP Toronto, where she practices administrative law and civil litigation. Welcome to Convocation.

Before Ms. Kristjanson speaks, however, I would like to highlight the material that is before Convocation and a few points from my February statement to remind Convocation of certain procedural issues.

As you know, there are two Convocations scheduled to consider the Trinity Western University accreditation. Today we will begin the Law Society's consideration of the TWU matter. We will not be voting today. Today's meeting is to give benchers the

opportunity to raise any questions or concerns they have relevant to the issues before them.

As I mentioned earlier, TWU will be given the opportunity to respond in writing to the issues and concerns raised today prior to April 24th. We will complete our consideration of this issue on April the 24th at regular Convocation, after which Convocation will vote in answer to the question.

As set out in my February statement, I would ask the secretary, Mr. Varro, to read the question that Convocation will answer on April the 24th. Mr. Varro.

SECRETARY: Thank you, Treasurer. Treasurer and benchers, the question to be put to Convocation is as follows. Given that the Federation Approval Committee has provided conditional approval to the Trinity Western University law program in accordance with processes Convocation approved in 2010 respecting the national requirement and in 2011 respecting the approval of law school academic requirements, should the Law Society of Upper Canada now accredit Trinity Western University pursuant to section 7 of by-law 4.

TREASURER CONWAY: The material before you includes material provided by TWU, background

reports from the Federation of Law Societies and the Law Society relevant to the issue, other material such as statutes and by-laws and all of the submissions the Law Society received before the deadline of March 28th. All of the material is posted on our website on the dedicated TWU page. We have also posted the equivalent of the Convocation material the benchers have through their BoardBooks on our Convocation page on the website so that all page references are identical for anyone using the web version of material.

To ensure the integrity of the process, I again ask benchers to keep in mind, one, that during the course of Convocation today and on the 24th, benchers should not use social media, either by sending or receiving communications on the issues being considered.

Two, that they -- benchers should refrain -- excuse me, I'm going to take a moment while we reconnect the phones.

All right, so to ensure the integrity of the process, I ask benchers to keep in mind, one, that during the course of Convocation today and on April 24th benchers should not use social media either by sending or receiving communications on the issues being considered.

Two, that they should refrain from expressing their views or considering additional submissions they may receive following today's Convocation and, three, that they should refrain from reaching a final view until the decision is made on April the 24th.

I appreciate that many benchers will wish to speak during today's Convocation and Convocation on April the 24th, and as you can see by looking around the room, there are many benchers in attendance today and a number participating on the phone.

Although we have scheduled an all day Convocation today, in the interests of the process operating fairly and effectively, I'm just going to set out a few guidelines. I will, as I do at every Convocation, be creating a speakers' list. While I am not setting a time limit for speaking, I am asking, imploring benchers, perhaps, to use their best efforts to be on point and concise in their remarks.

I will not recognize benchers to speak a second time as long as there remain benchers who have not yet spoken for a first time.

If you're recognized to speak a second time, please use the additional time for any new

information or questions you may have. I will be encouraging benchers to keep any second opportunity to speak to a few minutes only.

I ask benchers to consider not repeating at length points that have already been made by others.

We'll take the morning break and afternoon breaks at appropriate times and we'll break for lunch at 12:30.

I would now ask Freya Kristjanson to address Convocation.

ADDRESS BY FREYA KRISTJANSON:

MS. KRISTJANSON: Thank you, Treasurer, and members of Convocation. I have been asked to advise Convocation on the procedural fairness of the process for considering the TWU accreditation application. The process has been designed to provide the requisite degree of procedural fairness to TWU as an applicant whose rights, privileges or interests will be affected by Convocation's decision.

As the Baker case has established, the values underlying the duty of procedural fairness relate to the principle that the individual or individuals affected should have the opportunity to present their case fully and fairly and have a decision made affecting their rights, interests or privileges

made using a fair, impartial and open process appropriate to the statutory institutional and social context of the decision.

The decision is one to be made by Convocation in its deliberative capacity. It will be made by majority vote. Those are the elements of the statutory scheme. There are no by-laws or regulations setting out a different process.

Under the Law Society Act, you have a very broad discretion which must be exercised in a manner consistent with the statutory scheme, including the purposes and the principles set out in the Act and in accordance with your determination of the public interest.

It is very different than a judicial or quasi-judicial decision. The SPPA does not apply to Convocation's decision; as a result, I advise that the common-law of procedural fairness will be met through the process you are engaged in and which I will highlight today.

The decision will be made primarily on the basis of a written record by way of written hearing. TWU will be given notice of Convocation's concerns through the questions and statements you make today. TWU will have an opportunity to respond, both

orally and in writing, before the vote on April 24th. After hearing TWU's response, you will deliberate in public and vote on April 24th.

The reasons of Convocation will be provided through the transcript of both sessions, as well as the written record and, ultimately, the vote.

I will now briefly expand on the key elements of procedural fairness. The first aspect is the written record and the primarily written hearing.

The Treasurer set the question announced in Convocation on February 27th. TWU made an application in response to the question on April 2nd. The submission is at 2.1, page 7 of the BoardBooks.

Convocation has also received public submissions on the question contained at tab 4. The Society received 210 submissions in response to the invitation for submissions.

You have also been provided with three legal memos, which are intended to provide guidance to you in the exercise of your discretion. I have provided a memorandum, a letter, providing you with guidance on discretion and the public interest. This is at tab 3.2.4, page 1852 of your BoardBooks.

Mahmud Jamal of Osler Hoskins & Harcourt LLP has provided guidance on the application of the

Charter and Charter values to your decision making process, and that is set out in tab 3.2.3, page 1836.

Finally Andrew Pinto of Pinto, Wray, James, LLP, has provided guidance on the application of the Ontario Human Rights Code and human rights values to your decision making process. That is at tab 3.2.5, page 1878. TWU may choose to comment on or respond to this guidance before the vote.

The three guidance memos have been made public and are posted on the website.

The Federation of Law Societies of Canada materials also form part of the record. The Federation's approval committee report is at tab 3.1.1, page 737 of your BoardBooks.

The Federation's approval committee has given conditional approval to TWU's program based on meeting the national requirement. This Society participated in that process as a member of the Federation.

Law Society staff have provided a background report on the national requirement with links or with the full contents, and that background on the national requirement is at tab 3.2.1, page 1264 of BoardBooks.

I can advise that TWU likely has a

legitimate expectation that the Federation's process for approval of the academic requirement, the process adopted by Convocation, will not be disturbed by Convocation. The Federation's Special Advisory Committee Report is at tab 3.1.2, page 1017, and the 30 submissions received by the Federation commence at tab 3.1.3, page 1063.

TWU took part in the Federation's academic requirement approval process, as did the Society, however, the Federation process did not and could not answer the question of whether it is in the public interest in Ontario to accredit or refuse to accredit TWU. Only you can answer that question, and that is the question you are answering in the present process.

Law Society staff have also provided a background report on mobility, tab 3.2.2, page 1742 of your BoardBooks, and other relevant materials which are often referred to in the submissions, and the other matters are the Charter, the Human Rights Code and the TWU Community Covenant.

So those background materials are posted at tab 3.3, commencing at page 1924.

So that essentially is the written record to date. And that's one element of our

procedural fairness.

The second aspect of procedural fairness is notice to TWU of any concerns or questions that Convocation may have, and that is the purpose of today.

The procedural fairness requirement is that notice be given of your concerns so that TWU can make a meaningful response.

This is the first Convocation since the question was set and since the submissions were received. As decision makers, you have reviewed those submissions and today you are to raise your questions and your concerns that you believe are relevant to the exercise of your discretion.

TWU's counsel and representatives are here today and they will listen to the issues that you raise. They will also receive a transcript of today's proceedings and it is on the basis of the concerns that you raise today that they will prepare their response.

And that takes me to the third aspect of procedural fairness, which is the right to make a meaningful response. TWU will be given the opportunity to respond in writing by April 22nd. TWU will also be given the opportunity to make oral submissions on April 24th.

The fourth aspect I will comment on is

reasons, which have specifically been raised by TWU. I advise you that if there is such a duty in this case, the duty to give reasons will be reflected in the public deliberative decision making process, which takes place in the context of the vote on April 24th.

Convocation will be held in public, your decision process will be held in public, and a majority vote reflecting the will of Convocation will determine the outcome.

In the case of an elected body, the question of reasons has to be determined in the context of the statutory institutional and social context of the decision making process in which you are engaged. It is distinct from an adjudicative process before an administrative tribunal subject to the SPPA. The majority vote is the decision.

So the record, the transcripts of today and the transcripts of April 24th will act as a sufficient surrogate for formal written reasons, so that the purpose of reasons, that TWU as applicant or a reviewing court can understand the rationale behind your decision.

The entire proceedings will be transcribed, and this meets the requirement for reasons in this statutory and institutional context.

The fifth and final aspect of procedural fairness I will comment on today is that you are a body which is and must remain impartial. You must keep an open mind today. You must keep an open mind when you review the response by TWU, the written response by April 22nd and the oral submissions on the 24th. You are then to exercise your vote once you have considered the complete record, including that response.

You may and you are expected to raise concerns today, whether as statements or questions. You are raising those concerns today so that TWU can respond, so that you can have TWU's answers to your questions or TWU's position with respect to your concerns before you vote.

Your concerns expressed today, however, should not be the final expression of an opinion which cannot be changed. Rather, this is your opportunity as decision makers to raise for TWU the questions and issues you see relevant to your discretionary decision.

Once TWU has completed its response on April 24th, the hearing portion will end. You will then begin your deliberations on the question. After you hear from TWU on the 24th, then you will have to make up your mind on the question and vote. Until that time, you have to keep an open mind.

Treasurer, those -- that is my advice with respect to procedural fairness and I thank you for the opportunity to address Convocation.

TREASURER CONWAY: Thank you for your assistance, Ms. Kristjanson. I now have started a speakers' list and Mr. MacKenzie is first on the list. I'm going to ask Mr. MacKenzie to go to the podium, followed by Ms. Leiper and Mr. McDowell and Mr. Anand.

DISCUSSION OF TRINITY WESTERN UNIVERSITY ACCREDITATION:

MR. MacKENZIE: Thank you very much, Treasurer. I want to address a couple of process issues and I want to discuss the decision that we have to make on April 24th on the merits. But first of all, let me start, Treasurer, if I may, by commending you and your advisors for the process that you have developed for Convocation's consideration in this important and difficult issue.

This could have been dealt with in a much more nonchalant way, but I personally have found very helpful the submissions that we received that we invited and also I found very helpful the legal advice that we've received about the various issues, including from Ms. Kristjanson, and I do think it's very important that we honour her admonition and yours,

Treasurer, that we keep an open mind about this and listen carefully before coming to a firm conclusion as to how we will vote.

I and others will be expressing strong views today, I expect, on the issues, but I don't think any of us should consider those to be conclusive views until we have an opportunity to vote.

I wanted to address the process that was adopted at the Federation level. I do think that it's important that we, like other law societies, have been moving towards the development of national standards in different areas, such as rules of professional conduct, but certainly also in the area of establishing uniform national standards on questions of academic matters and entry level competence, and I think in so far as the recommendation of the approval committee of the Federation is concerned on Trinity Western University's compliance with those standards of entry level competence, we should give great deference to those standards because we believe in national standards and it's in the public interest that we have national standards.

But I do think there is an important distinction to be made between national standards of entry level competence, on the one hand, and questions

of core values on the other, and the process that was followed by the Federation in this unique case with the establishment of a special committee to express advice, and it was advice only, it was an advisory function that the special committee served to provide advice on whether there were other issues, was an extraordinary process and it goes again to the question of values. And those values are different, they're important and they're core values that we subscribe to here.

The decision that we have to make as to whether to accredit Trinity Western University is ours to make. We didn't delegate questions and values to the Federation.

The other comment that I would like to make with respect to the Federation's process and its reports is that the special committee that was set up to provide advice with respect to matters other than academic or entry level competence qualifications focused to what I found to be a surprising degree on the decision in the British Columbia College of Teachers case a number of years ago.

That's certainly a consideration that we should weigh, but I think we have to keep in mind that we are not an inferior court, we are not bound by a doctrine of stare decisis, we have a very different

function under our by-laws in deciding whether to accredit a university proposing to provide a law school education. And so I think that that consideration is one of limited interest to us in our deliberations today and on April 24th.

That case may be distinguishable, and I'm not going to get into an analysis of the reasons and whether there are reasons to distinguish it from the present case. Others have done so in their submissions. I do think that it bears mention that there is probably no issue on which public attitudes have changed more in the last fifteen years or so than the question of public attitudes towards discrimination based on sexual discrimination, and there have been intervening events that may well lead to a different legal conclusion today than was formed by Supreme Court of Canada in the BCCT case when it was decided.

Perhaps, most importantly, the enactment in 2005 of the Civil Marriage Act, which recognizes the legitimacy of same sex marriage throughout Canada.

I also found it interesting, just when I leave this subject, that there was a dissenting judgment in the B.C. College of Teachers case as well from the Madam Justice L'Heureux-Dubé, who mentioned the decision that the U.S. Supreme Court came to in the

mid-1980s in the Bob Jones University case.

In that case the issue that the U.S. Supreme Court had to face was whether a university that discriminated based on race in the sense that they had an equivalent, I suppose, of a Community Covenant that prohibited interracial dating and interracial marriage was entitled to tax advantages.

Now, I think perhaps we can draw a useful analogy between public attitudes towards interracial dating and interracial marriage in 1985 and discrimination based on sexual orientation in 2014, and I find that a useful analogy.

Now, there is no issue on which, in my view, we have made greater progress in our profession and in the Law Society specifically during my time as a bencher than matters of equity through the establishment of our Equity and Aboriginal Issues Committee and its work over the years, through the establishment of our equity advisory group, through the work of our equity department under Josée Bouchard's leadership, but I think perhaps the most important development in that area at the Law Society for our purposes is our adoption of a rule of professional conduct which says that lawyers have a special responsibility to honour the obligation not to

discriminate on grounds that include sexual orientation. Lawyers who contravene that rule of professional conduct may be disciplined by the Law Society.

If that's a rule of professional conduct that we require all lawyers to comply with, how can it not be a rule that we must honour ourselves?

That leads me to the question, finally, that we must answer here. I don't, and I don't think any of us should disagree with the approval committee's finding that Trinity Western University has a curriculum that complies with our requirements nationally for entry level competence, but I do have a very considerable concern about the questions of values that is raised by the Community Covenant requirement, which, in my respectful submission, must be discriminatory on the basis of sexual orientation.

I, for one, would feel comfortable granting conditional approval to Trinity Western University, the condition being that its Community Covenant be at least amended in such a way that it does not discriminate on grounds of sexual orientation. And if Trinity Western University is unwilling to comply with that condition, I'm afraid the answer to the question that's posed in Convocation today must be no.

Thank you very much for your attention.

TREASURER CONWAY: Ms. Leiper.

MS. LEIPER: Thank you, Treasurer. Good morning. I wish to acknowledge the presence of Trinity Western representatives and thank them for attending in person.

Questions. TWU publicly endorses six core values. The first of these is to obey the authority of scripture by embracing all that the Bible teaches regarding faith, ethical commitments and way of life, believing this to be the ultimate standard of truth.

So my questions arising from this are as follows. Is the TWU Community Covenant an example of the ethical commitments mentioned in the core values? If so, is it anticipated that those ethical commitments and, by extension, the Community Covenant, will form a critical or any part of the pedagogy of the law program planned for TWU?

Could TWU expand on the relationship between this expression of values and ethical commitments and the curriculum, and if not, why not?

Are there areas of public law, including human rights legislation, Charter of Rights jurisprudence, for example, that TWU would anticipate

conflicting with the scriptural sources of ethical commitment among its students? How would these conflicts be resolved?

And, finally, given that there is no impediment to teaching law at TWU, and the question before us relates to accreditation in Ontario of graduates from TWU, can TWU assist us in understanding the relationship between offering an accredited program and a religious practice or activity? How does that differ from the relationship between the teaching of law without accreditation and religious practice? Thank you, Treasurer.

TREASURER CONWAY: Thank you, Ms. Leiper. Mr. McDowell.

MR. McDOWELL: Thank you, Treasurer, and I, again, want to thank our guests for coming. I'm here to listen to my colleagues and ultimately to TWU. I haven't made up my mind. I have some explicit questions that I'll come to at the end, but I'm inclined to believe that we must accredit TWU.

And like all of you, I have found coming to this tentative view agonizing. No matter what we decide, it will be contended by the losing side that we have violated fundamental rights and I'm deeply uncomfortable with the Community Covenant.

Now, many submissions to us have taken the view that we are in breach of our obligations should we accredit TWU. It is said that there is a clash of rights. The Society itself will have violated the Law Society Act. We will have acted inconsistently with our duties as individual lawyers, as I gather I'm seen to be doing by making these tentative submissions, and that we will have violated the Charter. The Advocates' Society has taken this view.

TREASURER CONWAY: I'm sorry, Mr. McDowell, we have to reconnect the phone system. Maybe we should take a commercial break and ask our service provider in. Mr. McDowell, I'm sorry.

MR. McDOWELL: Treasurer, hopefully we can count that as injury time.

As I was saying, from my reading, the weight of the submissions we have received tilts heavily in favour of the view that we should not accredit. Opponents contend that in 2014 such a clash of rights can only be resolved in one way; the changes in social norms, the evolution of the social context means that the rights of LGBT persons must trump any right to freedom of expression and religion supposed to be expressed by the Community Covenant of TWU.

All of us understanded the emotional

force of this argument. Canada has led the world in not just legalizing, but embracing the legitimacy of same-sex marriage. We have had same-sex marriage in Canada since the Halpern case in 2003. It is a right that has been hard won by LGBT persons through the Supreme Court's decision and the Marriage Reference decision, and, ultimately, the Marriage Reference Act.

None of this came easily. In the lead-up to the Supreme Court reference, the federal government itself had argued that permitting same-sex marriage would be destructive to the nuclear family as the building block of Canadian society. But in the twinkling of an eye, the federal Crown itself had reversed the decision, and it was right to do so.

In the reference, the Supreme Court declined to rule on an important aspect of the case because the Martin government intended to introduce same-sex legislation, whatever the Court said.

The vote in the legislation was close, but it passed. Same-sex marriages blossomed in Canada, the sky has not fallen, heterosexual marriage as a social institution continues to thrive.

LGBT people in Canada are accepted in every sphere of our society and certainly in our profession. Same-sex marriage is now recognized by 23

of the United States, the intelligent states, as Bill Maher calls them. The recognition of the rights of LGBT persons is, without question, the greatest social transformation of my lifetime.

So surely it must follow that an institution like TWU, which fails to move with the times, get with the program, accept what the Courts have recognized, what Parliament has recognized, what our provincial human rights code have recognized, cannot possibly grant degrees which the Law Society should recognize.

My friend, Mark Berlin, from the Department of Justice is a married gay man who has taught for years at the University of Ottawa and McGill. He asks point blank, how can you even consider accrediting such a place in 2014?

But I adopt the submission of the B.C. Civil Liberties Association. We are convinced that one group's rights to equality and non-discrimination cannot be bought at the price of intolerance for the fundamental freedoms of others.

I say that as a matter of law we cannot accept that the section 15 rights of LGBT persons trump the freedom of religion rights enjoyed by the community of TWU.

If we vote to accredit, we are accepting that members of a religious institution whose views we do not hold are, nevertheless, free to join us in the fellowship of the bar. We may profoundly reject their views. In a free society and in our profession we have to live with the idea that some of our colleagues hold repugnant views.

On the other hand, should we decline to accredit, we at the Law Society will not have injured Trinity Western so much, but we will have voted to bar students from our profession because they are adherents of a faith who have agreed to live by a certain code.

The sad history of the struggle of minority religious groups trying to enter our profession within living memory warns us that we should not go that way.

My friends say the focus must be on the institution. TWU applicants won't be admitted, but they won't be admitted because they went to a non-accredited law school. But Mr. Roncarelli lost his business because he was stripped of his license. The question is still what lies behind the denial of accreditation.

The Supreme Court has repeatedly renounced the notion that there exists any hierarchy of

rights in the Charter. To the greatest extent possible, the Court has told us, rights are to be reconciled and not prioritized.

To balance rights not only protects the rights of individual Canadians, it allows Canada to function as a diverse and pluralistic society. Confederation was forged as a compromise, not only of language rights, but equally so of religious rights.

Now, many years ago, Governor Mario Cuomo addressed the challenges of religious rights and pluralism in a famous speech at Notre Dame.

He said, "The Catholic public official lives the political truth most Catholics through most of American history have accepted and insisted on: The truth that to assure our freedom we must allow others the same freedom, even if occasionally it produces conduct by them which we would hold to be sinful."

"I protect my right," said Governor Cuomo, "to be a Catholic by preserving your right to believe as a Jew, a Protestant or a non-believer, or as anything else you choose."

"We know that the price of seeking to force our beliefs on others is that they might some day force theirs on us."

Many in this debate have reminded us of

the remarks of Chief Justice Dickson in Big M Drug Mart about the essence of freedom of religion, the right to entertain such religious beliefs as the person chooses, the right to declare them openly and without fear of hindrance or reprisal, and so on, but also the need to balance where other fundamental rights are threatened.

There is a clear and unbroken line of authority which expands on this proposition.

Last year in Whatcott, the Supreme Court said, "We are therefore required to balance fundamental values, underlying freedom of expression, and later freedom of religion, in the context in which they are invoked, with competing Charter rights and values essential to a free and democratic society, in this case a commitment to equality, respect for identity and the inherent dignity owed to all human beings."

The limit to exercise freedom of religion lies where religious practices or beliefs could cause harm. As the Supreme Court said in TWU 2001, "The line is drawn between belief and conduct. Does the exercise of freedom of expression and religion cause objective societal harm? In this instance, is there a risk that TWU lawyers will discriminate against LGBT people or will otherwise harm them should they be called to the bar."

It does not seem to me that the focus on the likelihood of actual harm or risk of harm as a limit to rights has shifted in our jurisprudence.

In Whatcott, the Supreme Court re-emphasized the broad protection to be afforded to freedom of religion. The Court warned of the mistaken propensity to focus on the nature of the ideas expressed, rather than the likely effects of the expression, and I say, I think it's important to say, that no one in this debate seems to be saying that TWU is hate mongering. Nevertheless, the Community Covenant is troubling for the reasons the many submissions have pointed out.

As the Advocates' Society says, the covenant forbids students from same-sex marriage and is said to be necessary to ensure the integrity of the TWU community. This does seem to suggest that even associating with LGBT people at TWU would affect the integrity of TWU.

The covenant misses the point that sexual expression is not what LGBT people do, it is at the core of what they are. Equally repugnant is the notion that TWU students are expected to inform on one another if there are breaches of the covenant. If TWU will not treat its covenant simply as a matter of

conscience, it become dangerously intrusive. If the state has no place in the bedrooms of the nation, I really wonder, covenant or not, whether university administrators belong there either.

But we have to put this in context. TWU is a private religious university. It is a faith community. It has a comprehensive faith-based set of rules. It is not a public university, much less an arm of the state. I say that the rules of the covenant are not imposed on anybody, they are accepted by those students who choose to join the faith community and attend TWU.

I accept in saying that, that for a host of reasons some will feel unable to sign the covenant and will feel practically excluded.

I note the partial exemption from the provisions of the Human Rights Code of British Columbia. Under 2(a) of the Charter, Trinity Western must have the right to determine conditions for membership in accordance with its shared religious beliefs. It is how faith communities survive. It is for the individual to decide whether or not to sign the covenant or whether or not to abide by the rules, having accepted them. It's not for the Law Society to pass judgment on the covenant or on any other religious

tenet.

For that reason, permitting law graduates from TWU to become lawyers in Ontario, pursuant to the Law Society Act, does not, it seems to me, suggest that the Law Society endorses the view that LGBT Canadians are less worthy of respect than others.

Should we accredit TWU, we will be seen to accept the evaluation of the Federation Approvals Committee. We will be seen to have respected the freedom of those who wish to govern their own conduct in accordance with the religions tenets of the Community Covenant.

The Supreme Court said in the first case, "TWU is not for everybody. It's designed to address the needs of people who share a number of religious convictions."

Then this next passage is important. "To state that the voluntary adoption of a code of conduct based on a person's own religious beliefs, in a private institution, is sufficient to engage section 15 would be inconsistent with freedom of conscience and religion, which co-exist."

Now, I know I'm sailing into a bit of a stiff breeze here, and I've taken note of many of the objections. One is that the whole legal context, as

Mr. MacKenzie says, has evolved since the first Trinity Western case. This amounts to a contention that whatever the Charter says in section 2(a), freedom of religion is no longer fashionable in the Courts, given the inexorable sweep of history.

A number of submissions contend that the test for equality jurisprudence has evolved since 2001. Promotion of the dignity of all citizens and the goal of substantive equality is, it is said, and should be the main consideration for the courts.

Leaving aside Whatcott, several thoughts come to mind. One is that freedom of conscience and religion remain by the terms of the Charter itself, fundamental freedoms. Parliament had this firmly in mind when it adopted same-sex marriage. The Civil Marriage Act of 2005 which guaranteed same-sex marriage, also preserved and protected the right of Canadians to disagree about the legitimacy of marriage within their religious beliefs.

3.1 reads, "For greater certainty, no person or organization shall be deprived of any benefit, or be subject to any obligation or sanction under any law in the Parliament of Canada solely by reason of their exercise, in respect of marriage between persons of the same sex, of the freedom of

conscience and religion guaranteed under the Canadian Charter of Rights and Freedoms or by the expression of their beliefs in respect of marriage as the union of a man and a woman to the exclusion of all others based on that guaranteed freedom.

This is how we as Canadians have and must reconcile competing rights and values surrounding same-sex marriage.

I have to say that this provision of the quasi-constitutional statutes, in my submission, makes analogies to racial discrimination in Bob Jones university inept. Secondly, even if the judicial context has changed, how does barring graduates who had agreed to live by the Community Covenant from a regulated profession promote the dignity of all citizens and the goal of substantive equality?

Third, accepting that the court might not rule the same way in 2014 on TWU, is that for us to say or is it for the court subsequently to say?

Now, a number of submissions have expressed the view that because Trinity students will be taught from a fixed, evangelical point of view, they will receive an inadequate legal education. I leave those submissions aside because I don't sense that that would be a focus of our debate. I leave issues

surrounding the adequacy of Trinity Western's teaching and academic freedom for another day, because I say we have a firewall to protect against these concerns, and that is our oath, which we take seriously.

Whatever legal education our candidates have gotten, they're bound by their oath. It says in part the following. "I will protect and defend the rights and interests of such persons as may employ me. I shall seek to ensure access to justice and access to legal services. I shall champion the rule of law and safeguard the rights and freedoms all persons."

Whether our graduates come to us from Thompson Rivers or the University of Toronto, this is our covenant. We don't vet out lawyers' beliefs, but we do hold them to these standards. In a country as vast and diverse as ours, this is surely where we draw the line.

Now, I do have some questions, and these arise from the Pinto opinion, and I appreciate Trinity Western's position that Ontario Human Rights Code principles have nothing to do with what we do here, but like a court, I say if we imagine that they do have relevance for our exercise of the public interest jurisdiction which we have, should that change our analysis? And I draw your attention, in particular, to

questions 1 to 9 at page 22 of the Pinto opinion. Because it does seem to me that, notwithstanding everything I've said here, if the lens is the questions that are in that part of the Pinto opinion, it may change their analysis.

Then a further question would be to the extent that that analysis is inconsistent with the Charter jurisprudence which I've reviewed, does the Charter nonetheless prevail, given that section 52 of the Constitution Act says it's the supreme law of Canada.

So, Treasurer, I don't know tentative that sounded, but that really is my tentative view. Thank you very much.

TREASURER CONWAY: Thank you, Mr. McDowell. We'll wait again until the phone is reconnected, then Mr. Anand will be up next.

MR. ANAND: Do you want me to go ahead?

TREASURER CONWAY: If you could just give us a moment, Mr. Anand. Mr. Anand, please.

MR. ANAND: Thank you, Treasurer. Let me too personally extend our welcome and our greetings to our guests.

Some have suggested that Convocation's decision on TWU's accreditation application has been

made by the Federation's Canadian common-law program approval committee and that quality issues have no place in the determination by our Law Society.

Some also say that the decision has been dictated by the National Mobility Agreement or by the agreement on internal trade.

Respectfully, I beg to differ. While I think these factors have to be given careful consideration, I want to outline my thinking on these issues at this point and ask a number of questions that, in my view, must be satisfactorily answered before accreditation of TWU can be granted.

Convocation is required to make a discretionary decision on whether to accredit Trinity Western University under sections 4.1, 4.2, 27.3, 62.02, 4.1 of the Law Society, and our by-law 4.

In making its decision, Convocation is guided by these provisions and by the quasi-constitutional Ontario Human Rights Code and the constitutional Canadian Charter of Rights and Freedoms.

The Law Society is required to consider all relevant sources of law, including the guideposts contained in the Law Society Act and the Code and the Charter. Convocation is required to exercise its discretion in accordance with the Law Society Act's

purposes and principles and in a manner consistent with the fundamental values of the Code and the Charter.

So I want to consider these legal requirements in turn. Section 4.1 of the Law Society Act sets out the purposes of the Law Society, including ensuring a person practising law in Ontario meets standards of learning, professional competence and professional conduct.

The Act authorizes the making of by-laws prescribing qualifications and requirements for licensing in Ontario, and pursuant to that power, by-law 4 says to receive a licence to practice law in Ontario an applicant must have a degree from an accredited Canadian law school or a certificate of qualification from the NCA.

An accredited law school is defined in section 7 of our by-law as a law school that is accredited by our Law Society. So the Law Society's statutory authority to accredit Canadian law schools has not been supplanted.

Section 32 of the National Mobility Agreement provides that a signatory governing body will require no further qualifications for a member of another governing body to be eligible for membership than the following. A, entitlement to practice law in

the lawyer's home jurisdiction; B, good character and fitness to be a lawyer; C, any other qualifications that ordinarily apply for lawyers to be entitled to practice law in its jurisdiction; that is, this province.

So there's no doubt in my view that for an individual to be entitled to practice and for us to decide that, the legislation and regulations of Ontario are incorporated and binding, including the requirement that the Canadian law school be accredited in Ontario by this Law Society. Nor, in my view, is the Law Society's authority displaced by section 7 or chapter 7 of the agreement on internal trade. Under that agreement, a jurisdiction can impose additional requirements to certify a worker who is certified elsewhere in Canada, if those additional requirements are in the service of a legitimate objective.

The determination of legitimate objective is made at the receiving governmental level, in this case in Ontario, under the laws of Ontario. Again, we're back to the Law Society Act, the Human Rights Code and the Charter.

While the Ontario Mobility Act obviously has statutory force, it must yield to the quasi-constitutional code and the constitutional

Charter to the extent of any inconsistency.

So we return to the seminal provisions that govern this issue, and they are in section 4.2 of the Law Society Act; that in exercising our powers to accredit a Canadian law school, the Law Society has a duty to maintain and advance the cause of justice and the rule of law and the Law Society has a duty to protect the public interest.

In exercising our discretionary statutory authority, Convocation, therefore, has a positive duty to determine and act in accordance with the public interest, the cause of justice and the rule of law. Indeed, in the precise context of lawyer licensing, our cross-committee working group on the Federation's suitability to practice standards said just a few months ago in a submission that was adopted by Convocation, that under one of the four behaviours for good character, which was respect for the rule of law and the administration of justice, specific reference to respect for, and adherence to, human rights and equality principles sends an important message to those entering the legal profession.

More generally, our Law Society is proud of its equity initiatives, as Mr. MacKenzie said, and its advocacy and support of inclusion and

non-discrimination in areas that include sexual orientation, gender equality and marital status.

The Law Society's equity initiative department actively supports and promotes adherence to equity principles in legal organizations, including law firms, and in its own backyard. Consideration of human rights principles is, therefore, required for the Law Society to comply with its home or constituting statute. Moreover, the rule of law, the public interest and the cause of justice surely mandate that the Law Society will act in accordance with these overriding external enactments, most notably the guarantees of equality.

Quite independently, Supreme Court jurisprudence within the last decade made it clear that every administrative decision maker with the power to decide questions such as this is obliged to consider and take into account the Human Rights Code and the Charter. Tranchemontagne determined that Human Rights issues are not relegated to Human Rights Tribunals and, indeed, we often take the Human Rights Code into account in our tribunal cases at this Law Society and in making accommodations for licensing examinations.

In Martin and Laseur the Supreme Court made the same decision in relation to the Charter, and

the Law Society is obviously subject to the constitution as a body itself exercising power as conferred by statute.

All of this to say that human rights issues and Charter values of non-discrimination must form part of our decision today. Indeed, if there were any doubt, the Supreme Court explicitly said that in the context of Trinity Western in the 2001 case, that the College of Teachers in B.C. had the jurisdiction to consider discriminatory practices in its determination of Trinity Western's application.

Mr. Laskin's opinion for the Federation, and the Special Advisory Committee in its consideration of TWU's law school application, reached the same conclusion.

More recently the Supreme Court in Doré has held that administrative decision makers must act consistently in the values underlying the grant of discretion, including Charter values. In disciplining a lawyer, the Barreau du Québec was obliged to balance the public interest in lawyer integrity and conduct with the lawyer's Charter right to free expression.

So Convocation in making its discretionary decision must balance and give effect to its statutory objectives, as well as overriding Charter

values and non-discrimination rights.

The TWU application has been presented as a clash of fundamental rights to the students and faculty's freedom of religion, on the one hand, and a host of non-discrimination rights on the other in terms of sexual orientation, in terms of marital status principally.

TWU is a private university based on evangelical Christian principles and beliefs that is not subject to the Charter on its own, and it may benefit from exemptions and defenses to non-discrimination rights that are generally available under the B.C. Human Rights Code.

On its face, the covenant that students and faculty are required to sign annually is prima facie discriminatory against LGBTQ students and faculty and on unmarried persons in common-law relationships.

That's discrimination on grounds of sexual orientation and marital status, unless the adverse impact is exempted by the code. And you know and it's been stated that conflicts of protected rights are to be reconciled to the extent possible by repairing each set of rights to the minimal extent necessary.

In the 2001 TWU case, the Supreme Court

focused on the allegation that education and graduates of TWU would be ill-equipped to serve as teachers. The Court balanced competing rights on the facts before it. We will have to focus, however, on what's different about this case and what has changed in the meantime.

Number one, the Supreme Court relied on the B.C. legislature's approval of the TWU requirements. I question whether that's relevant here since we're operating under Ontario law. Two, the Supreme Court relied on what it called the burden that the B.C. College of Teachers' decision placed on a particular religious group, preventing them from expressing freely their religious beliefs and associating to put them into practice.

I don't know if this is even relevant to the decision of Ontario's Law Society not to accredit a law school in another province. Three, as has been noted, the Supreme Court relied on a correctness standard of judicial review. Recent jurisprudence suggests a reasonableness standard in terms of reviewing a decision such as ours that would lessen the prospects of a court overturning our decision if the proper statutory and human rights considerations are taken into account, as I'm confident they will be.

Four, clearly the last decade has seen

an evolution in social values. Again, this has been referred to, concerning the importance of providing substantive equality to a vulnerable minority based on sexual orientation. The central determination in the earlier case was that the Court required proof of harm inflicted by TWU graduate teachers.

I question whether that determination was consistent with other Supreme Court jurisprudence that would rely on the impact of the covenant on the dignity and self respect of individuals plain and simple. Indeed, is it good law after the Supreme Court's decision in Whatcott, another decision that balanced fundamentalist religious rights against non-discrimination based on sexual orientation.

More important is the earlier case in the Supreme Court binding on us with our independent mandate to make a discretionary decision in the public interest, taking account of and following the rule of law and the cause of justice.

Fifth point with respect to the earlier TWU case. In the Whatcott case and in several Human Rights Tribunal decisions since then in different jurisdictions across the country, adjudicators have refused to draw a distinction between the prohibition of homosexuals, on the one side, and the prohibition of

homosexual activity on the other.

This would appear to be another reason to reject the American Bar Association approach. Operating in an environment that includes many private religious universities, unlike Canada, the ABA settlement appears to accredit law schools with covenants such as TWU's on condition that admission of LGBTQ applicants is not prohibited.

Is this not an impoverished conception of equality inconsistent with our most robust human rights jurisprudence that focuses on dignity and respect? A gay or lesbian student is not required to hide his or her sexual orientation and sign a document that is contrary to his or her values in order pursue a legal education.

If I've captured the situation accurately, the human rights term that captures the situation of the gay or lesbian student would be poisoned educational environment.

More importantly, the ABA accreditation criterion seems unworkable. For TWU to come within the defence under section 18 of our Human Rights Code under the Divisional Court decision in Christian Horizons, which has been referred to in one of the opinions, the parallel section 24 defence, TWU would have to prove

that the teaching of law furthered the religious purposes of the university and its members, that law students were attending TWU to obtain a religious legal education.

Whether or not that can be proven, that's quite a different perspective than we would look for as a secular institution in accrediting TWU.

But do we need to draw the balance of competing values in TWU's employment and student restrictions at all? Rather, should we accept that TWU is operating within B.C. law as a private educational institution, but ask ourselves a different question. Whether our public interest rule of law cause of justice mandate in Ontario should be exercised in its favour.

In that context, there are a number of additional questions that I believe must be answered and with which I'll close.

Does it accord with the rule of law, the public interest and the cause of justice for Convocation to accredit a law school which seeks to promote and advance what are acknowledged to be genuine minority religious beliefs, but in doing so, requires exclusionary policies that harm the interests of several segments of society, those coming within the

very large groups that are covered; marital status and sexual orientation prominently.

Can accreditation be reconciled with our Law Society's long standing and abiding commitment to promote equity and diversity in the legal professions? These are interests which must be protected by the Law Society, a secular institution that serves a diverse Ontario society in which gays and lesbians are entitled to participate fully and openly in all aspects of society.

Does it advance the cause of justice and the rule of law for the Law Society to provide its imprimatur to an institution which reserves required educational opportunities to enter into the practice of law to a small segment of the population and concurrently decreases the proportionate opportunities available to a historical disadvantaged group, members of the vulnerable LGBTQ community.

Will our Law Society, if it accredits TWU, violate section 9 of the Ontario Human Rights Code which prohibits a body from discriminating directly or indirectly? If an applicant at TWU is denied admission because of the covenant, does accreditation implicate the Law Society, a secular and public institution, in adopting or assisting in what would undoubtedly be

discriminatory policies in a public institution such as ours and thereby violate the Human Rights Code and the Charter that govern us quite independently of TWU.

I hope further discussion and response will answer these troubling questions.

TREASURER CONWAY: Thank you, Mr. Anand. On the speakers' list next is Mr. Mercer, followed by Mr. Schabas, Ms. Hare and Mr. Ruby. And I've got some hands up so I'll add them to the list.

MR. MERCER: I propose to principally address just one aspect of the question before Convocation. I do so hoping that our discussions and subsequent submission by TWU will clarify and challenge my current thinking.

Specifically, I want to address what is relevant for the purpose of our exercise of our discretion prior to consideration of Charter values and Human Rights Code issues. It's my view that it's too easy in this discussion to leap to those discussions, not that they're not important, but rather that there's something that we need address before that.

We need to be clear about what is relevant for us to -- what relevant purposes we have to advance, as this is the basis of our jurisdiction. The Law Society Act says that applicants for licensing,

lawyers and paralegals, are entitled to be licensed if they meet the qualifications and other requirements set out in the Law Society Act and in Law Society by-laws.

The Law Society as it's entitled and presumably required to do, has established such qualifications and requirements. One of the requirements is either graduation from an accredited Canada law school or, alternatively, obtaining an NCA certificate. Because the Law Society can set qualifications and restrictions -- qualifications and other requirements, rather, for licensing, the law Society is, in a very real sense, the gatekeeper to the professions.

Obviously a central purpose of the exercise of the gatekeeping function is that licensees have an appropriate standard of learning. That's obvious to us all.

If that's the only relevant purpose of what we're undertaking now, then our inquiry would be properly limited to an examination of whether TWU will provide or ensure an appropriate standard of learning from its graduates, such that a law degree from TWU should be taken as sufficient for demonstrating an appropriate standard of learning.

My tentative view, given the work done

by the Federation and what I read, is that a TWU law degree will signify that a satisfactory standard of learning will have been achieved by its graduates, but I doubt that this is the only relevant issue for us to consider, particularly given section 4.2 of the Law Society Act, which requires that in carrying out our functions, duties and powers, one of which is accreditation, that we have regard to the enumerated principles set out in 4.2.

The question then is if achieving appropriate standards of learning for licensees is not the only purpose advanced, what else is relevant?

I think that it's clear that the Law Society has long considered the diversity in the legal profession and equality of access to the legal profession are of signal importance. Canada is a pluralistic society composed of different groups, different persuasions, in a sense, different tribes. One of the things about which we should be most proud as Canadians is that we have formed a free, democratic and prosperous society that is not premised on one people, one culture, one tribe.

Section 4.2 commands that we have regard to our duty to maintain and advance the cause of justice and the rule of law and that we observe our

duty to protect the public interest.

I believe that the importance that the Law Society has placed on diversity in the profession and equality of access to the profession reflects in substantial part these duties.

Our focus is in part on the rights of applicants to the profession and licensees, but I think our focus on diversity in the profession and equal access to the profession is more than that. The rule of law is one of the foundations of our ability to maintain our pluralistic society, but the law applies to all, despite our many differences and distinctions.

The proper administration of justice is another foundation of society we maintain. Maintaining and advancing the cause of justice depends on the proper administration of justice, the administration of justice must be accessible, irrespective of one's group or persuasion. Public confidence in the administration of justice depends on equality of access to that administration.

It is virtually a truism that our free and democratic and prosperous society rests on these foundations. The fates of members of our diverse society in our democratic institutions depends on the rule of law and equal access to the proper

administration of justice.

Reflecting on initiatives such as the Justicia Project, The Retention of Women Task Force, challenges for racialized licensees, it seems clear to me that we have concluded, and rightly so, that ensuring that there are no limitations to the entry to the practice of law, other than learning, training and character, is important to these foundations to our free, democratic and prosperous society.

Reflecting on our shame that here and in other common-law jurisdictions, jews, blacks, communists and others were once denied admission, I think is corrobaration of this conclusion. Said simply, we are clear that the qualifications and restrictions that would limit entry to the profession on the basis of one's race, religion, gender, sexual orientation and the like would be inappropriate, given the importance of the legal profession to the rule of law and the cause of justice in this diverse society.

The law -- legal profession must be diverse, no group can be forced to see their members excluded from entry or restricted from entry to the legal professions. To this point I would have thought there would be no controversy.

While we are gatekeepers to the

profession, there is a gatekeeper before us. The candidates for entry to our licensing process are largely determined by the law schools. We are the gatekeepers at our stage, but we only consider law school graduates and NCA certificates. For every place in law schools in Canada there are more than three applicants. The law schools are significant gatekeepers prior to the Law Society.

With this observation, it seems to me that the Law Society should appropriately seek to ensure that these prior gatekeepers do not restrict entry to the legal profession where the Law Society would not do so for the same reasons.

My tentative view is that the Law Society should not accredit law schools that effectively limit or impair admission on the basis of race, creed, religious belief, gender, sexual orientation and the like because, in part, of the importance of the rule of law and the administration of justice and the pursuit of justice in our society.

I say this not because of the impact on the applicant or the rights of the applicant, although I accept that those are other important distinctions, but my intent is to analyze this question from the perspective of our gatekeeping role to the profession

and the importance of a diverse profession and equal access to the profession in pursuit of the rule of law and cause of justice.

I recognize the analysis doesn't properly end there. Having considered our statutory purposes, we must consider Charter values and the Human Rights Code. I'm not going to do that because there will be a rich discussion about that, but I do want to recognize that we are presented with a Hobson's choice. Maintaining the principle that law schools should not be allowed to limit or impair admissions on the basis of sexual orientation and marital status and declining to accredit will limit entry of religious candidates to the profession.

This is truly unfortunate, because, as I consider it, we should be equally pleased in our pluralistic society to see new evangelical Christian lawyers as much as LGBTQ lawyers in our profession. But it seems to me that we're entitled, and I think obliged, tentatively, to act in broad principle rather than counting heads and seeing which is the least bad alternative on the facts presented to us. The approach that we take here will echo into and shape the future, not just of this application, but applications generally, and public confidence in the legal

profession and our willingness to support the rule of law, advance the rule of law and cause of justice will be supported if we take in issue as a principle matter.

Finally, I would like to observe that many of submissions received on both sides ironically say the answer is plain and obvious and that they are shocked and appalled that we could even have a debate. Perhaps this is advocacy. Perhaps it reflects deeply held personal views, but fairly reflecting on our legal responsibility, and if lawyers we can't do that properly we should be concerned, and honouring the rule of law makes it clear that the decision before us isn't an easy one. The answer isn't obvious. Simply relying on our personal beliefs would not be right.

The rule of law demands that we exercise our discretion in accordance with the jurisdiction granted, not do just what we personally prefer. That's why my presentation, and questions implicit in it, are focused on our statutory duty in advancing the purposes of the Law Society Act.

So I'll continue to reflect carefully on the submissions received and on the view of my colleagues, but as matters stand today, I would not accredit TWU because TWU's covenant unacceptably limits admissions based on sexual orientation and marital

status.

The likely standard of learning of TWU graduates is of no concern to me. I welcome their graduates as people. I fully accept that the -- that law can properly be taught from a religious perspective, just as from various other secular perspectives.

One need only reflect on legal history to know that many religious legal scholars have greatly contributed to our legal understanding, but like Mr. MacKenzie, as I stand today, and before listening to the debate and the further submissions, I would decline to accredit.

If conditional accreditation were an option open to me I would be in favour of that. Thank you.

TREASURER CONWAY: Thank you, Mr. Mercer. I think given that the hour is just after ten-thirty, we'll take the morning break for about twenty minutes.

--- Recess taken at 10:32 a.m.

--- On resuming at 11:01 a.m.

TREASURER CONWAY: Members of Convocation, our speakers' list is growing, so, again, in the interests of trying to give everybody an

opportunity to raise their concerns, if we could try to be as brief as you can.

I would now like to invite Mr. Schabas to address Convocation.

MR. SCHABAS: Thank you, Treasurer. If I wobble, bear with me.

TREASURER CONWAY: Did you say waffle, Mr. Schabas?

MR. SCHABAS: I just said wobble, not waffle. You and I are thinking the same way.

TREASURER CONWAY: I've never known you to waffle on anything. Wobble on, Mr. Schabas.

MR. SCHABAS: Thank you, Treasurer. It's been noted already this morning how fortunate we are in Canada to live in one of the most diverse, tolerant, non-discriminatory societies in the world. While certainly not perfect, Canada is a beacon around the world for respecting and protecting human rights.

Our recent leading role in striking down laws that discriminate on the basis of sexual orientation has been lauded and followed in many countries, a fact I think most of us in this room are very rightly proud of.

The Law Society has a great deal to be proud of in this area. Our strong commitment to

equity, equality and diversity in the profession, our programs to prevent discrimination and to assist persons from historically disadvantaged groups are all part of who we are as an organization and of what we stand for as a profession.

It's no accident, as Mr. MacKenzie pointed out earlier, that we have a rule of professional conduct that prohibits discrimination.

And in keeping, though, with the view of Mr. MacKenzie that we have to maintain an open mind, I too have been carefully reading everything and will continue to read and review everything before I vote on this, but I do have a view on this. I have formed a view, a tentative view, a strongly held tentative view on this, which I intend to express.

Just last month at the request of the Human Rights Monitoring Group, Convocation approved the issuance of letters and a public statement regarding the antigay laws passed in Uganda, specifically expressing concern over the persecution of gay lawyers or of other lawyers or advocates who advocate on behalf homosexuals or wish to challenge those horrible laws. A no-brainer. The motion passed with the usual overwhelming support of this body.

But do we not apply the same standards

and commitment to human rights at home? Because in my view today I would say make no mistake, approving Trinity Western's application would be a discriminatory act by our Law Society. By approving or accrediting this law school, we approve and accredit a path to licensing that is open to some and not to others.

We grant a special status, as Mr. Mercer said, an entitlement to a school that discriminates against those who will not, cannot sign the Community Covenant because of their sexual orientation.

We then create a situation where fewer places for admission into our entitlement, our licensing process, through attending an accredited Canadian law school are available to some and not to others. Not to those LGBTQ, and to others, but to them in particular.

Trinity Western University, as Mr. McDowell pointed out, the Supreme Court said it's not for everybody, but if we accredit them, then our licensing process and the roots to entitlement under our licensing process aren't for everybody either.

That's marginalization, that's discrimination, and that is harm. This is not to say that followers of Trinity Western and their covenant do not have rights too, but when they take these beliefs

to us and ask us to accredit a discriminatory path, their religious freedom is attenuated, to use the words of the Supreme Court in Whatcott and N.S. because it has a discriminatory impact.

So my view today is that I do not see this as a clash of competing equal rights. No one is preventing Trinity Western from operating their university, or even opening a law school and maintaining their beliefs and practices. Trinity Western can discriminate all it wants on its private campus, but when it asks us to accept their school as one that gets a pass into our licensing process, we have to apply our own values. We cannot ignore the discriminatory nature of the institution.

It seems to me today that we must apply the law and say no to the value that does not respect other values, and that, to me, is why, for example, the eloquence of Mario Cuomo, quoted by my good friend, Mr. McDowell, I say doesn't apply here. We're dealing with a discriminatory practice, maybe under the guise of freedom religion, but it causes harm, it causes discrimination.

Trinity Western can, one could say, hide its discrimination behind the exemptions in the British Columbia Human Rights Code, but we can't. We do not

discriminate and we cannot turn a blind eye to Trinity Western's discrimination when they seek to make it part of our path to licensing.

So in my view today, I see the decision as an easy one and supported by everything we claim to be about.

In response to the argument that says no, we will somehow discriminate against the graduates of Trinity Western or that we are refusing to admit people to our Society who hold those views, that is just not so. We aren't barring their graduates or people who ascribe to the covenant from membership in our profession, they just have to take a different route. And students who choose to attend Trinity Western will know that one of the consequences of that is that, like the students who go to the University of Leicester in England or another unaccredited university, there is a different path.

Again in response to my friend Mr. McDowell, I say we aren't barring anybody. We are making our own decision about the entitlement to licensing under our procedures. And it kind of astonishes me how lawyers can twist themselves in knots over this.

I read with alarm a statement in the

materials by someone I respect who suggested that there was no real public interest basis to refuse this application. Since when is the prevention of discrimination not in the public interest? What is the public interest, if not, among other things, eradication of discrimination?

Unfortunately, the Federation of Law Societies didn't or couldn't consider the public interest, and that is unfortunate because some have raised the spectre that we will have different provinces accept. Some may accept it and some may not, and that would be a bad thing, contrary to what the existence of Federation is all about. But uniformity or conformity is not a justification for discrimination.

Sadly, the Federation may have brought that problem on itself by not looking at the broader issue.

Whether or not they could have stopped this, we at least have the obligation to consider the matter broadly, reflecting our fundamental values rooted in the Law Society Act, the Canadian Charter of Rights and Freedoms, and the Ontario Human Rights Code.

We have debated in another context recently, I still have the scars to show it, the issue

of whether access to the profession should be in some other way unequal or there should be different paths, but to approve this path is to clearly create unequal and discriminatory access to the profession.

As to the Trinity Western decision by the Supreme Court of Canada, some people I know are concerned about it. We've got opinions on it. Let me be blunt. We can make our decision, they can tell us if we're wrong. I daresay they won't. I have read and re-read the Supreme Court of Canada's decision, and while not decided so long ago, it smacks of another era, as indeed it was, as we have, as people have commented, moved so quickly in eradicating discrimination on the basis of sexual orientation.

One line in that judgment illustrates my point. The weak assertion, and it is weak, that the covenant would probably -- probably prevent homosexual students and faculty from applying. It may have been weak in part because the issue framed before the Supreme Court there wasn't about entry into the school, it was about whether they produced bigoted teachers. That's not the issue here.

Perhaps it was also weak in part because it didn't reflect the same degree of recognition that now exists that documents like a covenant that

discriminates on the basis of sexual orientation are so clearly discriminatory.

In short, I believe the Court would not be so equivocal today and would recognize the different framework and context, legal and social, in which we must make our decision and I believe, and I think the opinions support this, that it will respect our decision and defer to it, as their own law suggests.

Finally let me say this, perhaps as a reminder what, to me at least, today seems obvious. We wouldn't be wrong to say no, indeed, I daresay we wouldn't be having this debate if Trinity Western excluded blacks or persons of, say, Chinese descent, as the Association of Chinese Canadian Lawyers points out in their submission. This is just the same.

Based on the submissions received, it looks like most of the profession has no difficulty seeing this as well and my view today is that we must see it that way too. My view today, at least, is that it will be our shame if we don't. Thank you.

TREASURER CONWAY: I'm going to go to the phone right now to ask people who are on the phone if they would like to be added to the speakers' list. Those who are on the phone, is there anyone that wishes to be added to the speakers' list at this time?

MS. MacLEAN: Yes, I would like to be added to the speakers list, Mr. Treasurer. It's Virginia MacLean.

MR. WRIGHT: Not yet.

TREASURER CONWAY: I'm sorry?

MR. WRIGHT: Not yet.

TREASURER CONWAY: Okay, thank you. Was that Mr. Wright?

MR. PORTER: Don't go there.

TREASURER CONWAY: We'll put the phone back on mute. I'll now ask Ms. Hare to address Convocation. Ms. Hare.

MS. HARE: Thank you, Mr. Speaker. Ahnee. Nungosuk gushe n'i dezhuakauss. My name is Susan Hare, that means my name is Susan Hare. I'm from the Ojibwe tribe. I'm co-chair of the Equity and Aboriginal Issues Committee here at the Law Society.

I understand you've travelled from far away, so we welcome you to the traditional lands of the Mississauga tribe.

I -- the combination of religious schools, disadvantaged groups and laws upholding the same has led to disaster in the past. I bring to you, I guess, a cautionary tale today and I bring to you the obvious.

I speak today about the aboriginal children's experience with religious schools in Canada. About the laws that upheld them and the religious institutions that caused great harm.

These religious institutions, religious individuals and the newcomer laws imposed with respect to the same used and were used by the faith-based churches who were given the exclusive authority to teach aboriginal children. Legal agreements were signed between the government and the churches. They were all legal, laws were passed to punish the parents if they tried to interfere with their children being sent to these religious schools.

And I think there is something we can learn from this, or at least something to provide us with caution and open eyes. During that period, aboriginal spirituality or religion was suppressed and outlawed in Canada, and today are we talking about fundamental rights regarding sexual orientation being suppressed as well?

Indian residential schools were operated by the major Christian churches in Canada and the subbranches thereof of those churches. Aboriginal beliefs were suppressed and outlawed, while strict enforcement of the beliefs of the major Christian

churches were implemented under law and by law.

I know of what I speak. My family went to Indian residential schools and I, along with others, including Ms. Backhouse, who is not here today, adjudicated some of the worst cases of institutionalized abuse of aboriginal children within those Christian institutions.

Granted, most students we speak of at TWU are adults, but I would think that some are still under 18 and still children as well.

The second point is that the beliefs that came with the Christians largely from the papal rolls dating back to the 15th century were that people of colour, colonized -- people in the colonized world were not considered human. They were considered savages, they were considered like animals, so mistreatment was almost preordained. And while their Bibles said to love thy neighbour as thyself, aboriginals and others were excluded from that and it was only the Christian neighbours who fell into that Christian precept.

Aboriginal people and aboriginal children in those schools were made to feel different. The feeling of difference, the imposition on people that you're different from us is very harmful.

And there is an inherent message of non-equality I see in the TWU situation. It has the potential to again send this different message to those whose sexual orientation is different than the people who have the beliefs and who run the school.

Two of the laws of the Ojibwe are respect and love. Does TWU respect its non-heterosexual students by denying them their most fundamental and personal choices as adults? I haven't seen a good answer to that yet.

The Supreme Court of Canada has said neither freedom of religion nor guarantee against discrimination based on sexual orientation is absolute. The Supreme Court said there has to be a balance. When evidence of this discrimination comes far too late, the no evidence stance is not palatable, in my view.

We must make our decision and we must abide by two principles, in my view. The cause of justice and the rule of law in finding that balance. The contradiction of values that is inherent in the covenant imposed by TWU on its students, I don't know how that can be balanced. Perhaps it can't.

Finally, I will continue to listen, as I have this morning, continue to read, but I am deeply troubled by the imposition of differences upon other

Canadians and at the end of all of our discussions, I know we will come to a good decision. Thank you, Mr. Treasurer.

TREASURER CONWAY: Thank you, Ms. Hare. Next on the list, if you just give me a moment. Next on the list is Mr. Ruby.

MR. SILVERSTEIN: Point of order, Treasurer.

TREASURER CONWAY: Yes, Mr. Silverstein?

MR. SILVERSTEIN: I question whether Mr. Ruby should be allowed to participate in this discussion. We were told this morning a number of times we have to keep an open mind.

Mr. Ruby has been out in the media quite a bit promoting the opposition to the TWU application and he's been in the media recently about raising funds, so I have to question whether it's necessary and permissible for him to participate.

TREASURER CONWAY: I'm sure that your concern is shared by others as well, but in my recommendations to Convocation, indeed, the advice that we received this morning, each bencher has to examine his or her own conscience and come to the conclusion as to whether he or she can have an open mind.

Mr. Ruby has been on the record taking a

particular position and, indeed, has confirmed that he's representing a client who will be challenging the decision of the British Columbia government, however, Mr. Ruby does no longer have the right to vote in Convocation on this matter and, therefore, based on that consideration, I don't think that it would be appropriate to not permit Mr. Ruby to express his view, acknowledging, I think, that he has taken a position in the past and will continue to do so, no doubt. Mr. McDowell.

MR. McDOWELL: Treasurer, I just think it would very dangerous to allow the fact that someone has taken a position as an advocate to preclude them from making submissions before Convocation. We have to separate those roles out.

TREASURER CONWAY: Yes, I agree.

MR. STROSBERG: I agree.

TREASURER CONWAY: Thank you, Mr. Strosberg. Mr. Ruby, please.

MR. RUBY: Let me confirm what has been alluded to. There will be a challenge to the constitutionality of the decision of the government of British Columbia in consenting to the issuance of law degrees.

That decision is one that will go ahead

and be challenged in the near future. I am one of a half dozen volunteer counsel in that case, and I will help present the case and shape it.

But the issue today is not that issue. The issue today is it in the public interest for this Law Society to recognize a degree from Trinity Western. I'm not suing Trinity Western.

That different question is a crucial one, and it turns upon their requirement that any student adhere to the covenant, the Community Covenant they've established, which reflects their narrow, biblical view of what is required to be a Christian.

In my submission to you, it is wrong to acquaint being gay with being a moral failure in the eyes of right-thinking Christians. It is hateful, it is destructive, it is bigotry, and I trust that we will reject it.

But views, no matter how hateful, that are religious or conscientious in nature are, to some extent, protected in this country, and we need that protection. We have a history of suppression of religions and racial groups which has cost us dearly over the centuries. We should be alive to the need to protect religious minorities.

The question, then, is what is the scope

of freedom of religion? What are we protecting under that rubric? How broad does that protection go, where does it extend?

It's interesting in looking at the techniques developed, as our colleague knows, in human rights law, at least they're consistent with those used in constitutional law, for examining these claims to religious freedom. One they ask is what's going on in a context that is private or a context that's open to the public. Here we are very near the totally public area.

This is not a school for kindergarten children in the religion itself, which is much closer to the private. This is the preparation and the gatekeeping function for entrance to the profession and becoming a judge. Very public.

A second one; is this a religious activity akin to prayer, for those religions that adopt prayer, or is it a commercial activity, are people charged money for it? Is it the kind of institutional activity that the rest of the culture charges money for and conducts in public? Again, this is a law school, not a voluntary Sunday school teaching.

These issues culminated in 2001 in a challenge to Trinity Western University in the Supreme

Court of Canada.

Has anything changed? Well, the first thing that's changed is that the litigants in that case made one claim and one claim only. They said anybody who graduates from this particular Christian university, Trinity Western University, is by reason of their training and exposure to these ideas, unfit to teach in any capacity in British Columbia. It was a claim about future inability and it was not surprising that the Supreme Court of Canada responded by saying that's the only claim you make and you've got no evidence that's so.

And I say that because it seems obvious to us now that some people exposed to this kind of hatred and denigration of gay and lesbian people will be touched by it and unable to teach properly, but many more will not. That's true of people in any university and in any walk of life, some of us will and some of us won't.

There really wasn't, and could not, in my suggestion be any evidence that future teaching would be tainted. But there have been changes since 2001. Some of the speakers have adverted to it.

Let me focus on one change. In 2001 people were alive to the problem that almost anything

could be made subject to a claim of freedom of religion. I believe as a Muslim extremist that women should not be taught, neither reading nor writing nor law, and so I'm setting up schools that don't allow any of that. There has to be an answer because that's not part of freedom of religion.

So we start by saying is this connected to religion? Yes, it clearly is in that example. Second, we say is it subjectively believed by the adherents? Is it a genuine belief that's religious in nature? Yes, it is, they genuinely believe this is the way God wanted the world to be ordered.

So the Court developed a test post-2001 as to the objective nature of the protection we're going to grant, how far we're going to grant it. And I'm going to bore you to death by reading pieces of a case.

In 2009 a Hutterite case came up in Alberta, went to the Supreme Court of Canada. And the Hutterites said, quite reasonably, we believe literally in the second commandment, which says no graven image shall be permitted, and so they wouldn't allow themselves to be photographed for a driver's licence.

It was in direct contradiction of a commandment of God and fundamental to their beliefs.

It was central. That conflict led to the development of some principles which I think are helpful, and I'm going to try to read you some excerpts from that case. If anybody wants the citation, it's 2009, two Supreme Court Awards 567.

The Court said, "As stated in Anselem," this is Iacobucci in an earlier case, "Religious freedom revolves around the notion of personal choice and individual autonomy and freedom. The question is whether the limit leaves the adherent with a meaningful choice to follow his or her religious beliefs and practices. It's not every infringement, not every rule that would stop a religion from doing what it thinks is required in the eyes of God or the deity. It's got a very high standard. Does it leave the adherent with a meaningful choice to follow his or her religious beliefs and practices?"

And I say that if Trinity Western can only run a law school that teaches a Christian perspective on law, but it cannot exclude gays and lesbians by reason of religious understanding of what they think the Bible means, they are still left with a completely intact freedom of living as we understand.

I go on. "There is" the court said "no magic barometer to measure the seriousness of a

particular limit on a religious practice. Some aspects of a religion, like prayers and the basic sacraments, may be so sacred that any significant limit verges on forced aspostacy."

"Other practices may be optional or a matter of personal choice. Between these two extremes lies a vast array of beliefs and practices more important to some adherents than to others."

I simply say, if they could run their own law school, but can't discriminate, they've got everything they're entitled to under this understanding of freedom of religion, which is new.

The Court went on, "This is not a case like Edwards Books or Moltani where the incidental and unintended effect of the law is to deprive the adherent of a meaningful choice as to the religious practice. The impugned regulation of attempting to secure a social good for the whole of society, the regulation of driver's licenses in a way that minimizes fraud, imposes a cost on those who choose not to have their photos taken, the cost of not being able to drive on the highway. But on the evidence before us, that cost does not rise to the level of depriving the Hutterite claimants of a meaningful choice as to their religious practice or adversely impacting on other Charter

values."

Could anyone suggest that if we don't have our own law school with the right to keep out gays and lesbians, our religious options are no longer available. We have no meaningful choice to practice our religion. To say it is to answer it.

"The Hutterite claimants argue that the time presents them with -- the limit presents them with an invidious choice. The choice between some of its members violating the second commandment, on the one hand, or accepting the end of their rural communal life on the other hand."

But the Court went on and pointed out the evidence said, well, look, we're not destroying your way of life, you've still got that choice. You may have to hire a driver if you want to go on the highways, and that's not too high a price to pay. Obtaining alternative transport would impose an additional economic cost on the colony and the goal against their traditional self sufficiency, but there's no evidence that this would be prohibitive.

"On the record before us, it is impossible to conclude that colony members have been deprived of meaningful choice to follow or not to follow the edicts of their religion." .

The Court noted, "These costs are not trivial, but on the record they do not rise to the level of seriously affecting the claimants' right to pursue their religion, they do not negate the choice that lies at the heart of the religion."

My point, we are on the fringes in this case of claims that could possibly be made about religion.

Now, last time I looked at the Bible, and I don't study it carefully, there was no command, no teaching from anyone, go out, be fruitful and found a law school. That is not central to any belief of which I know, certainly not to the Christian one.

The Bible does not mention duty and, quite frankly, fundamentalist Christians successfully attend law schools that are open to all across the country. Nobody closes a door to them, and after graduation they have, nonetheless, managed, despite not having their own exclusionary law school, they have managed to live useful and praiseworthy Christian lives. That is a fact.

There is simply no evidence of a risk to religious freedom so understood here. There have to be limits on these claims, especially when the harm being caused is so obvious. And it's obvious, I'm proud to

say, to the Advocates' Society, which is a middle of road group as you can get, and the Canadian Bar Association, which may have invented the middle of the road. We would look like fools if we acted in the face of what is obvious to all our members.

So welcome to the 21st century, this kind of discrimination is unacceptable, but don't sell religion short. It's not freedom of religion that justifies this bigotry. If anybody justifies this bigotry you are on your own. Thank you.

TREASURER CONWAY: Ms. Go?

MS. GO: I've only decided to speak this morning, so I have to call up my notes.

TREASURER CONWAY: Just for the reference of other people on the list, Ms. Go will be followed by Ms. Minor, then Ms. Rothstein and Mr. Lerner. There's more on the list, but just get prepared to make your points. Thank you, Ms. Go, you've got your notes now?

MS. GO: Yes. I have to admit that I'm speaking with trepidation as I feel that anything I say will be perceived as having a closed mind, however, if I don't speak and do not express the views that I have at this point, I may be accused of not providing TWU an opportunity to respond to my concerns. So in the end I

decide to err on the side of speaking, as opposed to not speaking.

As some of the benchers may know, for many years I was involved in a movement to seek redress for the Chinese Head Tax and Exclusion Act. During the late 1800s tens of thousands of Chinese labourers were brought to Canada to work on the Canadian Pacific Railway in order to help realize the national dream that the first Canadian Prime Minister, Sir John A. Macdonald, had to connect Canada from coast to coast. But as soon as the railroad was completed in 1885, the same prime minister immediately imposed a head tax on all and only Chinese who wished to come to Canada. Starting at 50 dollars, the racist tax was raised to one hundred dollars in 1900 and then $500 in 1903.

When the head tax was proven ineffective from stopping Chinese from entering Canada, the Canadian government enacted the Chinese Exclusion Act to ban all Chinese immigration in 1923 and the Act was not repealed until 1947.

1947 was also the year when Chinese were first allowed to take up Canadian citizenship. It was also the year when a gentleman by the name of Kew Dock Yip was allowed to practice law, the first Chinese Canadian ever to do so in Canada.

Mr. Yip was born in British Columbia. After obtaining a degree in engineering, Mr. Yip decided to pursue a new career, law. When he tried to enter -- apply to enter law school in British Columbia he was turned away. Why? Because the Law Society of British Columbia decided, quite conveniently, that only those who had the right to vote in B.C. would have the right to enter law school, and since Chinese were denied Canadian citizenship under the British Columbia law they were also denied the right to vote in that province.

Mr. Yip decided to move to Toronto to study law at Osgoode Hall Law School because, thankfully, the Law Society of Upper Canada at that time did not have the same discriminatory rule in place.

After graduating from law school, however, it would still take Mr. Yip five tries before he could pass the bar exam. On the first four tries he was not allowed to take the exam. He was literally stopped at the gate by the gatekeeper at the Law Society because of his race.

On his last try Mr. Yip showed up in his military uniform and was finally allowed to write the exam and passed. Among the first things he did as a

lawyer was to successfully lobby the government of Canada to repeal the Chinese Exclusion Act. For his contribution to the legal profession, Mr. Yip was awarded with the Law Society Medal several years before he passed away.

The Chinese Canadian community began the redress movement in 1984 when two head tax payers went to see their local MP and asked, now that Canada has a Charter of Rights and Freedoms, when can we expect to get back the money that our government has unjustly taken from us? Yet it would still take another 22 years, including an unsuccessful class action lawsuit, before the Chinese Canadian community finally received an apology from the government, and the few surviving taxpayers and the widows were given a symbolic compensation.

The class action lawsuit failed in part because the Charter has no retroactive application and the government has no obligation to redress historical wrongs under law.

But until quite recently I have always thought that had the Charter been in place in 1885 or in 1923, the head tax would not have been enacted, Chinese would not have been barred from entering the country -- sorry, getting emotional -- and they would

not have been disenfranchised and thus excluded from the legal profession.

Now I have doubt about my position in view of the discussions we're having today. I'm sure back then the British Columbia Law Society and the law school which rejected Mr. Yip had absolutely no doubt about their legal authority or even their moral authority to exclude Chinese Canadians from the legal profession at that time. In fact, on its face, the rules barring Chinese had nothing to do with race at all, it was simply based on the very technical rule about the right to vote.

As we all know, our rules and our laws were both reflection of the prevailing social values and, sadly, for a very long time the prevailing social values in Canada were to preserve a white Canada at the expense of our first peoples and people of colour.

So today I hope that our prevailing social values will tell us something different. It will tell us that no one should be prohibited from entering law school and becoming a lawyer because of race, gender, disability, sexual orientation and so on.

So perhaps my question is not so much for TWU. Indeed, it's a question for myself and my fellow benchers. What are the values that we should

uphold when we decide whether or not to accredit TWU; would such values include the principles of equality, respect for human rights and the rule of law, and twenty years from now if we're to look back at our decision that we're making on April 24th, are we going to say that we have made the right decision because of the values that we're trying to uphold and live up to or are we going to say we have made the decision that we are authorized to make based on the rules laid down by somebody else? Thank you.

TREASURER CONWAY: Ms. Minor.

MS. MINOR: Thank you, Treasurer. I would like to address the public interest component of our decision and other documents or other requirements that we should look to, like the Charter and Human Rights Code, in formulating our views.

I express these views now as preliminary views and questions. I agree with the questions and views that have already been expressed by Mr. Anand, Mr. Mercer, and others with respect to this matter, and I'm very interested in my colleagues -- other colleagues' comments and any rely that TWU has to make. So I look to them if I have erred in any statement of fact in terms of what they may comment on on my views.

We -- I focus my remarks on the public

interest and the admission requirements as they affect those who may ultimately be admitted to the bar in Ontario, and it is the Ontario public interest that we are entitled to look to and must look to.

We look to the interest as we understand it and we also have to look to what Charter requirements are and human rights requirements are.

As has been mentioned, the Human Rights Code has a section which directly applies to the Law Society, and that is the requirement to admit persons to self-governing professions, that is, ours, without discrimination.

While there is no person before us seeking to be admitted, that principle, in my mind, must inform how we interpret the public interest with respect to accreditation. If we are going to admit people to the bar without discrimination, I ask how we can do that if we accredit a school which, in fact, places limits, exclusions and preferences on groups who, in fact, happen to be in this case protected otherwise by the Human Rights Code and the Charter.

So it is not the teaching or the curriculum which has been examined by the Federation, which, in my mind, is foremost, it is, rather, the effect of what I understand to be exclusionary and

preferential admission requirements. And I'm going to call those people the pool, if I may, and that's with the greatest of respect. So the pool of persons who we may ultimately admit to the bar are those which pass through accredited law schools.

At this point in time, the only persons who pass through accredited law schools are persons who have been admitted on non-discriminatory grounds and on the basis of merit, and that is underlying our principle of equal access to education and equal access to the profession.

At the same time, we know -- I think we can take notice of the fact that there are insufficient places in our law schools to accept all of those persons who are otherwise qualified. There's a cutoff, there's a limitation, but it's not because no one else is qualified. In fact, we know that persons seek many other avenues and law schools outside of Ontario, in fact, outside of Canada, in order to be admitted to the bar.

But the underlying principle in Ontario at least is that those people who may come forward to be accredited before the Law Society are those people who have gone through a non-discriminatory process and who have not received any kind of unequal treatment

with respect to admission or, frankly, denial of admission.

My question is how do we further that principle if we are permitting accredited -- if we are permitting the pool to be -- and this is my language -- skewed by a different admission policy which excludes or prefers groups?

I'd like to also add, and, again, I invite any comment, but I understand this covenant to exclude more than LGBTQ persons. How could a common-law couple satisfy the covenant without having an unfair burden or a different burden on them than a married straight couple? I understand this to be problematic for common-law straight people.

Persons might argue that there is a distinction between single and married people with respect to that covenant.

I also don't understand, and I invite comment, how a practising Jew or practising Muslim, an atheist, could accept and comply with that covenant. So I am very concerned that it is very extensive and it wouldn't matter if it was only one group, but, in fact, I think it's more extensive than that.

So to my mind, what I ask us to consider and what I'm very concerned about is what is the effect

of accrediting a school which limits the pool of applicants and extends the pool of applicants to groups on a differential basis and on a basis that's not consistent with the Human Rights Code or the Charter?

And going to the public interest principle, again, I'm going back -- I'm taking a few steps back to very first principles. In Ontario we have a commitment, and I submit it's a commitment we should agree with, adopt and further, and that is equal access to education, particularly equal access to professional education, and that is one which means that anyone could apply and be accepted on the merits. I should have brought some water. Thank you, Mr. Anand.

Of course, we respect the rights of religious institutions or religious groups to have their own schools, and in the elementary and secondary context we recognize religious schools, but at the same time we have a fully accessible open public access to education. If one chooses to go to a separate school, which we must have, according to our constitution, if one chooses to go to another private school or religious school, so be it, it is open to a person, but there is no burden placed on others with respect to the obtaining of education.

At this point in time we have no private professional schools in Ontario, we have no private universities which grant general degrees. We do have seminaries, of course, who train persons in a religious context for a religious service; that's not the issue here.

What we have is the application from a general education institution, that is, say, general in the sense of professional. It's not a religious school. And in my mind that should be very separated from the right to have a seminary or some institution that produces religious officers or ordains, whatever the appropriate expression is, for other religions.

So why -- to accept this would be the first time that we in Ontario would countenance, would legitimatize different standards for being admitted to the profession, which would limit, as I say -- and I'm concerned about this, limit those who are not of that particular faith and who cannot accept the admission requirement.

And that, to my mind, as I say at this point I'm very concerned that that skews the pool and therefore we would be, in effect, furthering a discriminatory approach towards, ultimately, admission to our profession.

With respect to the religious right, of course we have to acknowledge that there are religious rights, there are freedom of religion, there is freedom of association with respect to religion, but the case that Mr. Ruby just mentioned, the Hutterite case, I think is quite helpful.

Granted, it was a government standard and it was a section 1 case ultimately, but what the Court advised us to do is look at the nature of the religious right. It's not absolute, and that's been quite evident in the material that we received.

I'm not questioning the sincerity or the accuracy of the description of the religious view here, I'm not saying we should go into that, but to pick up a bit on what Mr. Ruby said, what is this religious right or what is this religious requirement? There is no requirement to have a law school. There is no requirement to only get education within the context of one's co-believers, it's not a requirement. It may well be a preference, but it's not a requirement.

It's not a requirement to wear a particular kind of clothing, it's not a requirement to pray so many times a day. These are not requirements that have to be observed by the religious in order to satisfy their religion.

The group -- the members of this particular religion and persons who sympathize with it are quite able to be full religious participants in their religion without having a law school. They can attend other law schools, and they do. They can be called to the bar through their attendance at other law schools.

So I'm very concerned that we start on a path that would, in my view, and my concern would be to change the landscape, to change those -- the pool of those who we will be admitting to the bar in a way that is not just discriminatory, but it's unfair to many others, even if they are not protected groups.

Are we going to have profit making law schools which will give a preference to those people who have means? It's not before us, but the whole principle of open access, of universal access to education, in my view, should be supported here and it should be supported through avoiding, if at all possible, any kind of admission standard or indirect admission standard which privileges or burdens persons, particularly those who are protected under the code and the Charter.

Those are my concerns. I think they have been echoed by others, and thank you, Treasurer.

TREASURER CONWAY: Thank you.

Ms. Rothstein.

MS. ROTHSTEIN: Well, I'm not sure that I have any new insights. I have been so grateful for the comments of all of my colleagues.

Like others here, I have laboured over these issues, but I have to say it was a joyous labour, not only because a lot of time was spent with Mr. McDowell in the process, but because these issues are so fundamental to who we are. I welcome the opportunity to educate myself about them. To that extent I'm so grateful that this application is before us.

But for me, as I said to Mr. McDowell, in the end it really comes down to how you frame the issue, and for me the question before us is very much the way others have put it, most recently by Ms. Minor, this case is about access to legal education and, by corollary, access to the legal profession. And it is about access in a world in which, as we all know if we have young children or older children, many more deserving students seek those great privileges than will ever be given the opportunity. That is the context.

With that context in mind, I think it's

important to accept that we have a very broad public interest discretion. Open textured, I think the constitutional lawyers in my office would call it.

I agree with those who said already that TWU 2001 cannot be said to bind our decision making, let alone our consciences, but I do share the view of many of my colleagues who say but it is the Supreme Court of Canada and it is the careful thinking of some of the greatest jurists in the land, many of whom we very much -- all of whom we respect. So I do think it should be given prominence in our thinking and I have spent a lot of time looking at that case and asking myself what's different.

Here's what I've learned. We know from the Supreme Court of Canada decision that the court thought that the B.C. College of Teachers had a very limited public interest making role, particularly with respect to defining discriminatory practices, defining and interpreting Human Rights Codes, reconciling competing rights.

We know that they did not have, that is to say, the BCCT, their own by-law making power, as we do. We know that the only relevant by-law did not oblige them to advance the cause of justice or generally to take into account the public interest in

everything that they do.

We know that the B.C. College of Teachers had not established, as we have in our rule 504, standards which oblige each and every member of that profession to take on a special responsibility, a very special responsibility to respect the requirements of human rights laws and everything that goes with it.

And so whether or not the B.C. College of Teachers just had a paper deficit is likely the case. Likely they aspired to all of that and their decision reflects that they actually saw themselves as having that role, but one can't read TWU 2001 without noticing that the Court was very concerned that they were actually meddling in somebody else's living. It reluctantly ultimately concluded that it was appropriate for them to consider the discriminatory practices which were embedded in the covenant, but it was, I'm going to argue, a fairly reluctant conclusion by the Court.

The second thing that I've noted and others have noted in the submissions that we've received is that the covenant has, indeed, changed since 2001. In TWU 2001 the Supreme Court of Canada made no reference to there being a mechanism under which the community standards document could discipline

and expel a student who did not honour the covenant, leading the court to conclude at paragraph 22, and I saw this as so very important, that there was no evidence that anyone had been denied admission or was expelled because of a refusal to sign it.

And I pit it on that point because I do not anticipate that in the future that kind of no evidence conclusion would support the court's analysis when the issue put before it was whether or not there were, in fact, barriers to entry.

It was pivotal, therefore, to the court's decision that it looked at, as Mr. Ruby so carefully put it, something very different. It was entirely peripheral, although noted, peripheral to the Court's concern that there may be barriers to entry to the teaching profession and that there may be barriers to entry to a teaching education.

The Court's focus was on whether or not the covenant produced teachers who would foster discrimination in public schools, and I share the court's conclusion that that was very much a freedom of religion and freedom of conscience violation to make such assumptions on the evidence before it.

So I say this case is different. I say this case is fundamentally about access to legal

education, access to the legal profession, such great privileges that we, luckily, get to live every day. And I ask myself these questions. Are we really living here at the Law Society in a world where if a private religious university prohibits admission to female students, and I pick that example because I know TWU does no such thing and would find it offensive to do any such thing, but I do know that members of my religious heritage have done such things in other jurisdictions. I'm a Jew, and that has happened in some of the orthodox communities. So I pick that for a purpose.

I say to us, would we really say as governors of this profession that we are obliged to accredit that religious institution in the name of freedom of religion? I ask myself the question if a private religious university prohibits interracial marriage, this example has been given, or interracial dating, would we say it's any different because the focus is on the behaviour and not the identity of any particular individual?

Would we say that we are obliged in the public interest to accredit such an institution in the name of freedom of religion?

I ask myself the question if a private

religious institution, a private religious university had a covenant which required First Nations not to engage in sacred practices while they were students at that university, would we say we were obliged in the public interest and in the name of freedom of religion, to accredit that university?

And I ask us, what is different? What is different if a private religious university prohibits sex and intimacy between an unmarried heterosexual couple; sex and intimacy between same-sex couples, whether married or unmarried? And I say to myself, although my mind is not closed, that is the important question to ask.

The harm, in my view, Mr. McDowell, the societal harm is not to be focused on the risk that TWU lawyers will discriminate against anyone. I am confident, based on what I've heard from TWU, that they will endeavour not to, as we all do. The harm is that this covenant surely has the practical effect without evidence and without proof and without testimony of denying admission to LGBT students, to unmarried students, to a range of people, including from other religions, and it perpetuates very negative, perhaps noxious stereotypes that undermine their dignity and worth and, of course, their equality.

And that is my problem. Thank you.

TREASURER CONWAY: Mr. Lerner.

MR. LERNER: First and foremost, I would like to welcome our guests from British Columbia. We're pleased that you're here today.

Secondly, I'd like to congratulate the Treasurer. As one who believes in the transparency of this organization, I think what we have done today is a statement that ought not to be ignored. At our break as I looked around the portraits in the other room, I thought I detected a smile on the faces of some of those who have come before us who fully appreciated the level the advocacy and the quality of the debate today, and I congratulate my colleagues who have come before me.

Like Mr. MacKenzie, I think that this is an issue of core values. What I'm concerned about is if we are to accredit Trinity Western, how am I going to explain to those members of the community whose interests we are required to protect, how am I going to justify the decision that we have made?

I've thought about that, I've thought about ways in which it might be done, and to this point in time I don't have an answer that satisfies me that I will be able to do so.

I find it interesting that if this were a perfect world we wouldn't need a Human Rights Code. It would be the manner in which we all live, without the necessity of having specific legislation to dictate how equity-seeking groups ought to be welcomed into our community. The very fact that we need legislation is indicative of the struggle that has taken place over centuries for the protection of individual rights, whether it be race, religion, civility or sexual orientation.

I am also somewhat troubled by the fact that some have suggested that Trinity Western University is provided with a defence through the protection of the British Columbia Human Rights Code. The fact that they have to defend it, to me suggests that there may be a recognized violation, and that concerns me at a very basic and fundamental level.

We are controlled by our mandate to protect the public interest. We are governed by by-laws. Interestingly, at the bottom are a coat of arms, the words "Let Right Prevail" appear on all of the documents, formal documents that we issue from the Law Society.

I'm not sure that I know what is the public interest, but as someone said before, I think I

know what it isn't.

I suggest to you that a group that on a monthly basis condemns abuses of human rights around the world may be in the position of having asked our Treasurer to write a letter to himself at a subsequent Convocation as a result of a decision we might make.

I agree with the principle that what happens within the confines of Trinity Western University is its business and we ought not to dictate the manner in which they control their own affairs, however, I looked hard and long to find some sort of an analogy that might give me some comfort and I found this.

"I took the position that after we accepted South Africa unconditionally, the action would be taken as approval, or at least condonation of racial policies which are abhorred by Canadians as a whole."

I never thought the day would come when I would quote John G. Diefenbaker, but I have. I think that statement reflects the position adopted by the world community, not just by Canada, but by the world community to the atrocities of apartheid and the restriction imposed upon South African athletes who attempted to participate in the Olympics games from 1972 through 1978.

I believe I prefer to adopt the broad interpretation enunciated in the Pinto opinion, and on that basis I leave my mind open to be convinced otherwise, but I must say that there are questions that need to be answered and I look forward to hearing those in due course.

TREASURER CONWAY: Mr. Swaye. Yes, I should say we have Mr. Swaye, followed by Mr. Falconer, followed by Ms. MacLean, followed by Ms. Symes, and that's the remainder of the list so far -- and now we have two more, three more. Am I bid four, five? I've got a list. Mr. Swaye.

MR. SWAYE: I have had the pleasure of sitting in Convocation for the last 19 years. This probably is one of the most important issues that's ever come before us.

We know about the mandate, but let me refer you to a New York Times article, and it recalls the State of Colorado recently had issues, and there's a headline, "Religious Right in Arizona Cheers Bill Allowing Business to Refuse to Serve Gays." The date of the article is February 21, 2014.

"In New Mexico, a photographer declined to take pictures of a lesbian couple's commitment ceremony. In Washington State, a florist would not

provide flowers for a same-sex marriage. And in Colorado, a baker refused to make a cake for a party celebrating the wedding of two men."

"The business owners cited religious beliefs in declining to provide services celebrating same-sex relationships, and in each case they were sued."

"Now, as states around the nation weigh how to balance the rights of same-sex couples with those of conservative religious business owners, Governor Jan Brewer of Arizona must decide whether to sign legislation that would allow business owners to cite religious beliefs as a legal justification for denying service to same-sex couples."

We know that the governor would not sign the bill. Why? My submission is because, from her perspective, it was wrong.

The article goes on to state, "The legislation, approved by lawmakers on Thursday, immediately attracted national attention with conservative religious groups welcoming it as a necessary form of protection for objectors to same-sex marriage, and gay rights groups denouncing it as a license for discrimination. The measure comes at a time when the courts are grappling with how to define

the religious rights of private businesses. The Supreme Court is to hear two cases next month in which businesses are seeking exemptions from providing insurance coverage for contraception to their employees, citing the religious beliefs of the companies' owners."

To move on in the article, "Religious freedom is a fundamental right, but it's not a blank cheque to harm others or impose our faith on our neighbours, said Daniel Mach, who directs a program of freedom of religion and belief for the American Civil Liberties Union, which opposes the Arizona legislation. Over the years we as a nation have rejected efforts to invoke religion to justify discrimination in the marketplace, and there is no reason to turn back the clock now."

The article further says, "It sounds like it's opening the door to hate and bigotry of all stripes, said Rocco DiGrazia, a Tucson pizzeria owner, who on Friday attracted national attention via social media because he had posted signs on the restaurant's doors declaring "We reserve the right to refuse service to Arizona legislators."

"Sarah Warbelow indicated that there is a significant fear that it would undermine local

non-discrimination laws." She is the state legislative director for the Human Rights Campaign, a gay rights advocacy organization.

"This is not about the freedom of individuals to practice their religion, this is about a license to discriminate against individuals."

I submit here it is not right or wrong for TWU to take the position that they choose, but it's rather one of discrimination in general. Today it's gays, tomorrow it's Jews and blacks. The principle is there.

I submit that the Supreme Court of Canada, in a judgment indicated called Noble versus Ali, 1951 SCR, page 64, had to do with a restrictive covenant in a deed drawn in 1933 that provided that the lands herein shall never be sold to any person of the Jewish, Hebrew, Semitic, negro or coloured race or blood, and the restriction should remain in place until August 1, 1962.

A motion was made in the Superior Court of Ontario for an order declaring the covenant invalid, but was dismissed. The decision was affirmed by the Ontario Court of Appeal in the Supreme Court of Canada. They allowed the appeal, arguing in that case it is quite interesting to note that the following names

quite familiar to many of us, J.J. Robinette, K.C., and Walter Williston for the appellant, Noble; J. Shirley Denison and Norman Borins for the appellant, Wolf; K.G. Morden, K.C., and J.C. Osborne for the respondents, and the judgment of Kerwin and Taschereau was delivered by Justice Kerwin.

I submit to Convocation to search your conscience on this vote. I submit that discrimination in any institution is just plain wrong in this day and age.

I have read the opinion of Mr. Meehan, who I respect tremendously, but my question for Mr. Meehan and for the school is the following: To permit the covenant to stand, will that not permit other institutions to take that as a precedent to allow discrimination if we ever have to decide this question in this Convocation again? Thank you.

TREASURER CONWAY: I've noted that in making remarks, some benchers have referred to issues or matters that are not actually in the record that is before Convocation. I would just ask benchers to consider -- the benchers that are on the waiting list -- on the speakers' list, if you would keep in mind the advice that we've received that it's important to limit our consideration of the matter before

Convocation to the record.

Certainly in the debate that will occur on April the 24th you will not be able to refer to any new material that isn't before Convocation on the record. Just keep that in mind.

MR. SWAYE: May I file the --

TREASURER CONWAY: No.

MR. FALCONER: Good lawyer.

MR. PORTER: After fifty years you don't know that?

TREASURER CONWAY: So if I could call on the next speaker, please, which is Mr. Falconer. And I'll just say, Mr. Falconer, that when you're finished we're going to break for lunch, so I'm sure you'll be motivated to make your remarks brief.

MR. FALCONER: Thank you, Mr. Treasurer, for that. It's not unusual for my colleagues to hunger for my submissions.

I want to acknowledge our guests from TWU, I want to acknowledge my esteemed estates professor in the form of Mr. Meehan over there, and friend. I want to acknowledge the excellent advice we received today from Ms. Kristjanson and I want to say that in terms of my submissions, I not only remain open, but I am truly, truly perplexed at suggestions

that values are not at loggerheads.

I find values today are at loggerheads, and I haven't chosen and I have resisted creating a hierarchical list of interests, and in doing so I look forward to hearing from TWU about the concerns expressed today and the questions expressed today and I look forward to that stage where we make a decision, and I'm certainly nowhere near that.

What I also want to say is I benefited from many of the remarks, all of remarks today. I do want to say I benefited in particular from somebody who was the subject of a point of order, being Mr. Ruby, and his remarks. It's not simply because he's a mentor and a friend, but it's also because his remarks, as usual, as one of the most preeminent human rights lawyers in this country, strike at the heart of what we have to consider.

And to any suggestion that we as benchers are incapable of taking positions for our clients and remaining open, this is an exercise we have to do on a regular basis. For those who would suggest some have fallen on one side, I urge you to look at the BoardBooks record that we're making our decision on, because you will see in there benchers who have very supportive of TWU in writing who will be making

decisions in this process. That is, they are on both sides of the equation. Why? Because we have jobs to do, number one, and number two, we're capable of remaining open and making decisions independently.

At the end of the day, I am left with the following, and it's embarrassingly basic. When I hear assertions of the right to congregate, of the right to share expression, of the right to enjoy one's beliefs, these are all matters that I'm not just committed to personally, but committed to professionally.

I have always had a line that I've drawn in the sand and that line generally is around what I call the steamroller effect.

To what extent does respecting and upholding a particular set of values in turn lead to the steamrolling of another set of values? I find as simple as it is, embarrassingly, it's not a quote from a prime minister, it's not a quote from the Supreme Court of Canada, it's just how I live my life.

If I think I'm steamrolling somebody else, then I have to ask a very, very serious question. Is this necessary? Is it necessary to make that law student -- and I envisage this law student, maybe others don't, but I do, is it necessary to make that

law student who is in the middle of their legal education, who may discover themselves in the first or second year of law school at TWU, who may discover something about their own personal identity, is it necessary to make that person feel so vilified that they would have to report themselves to the dean of TWU and advise that they are now in breach of the Community Covenant?

Is it necessary to create a world in which their fellow student, who sees that they are discovering themselves, report them to the dean of TWU because they have witnessed someone who is in violation of their covenant?

I don't worry that a TWU grad is going to go out there and be any more prejudiced or discriminatory than half of the judges or anybody else I've encountered in my life. You folks will get it as right or wrong as the rest of us. I worry about steamrolling those who are in no position to protect themselves and for reasons that confound me.

So I ask this when we talk about the public interest, and I remain open because I want to hear your answers to this. If we are truly to apply the public interest, then don't we have to ask who are members of this public? Is the LGBTTI2Q community, are

members of that community part of the public? Because if they're part of our public, and they are included in the public interest equation, just, of course, as TWU and others are, then are they not steamrolled? And if the answer is they are steamrolled, then I'm troubled.

I remain open to understanding whether they are to be members of the public. I remain open to hearing you on this. There is a quote, and I'm hoping that my annotations can find it, there is a quote that comes from the president of TWU in a letter dated March 21st, 2013, to be found at page 1235 of BoardBooks, part of our record.

The president, President Raymond, is writing to the Federation of Law Societies of Canada, and he expresses at page two of the letter, top paragraph, "The Civil Marriage Act includes a preamble which states "It is not against the public interest to hold and publicly express diverse views on marriage."

I agree with President Raymond. My concern is how does one -- and I hope and look forward to the answer to my question, how does one hold diverse views at TWU with that Community Covenant? Or is the answer that you don't hold diverse views if you go to TWU and we don't concern ourselves with that particular public interest that the president is referring to,

but, in fact, we have a different approach. And if, in fact, the president is espousing a different approach that is different than this public interest and this fostering of diverse views, how do I reconcile it with my public interest that I have to apply as a bencher?

I look forward to the ongoing debate today and I look forward to the answers we receive on April 24th. Thank you.

TREASURER CONWAY: Thank you, Mr. Falconer. We'll now rise for lunch and come back at 1:45. So we have an hour and fifteen minutes. Thank you.

--- Luncheon recess at 12:28 p.m.

--- Upon resuming at 1:50 p.m.

TREASURER CONWAY: Okay. Thank you, Ladies and Gentlemen.

We'll continue the discussion, but before I call on the next speaker on the list, I just wanted to make a rather technical change to the question that is in BoardBooks at page 3, and it's a very small correction, but it more accurately tracks the language of the Federation's approval.

So the question as amended will be: "Given that the Federation Approval Committee has provided preliminary approval of the TWU law

program...," et cetera, rather than, "provided conditional approval", because that's -- the resolution that was passed at the Federation speaks to preliminary approval of the TWU law program. Just a change from --

MR. CAMPION: Point of order to explain: Is there a difference between the two that we should --

TREASURER CONWAY: No, no. It's just simply to track the language. The resolution that was passed by the council of the Federation, or rather, the approval that was given by the Approval Committee was a preliminary approval. This more accurately tracks. Make that change. All right?

So we left off with Mr. Falconer, and next on the list is Ms. MacLean who is on the phone. Ms. MacLean, before I ask you to make your remarks, I should use the opportunity, while we've got everybody on the phone: Is there anyone on the phone right now that wishes to be added to the speakers' list at this time?

MS. MACLEAN: You want to know who is on the phone now or new people?

TREASURER CONWAY: Well, actually, I guess we can go through, I guess we should go through the list again and see if there's anybody who has left or joined us.

Okay. We're going to go through the list again. Robert Armstrong? Constance Backhouse?

MS. BACKHOUSE: Present.

TREASURER CONWAY: Larry Banack? He's in the room, sorry. Mr. Copeland? Paul Copeland? Mr. Epstein? Mr. Eustace? Mr. Furlong?

MR. FURLONG: Present.

TREASURER CONWAY: Thank you. Mr. MacLean, excuse me, Ms. MacLean, you're on the phone. I'm adding your --

MS. MACLEAN: Yes, I'm on the phone.

TREASURER CONWAY: Thank you.

MS. MACLEAN: Yes, I'm here.

TREASURER CONWAY: Ms. Richardson? MS. RICHARDSON: Present.

TREASURER CONWAY: Thank you. Ms. Ross? Ms. Strosberg?

MS. STROSBERG: Present.

TREASURER CONWAY: Mr. Wright? Mr. Scarfone?

MR. SCARFONE: Present.

TREASURER CONWAY: Thank you. I think Mr. Sandler was here. He's gone. I don't think he's on the phone now. Mr. Manes, are you still on the phone? Mr. Yachetti?

MR. YACHETTI: I am here, sir.

TREASURER CONWAY: Thank you. Mr. Hunter? Mr. Hunter?

All right. Is there anyone whose name -- is there anyone on the phone whose name I have not called?

MR. MANES: This is Ron Manes. Did you get my presence?

TREASURER CONWAY: Yes, we do now. Thank you, Mr. Manes.

MR. MANES: Right. Thank you.

TREASURER CONWAY: Is there anyone on the phone whose name I have not called? All right. Is there anyone on the phone who wishes to be added to the speakers' list at this time?

All right. Ms. MacLean, you have the floor.

MS. MACLEAN: Thank you, Mr. Treasurer. I'd like to say hello to the representatives of the Trinity Western University. I'm sorry I can't be there. I can't see the wonderful counsel who I know are there. I would also like, Mr. Treasurer, to commend you and the staff for the wonderful materials that you have put together. The written background materials record is excellent and it answers many of the questions that have been troubling us all the way through this process.

I agree that during my term, this is the most important issue that has ever I think faced the bench, the benchers, and I also now am conscious, like Mr. Swaye, so this is a much longer period of time over which we have been asked to deal with such a very important issue. Now, I am not going to speak on the merits of the issue because I cannot begin to express it in a way that's already been expressed. What I have is a very practical question arising out of the materials.

Specifically, when the Trinity Western University made their submissions to the Federation in their report, they talked about why, their rationale for the law school, and in that submission, which you'll find at BoardBooks on page 74, in that submission, they say one of the benefits is to sole practitioners of small law firms, and they go on and they indicate that it's -- the benefit is to the small practitioners and small law firms in British Columbia, and they have addressed all their comments to the lawyers and answering the concerns of the Law Society of British Columbia, not the Law Society of Upper Canada.

So my question is this: Why today, before this matter is heard by the Law Society of British Columbia, which I understand is to be tomorrow, are we asked to consider

this matter? And furthermore, why are we asked to consider this matter before final determination has been made by the application to the B.C. Law Society?

I would have thought that the law school would have been better served to address the issue in one jurisdiction, rather than spreading itself as it has in the multiple jurisdictions, including this one, which I would submit is probably one of the most difficult jurisdictions for them to address, and for that reason, I would like an answer to that question, perhaps in a written response.

TREASURER CONWAY: Well, if I may --

MS. MACLEAN: Treasurer --

TREASURER CONWAY: Ms. MacLean, if I may say, I'm not sure that that's a question that TWU would be in a position to answer, but clearly, the law societies of the provinces and territories have the legislative authority for them to, you know, to determine who can be admitted to their provincial bar, and as I've mentioned before, the policy of this Law Society which was adopted in 2011 was that we would no longer be required in a typical case to examine a particular law school program once the Approval Committee had approved it, but as you will note from the history of this matter, there has been a view that

the national standard omits consideration of the issues that are being debated in the law societies across the country, and despite our policy that we adopted in 2011, the by-law of our Law Society requires Convocation to consider the merits of this particular application and, indeed, allows the Law Society to consider any, the appropriateness of any law degree program.

I'm sorry I can't give you a better answer than that at the moment, but that's the rationale for the application being considered in various provinces at different times.

MS. MACLEAN: Thank you, Mr. Treasurer. I guess the question is they have to go with their application to a particular province, and I'm just, you know, wondering why we are debating this today. That's all.

Thank you for your time.

TREASURER CONWAY: Thank you. Do you have any other points you wish to address, Ms. MacLean, or --

MS. MACLEAN: No, I don't, Mr. Treasurer. That's my question.

TREASURER CONWAY: Thank you. So next on the list is -- but, obviously, if Trinity Western wishes to augment, wishes to contribute to an

explanation of why they're here, certainly, they will have an opportunity to do that if they wish to address that point.

Ms. Symes, can I call on you now. And while Ms. Symes is going up to the podium, I can advise that Ms. Symes will be followed by Mr. Callaghan, and then Mr. Silverstein, and Ms. Murchie has asked to be removed from the list, and Mr. Silverstein is to be followed by Mr. Evans, and then, sorry, Mr. Campion before Mr. Evans.

Ms. Symes, please. Thank you.

MS. SYMES: Treasurer, representatives of Trinity Western University and their counsel, I don't intend to repeat the various questions that were asked. I want to go into a new area and ask my questions with respect to those areas.

I begin, of course, with the decision that we -- is before us that we must make is to be done in the public interest, and part of the informing of that public interest is the statement from the Supreme Court of Canada and Dore, which is that we are to use Charter values, which includes upholding dignity and respect for all Canadians including on the basis of sex, sexual orientation, marital status and religion.

And Tranchemontagne, the Court said to us we must, in

making our decision, interpret and apply human rights legislation and, of course, for us it is Ontario human rights legislation.

Now, I make these remarks as -- this is as an "out" Christian. Sometimes we have greater ease in talking about sex and money, but religion is, in fact, one of our last taboos, and so I say that: I make these remarks as an "out" Christian.

In Canada, there is no hierarchy of rights and so we can't simply say that religion trumps sexual orientation or the other way around. What the Supreme Court of Canada said in N.S. is that when there are competing interests, then the decision-maker must strike a just and proportional balance between freedom of religion on one hand, and freedom from discrimination on sex, sexual orientation, marital status, et cetera.

But what the Court said is, before you enter into the balancing, is first answer the question: Are the competing interests truly engaged on these facts? And if the answer to that is yes, resolve those claims then to try and preserve both rights.

So my question, my first question will be, are the competing interests truly engaged on these facts? So let's look at it from the point of view of freedom from discrimination on the basis of sex, sexual orientation

and marital status.

There is no question, based on the materials before Convocation, that gays and lesbians cannot enjoy sexual relationships even if they are married. The covenant prohibits it. Well, what about the line, "It's okay to be gay, just no sex"? Hate the sin, love the sinner. It's well-established law now for a long time in Canada, beginning first with Vriend, that sexual orientation includes being the person. It includes the right to have sex. It does not merely protect eunuchs.

Okay. So what is this covenant? And I ask of Trinity Western, as I read the covenant, it is not aspirational or merely aspirational or merely theoretical. How on earth could we possibly disagree with an institution that upholds integrity, honour, justice, et cetera, but the covenant, as I read it, and I ask for further clarification, applies not only to behaviour on campus, but also off campus. And here's the kicker: Failure to comply with the covenant invokes discipline up to and including expulsion.

Now, that covenant has changed, as I read it, from the 2001 case involving teachers. So for freedom from discrimination on the basis of sex, sexual orientation and marital status, it is clearly engaged. There is

evidence before Convocation that either actions are prohibited and will not take place, or that there is a breach of the covenant, subject to discipline, the most, of course, powerful one being expulsion.

But what about freedom of religion? My first question is, is it really engaged? On these facts, that is, a law school at a Christian university, is freedom of religion really engaged as the Supreme Court of Canada set out in N.S.? There's no requirement that a person whose personal religious beliefs prohibits abortion must have an abortion. There is no requirement that a lesbian must have sex, even within marriage. No requirement that an unmarried person must have sex.

Freedom of religion, I suggest, in Canada protects beliefs, but when those actions extend to compelling or prohibiting actions of others, that is when there is a conflict.

Now, this is not an application or an accreditation of a divinity school. This is not a code or a covenant to associate, to ascertain whether or not Mary or John or whatever should become a pastor in the Evangelical Church. I suggest, ask of Trinity Western University, that if that were the case before Convocation, that is clearly protected by freedom of religion. Freedom of religion is clearly engaged in a divinity school where

you're selecting leaders for a faith.
But this is a law school, and surely one of its purposes, and if you read Trinity Western's submissions to the Law Federation, it's in part to prepare students to practice law, and that part of it, other than to be done with integrity, with honour, truthfulness and in justice, freedom of religion I suggest may not be engaged.
And so that's my first question. What is Trinity Western's response to the Supreme Court of Canada in N.S. as to whether or not in these particular facts, freedom of religion is, in fact, engaged?
If the answer to that question is yes, let's turn then to the other side, and let's look at those same facts and determine how the Supreme Court of Canada has given us direction in terms of balancing. I suggest that the most helpful direction comes from the Whatcott decision. It's a unanimous decision of the Court in 2013. I think it is the latest pronouncement. It is a substantial change from its prior decisions with respect to limits on freedom of speech and it is, in fact, a different viewpoint of these issues than the BCCT case in 2001.
It involved hate speech provisions of the Saskatchewan Human Rights Code that were challenged on the basis of freedom of expression, s.2(b), but the second part, which is often not referred to, freedom of religion, 2(a).

Mr. Whatcott, clearly a very earnest man, you may have met him at the Canadian Bar Association in Saskatoon picketing out front of the convention centre, he believed, he believes that homosexuals, who he refers to as sodomites, must be kept out of public schools because they provide a risk to school children, and he gave evidence in the tribunal that God is calling him to spread this gospel. This is his mission, his freedom of religion to spread pamphlets throughout Regina, Saskatoon and other places that homosexuals have no place in public schools because it would place school children at risk, and the second part and the smaller part of the Whatcott decision deals with the freedom of religion under 2(a). Now, how did the Court direct that these were to be balanced? The Court said that an infringement of s.2(a) will exist if the claimant sincerely holds the belief or practice that has a nexus with religion, and secondly, the provision interferes with the claimant's ability to act in accordance with his or her religious beliefs. This interference must be more than trivial or unsubstantial, such that it threatens actual religious beliefs or conduct.

Okay. Now, what did the Court do about Mr. Whatcott's belief that homosexuals should not be permitted in the public schools? It said when reconciling the Charter

rights and values, freedom of religion and the right to equality accorded to all residents of Saskatchewan must co-exist.

But they went on to say it doesn't matter whether the expression is religiously motivated or not. If viewed objectively, the publication of these views exposes vulnerable groups to detestation, these are the magic words in the hate provisions, detestation and vilification, then religious expression is captured by the legislative prohibition that is found in the hate provision of the Saskatchewan code. They said Whatcott's freedom "to preach against same-sex activities...and to seek to convert others to his...view" is preserved. His "freedom to express those views is unlimited, except...they [may] not be conveyed through hate speech."

So my question then to Trinity Western: The Supreme Court has said that Trinity Western University is free to believe, to teach, to preach to its students religious beliefs which say that abortion, homosexuality and sex outside marriage are morally wrong, in fact, a sin, but this is a law school. It's not a school of divinity.

And the question really is, why should the Law Society accredit Trinity Western University, which will, as a number of my colleagues have said,

discourage and prevent gays, lesbians, bisexuals and trans, from applying to your law school, but also once there, will subject them to isolation and to discipline, including expulsion, if they act consistent with their true nature. To do so is, in fact, inconsistent with Charter values.

So my first question to Trinity Western, if you can help me: How is freedom of religion engaged? And in having a new law school and in coming to Ontario for accreditation of it, how is your freedom of religion engaged?

And a second question: If freedom of religion is engaged, how does Trinity Western University propose that the equality rights of women, of gay, lesbian, bisexual, trans, and unmarried be preserved, because religion doesn't trump.

Thank you.

TREASURER CONWAY: Mr. Callaghan, I actually -- go ahead. Sorry. Go ahead. I just have written down the wrong "John". I don't think the order matters.

MR. CALLAGHAN: I have three sets of notes here. I have my reading notes, my typed notes and --

TREASURER CONWAY: Whatever one is first.

MR. CALLAGHAN: Handwritten notes I did before I just got up here. This is a difficult issue. It doesn't allow for an easy answer.

I appreciate Bencher Symes, who kindly reviewed some of the case law, because I find in my deliberations that the case law does matter. I -- we are a subordinate administrative body. While we have our own statute, we're dealing with a clash of Charter values. That's what we're dealing with. Any of us can pick your own Charter value and you can say your Charter value is more important than the other, and it's a clash in a secular society when it comes to religion, which is very dangerous, which is something that we, as benchers, need to reflect on.

We need to reflect on what the Supreme Court of Canada has said. In this case, the TWU case before the Supreme Court of Canada, addressed, and Ms. Symes made a very good point which I, too, want to hear from Trinity Western, which is the difference between the covenant today and the covenant then, but did address the covenant, and the Supreme Court of Canada struggled with balancing the two rights, the equality right and the right to religious freedom, not dissimilar to the way we did.

Not so long ago, in November, R. v.

Bedford, the Supreme Court of Canada once again enunciated that precedent matters, that the rule of law and the common law is a precedential system, and that to deviate from precedent, as they call it, on the vertical access, they gave themselves their own horizontal axis, they can do what they want, but on the vertical axis where we sit, you have to have a new argument, as it were, or new facts. Can't be the recasting of an old argument. Can't be a different emphasis on the old argument. So that's why I come back to the Trinity Western case and say there is a clash in values.

It is a clash in values that is perplexing. Because Bencher Symes was nice enough to out herself, I'll out myself. I am a lapsed Catholic. I have faith. I don't have a lot of religion. I could not sign your covenant. I could not sign a lot of that covenant, and yet I hold on to my heterosexuality like I'm holding on to the wreckage.

--- Laughter.

MR. CALLAGHAN: I have hockey cards in the basement. I bring it out once in a while, but I don't do much with it.

--- Laughter.

TREASURER CONWAY: Can we get back to

the matter.

MR. CALLAGHAN: So when one reflects on religion, you know, religion and religious freedoms are really the foundation of Western society as we've fought intolerance. Religious freedoms were hard-fought.

Canada is somewhat unique in a country, in a fathering land of at least the English, with the Act of Union and the prejudices that went on, we were a country that actually did not have a state religion, and yet we have religious intolerance. Ms. Hare spoke of religious intolerance, religious intolerance by the religious, but also by society.

But at the end of the day, religion is a set of beliefs, your individual beliefs. They are what someone at their core believes. We accept, and the Supreme Court of Canada in the TWU's case accepted that believers can congregate amongst themselves in a private institution like TWU. They can congregate. They can be amongst themselves, and, in fact, they can exclude. That's what the TWU case says. They can exclude because they want to gather amongst themselves and their own like.

That's something that's so profound that this body ought not to interfere. Their covenant to allow people in or out is something that they have to decide amongst

themselves.

The question then becomes what can they do when they congregate? Someone earlier said that we don't have a history of religious post-secondary school, but that is not entirely correct. One only has to go to the University of Toronto to see St. Mike's, to see Trinity. Go to London and see Huron and Kings. Go to Windsor and see Assumption.

Religious education at the post-secondary level is part of our Canadian Heritage, has been and continues to be what occurs. Do they all have them sign covenants? No. Do they require believers? Not all. I suspect most don't, but that's not the point. The point is, education as a religious extension is part of the religious beliefs and that's also part of what the Supreme Court of Canada found in TWU when they dealt with the teacher's college. So once you accept that they can congregate and they can educate, and they can go on and they can do that, and they can exclude, as they've done, the question is what's next? Where do we sit? The question is, and again, I'm saying this because I don't think this part of the page has been set out, so this is not because I've come down on a view. It's because I've thought of a view and because I ask for assistance. As I said, Ms. Symes' discussion is very apt. In fact, I stopped writing my

fourth set of notes when she spoke, but it is an issue that I think that the TWU case dealt with.

In that case, it was whether or not the B.C. College of Teachers would accredit the TWU students, and they undoubtedly had, we don't have a record of their debates, but they undoubtedly had a significant debate. Their debate ranged from the B.C. Human Rights Code to the Charter, and it said and their decision was:

"Both the Canadian Human Rights Act and the B.C. Human Rights Act prohibit discrimination on the ground of sexual orientation. The Charter of Rights and the Human Rights Acts express the values which represent the public interest. Labelling homosexual behaviour as sinful has the effect of excluding persons whose sexual orientation is gay or lesbian. The Council believes and is supported by law in the belief that sexual orientation is no more separable from a person than colour. Persons of homosexual orientation, like persons of colour, are entitled to protection and freedom from discrimination under the law."

That was the decision, the very decision which is -- sounds like much of what I've heard today that the Supreme Court of Canada was considering.

As I said, they went on and they talked about the right

of religious freedoms and the right to congregate and the right to have an educational ability. I should add, in case people believe, and I am not sure, I'm open to being persuaded, but I don't quite see that the public interest in teaching is different than the public interest we have, and I don't think that that public interest, making sure our children are educated in a secular society with the tolerance of a secular society, is any different than our rule of law at that level, and the Supreme Court of Canada acknowledged that's -- they didn't talk about, obviously, what we're doing, but said as much.

But what the point was, the point was, and again, we're all looking at the same orb, and it's how we turn that orb, how we view the question, and if we accept that they can congregate, and if we accept that they can educate, the next question is, where do we fit?

And the Supreme Court of Canada, again back in the TWU case, said:

"It cannot be reasonably concluded that private institutions are protected but that their graduates are de facto considered unworthy of fully participating in public activities."

And so I need help understanding, and I can look to TWU, I can look to the other speakers who have spoken today, and I'm sure there are many smarter,

wiser, who have better notes than I who can help us on this, but are we not limiting the participation of those who have the right to congregate in accordance with their beliefs, who have the right to educate them in that while congregating, to participate in our society?

It's an issue that perplexed me because all these freedoms were hard-fought. Freedom of religion was fought over centuries. Same-sex battles have been fought over centuries. In fact, there are more people with scars on the same-sex fight than there are religious fight at the moment. It's a more open and raw issue. And I fear sometimes when I listen to the debates here that we are taking on an enormous responsibility in reorientating what we see is the balance between our Charter values. That's what I -- I'm concerned that we don't have, and I mentioned this to someone earlier, a record that would sufficiently allow us to do what we're about to do.

I mean, I personally would think a wiser choice would be to allow Mr. Ruby to go through his application and see what the law is. Now, some would say we're chickening out. I could give you my conditional vote after the debate and then wait. That doesn't make a lot of sense. Not going to be graduates

from TWU for three or four years, but this is an enormous issue that we are grappling with.

I look for guidance in the TWU case. I actually saw the similarities as unassailable, but that's something I can be persuaded, and Ms. Symes did a wonderful job distinguishing certain elements and I'm sure, come the next attendance, I'll hear others and I thank her for that.

But I still am not there. I think the balance the Supreme Court of Canada struck is something that we have to be very, very leery to unstrike, and I think we also have to -- I just -- and I don't know whether the record today will be sufficient.

Just one last word: I do not ask you to change your covenant. It's your covenant. You do with it what you want. I don't agree with it, I won't sign it, but I'm not asking you to change it. For me to ask you to change it would be for me to ask you to change your belief. That, obviously, is exactly the issue that we're here to talk about, whether you have to change your belief and whether the adherents of your belief, educated in accordance with standards that have been promulgated by the Federation are allowed to participate in the Society because we, at the moment, are the gatekeepers of who gets to participate in society.

I say all this waiting to hear an answer, waiting to have some enlightenment, and I have to thank everybody who's spoken because it has helped me, but I'm afraid I'm on my fifth set of notes, so I'll probably be back here on the 24th with volumes of notes, but thank you.

TREASURER CONWAY: Thank you, Mr. Callaghan.

Before I call on the next speaker, I regret, am very saddened to have to inform Convocation that Ex-Officio Bencher and former Attorney General of Ontario and former Minister of Finance James Flaherty has died in Ottawa, and we -- at the age of 64. We are, obviously, very saddened at hearing the news of the sudden death of a colleague of ours, someone with whom, despite whatever political differences we may have had, I think I can speak on behalf of Convocation when I say that Mr. Flaherty was a true public servant and devoted himself to public service as a lawyer, as a politician, and as a minister of the Crown, and I'm deeply saddened as I'm sure we all are at hearing this news, and we extend our sincere condolences to Christine Elliott, his wife, MPP Christine Elliott, and his family, and our thoughts and prayers are with them at this time.

So now, Mr. Campion. Mr. Campion, followed by Mr. Silverstein.

MR. CAMPION: Treasurer, and to the benchers in Convocation, this debate is not a matter of personal preference of conscience. We have been provided with a legal process and deliberative context in which to make an objective decision.

For that expert advice, we are much obliged to the Treasurer, the Law Society staff, our legal advisors, and those of Trinity Western, the Federation of Law Societies, and many, many helpful intervenors.

May I join those benchers who spoke before in welcoming Trinity Western University representatives here today. I hope it cannot go unnoticed that you are here among friends, and so we have discovered close friends through association.

As lawyers, paralegals, and citizens, freedom of religion and education are important values that, in one case, we are sworn and in the other case, choose to uphold and greatly value. Diversity is a value that includes Trinity Western. The debate is not about individualized opinion. It is a debate centered on a community covenant requirement for law school admission at Trinity Western and, therefore, accreditation by this Law Society in Ontario of a program that includes the covenant.

If the covenant is exclusionary, it must be reviewed as

an admission criteria or policy that impacts on our accreditation in Ontario. If the exclusion is based upon sexual orientation or personal intimate practices, it must be judged against our analysis of the public interest in Ontario.

My present analysis is that the public interest is overwhelmingly in favour of eliminating all exclusion, direct or indirect, based on sexual orientation or private, intimate practices.

If, as I am presently persuaded, that the Trinity Western law school admissions policies are based upon direct or indirect exclusion, or feelings of exclusion, based on sexual orientation, we at the Law Society are objectively obliged to refuse accreditation.

This is not primarily about freedom of religion. This is centrally about fundamental human rights, most importantly, sexual orientation. As an objective decision-maker, I will continue to listen, and review any Trinity Western material and other responses to this debate.

As a matter of process, may I respectfully disagree with one point made by Mr. MacKenzie. If Convocation concludes that the community covenant requirement is discriminatory and not saved by freedom of religion, and accreditation is therefore

refused, Convocation should not grant some form of conditionality. That would be a derogation of our decision-making authority. While Trinity Western could abandon its covenant or seek to amend it, it should only be permitted to do so in the context of a new application.

Trinity Western should not be granted conditional approval to amend the covenant to meet what it may perceive to be existing impediments to the Law Society of Upper Canada accreditation.

I'm much obliged.

TREASURER CONWAY: Mr. Silverstein. MR. SILVERSTEIN: Thank you very much, Treasurer. When Jose Bautista hits the ball 400 feet at the Rogers Centre, it's going over the fence, the manager of the opposing team can't run up and say, "Move the fences back. Move the fences back." If a Toronto Maple Leaf hockey player were to shoot the puck into the net, the opposing coach cannot say, "Move the goal post back. Move the goal post back." And the same thing in football. You don't change the yardsticks in the midst of the game. And that's what I fear is happening today. We're losing track of what we're here to decide.

The TWU application was approved by the B.C. Quality Assessment Board, and it was approved for

meeting all the criteria, the quality assessment criteria. The application was also approved by the Federation of Law Societies. Thirdly, a special advisory committee was struck that also gave its approval.

What I've been hearing today is superimposing new criteria, new criteria on what has already been approved, and that is the issue of non-discrimination. Perhaps the Federation and the B.C. Quality Assessment Board and all other approving bodies should have taken this into account earlier and maybe they will in the future, but we have a situation where the application has met all of the criteria and we, as lawyers, following the rule of law, should acknowledge that they have done that and not superimpose new conditions at the last minute dealing with non-discrimination.

Much of what I've heard today is talking about discrimination in the name of equality. Think about it. Discrimination in the name of equality. That's what you're ultimately going to be deciding upon, whether that is appropriate or not.

TREASURER CONWAY: Thank you, Mr. Silverstein. Next on the list is Mr. Evans.

MR. EVANS: I'm grateful to have our three representatives here from Trinity Western. I've

had the opportunity to speak to President Bob Kuhn and also to Janet Buckingham, and I appreciate those opportunities.

Thank you, Treasurer, for convening this excellent Convocation. I can't help but feel proud as a Canadian and as a bencher to partake in this intellectual, intelligent conversation. My participation is not as good.

Canada is a fabulous country. How fortunate we are to be part of this country, but we do have blemishes. I salute Benchers Susan Hare and Avvy Go for their forceful presentations. My heart goes out to our First Nations and Chinese Canadians who have endured such suffering. Let us not take our privileges and freedoms for granted, but may we learn the lessons of our history.

In my view, sexual orientation has nothing to do with religion. Homophobia has no place in the Christian faith or in any civilized society. Jesus never said or taught anything which was in any way homophobic. His teachings are grounded on inclusivity. To me, one of his most important teachings is that we should be non-judgmental.

I am a member of the United Church of Canada. The Moderator of the church is a minister who is in a same-sex marriage. Thousands of Christians, including many clergy, are in same-sex marriages. Religion is

dynamic. It is rapidly evolving, just as society is evolving and we as individuals are evolving. The members of the churches of 1950 or even 1980 would hardly recognize the institutions of today.

Religion and society will no doubt continue to evolve, perhaps at an even more rapid rate. When the idea of same-sex marriage first arose, I was skeptical. When the concept was recognized by the legislation, I accepted it. I now celebrate it as it allows people to live their lives in a way that is true to themselves. I expect that many of us have gone through or will go through this evolution in our thinking.

I should make a caveat here in my remarks to mention that our eldest daughter attended and was a student at Trinity Western University and she received an excellent education and great experience. Trinity Western emphasizes the importance and virtue of morality. I suggest these standards are equally important to the heterosexual and homosexual communities.

Gays and lesbians do form part of the student community at Trinity Western, and I think we've been given the mistaken impression by some speakers that they've been barred. That is not the case. They are accepted, they are cherished and they're treated with equality and respect. They are there because they

want to be there.

In a recent message from President Robert Kuhn, and I hope you don't mind me quoting your words because I don't want you to be too shy to say them yourself, but Bob Kuhn says, and I quote:

"The essence of Christian values is found in Jesus Christ, who taught us to demonstrate love and respect for all people at all times, regardless of their faith, the colour of their skin, or their sexual orientation."

The Trinity Western covenant asks students to respect the traditional Christian and societal definition of marriage as being the union of a man and a woman. I respect this traditional view of marriage and I also respect same-sex marriage as permitted by recent legislation.

I do not disagree with the covenant, but I do understand that gays and lesbians would feel excluded by the covenant. I have, therefore, suggested to the president that the covenant be amended or expanded to respect Christian marriage as a union between two people, or simply to respect marriage, and I diverge a bit from Bencher Callaghan in making this suggestion.

In Rotary, we have a saying. It's really a line in a Rotary song. "When something is wrong, let us straighten it out." We try to repair the fault, not destroy the

situation.

I anticipate that if the covenant is amended, such a change would have a positive impact for all students at Trinity Western, including the potential future law students. I acknowledge that there are differing points of view in dealing with challenging issues.

It is my hope that discrimination will continue to diminish in Canada with the worldwide lessons derived from the horror of the Holocaust in World War II, and peacefully through our Charter of Rights and Freedoms which is becoming more and more a reality in the everyday lives of Canadians.

Is Trinity Western University a perfect institution? No, it is not. Are there any perfect institutions? No, there are not. I believe there is room for improvement for all of us as individuals and for all institutions.

I sincerely hope that we all, working together to share our varied opinions, will achieve a result which is satisfactory to the legal community, the Christian community, and the university community including all the students. To do what we can to benefit the students makes our efforts worthwhile.

TREASURER CONWAY: Thank you, Mr. Evans.

Mr. Bredt, followed by Ms. Boyd, who is presently the last speaker on the list. I'm not encouraging other people. We'll go to the phones after Mr. Bredt to see if there's anybody on the phone that wishes to add to the discussion. Mr. Bredt, please. MR. BREDT: Treasurer, fellow benchers, and our visitors from Trinity Western.

Like many of you, I have found this issue to be a very difficult one. My starting point is my own strong personal view that discrimination against individuals based on their sexual orientation is wrong and should not be supported.

And in this regard, I've acted pro bono on a number of important cases. I acted in the M. and H. case, and my friend Andrew Pinto and I brought a case involving access to the health care system for lesbians and so forth. So the first right at issue here, the right not to be discriminated against based on sexual orientation is one I strongly believe in.

The second right at issue, the right to freedom of religion, is a right that I have to confess I personally have less affinity for, but perhaps because I'm not a religious person, and so for me, at the outset, the easiest approach to this issue would have been to simply go with my heart and take the position that

discrimination based on sexual orientation is wrong, and we should not accredit, but I'm not there yet. I'm struggling with this issue. I have to be frank with Convocation. I am struggling.

I'm struggling with the breadth and the scope of religious freedom. Religion is protected in the Charter, both under s.2(a), freedom of religion, and under s.15. The same rights that we're talking about here, the rights of sexual orientation, in the same section, they expressly protect freedom of religion and it's a right not to be discriminated against on the basis of religion.

Now, the rights of the Charter are not absolute. It's important to note that both s.2(a), freedom of religion, and s.15, are subject to s.1, and s.1 says that there are reasonable limits prescribed by law that can be reasonably justified in a free and democratic society. So although we recognize both, the rights to non-discrimination on the basis of sexual orientation and the right to freedom of religion, both of those can be restricted under s.1.

When I look at Trinity Western University, I say it clearly discriminates on the basis of religion. I mean, I wouldn't go to this university. I'm not of the Christian faith. It discriminates against people of the Jewish religion. If you're a devote Jew, you would not

go to this institution.

And incidentally, what I would say, it, as an aspect of the claim, it discriminates on the basis of sexual orientation and marital status, but it clearly -- the whole notion of a religious institution is that people are entitled to get together on the basis of their faith in religious institutions and in educational institutions.

And when you look at religious institutions, many of them are accepted in our society. We have Jewish day schools. People of the Jewish faith are entitled to send their children to be educated in a Jewish environment in the Jewish faith, and they're entitled to exclude people of the Muslim religion or the Christian religion, and from that sense, they're discriminating on the basis of religion.

So an element of religious freedom carries with it the ability for people of the same faith to get together on a faith-based basis and to exclude from those institutions people who don't share the faith and to discriminate against the people of those faiths on that basis.

And what I need to understand more here are what are the limits within which TWU is entitled to discriminate on the basis of religion? I'm troubled by the examples. I have to say I'm very troubled by the examples that Linda

Rothstein gave us. If there was a religious institution that discriminated against their adherents on the basis of race, I don't like that. If there is -- Ms. Rothstein talked about a yeshiva that separated men and women and said, you know, they can't study together. I don't like that.

Ms. Minor suggested that it's okay to discriminate at the primary or the secondary levels, but colleges and universities are different. I need to understand why. I need to understand why in law we can draw those kind of lines.

And so my first question here, and I say this honestly as someone who is struggling, and I am struggling with these issues, they're not easy issues, what does Trinity Western say are the limits on the scope of freedom of religion, and how do they fall within those limits? That's my first question.

The second issue that troubles me about this, the question we have before us now, is what we do as a Law Society if we choose not to accredit Trinity Western and a graduate of Trinity Western applies to our licensing process.

At present, when a graduate from an unaccredited institution applies to us, he's directed to the National Committee or she's directed to the

National Committee on Accreditation, and as I understand it, I haven't participated in it, but my understanding is what the National Committee does is they look at the substantive law that was studied and make a determination whether that are [sic] the same topics that we require accredited institutions in Canada to study.

So if you studied in France and you studied the civil law, but you didn't study the common law, you'd be directed to go away and to study the common law. If you didn't study Canadian constitutional law, you would be directed to go away and study Canadian constitutional law, but I don't believe or understand that the National Committee process makes any inquiry into the law school or the legal institution where the studies take place and determine whether those institutions discriminate on the basis of religion or other factors, because the decision we make here today, it seems to me, if we're going to say that you cannot -- we will not accredit a religious institution, because to me, it's additionally offensive here that the religious institution discriminates not only on the basis of religion, but there's a religious tenet that suggests, "Well, we're going to discriminate on the basis of sexual

orientation and marital status," but when we come back to it, essentially, I think what we are getting at here is that we would not accredit a religious institution because by definition, a religious institution is going to be discriminating against people that are not of that faith.

And the arguments that we're making about access, those arguments apply equally to people who are not of the Christian faith. Not only are people from Trinity Western who are of the same-sex orientation would not be comfortable there, someone who is of the Jewish faith or Muslim faith would not be comfortable there either. So I -- there is multiple grounds of discrimination here.

So when I come back to my point, which is the question of what we do with the NCR [sic] process, I don't believe that we make inquiries into it.

And so my second question, and this is in part to Trinity Western, but also in part to the people here who are more familiar with the process than I am, is that if we refuse to accredit, does that mean that a graduate of Trinity Western is in a worse position than a graduate of a religious school from outside of Canada?

So if someone applies for an accreditation process from a

faith-based institution outside of Canada, as I understand it, they go to the NCR [sic] process, there's no inquiry made into the fact that it was a faith-based institution, and they get admitted to our process. Is that what's going to happen to a Trinity Western student, or is a Trinity Western student essentially going to be denied entrance entirely?

My next question: If the National Committee were to inquire into the religious nature of the institution and deny access to our licensing process, would that itself constitute a breach of freedom of religion? And I raise this question because it seems to me that one approach that the National Committee could take is to say, "You're right, Mr. Bredt. We should be making these inquiries, and we should have a different standard for people that come from religious institutions in Canada than we would have for people who come from religious institutions outside of Canada," and I say if they start making those inquiries, do those inquiries themselves violate freedom of religion?

And my last question is: If we deny accreditation to Trinity Western and its students are in any event able to gain access to our licensing process, and in a discussion I had with Ms. Rothstein which has got me thinking, Linda, thank you, these are not easy issues, what she

suggested to me was yes, these people -- let's not accredit because we're participating, we're giving sanction to discriminatory conduct by accrediting, and I have a concern that she may well be right in what she says, but then what I say is that if we refuse accreditation and the students graduate and they come to the NCR [sic] and the NCR says, well --

TREASURER CONWAY: NCA.

MR. BREDT: Sorry, the NCA, and the NCA process might -- "You studied all our topics. You don't need to do anything. Come on in to our licensing process," then what I ask is, is that approach to the problem itself in the public interest? And it may well be, but I think it's something that we need to think about here as we grapple with these difficult issues. I thank you, Treasurer.

TREASURER CONWAY: Thank you, Mr. Bredt. I'm going to go to the phone right now and just see if there's anyone on the phone that wants to be added to the speakers' list.

Is there anyone on the phone that wishes to be added to the speakers' list at this time, considering that there's one speaker left on the list at the moment?

MR. WRIGHT: Yes, Treasurer. Brad

Wright.

TREASURER CONWAY: Okay. So Mr. Wright, I'm going to let you go right now. Mr. Wright, you're on.

MR. WRIGHT: Thank you. In my high school yearbook, it said that my probable destiny was Pope Brad the First. I don't think that will surprise too many of you.

If we allow religious freedom to trump other rights, then no other rights can be protected. There are no protected rights that cannot be sidestepped or sidelined under the guise of religious freedom.

I think Mr. Mercer made a telling point when he pointed out that we should not allow discrimination to occur at one removed from us when we, as the Law Society, would not allow that discrimination ourselves. If we allow the discrimination to occur at one removed from us, there's no end to it. There is no end to it. What religious freedom means is freedom of your own conscience. That's not the same thing as imposing it on others.

It is incongruous that law students, who will become members of a law society in Canada where they are required to respect and uphold laws, to sign a covenant wherein they thumb their noses at some of the

most hard-won and important laws in the land.
Now, for thousands of years, religions held that it was perfectly justifiable and proper to engage in human sacrifice. It was, for hundreds of years, it was perfectly proper to ignore the commandment "Thou Shalt Not Kill", and burn heretics at the stake. For hundreds of years, religions held, in the face of scientific evidence to the contrary, that the sun revolved around the earth.
No problem in believing that the sun does revolve around the earth. There's no problem in believing that other people are heretics. The problem arises when you impose your religious views on other people to their great harm. When two freedoms bump up against each other, we need to come down on the side of the freedom that does the least harm and the freedom, the protected right that does the least harm in this circumstance is the one that prevents institutions, particularly legal institutions, from discriminating against other protected rights.
Now, I missed part of it, so if this point has been made, interrupt me, but the very finest Treasurers that the Law Society has ever had, one of the very finest human beings I've ever known would not have been allowed to go to that university. That's in a word ludicrous.
We'd like to think that we're independent actors, but the

reality is humans and human societies obey the laws of physics. It's our hubris that thinks we don't. Biologically speaking, embryos all start off female. If X chromosome is present, then at about the six-week mark, the embryo receives the chemical bath which converts about 52 percent of them into males. That's an extra step. It's a complication. As a result, there is a slightly larger number of male embryos that miscarry because of this extra complication.

By the way, it's the last time men are more complicated than women. Born, we become much simpler than they are, as they well know.

In any event, if something goes slightly awry at that moment of the chemical bath, well, you could end up with a live birth featuring somebody with female sensibilities and male genitalia or the opposite, and our First Nations' lovely expression that describes somebody in that situation: Two-spirited. They can no more choose their sexual orientation than anyone else can. As the song says, they're born that way, and it is grossly unfair, it is the fight of the past to discriminate against two-spirited people.

I favour religious freedom. I favour freedom of conscience, but that's an individual thing. We should not be accrediting an institution, a legal institution

that will promote, sustain, spread discriminations that we have relatively recently in our history successfully fought.

Thank you very much.

TREASURER CONWAY: Thank you, Mr. Wright. Ms. Boyd, you have the last word.

MS. BOYD: Thank you, Treasurer. However, you may see more after I've spoken.

I wanted to say how glad I am that you folks are here with us and actually hearing this conversation because I think it shows you and the rest of the public how very seriously we take this matter and how much it affects our own consciences that we are really searching for the right answer for us as an organization, and I certainly am among those who is terribly torn about this situation. As many of you know, my history is as someone who has been very definitely actually on both sides of this argument at different points in my career. So when I'm listening this morning, I'm getting this awful dj vu of the whole situation when I dared to say that I, the attorney general, would not support the law of Ontario that forbade the adoption of children by same-sex couples.

I can tell you the ministry was somewhat dismayed. I can tell you my political colleagues were

somewhat dismayed, but I had taken an oath as attorney general, as you do in Ontario, that the main consideration would be the consideration of supporting and maintaining the constitution of Canada.

I didn't have very many friends that day, I can tell you, and as it went on, it only got worse because by the time it got to the Supreme Court, Mr. Justice Lamarre was so outraged by my behaviour in not supporting our own law that he actually appointed an amicus to support the law at the Supreme Court.

And it wasn't until some four or five years later, I've forgotten the exact dates, we'd long left government, I'd long ceased to be a Member of Provincial Parliament, that the Supreme Court indeed said that was right, that we could not support that law, and it was, indeed, unconstitutional. So Mr. Schabas talked about his scars. I've got a few from that case.

And then about ten years later, I was asked by the Ontario Government to look at the whole issue of religious arbitration and cases of family law, and I was strongly criticized, I have scars probably even deeper, from my feminist friends who felt that women's rights obviously trumped religious rights. So I know how difficult this is personally, and it continues to be a difficult issue for me.

I'm also going to "out" myself as a religious person. I don't suppose it's very surprising that those of us who continue to be religious people, and are here talking on this, are members of the United Church of Canada.

--- Laughter.

MS. BOYD: Not a surprise to any of you. We continue to struggle with it.

TREASURER CONWAY: Mr. Callaghan, I think, is a member of a different --

MS. BOYD: Well, he said he was lapsed. We're not.

--- Laughter.

MS. BOYD: So, you know, I don't think it counts quite the same way, Treasurer.

TREASURER CONWAY: Your view on that.

MS. BOYD: We have struggled in our denomination for many, many years over these issues, so none of these arguments are new to us in terms of our own personal lives and the kinds of things that we've had to face within our own families, within our own congregations, within our own churches. So there's -- we're probably more used to talking about them publicly than people who haven't had that experience.

I'm going to ask you a couple of questions that I'd like answered when you respond to us because they are really

based in that experience.
If, as a religious person, I believe that God created us all and that God loves us all, then what do I make of a human institution that tells people they can't be who God created them to be? I have a problem with that, and I don't see anything in your materials that helps me with that. So I'd like an explanation for that.
And I would say to my colleagues who may not be as familiar with these religious arguments, that I really refer you to page 110 of the BoardBooks, which is in the dissent on the BCCT case from Madam L'Heureux-Dube, who those of you who know Claire know that she's fond of saying, "Well, when I dissent, the law changes in 10 years," and I want to read you a couple of things out of her dissent.
At page 110 of BoardBooks, section 69, of the decision, she says:

"I am dismayed that at various points in the history of this case the argument has been made that one can separate condemnation of the 'sexual sin' of 'homosexual behaviour' from intolerance of those with homosexual or bisexual orientations. This position alleges that one can love the sinner, but condemn the sin. But, in the words of the intervener EGALE, '[r]equiring someone not to act in accordance

with their identity is harmful and cruel. It destroys the human spirit. Pressure to change their behaviour and deny their sexual identity has proved tremendously damaging to young persons seeking to come to terms with their sexual orientation'... The status/conduct or identity/practice distinction for homosexuals and bisexuals should be soundly rejected, as per Madam Justice Rowles," in the original appeal decision. And she quotes her at paragraph 228:

"'Human rights law states that certain practices cannot be separated from...a condemnation of the person'... She added that 'the kind of tolerance that is required [by equality] is not so impoverished as to include a general acceptance of all people but condemnation of the traits of certain people'... This is not to suggest that engaging in homosexual behaviour automatically defines a person as homosexual or bisexual, but rather is meant to challenge the idea that it is possible to condemn a practice so central to the identity of a protected and vulnerable minority without thereby discriminating against its members and affronting their human dignity and personhood."

So I need more information from you about how, in the religious context, you reconcile these two positions. I really need to know that because I'm not seeing anything

that helps me and I realize that a lot of your presentations may well have been designed for a non-religious audience and that everybody is going to be interested in that, but I'm certainly interested in that, so I would like to know how you square that.

The other issue is that, of course, we talk only about sexual orientation as a ground, but my understanding, my reading of the community code is that it equally condemns fornication and adultery.

Well, I actually would have thought that might have posed a greater issue for us in some ways because although there are certainly thousands and thousands of lawyers across Canada who subscribe to the notion of faithful, monogamous, opposite-sex marriages, there may even be some in this room --

--- Laughter.

TREASURER CONWAY: Anything's possible.

MS. BOYD:

They can do that. That is their choice that they can exercise and do exercise and defend in every aspect of their lives all the time. Nothing is to prevent people from doing that. And nothing would prevent those who attend Trinity Western from, who truly subscribe to that belief, from following that behaviour as well.

But as I understand it, if you sign this

community covenant, which you are required to do each year, all of those behaviours are not allowed, and as I understand it, people may be subject to expulsion as the extreme penalty there. I need more information about that. I need to know whether a second-year law school who goes away somewhere for a world experience in the summer and comes back and as a result of those experiences, for any of those grounds, finds they cannot in good conscience sign the covenant, have they wasted two years of legal education?

I'd like to know what happens to them and what is the process that Trinity Western would go through? I need to know there's due process for people. I need to know what happens there? And I don't have any information about that. So I'd like to have that information.

The second, the next point I want to make, and it's really for me a very important issue, is this issue of religious rights versus public interest, and again, Madam L'Heureux-Dube speaks about the public interest in a very interesting way, and she talks about, again, Madam Justice Rowles.

So at page 102 of your BoardBooks at section 56, she talks about BCCT's public interest jurisdiction being carefully described, and she said:

"The 'public interest' is not to be

defined nebulously but in relation to the particular policy interest that the [BCCT] has jurisdiction over, that is, establishing in the public interest standards for the education, professional responsibility and competence of its members who teach in public schools."

And she goes on to quote the Act to a certain extent. And it says, as some of our members have:

"The BCCT fulfills the role of gatekeeper to the profession of public school teaching and is responsible for ensuring that its members meet the expertly determined requisites for qualifying to teach in the classrooms..."

And she goes on to say, section 57:

"Statutory interpretation of the BCCT's 'public interest' responsibilities should be purposive, not nebulous. As the Manitoba Court of Appeal stated in Lindsay v. Manitoba... 'The meaning of those words, neither precise nor unambiguous in themselves, must be construed in the context of the statute in which they are found'. Philip J.A. went on to observe that: 'I think there can be no doubt that the determination of what constitutes the public interest is not "a matter of policy" entirely within the jurisdiction of the Board, nor is it a finding of fact. It is the

formulation of an opinion and, when acting within its jurisdiction, it is a determination within the exclusive...jurisdiction of the Board'."

The most persuasive argument I heard today was Malcolm Mercer's argument about our jurisdiction and our jurisdiction as the Law Society to determine in terms of core values what the public interest was.

Public interest is not defined in our Act. Every day, we have to make determinations of what the public interest is with respect to the jurisdiction that we have, and this is a very similar kind of an issue, and so if we look at that and our jurisdiction, we get a better idea of what our responsibility is in making this very difficult decision.

So I would point out that there's a very big difference between our jurisdiction and the Federation Approval Committee's jurisdiction. The Federation Approval's Committee jurisdiction gets its jurisdiction from the policy that our Law Society and other law societies pass, okay, but their jurisdiction is not with respect to the public interest in the way ours is. They do not -- they did not, and I want to be very frank, I believe very strongly, that the Federation Approval Committee did not have the jurisdiction to deal with the public interest issue. It only had the jurisdiction to deal with the

educational program that was being presented according to how we and other law societies had set it out for them. Similarly, I'm interested in Mr. Bredt's discussion about the NCR.

TREASURER CONWAY: NCA.

MS. BOYD: NCA. I'm sorry. He said it so often. It's a kind of cash register. Now, I understand.

--- Laughter.

MS. BOYD: NCA. Again, what we did as law societies was pass a policy, pass jurisdiction to the NCA that they would make decisions about how they were going to judge applications from people who went through law schools in other jurisdictions. Okay. That's their jurisdiction.

Their jurisdiction, unlike ours, doesn't require the kind of scrutiny that we might want to make as a Law Society into accreditation. Their jurisdiction is much more similar to the Approvals Committee jurisdiction, to actually look at the courses, look at the program, and see whether, in fact, the elements are consistent with what people need to know.

So I think we have to be careful about comparing apples and oranges, and it would be lovely, given the confusion

that you've been hearing, all this, and the struggle that we're all having, it would be lovely if we could pin on one thing, that we don't have to worry about the public interest in this case because somebody else has it, because, in fact, when it comes to accreditation, only we have the jurisdiction to decide what is in the public interest.

And so any arguments that suggest somehow we can wiggle out of that I would suggest are not correct, and I would suggest that we all are going to have to search our hearts very carefully around where the public interest action lies and where it doesn't here, and I don't for a moment assume that we're all going to end up in the same place. I would be awfully surprised if we did, but I do think we all have to do that work.

And I'm really hoping that the questions that we've raised today here and the answers that we can expect from TWU, both in writing and orally next time we meet, will help to clarify some of those issues for us so that we have the kind of information on which to base a responsible decision under our jurisdiction.

Thank you, Treasurer.

TREASURER CONWAY: Thank you, Ms. Boyd. No one else has put up their hands, so that concludes the speakers' list. I just want to say a few things in

closing.

MR. LERNER: Treasurer, a point of order. We would be remiss, this Convocation, if we did not express to you our deepest condolences of your recent loss of your father. I believe that all of us here know of the close relationship that you enjoyed with your father, and we recognize similar events as they occur in our bencher family, and I rise on behalf of us all.

FROM THE FLOOR: Here, here. Here, here.

TREASURER CONWAY: Thank you.

Before we adjourn today, I would like to remind benchers once again of a number of procedural matters.

Benchers are all aware that benchers of the Law Society of British Columbia are meeting tomorrow, April 11th, to deliberate and vote respecting the Trinity Western University matter. The Law Society of British Columbia will be the first of four law societies to do so. Our Law Society will be the second on April the 24th, followed by the Nova Scotia Barristers' Society on April 25th, and the Law Society of New Brunswick on June 27th.

Given the continued interest surrounding Trinity Western

University's accreditation, you may be asked your opinion on the issue and on the decisions of other law societies, not speaking on behalf of the Law Society, but speaking as individuals.

As I said at the beginning of Convocation today, benchers should refrain from expressing their views or considering any additional submissions they may receive following today's Convocation. They must also, I would ask you, I would ask you to also refrain from reaching a final view until Convocation makes its decision on April the 24th. As the spokesperson for the Law Society, I will continue to explain to the profession and to the public the various steps we are taking to ensure that our decision-making process is open, is transparent and is fair. I would encourage you to do the same.

We invited written submissions from all interested parties. Those submissions are available on our public Web site, and were provided to Trinity Western University. Today's Webcast is archived on our Web site, and the transcript of Convocation will be posted on the Web site.

The transcripts of today's proceedings will be circulated, and I remind benchers that in order to vote, you must be in attendance personally or by phone for

Trinity Western University's oral submissions on April the 24th at 9 o'clock a.m.

Convocation, as I mentioned earlier, TW University will be given the opportunity to respond to the points raised by Convocation today on April the 24th.

Convocation will reconvene on April the 24th to make a decision on the Trinity Western University application.

And before I adjourn, Mr. Porter has asked for leave to make a few comments about the late Honourable Mr. James Flaherty. Mr. Porter.

MR. PORTER: This has been a very special day. Glorious to me. Worry. Been acrimonious. It's been elegant. On this day, Jimmy Flaherty died.

I just wanted -- we're like a Parliament, and all things happen throughout a day, and so somebody dies. I don't want the words about Flaherty to wait for two weeks.

I just have two reminiscences, two reminiscences only. One, he was attorney general for a little, and Ian Binnie came to speak to The Advocates' Society, and as you know Binnie, he has a seesaw voice. Flaherty was short time attorney general:

"Wow, I see Jim Flaherty. The first time I met Jim Flaherty, he was a slip-and-fall lawyer

for Whitby."

--- Laughter.

MR. PORTER: A Court of Appeal judge told me that when Flaherty was in private practice, after not being in politics for a little, he appeared twice in two days, arguing a commercial contract of insurance that was very complex, and that judge, just recently retired, said it was the most able, sophisticated argument they had ever heard. That's what he thought.

So that's a side of Mr. Flaherty which you might not expect. The side that we should remember was that he grew and evolved and was quite special.

TREASURER CONWAY: Thank you, Mr. Porter.

We are adjourned until April the 24th. Thank you, Ladies and Gentlemen.

--- Whereupon Convocation adjourned at 3:25 p.m.

I HEREBY CERTIFY THE FOREGOING
to be a true and accurate
transcription of my shorthand notes
to the best of my skill and ability.

_____

Shari Corkum, CSR

Beverley Killen, CSR

Computer-Aided Transcription

Cases Referenced At April 10, 2014 Convocation

(in order of presentation)

Baker v. Canada (Minister of Citizenship and Immigration), [1999] 2 SCR 817
Trinity Western University v. British Columbia College of Teachers, 2001 SCC 31, [2001] 1 SCR 772
Bob Jones University v. United States, 461 U.S. 574 (1983)
Halpern v. Canada (Attorney General), 2003 CanLII 26403 (ONCA)
Roncarelli v. Duplessis, [1959] SCR 121
Reference Re Same-Sex Marriage, 2004 SCC 79, [2004] 3 SCR 698
R. v. Big M Drug Mart Ltd., [1985] 1 SCR 295
Saskatchewan (Human Rights Commission) v. Whatcott, 2013 SCC 11, [2013] 1 SCR 467
Tranchemontagne v. Ontario (Director, Disability Support Program), 2006 SCC 14, [2006] 1 SCR 513
Nova Scotia (Workers' Compensation Board) v. Martin; Nova Scotia (Workers' Compensation Board) v. Laseur, 2003 SCC 54, [2003] 2 SCR 504
Doré v. Barreau du Québec, 2012 SCC 12, [2012] 1 SCR 395
Ontario Human Rights Commission v. Christian Horizons, 2010 ONSC 2105 (CanLII)
R. v. N.S., [2012] 3 SCR 726
Alberta v. Hutterian Brethren of Wilson Colony, 2009 SCC 37, [2009] 2 SCR 567
Syndicat Northcrest v. Amselem, 2004 SCC 47, [2004] 2 SCR 551
Noble et al v. Ali, [1951] SCR 64
R. v. N.S., 2012 SCC 72, [2012] 3 SCR 726
Vriend v. Alberta, [1998] 1 SCR 493
Canada (Attorney General) v. Bedford, 2013 SCC 72 (CanLII)

Tab 7

TRINITY WESTERN UNIVERSITY RECEIVED MATERIALS

MATERIALS TO FOLLOW WHEN AVAILABLE

THIS PAGE CONTAINS

IN CAMERA MATERIAL

Tab 8

THE LAW SOCIETY OF UPPER CANADA

MOTION TO BE MOVED AT THE MEETING OF CONVOCATION ON APRIL 24, 2014

MOVED BY:

SECONDED BY:

THAT Convocation approve the consent agenda set out at Tab 8 of the Convocation Materials.

D R A F T

MINUTES OF CONVOCATION

Thursday, 27th February, 2014
9:00 a.m.

PRESENT:

The Treasurer (Thomas G. Conway), Anand, Armstrong, Backhouse (by telephone), Banack, Boyd (by telephone), Braithwaite, Bredt, Callaghan, Campion, Copeland, Doyle, Dray, Earnshaw, Elliott, Epstein, Eustace, Evans, Falconer, Finkelstein (by telephone), Furlong, Go (by telephone), Gold, Goldblatt, Gottlieb, Haigh, Hare, Hartman, Horvat, Leiper, Lerner, MacKenzie, MacLean, Manes (by telephone), Marmur (by telephone), McDowell, McGrath, Mercer, Minor, Murchie, Murray, Pawlitza, Porter, Potter, Pustina, Rabinovitch, Richardson (by telephone), Ross, Rothstein, Ruby (by telephone), Scarfone (by telephone), Sikand, Silverstein, C. Strosberg, H. Strosberg (by telephone), Sullivan, Swaye, Symes, Wadden (by telephone), Wardle and Wright.

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Secretary: James Varro

The Reporter was sworn.

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IN PUBLIC

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TREASURER'S REMARKS

The Treasurer congratulated Avvy Yao-Yao Go on being invested into the Order of Ontario on January 24, 2014.

The Treasurer congratulated benchers Gerald Swaye and Julian Porter on their 50th year as members in the Law Society of Upper Canada.

The Treasurer paid tribute and expressed gratitude and best wishes to the elected paralegal members of the Paralegal Standing Committee, who will complete their term this spring. The Treasurer made special mention of bencher W. Paul Dray, who is not running in the paralegal election, and thanked him on his guidance and leadership in implementing paralegal regulation and advancing the role of paralegals in access to justice and the provision of legal services.

Paul Dray addressed Convocation.

The Treasurer also acknowledged the contribution to paralegal regulation of Ken Mitchell, who is not running in the paralegal election.

The Treasurer announced the guests for Convocation lunch: Attorney General John Gerretsen, Former Attorneys General Michael Bryant and Chris Bentley, Associate Chief Justice Frank Marrocco, former bencher Doug Lewis, Brian Lawrie, Stephen Parker and Margaret Louter, the first appointees to the Paralegal Standing Committee, John Tzanis, President of the Paralegal Society of Ontario, Julia Munro, M.P.P. York / Simcoe, and Cara O'Hagan, Director of Policy, Office of the Ministry of Finance.

The Treasurer announced the new website, letterhead, and logo for the Law Society Tribunal to be launched on March 12, 2014. The Treasurer thanked Tribunal Chair David Wright and his staff for their work on this initiative.

The Treasurer drew Convocation's attention to his letter dated February 7, 2014 to the Ontario Minister of Finance on Legal Aid funding in the context of pre-budget consultations.

MOTION – CONSENT AGENDA

It was moved by Mr. Mercer, seconded by Ms. Hare, that Convocation approve the consent agenda set out under Tab 1 of the Convocation Materials.

Carried

DRAFT MINUTES OF CONVOCATION – Tab 1.1

The draft minutes of Convocation of January 23, 2014 were confirmed.

MOTION – APPOINTMENTS TO THE LAW SOCIETY TRIBUNAL – Tab 1.2

THAT Convocation approve the appointments to the Law Society Tribunal as set out in the motion at Tab 1.2 of the Convocation Materials.

Carried

REPORT OF THE DIRECTOR OF PROFESSIONAL DEVELOPMENT AND COMPETENCE – Tab 1.3

THAT the Report of the Director of Professional Development and Competence listing the names of the call to the bar candidates be adopted.

Carried

INTER-JURISDICTIONAL MOBILITY REPORT – Tab 1.4

Re: Housekeeping Amendments – Territorial Mobility Agreement 2013

THAT Convocation approve the amended Territorial Mobility Agreement 2013 in English and French set out at Tabs 1.4.1 and 1.4.2 respectively.

Carried

THIS PAGE CONTAINS

IN CAMERA MATERIAL

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IN PUBLIC

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REPORT OF THE TREASURER'S ADVISORY GROUP ON ACCESS TO JUSTICE WORKING GROUP

The Treasurer introduced the Report.

Mr. Goldblatt presented the Report.

Re: Proposal for a New Law Society Approach to Access to Justice

It was moved by Mr. Goldblatt, seconded by Ms. Boyd, that Convocation approve the creation of a framework to facilitate the reinforcement and integration of access to justice objectives, including intersecting equity principles, into the core business, functions and operational planning of the Law Society, as set out in the motion at Tab 2 of the Convocation Material and as further described in the report.

Carried Unanimously

PARALEGAL STANDING COMMITTEE REPORT

Ms. Corsetti presented the Report.

Re: Amendments to the *Paralegal Rules:* Model Code

It was moved by Ms. McGrath, seconded by Mr. Dray, that Convocation approve the amendments to the *Paralegal Rules of Conduct* as set out Tab 5.1.1 of the report.

Carried

Re: Accreditation Framework for Paralegal Regulation

It was moved by Ms. McGrath, seconded by Ms. Haigh, that Convocation approve the proposal for reforms to the Accreditation and Audit Framework for Paralegal Education Programs as set out at Tab 5.2.1 of the report.

Carried

Ms. Corsetti spoke to the information report on the progress of paralegal regulation at Tab 5.3.2 of the report.

For Information

- Revisions to the *Paralegal Guidelines – Federation Model Code of Professional Conduct*
- Progress Report on Paralegal Regulation
- Federation of Law Societies of Canada National Discipline Standards Pilot Project
- Professional Regulation Division Quarterly Report

TRIBUNALS COMMITTEE REPORT

Mr. Anand presented the Report

Re: Housekeeping Amendments to Implement Tribunal-Related Provisions of the *Modernizing Regulation of the Legal Profession Act, 2013* (Bill 111)

It was moved by Mr. Anand, seconded by Ms. Doyle, that to implement Tribunal-related provisions of the *Modernizing Regulation of the Legal Profession Act, 2013* (Bill 111), Convocation approve the amendments as set out in subparagraphs a. through g. of paragraph 2 of the report, effective March 12, 2014, as amended.

Carried

For Information

- Pre-Proceeding Consent Resolution Process
- National Discipline Standards
- Tribunal Mission Statement
- Tribunals Office Quarterly Statistics
- Tribunal Adjudicator Evaluation Process

PROFESSIONAL DEVELOPMENT AND COMPETENCE COMMITTEE REPORT

Ms. Minor presented the Report.

Re: Pathways Pilot Project – Related Amendments to By-Law 4

It was moved by Ms. Minor, seconded by Ms. Murchie, that Convocation approve amendments to By-Law 4 as set out in the motion at Tab 6.1.1 of the report.

Carried Unanimously

Ms. Minor spoke to the information reports at Tabs 6.2 and 6.3 of the Convocation Materials.

Mr. Copeland addressed Convocation on the subject of the costs of the licensing process.

The Treasurer advised Convocation that this issue would be referred for review for the next budget cycle.

For Information

- Pathways Pilot Project – Evaluation Process Proposal
- Professional Development and Competence Director's Annual Report on Programs and Resources

COMPENSATION FUND COMMITTEE REPORT

Mr. Wardle presented the Report.

Re: Repeal and Replacement of Guidelines for the Determination of Grants from the Compensation Fund

It was moved by Mr. Wardle, seconded by Ms. Haigh, that Convocation repeal the existing General Guidelines for the Determination of Grants from the Compensation Fund and the existing Guidelines for the Determination of Grants from the Compensation Fund Relating to Paralegals, set out at Tab 7.1.2, and replace them with new General Guidelines for the Determination of Grants from the Compensation Fund Relating to Lawyers and Paralegals, set out at Tab 7.1.1 of the report.

Carried

The Treasurer welcomed Grant Wedge, Executive Director, Strategic Policy Communications and Corporate Relations to his first Convocation.

TREASURER'S REMARKS ON CONVOCATION'S PROCESS FOR DETERMINING THE ACCREDITATION OF TRINITY WESTERN UNIVERSITY'S LAW SCHOOL PROGRAM

The Treasurer addressed Convocation on the process respecting the Trinity Western University's Law School Program.

AUDIT & FINANCE COMMITTEE REPORT

Ms. Hartman presented the Report.

Re: Information Systems Three Year Capital Budget Plan

It was moved by Ms. Hartman, seconded by Mr. Bredt, that Convocation approve the medium-term capital expenditure plan for Information Systems as set out in the report.

Carried

For Information

- Other Committee Work
- In Camera Item

PROFESSIONAL REGULATION COMMITTEE REPORT

Mr. Mercer presented the Report.

Re: National Discipline Standards Pilot Project

It was moved by Mr. Mercer, seconded by Mr. Anand, that Convocation approve in principle the National Discipline Standards of the Federation of Law Societies of Canada as set out at Tab 4.2.1 of the report.

Carried

Re: Continuation of the Pre-Proceeding Consent Resolution Conference

It was moved by Mr. Mercer, seconded by Mr. Anand, that Convocation:

a) approve continuation of the Pre-Proceeding Consent Resolution Conference pilot project for an additional two years; and

b) direct that the Professional Regulation and Tribunals Committees (the latter in consultation with the Chair of the Tribunal) prepare a report prior to the end of the two year period with recommendations regarding the continuation of the process on a permanent basis.

Carried

For Information

- 2013 Annual Report of the Complaints Resolution Commissioner
- Professional Regulation Division Quarterly Report

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EQUITY AND ABORIGINAL ISSUES COMMITTEE/COMITÉ SUR L'ÉQUITÉ ET LES AFFAIRES AUTOCHTONES REPORT

Mr. Falconer presented the Report.

Re: Human Rights Monitoring Group Request for Interventions

It was moved by Mr. Falconer, seconded by Mr. Goldblatt, that Convocation approve the letters and public statements in the cases set out in the motion at paragraph 2 of the report.

Carried

For Information

- Parental Leave Assistance Program Update
- Report of the Activities of the Discrimination and Harassment Counsel
- Translation of Law Society Consultation Reports
- Public Education Equality and Rule of Law Series Calendar 2014

PROFESSIONAL REGULATION COMMITTEE REPORT

Mr. Mercer and Ms. McGrath presented the Report.

Re: Alternative Business Structures Working Group Report

It was moved by Mr. Mercer, seconded by Ms. McGrath, that Convocation approve continued exploration of Alternative Business Structures by the Alternative Business Structures Working Group, the development of recommended models for firm or entity regulation in the shorter term and related regulatory reforms, including compliance-based regulation, as set out in subparagraphs a. through d. of paragraph 2 of the report.

Carried

ROLL-CALL VOTE

Anand	For	McDowell	For
Backhouse	For	McGrath	For
Boyd	For	Mercer	For
Braithwaite	For	Minor	For
Bredt	For	Murchie	For
Campion	For	Porter	For
Doyle	For	Pustina	For
Earnshaw	For	Richardson	For
Eustace	For	Rothstein	For
Evans	For	Scarfone	For
Goldblatt	For	Silverstein	For
Hare	For	Sullivan	For
Horvat	For	Symes	For
Marmur	For	Wardle	For

Vote: 28 For; 0 Against

EQUITY AND ABORIGINAL ISSUES COMMITTEE/COMITÉ SUR L'ÉQUITÉ ET LES AFFAIRES AUTOCHTONES REPORT

Mr. Goldblatt presented the Report.

Re: Parental Leave Assistance Program Update

Mr. Goldblatt spoke to the report for information.

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CONVOCATION ROSE AT 6:00 P.M.

DRAFT

MINUTES OF CONVOCATION

Tuesday, 4th March 2014
8:30 a.m.

PRESENT:

*The Treasurer (Thomas G. Conway), *Anand, *Backhouse, *Boyd, *Braithwaite, *Callaghan, *Campion, *Doyle, *Epstein, *Evans, *Ferrier, *Gold, *Lerner, *Marmur, *McGrath, *Mercer, *Minor, *Potter, *Pustina, *Richardson, *Richer, *Scarfone, *Sullivan and *Wadden.

.....

* By Telephone

Secretary: James Varro

The Reporter was sworn.

TREASURER'S REMARKS

The Treasurer welcomed benchers to Convocation.

MOTION

Re: Housekeeping Amendments to Implement Tribunal-Related Provisions of the *Modernizing Regulation of the Legal Profession Act, 2013* (Bill 111)

It was moved by Mr. Anand, seconded by Ms. Doyle, that By-Laws 1, 3, 4, 11 and 12 be amended as set out in the motion at Tab 1 of the Convocation Materials.

Carried

CONVOCATION ROSE AT 8:43 A.M.

MATERIALS TO FOLLOW WHEN AVAILABLE

Tab 8.3

To the Benchers of the Law Society of Upper Canada Assembled in Convocation

The Director of Professional Development and Competence reports as follows:

CALL TO THE BAR AND CERTIFICATE OF FITNESS

Licensing Process and Transfer from another Province – By-Law 4

Attached is a list of candidates who have successfully completed the Licensing Process and have met the requirements in accordance with section 9.

All candidates now apply to be called to the bar and to be granted a Certificate of Fitness on Thursday, April 24th, 2014

ALL OF WHICH is respectfully submitted

DATED this 24th day of April, 2014

CANDIDATES FOR CALL TO THE BAR
April 24th, 2014

Transfer from another province (Mobility)

Matthew David Beavers
Marie-Pier Colette Couturier
Charles Joseph Claude Fugère
Ryan Wayne Greer
Mary Kathleen Kinch
Jae Yeon Lim
Jorge Eduardo Pineda
Christopher Cameron Jones Santos
Robert Andrew Seager
Evita Jean Walton

Transfer from another province (Quebec)

Licensing Process

Mukundan Chakrapani
Timothy Gindi

L3

Denis Joseph Gilles Brind'Amour
Geneviève Marie Solange Hortense de Passillé

THIS SECTION CONTAINS

IN CAMERA MATERIAL

The Law Society of Upper Canada | Barreau du Haut-Canada

Tab 8.5

Secretary's Report to Convocation
April 24, 2014

Effective Date of *Paralegal Rules of Conduct* Amendments

Purpose of Report: Decision

Prepared by: James Varro

FOR DECISION

Motion

1. That Convocation make October 1, 2014 the effective date for the amendments to the *Paralegal Rules of Conduct* approved by Convocation on February 27, 2014.

Explanation

2. At February 27 Convocation, amendments to the *Paralegal Rules of Conduct* were made to implement the Federation of Law Societies of Canada's Model Code of Professional Conduct ("Model Code"). The report of the Paralegal Standing Committee that included the amendments is at http://www.lsuc.on.ca/uploadedFiles/For_the_Public/About_the_Law_Society/Convocation_Decisions/2014/convfeb2014_PSC.pdf

3. While the report referenced October 2014 as the effective date of the amendments, the motion did not include this date.

4. For clarity and to be consistent with the effective date of Model Code amendments to the *Rules of Professional Conduct* for lawyers, Convocation is requested to make October 1, 2014 the effective date for the amendments to the *Paralegal Rules of Conduct* approved on February 27.

The Law Society of Upper Canada | Barreau du Haut-Canada

Tab 8.6

Treasurer's Report to Convocation
April 24, 2014

LAWPRO Annual Meeting
LibraryCo Inc. Annual Meeting

Purpose of Report: Decision

Prepared by James Varro
Director, Policy

FOR DECISION

LAWPRO ANNUAL MEETING

Motion

1. That Convocation authorize the Treasurer to sign the proxy in favour of the proposed shareholder resolutions set out at Tab 8.6.1.

Background

2. The Annual and General Meeting of Shareholders of the Lawyers' Professional Indemnity Company will be held the afternoon of April 30, 2014. The notice of the meeting appears in **Tab 8.6.2.**

3. At the meeting, the shareholder will be asked to vote on the proposed shareholder resolutions set out in **Tab 8.6.1.**

4. Traditionally, the Treasurer has signed the proxy to vote the Law Society's shares in favour of the resolutions. The proxy is set out in at **Tab 8.6.3**.

5. The Treasurer seeks Convocation's authorization to sign the proxy on behalf of the Law Society of Upper Canada.

6. Also included for the information of Convocation is biographical information on the members of the LawPRO Board at **Tab 8.6.5**.

FOR DECISION

LIBRARYCO INC. ANNUAL MEETING

Motion

7. That Convocation authorize the Treasurer to sign the proxy in favour of the proposed shareholder resolutions set out at Tab 8.6.6.

Background

8. The Annual and General Meeting of Shareholders of LibraryCo Inc. will be held on May 9, 2014. The notice of the meeting is attached at **Tab 8.6.7**.

9. At the meeting, the shareholder will be asked to vote on the proposed shareholder resolutions set out at **Tab 8.6.6**.

10. Traditionally, the Treasurer has signed the proxy to vote the Law Society's shares in favour of the resolutions. The proxy is set out at **Tab 8.6.8.**

11. The Treasurer seeks Convocation's authorization to sign the proxy on behalf of the Law Society of Upper Canada.

LAWPRO Annual and General Meeting of Shareholders
April 30, 2014, 1:30 PM

List of Draft Resolutions

- **RESOLVED** that the minutes of the May 1, 2013 Shareholders Meeting are accepted.

- **RESOLVED** that the financial statements of the Company for the year ended December 31, 2013, are approved.

- **RESOLVED** that George D. Anderson, Clare A. Brunetta, Ian D. Croft, Douglas F. Cutbush, Robert F. Evans, Q.C., Frederick W. Gorbet, Malcolm L. Heins, Rita Hoff, Robert G.W. Lapper, Q.C., Susan T. McGrath, Barbara J. Murchie, Alan G. Silverstein, Andrew N. Smith, John C. Thompson, and Kathleen A. Waters, are elected directors of the Company to hold office until the next annual meeting of shareholders or until their successors are elected or appointed.

- **RESOLVED** that Deloitte, LLP is appointed as auditor of the Company to hold office until the next annual meeting of shareholders at such remuneration as may be fixed by the directors and the directors are authorized to fix such remuneration.

- **RESOLVED** that all acts, contracts, by-laws, proceedings, appointments, elections and payments, enacted, made, done, and taken by the directors and officers of the Company to the date hereof, as the same are set out or referred to in the resolutions of the Board of Directors, the minutes of the meetings of the Board of Directors or in the financial statements of the Company, are approved, sanctioned and confirmed.

LAWYERS' PROFESSIONAL INDEMNITY COMPANY

NOTICE OF ANNUAL & GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the Annual and General Meeting of Shareholders of Lawyers' Professional Indemnity Company will be held on Wednesday, April 30, 2014 at 250 Yonge Street, Suite 3101, Toronto, Ontario at 1:30 p.m. for the purposes of conducting the annual general business of the Company, including:

1. Approving the minutes of the last meeting;

2. Considering and approving the audited financial statements for the year ending December 31, 2013;

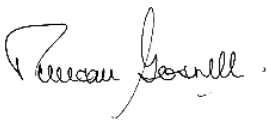
3. Electing Directors;

4. Appointing the Auditor;

5. Confirming the acts of Directors and Officers; and

6. Other business of the Company.

DATED the 16th day of April, 2014.



Duncan Gosnell
Secretary

Tab 8.6.3

LAWYERS' PROFESSIONAL INDEMNITY COMPANY

PROXY

The undersigned, a shareholder of Lawyers' Professional Indemnity Company, hereby appoints Susan T. McGrath, whom failing Barbara J. Murchie, as nominee for the undersigned to attend, act and vote for and on behalf of the undersigned at the Annual and General Meeting of Shareholders of the Company to be held on Wednesday, April 30, 2014 at 250 Yonge St., Suite 3101 at 1:30 p.m., and any adjournment or adjournments thereof, and to vote and otherwise act before the meeting, in the same manner as the undersigned could do if personally present there at, the undersigned hereby ratifying and confirming and agreeing to ratify and confirm all that such nominee may lawfully do by virtue hereof.

Dated the ____ day of _____ 2014.

_____

The Law Society of Upper Canada
By: Thomas G. Conway

- DRAFT -

MINUTES OF THE ANNUAL AND GENERAL MEETING OF THE SHAREHOLDERS of Lawyers' Professional Indemnity Company held at 250 Yonge Street, Suite 3101, Toronto, Ontario on Wednesday, May 1, 2013 at the hour of 1:30 p.m.

ATTENDANCE AND QUORUM

Present in Person: George D. Anderson, Clare A. Brunetta, Ian D. Croft, Douglas F. Cutbush, Robert F. Evans, Q.C., Frederick W. Gorbet, Malcolm L. Heins, Robert G.W. Lapper, Q.C., Susan T. McGrath, Barbara J. Murchie, Alan G. Silverstein, Andrew N. Smith, John C. Thompson and Kathleen A. Waters.

Present by Telephone: Rita Hoff

Present by Proxy: Duncan D. Gosnell advised the Chair that a proxy had been received from the Law Society of Upper Canada appointing as its nominee Susan McGrath, whom failing Barbara Murchie.

Present by Invitation: Duncan D. Gosnell and Steven W. Jorgensen.

Regrets: Douglas Gray of Deloitte LLP.

Susan McGrath acted as Chair for the meeting and Duncan Gosnell acted as Secretary for the meeting. The Chair stated that a quorum was present and that notice of the meeting had been sent to all of the directors and shareholders and to the auditor of the Company. The Chair therefore declared the meeting to be duly constituted for the transaction of business.

ACCEPTANCE OF MINUTES

The Chair presented to the meeting the minutes of the May 1, 2012 Shareholders Meeting.

ON MOTION DULY MADE by Susan McGrath, SECONDED by George Anderson AND UNANIMOUSLY CARRIED, the following resolution was passed:

RESOLVED that the minutes of the May 1, 2012 Shareholders Meeting are accepted.

PRESENTATION OF FINANCIAL STATEMENTS

The Chair presented to the meeting financial statements of the Company for the year ending December 31, 2012, which were approved by the Board of Directors on February 26, 2013.

ON MOTION DULY MADE by Malcolm Heins, SECONDED by Andrew Smith AND UNANIMOUSLY CARRIED, the following resolution was passed:

RESOLVED that the reading of the report of the auditor to the shareholders regarding the financial statements of Lawyers' Professional Indemnity Company for the year ending December 31, 2012 be dispensed with as this report is included in the meeting materials.

ON MOTION DULY MADE by Fred Gorbet, SECONDED by George Anderson AND UNANIMOUSLY CARRIED, the following resolution was passed:

RESOLVED that the financial statements of the Company for the year ended December 31, 2012 are approved.

ELECTION OF DIRECTORS

The Chair then stated that it was in order to proceed with the election of directors and declared the meeting open for nominations. Barbara Murchie nominated the following:

George D. Anderson
Clare A. Brunetta
Ian D. Croft
Douglas F. Cutbush
Robert F. Evans, Q.C.
Frederick W. Gorbet
Malcolm L. Heins
Rita Hoff
Robert G.W. Lapper, Q.C.
Susan T. McGrath
Barbra J. Murchie
Alan G. Silverstein
Andrew N. Smith
John C. Thompson
Kathleen A. Waters

ON MOTION DULY MADE by Barbra Murchie, SECONDED by Fred Gorbet AND UNANIMOUSLY CARRIED, the following resolution was passed:

RESOLVED that George D. Anderson, Clare A. Brunetta, Ian D. Croft, Douglas F. Cutbush, Robert F. Evans, Q.C., Frederick W. Gorbet, Malcolm L. Heins, Rita Hoff, Robert G.W. Lapper, Q.C., Susan T. McGrath, Barbara J. Murchie, Alan G. Silverstein, Andrew N.

Smith, John C. Thompson and Kathleen A. Waters, are elected directors of the Company to hold office until the next annual meeting of shareholders or until their successors are elected or appointed.

APPOINTMENT OF AUDITOR

ON MOTION DULY MADE by Fred Gorbet, SECONDED by George Anderson AND UNANIMOUSLY CARRIED, the following resolution was passed:

RESOLVED that Deloitte LLP is appointed as auditor of the Company to hold office until the next annual meeting of shareholders at such remuneration as may be fixed by the directors and the directors are authorized to fix such remuneration.

CONFIRMATION OF ACTS OF DIRECTORS AND OFFICERS

ON MOTION DULY MADE by Barbra Murchie, SECONDED by Andrew Smith AND UNANIMOUSLY CARRIED, the following resolution was passed:

RESOLVED that all acts, contracts, by-laws, excepting By-Law No. 19, proceedings, appointments, elections and payments, enacted, made, done and taken by the directors and officers of the Company to the date hereof, as the same are set out or referred to in the resolutions of the board of directors, the minutes of the meetings of the board of directors or in the financial statements of the Company, are approved, sanctioned and confirmed.

There being no further business, the meeting was then adjourned.

_____
Chair

_____
Secretary

LAWPRO Board of Directors
April 30, 2014

Susan T. McGrath
Chair, LAWPRO Board of Directors; Principal, Susan T. McGrath

A sole practitioner from the northeastern Ontario community of Iroquois Falls, Law Society Bencher, Susan McGrath is well-known for being a dedicated advocate for sole practitioners, small firms, and lawyers working in remote areas, and for their access to quality continuing legal education and peer support.

She was elected as chair of the LAWPRO Board in May, 2012, and acts as an *ex-officio* member of all committees.

Since graduating from Osgoode Hall, McGrath has been an active member of her local legal community as well as contributing at the national level. She has served on her local legal aid area committee, including a stint as deputy area director, has acted as a deputy judge for the Temiskaming Small Claims Court, and has served on the Personal Rights Panel of the Office of the Children's Lawyer.

She has served as president of the Cochrane Law Association (1983-1984), the Ontario Bar Association (1999-2000), and the Canadian Bar Association (2004-2005). As well, she has served in many capacities on committees of these and other legal associations.

As a Bencher of the Law Society, Ms. McGrath serves on the access to justice committee, the Hearing Panel**,** the Appeal Panel, the government relations committee and the priority planning committee**.** She also serves as co-chair of the Alternative Business Structures Working Group, the Treasurer's Nominee for the Ontario Bar Association Council and the vice - chair of the paralegal standing committee.

Ian D. Croft
Vice-Chair, LAWPRO Board of Directors, Chartered Professional Accountant

A member of the board since 1995 and currently its vice-chair, Ian Croft has extensive experience in the financial management of insurance companies. Now retired, he was for many years the senior vice-president and treasurer and a director of The Woodbridge Company Limited, the principal holding company of the Thomson family.

Mr. Croft is a Chartered Professional Accountant and has been a director of a wide variety of companies, including regulated, private and public companies in several jurisdictions, and of a college within the University of Toronto.

He chairs LAWPRO's executive committee, and acts as an *ex-officio* member of all committees.

Mr. Croft is a member of the Institute of Corporate Directors, a 2005 graduate of the Institute's Director Education Program and a 2010 graduate of their Excellence in the Boardroom program which are presented jointly with the Rotman School of Business at the University of Toronto.

LAWPRO Board of Directors
April 30, 2014

George D. Anderson, C.M.
President and Chief Executive Officer, Insurance Bureau of Canada (Retired)

Appointed to the LAWPRO Board of Directors in 2004, George D. Anderson is a mortgage and insurance services professional with more than 40 years' experience with award-winning companies in this sector.

Mr. Anderson currently chairs the governance committee of the LAWPRO Board and is a member of the board's executive, governance, investment and risk committees.

He is chair of the Board of Directors of RSA Canada and also sits on the boards of several financial organizations and non-profit charities.

Mr. Anderson is a recipient of the Queen Elizabeth Gold and Diamond Jubilee Medals and a member of the Order of Canada. He has been awarded honorary Doctor of Laws degrees from both Carleton University and St. Francis Xavier University, and also received a Lifetime Achievement Award from the University of Regina.

Clare A. Brunetta
Principal,
Clare A. Brunetta

Clare A. Brunetta is a general practitioner located in Fort Frances; primarily serving the District of Rainy River in northwestern Ontario. A former president of the Rainy River Law Library Association and a Charter Member of the Canadian Italian Advocates Society, Clare is a past member of the Law Society of Upper Canada Joint Working Group on Real Estate; past chair of the real estate committee of the County and District Law Presidents Association (CDLPA); and past co-chair of the Working Group on Lawyers and Real Estate. A deputy judge of the small claims court since 1991, he also currently serves as a financial trustee of the Rainy River First Nations Trust.

Summers are enjoyed at the family cabin on beautiful Rainy Lake.

Mr. Brunetta is a member of LAWPRO's governance committee.

LAWPRO Board of Directors
April 30, 2014

Douglas F. Cutbush
Insurance Consultant,
Arbitrator & Mediator

Douglas F. Cutbush is an insurance consultant, arbitrator, mediator and insurance appraisal umpire with more than 50 years' experience in the insurance industry.

Before he retired from insurance company ranks, he worked for two companies within The Gerling Global Insurance Group, holding the positions of senior vice-president and claims manager for Canada. In 1993, he established his own firm to provide insurance-related consulting, arbitration and mediation services. He is also a Panelist with the Yorkstreet Dispute Resolution Group.

Mr. Cutbush is a Fellow Chartered Insurance Professional, a Fellow of the Insurance Institute of Canada, a Fellow of the Chartered Institute of Arbitrators of Great Britain, and a Chartered Arbitrator of the ADR Institute of Canada.

A member of the board since 1995, Mr. Cutbush serves on LAWPRO's executive, audit and conduct review committees.

Robert F. Evans, Q.C.
Principal,
Evans & Evans

A principal with Evans & Evans in Bradford, Robert F. Evans is a Law Society bencher and former president of the York Region Law Association. He is also an active member of his community, being a former school board trustee for nine years, past president of the Bradford Rotary Club and currently chair of the Bradford West Gwillimbury and District Community Foundation.

Mr. Evans is a member of LAWPRO's investment committee.

LAWPRO Board of Directors
April 30, 2014

Frederick W. Gorbet, C.M.

Fred Gorbet has extensive experience in public policy advice and formulation, particularly with regard to financial institutions and energy policy. Following a 25year career in the Canadian public service, where he served as Associate Secretary to the Cabinet and as Deputy Minister of Finance for Canada, Mr. Gorbet has held several senior executive positions in the life insurance industry and in academe, serving for many years as the CIT Chair in Financial Services and Director of the Financial Services Program at the Schulich School of Business (York University).

A member of the LAWPRO Board since 2004, Mr. Gorbet currently chairs the audit and conduct review committees and is a member of the governance and risk committees.

In recent years he has continued his involvement with public policy by serving as the executive director of the MacKay Task Force on the future of the financial services sector of Canada, the executive director of the Saucier Task Force on Corporate Governance, the senior policy advisor to the Credit Union Central of Canada on the National Initiative, and the founding chair of the Market Surveillance Panel for administered electricity markets in Ontario. His most recent assignment was as chair of the Task Force on Auto Insurance Fraud in Ontario.

Mr. Gorbet has also served as a corporate director of many firms in the private and public sectors. He currently chairs the Board of Trustees of the North American Reliability Corporation.

Mr. Gorbet has a B.A. from York University and a Ph.D. in Economics from Duke University. He was appointed to the Order of Canada in 2000.

LAWPRO Board of Directors
April 30, 2014

Malcolm Heins, LSM
Lawyer & Director

A lawyer and former insurance industry executive, Malcolm Heins was appointed chief executive officer of The Law Society of Upper Canada in 2001, retiring in early 2012. He then joined the Counsel Public Affairs team in June 2012.

Mr. Heins also served as the chief executive officer of the Federation of Law Societies of Canada from November 2005 to June 2006, and from 1994 to 2001, he served as LAWPRO's first president and chief executive officer.

Prior to that, Mr. Heins was the president and chief operating officer of Gan Canada, formerly Simcoe Erie Group, then one of the largest underwriters of professional liability insurance in Canada. Before joining Gan Canada in 1981, he practised insurance and commercial litigation in Toronto.

He is a graduate of Dalhousie Law School. Mr. Heins chairs LAWPRO's risk committee and is a member of LAWPRO's executive, conduct review, audit, governance, and investment committees.

Mr. Heins is a member of the Canadian Bar Association and in addition to LAWPRO, serves as a director of Pro Bono Law Ontario, and the Canadian College of Naturopathic Medicine and Cancer Care Ontario. He received the Law Society Medal in June 1999, the 2002 Award of Distinction from the Metropolitan Toronto Lawyers Association and, in March 2005, Communicator of the Year by the International Association of Broadcasters (Toronto).

Rita Hoff
President, R. Hoff Financial Management Ltd.

Rita Hoff joined the board in 1996, bringing with her extensive experience in the investment industry. She was most recently vice-president and director, Debt Capital Markets, at Canaccord Capital Corporation.

Prior to that she served as president and CEO of First Canada Securities Corporation, a firm she co-founded.

Ms. Hoff chairs the LAWPRO investment committee and serves on the governance and risk committees.

Hoff is currently involved with The Next 36, a program for young entrepreneurs. She has previously served as a director of CAA Central Ontario, Investment Dealers Association of Canada and as chair of Ontario District Council of the IDA.

Ms. Hoff has a Bachelor of Commerce from the University of Bombay, India.

She is currently pursuing studies in Spanish language and Mexican culture at the University of Guadalajara.

LAWPRO Board of Directors
April 30, 2014

 Robert G.W. Lapper, Q.C. Chief Executive Officer, The Law Society of Upper Canada	Robert G.W. Lapper, Q.C., is the chief executive officer of the Law Society of Upper Canada, and joined the LAWPRO Board in May 2012. He is a member of LAWPRO's audit committee. Before moving to the Law Society, Mr. Lapper had served in a number of senior positions with the British Columbia government, most recently as Deputy Minister of Labour for the province. During his tenure as Assistant Deputy Attorney General, Legal Services Branch (2001 to 2007), he oversaw a complete organizational and service transformation in the Legal Service Branch; from 2007 to 2009, he served as Deputy Cabinet Secretary and Associate Deputy Minister, Cabinet Operations and Intergovernmental Relations, in the Office of the Premier. Mr. Lapper is well-known in B.C. for his work on aboriginal law issues. His work included acting as one of the counsel to the Nisga'a Treaty negotiations, which concluded the first "modern" treaty in British Columbia. In 1998, he was appointed to head the Aboriginal Law Practice Group in the Legal Services Branch. Mr. Lapper has a passion for legal and justice issues and wide-ranging experience in legal policy and operations, and is a frequent speaker, lecturer and writer on public law, aboriginal law, commercial law and related issues.
 Barbara J. Murchie Partner, Bennett Jones LLP	An interest in intellectual property issues that she dealt with as a producer/director for major television networks prompted Law Society Bencher Barbara Murchie to embark on a legal career in the late 1980s – and remains the central focus of her litigation practice as a partner and trademark agent with the firm Bennett Jones LLP today. She has also provided advice in the areas of professional and municipal liability, product liability, and construction law while working at both small and large Ontario firms. During her 25 year legal career, Ms. Murchie has held leadership and teaching/training roles with many organizations, including The Advocates Society, of which she was a director from 2002 to 2005. Her commitment to lawyer education and advocacy training extends to her firm where she is co-director of the in-house advocacy training program. She is a member of a wide array of lawyers' associations, including the Intellectual Property Institute of Canada, OBA, CBA, Toronto Lawyers Association and the Women's Law Association of Ontario. In recent years, she has extended her advocacy beyond the legal sphere through her roles as chair and director of the Casey House Foundation (1996-1999) and chair and director of Ovarian Cancer Canada (1999-2010). Ms. Murchie is member of LAWPRO's governance committee.

LAWPRO Board of Directors
April 30, 2014

Alan G. Silverstein
Barrister & Solicitor,
Law Office of Alan G. Silverstein

A sole practitioner in Thornhill, Alan G. Silverstein has been at the forefront of real estate and mortgage issues for over three decades as a writer, lecturer, commentator and media personality.

Between 1997 and 2003, Alan was a director of the Real Estate Council of Ontario, the regulator of real estate agents and brokers in Ontario, where he remains a member of the insurance committee. While chair of the insurance committee at RECO, he designed and implemented the RECO insurance program that offers unprecedented coverage for consumers and members of the real estate industry.

Since his 2003 election as a Bencher of the Law Society of Upper Canada, Mr. Silverstein has served on many committees, including audit and finance; government relations; sole practitioner and small firm task force; proceedings authorization; professional development and competence; and real estate working group. Mr. Silverstein is also chair of LibraryCo (which manages the Ontario courthouse library system), and is a past chair of the provincial Motor Vehicles Dealers Compensation Fund (which compensates consumers who suffer a financial loss arising from a transaction with a registered motor vehicle dealer).

He returned to private practice in 2011, focusing on real estate transactions and mortgage financing, after playing an integral role between 2006 and 2010 in the launch and adoption of TELUS' Assyst Real Estate initiative.

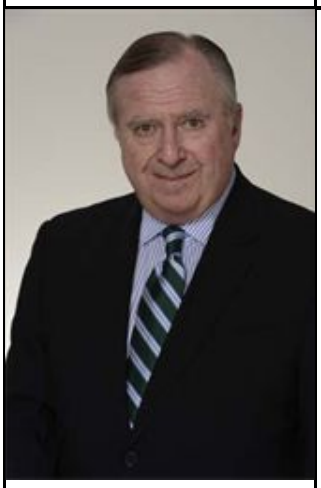
Certified as a specialist in real estate law by the Law Society of Upper Canada, Mr. Silverstein has written five books on real estate and mortgage financing, including *The Perfect Mortgage* and *Home Buying Strategies for Resale Homes*, along with hundreds of newspaper and magazine columns dealing with real estate and mortgage issues. He is a regular speaker at continuing professional development programs sponsored by organizations including the Law Society of Upper Canada, the Ontario Bar Association, the Institute of Law Clerks of Ontario, and local law associations.

LAWPRO Board of Directors
April 30, 2014

Andrew N. Smith
President, Natnook Inc.

Andrew N. Smith is a chartered financial analyst (CFA) and certified director (ICD.D) with over 45 years of experience in the financial services industry. He is involved with numerous boards, including Pro-Demnity Insurance Company, asrTrust, Associated Medical Services (AMS), GE Canada pension investment committee, University of Ottawa pension investment committee and Sun Life Global Investments. Mr. Smith was a senior executive with National Trust and in 1985 became a senior partner at James P. Marshall, Inc., an investment consulting firm.

In 2004, he established a personal consulting practice to assist organizations in achieving their financial and investment goals. A member of the LAWPRO Board since 2009, Mr. Smith serves on the audit, conduct review, investment and risk committees.



John C. Thompson, FCPA FCA
Chartered Accountant,
Retired KPMG Partner

John C. Thompson has had a distinguished career with KPMG and its predecessor firms, serving as managing partner of the Hamilton, Ottawa and London offices, as well as serving as the partner-in-charge of audit services for southwestern Ontario.

He also served on the firm's Partnership Board and its management committee.

While on the Partnership Board, he chaired the partners' compensation committee. Working with some of KPMG's largest clients, Mr. Thompson has developed skills in financial reporting, management systems, and business and strategic planning. He has experience in business acquisitions, reorganizations, and private and public financing activities both in Canada and the United States.

He obtained his chartered accountant designation in 1971 and was awarded an FCA in 1991.

Mr. Thompson joined the LAWPRO Board in 2010 and serves on the audit, conduct review and risk committees.

LAWPRO Board of Directors
April 30, 2014

Kathleen Waters
President and CEO
LAWPRO

Kathleen A. Waters was appointed president and chief executive officer of LAWPRO in 2008. Previously she had overseen the strategic planning, operations, marketing, sales and administration for the TitlePLUS program. She sits on the executive committee of the LAWPRO Board.

Formerly a partner with Torkin, Manes, Cohen & Arbus, Ms. Waters is the author of numerous papers and frequently speaks on real estate law**,** lawyers' professional liability insurance and title insurance.

She holds an LL.B. from the University of Toronto and obtained her LL.M. from Osgoode Hall Law School in 2001.

She was called to the Bar in 1987.

Tab 8.6.6

LIBRARYCO INC.

ANNUAL AND GENERAL MEETING OF SHAREHOLDERS
FRIDAY, MAY 9, 2014

PROPOSED SHAREHOLDER RESOLUTIONS

1. APPROVAL OF MINUTES OF PREVIOUS MEETING*
RESOLVED THAT the reading of the minutes of the previous meeting of the shareholders of the Corporation held on May 3, 2013, as the same appear in the minute book of the Corporation, was dispensed with and the same be taken as read and confirmed.

2. PRESENTATION OF LIBRARYCO'S 2013 ANNUAL REPORT

3. RECEPTION OF LIBRARYCO'S FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED 2013

4. CONFIRMATION OF PROCEEDINGS
RESOLVED that all by-laws, resolutions, contracts, acts and proceedings of the Board of Directors of the Corporation enacted, passed, made, done or taken since the date of the last annual meeting of shareholders are approved, ratified, sanctioned and confirmed.

5. APPOINTMENT OF DIRECTORS
RESOLVED that these persons are appointed directors of the Corporation to hold office until the next annual meeting of members or until their respective successors are elected or appointed.

* Attached are draft minutes of the May 3, 2013 Shareholders Meeting.

LIBRARYCO INC.

NOTICE
OF THE ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual meeting of the shareholders (the "**Shareholders**") of LibraryCo Inc. (the "Corporation") will be held at Osgoode Hall, Toronto, Ontario on Friday, May 9, 2014 at 1:30 in the afternoon, for the following purposes:

1. To approve the minutes of the May 3, 2013 Annual General Meeting;
2. To present LibraryCo Inc.'s 2013 Annual Report;
3. To receive the financial statements for the Corporation for the fiscal year ended 2013;
4. Confirmation of proceedings since the last Annual General Meeting;
5. Appointment of directors;
6. To transact such further or other business as may properly come before the meeting or any adjournment or adjournments thereof.

DATED at Toronto, Ontario this 2nd day of April, 2014.

BY ORDER OF THE BOARD

Alan Silverstein, Chair

Tab 8.6.8

LIBRARYCO INC.
PROXY

The undersigned, a shareholder of LibraryCo Inc., hereby appoints Alan Silverstein as proxyholder for the undersigned to attend, act and vote for and on behalf of the undersigned at the Annual and General Meeting of Shareholders of the Company to be held on Friday, May 9, 2014 at Osgoode Hall, Toronto, at 1:30 p.m., and any adjournment or adjournments thereof, and to vote and otherwise act before the meeting, in the same manner as the undersigned could do if personally present there at, the undersigned hereby ratifying and confirming and agreeing to ratify and confirm all that such proxyholder may lawfully do by virtue hereof.

Dated the ____ day of _____, 2014

_____
The Law Society of Upper Canada
By: Thomas G. Conway, Treasurer

Tab 8.6.9

DRAFT – FOR APPROVAL AT 2014 AGM

MINUTES of the annual meeting of the shareholders of LibraryCo Inc. (the "Corporation") held at the offices of the Corporation, Osgoode Hall, Toronto, Ontario on the 3rd day of May, 2013 at the hour of 1:30 o'clock.

PRESENT:

Alan Silverstein (who acted as proxy for the Treasurer of the Law Society of Upper Canada)
Ross Earnshaw
Jacqueline Horvat
Jason Leung
Clarke Melville
James Scarfone
Frances Wood
Alfred Schorr, representing the County and District Law Presidents' Association
Miriam Young, President, Toronto Lawyers' Association

being all of the shareholders of the Corporation.

OTHERS PRESENT:

Martha Foote, Board General Manager
Wendy Tysall, Chief Financial Officer

REGRETS:

Michael Drake

Alan Silverstein, a member of the Corporation, acted as Chair of the meeting.

The Chair stated that a quorum of the shareholders of the Corporation being personally present and that notice of the meeting had been given to all the shareholders in accordance with the by-laws of the Corporation, the Chair declared the meeting to be regularly constituted for the transaction of business.

The Chair introduced and thanked the shareholder representatives for attending the meeting.

Minutes of Previous Meeting

Upon motion duly made, seconded and carried unanimously, **IT WAS RESOLVED THAT** the reading of the minutes of the previous meeting of the shareholders of the Corporation held on April 25, 2012, as the same appear in the minute book of the Corporation, was dispensed with and the same be taken as read and confirmed.
Moved by: R. Earnshaw
Seconded: F. Wood
Carried.

Report of the Chair

The Chair laid before the meeting a report of the activities of the Corporation in the preceding year and a full statement of accounts of the Corporation showing all receipts and expenditures for the current year as received by the Board of Directors.

Financial Statements

The Chair presented to the meeting the financial statements of the Corporation for the financial year ended 2012, together with the auditor's report thereon, as approved by the directors.

Confirmation of Proceedings

Upon motion duly made, seconded and carried unanimously, **IT WAS RESOLVED** that all by-laws, resolutions, contracts, acts and proceedings of the Board of Directors of the Corporation enacted, passed, made, done or taken since the date of the last annual meeting of shareholders are approved, ratified, sanctioned and confirmed.
Moved by: J. Scarfone
Seconded: J. Horvat
Carried.

Appointment of Directors

The Chair advised the meeting that it was in order to proceed with the appointment of directors for the ensuing year, and the following persons were appointed:

Michael Drake, County and District Law Presidents' Association
Ross Earnshaw, Law Society of Upper Canada
Jacqueline Horvat, Law Society of Upper Canada
Jason Leung, Toronto Lawyers' Association
Clarke Melville, County & District Law Presidents' Association
James Scarfone, Law Society of Upper Canada
Alan Silverstein, Law Society of Upper Canada
Frances Wood, County & District Law Presidents' Association

Upon motion duly made, seconded and carried unanimously, **IT WAS RESOLVED** that these persons are appointed directors of the Corporation to hold office until the next annual meeting of members or until their respective successors are elected or appointed.
Moved by: F. Wood
Seconded: A. Schorr
Carried.

Termination

There being no further business before the meeting, the meeting then terminated.

Moved by: R. Earnshaw

Chair of the Meeting

Secretary of the Meeting

The Law Society of Upper Canada | Barreau du Haut-Canada

TAB 9

Report to Convocation
April 24, 2014

Audit & Finance Committee

Committee Members
Christopher Bredt (Co-Chair)
Carol Hartman (Co-Chair)
John Callaghan (Vice-Chair)
Adriana Doyle
Susan Elliott
Seymour Epstein
Janet Leiper
James Scarfone
Alan Silverstein
Catherine Strosberg
Peter Wardle

Purpose of Report: Decision and Information

Prepared by the Finance Department
Wendy Tysall, Chief Financial Officer, 416-947-3322 or wtysall@lsuc.on.ca

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COMMITTEE PROCESS

1. The Audit & Finance Committee ("the Committee") met on April 9, 2014. Committee members in attendance were Chris Bredt (co-chair), Carol Hartman (co-chair), John Callaghan (vice-chair), Adriana Doyle, Janet Leiper and Catherine Strosberg (phone). Also in attendance was Susan McGrath.

2. Law Society staff in attendance: Robert Lapper, Wendy Tysall, Elliot Spears, Fred Grady, Brenda Albuquerque-Boutilier and Andrew Cawse.

3. Also in attendance were Kathleen Waters and Steve Jorgensen (LAWPRO) as well as Paula Jesty, Sam Persaud and Pina Colavecchia (Deloitte LLP.)

TAB 9.1

FOR DECISION

LAW SOCIETY OF UPPER CANADA, DRAFT AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

Motion:

4. **That Convocation approve the audited Annual Financial Statements for the Law Society for the financial year ended December 31, 2013, including the transfers to and from the restricted funds which are listed in Note 15 of the Notes to the Annual Financial Statements.**

Actual-to-Budget Analysis

5. An unaudited actual-to-budget analysis for the Lawyer and Paralegal General Funds is also provided for supplementary information

DRAFT

THE LAW SOCIETY OF UPPER CANADA

2013 ANNUAL REPORT

Financial Statements

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THE LAW SOCIETY OF UPPER CANADA
ANNUAL FINANCIAL STATEMENTS

DRAFT

MANAGEMENT DISCUSSION AND ANALYSIS

The Law Society of Upper Canada's ("The Society") audited financial statements present the operational results and financial position of the General Fund, the Compensation Fund, the Errors & Omissions Insurance Fund ("E&O Fund") and other restricted funds. Separate financial statements have been prepared for the Society's subsidiaries: Lawyers' Professional Indemnity Company ("LAWPRO") and LibraryCo Inc. ("LibraryCo").

Summary of Financial Performance

The Society is reporting an operating surplus of $3.8 million in 2013, compared to $5.1 million in 2012. The lawyer and paralegal General Fund, which reports the bulk of the Society's operations, had a surplus of $2.4 million (2012 – $276,000) during the year.

- Regulatory and professional development & competence expenses were held at 2012 levels and were under budget by $2.8 million.
- Continuing professional development revenues slightly exceeded 2012 levels and were also higher than budget. The related expenses were less than 2012 as budgeted.

The Compensation Fund balance increased by $534,000 due to favourable developments in the provision for unpaid grants and investment income and in the E&O Fund, revenues, primarily premiums, exceeded amounts remitted to LAWPRO by $2.1 million.

Balance Sheet

Current Assets and Liabilities

Primarily due to the surplus for the year, cash and short-term investments increased by $3.1 million to $39.1 million. Amounts due from LAWPRO decreased by $2.6 million, with premiums written exceeding cumulative fund payments. The other significant change in working capital was the $2 million increase in deferred revenue to $13.2 million. The latter increase relates primarily to more future year membership fees received in 2013 as compared to 2012. The timing of these payments does not follow a pattern and is dependent on when members actually pay their fees.

Investment in Subsidiaries

Investment in subsidiaries comprises the Society's investments in LibraryCo and LAWPRO recorded at cost. The Society owns all the common shares of LibraryCo at a cost of $100. The LAWPRO investment is made up of two parts: the cost of the acquired share capital of $4,997,000 purchased in 1991 when LAWPRO was established, plus contributed capital of $30,645,000 accumulated between 1995 and 1997.

Portfolio Investments
Portfolio investments are shown at fair value of $77.1 million compared to $70.9 million in 2012. Investments are held in the following funds:

($000's)	**2013**	2012
E&O Fund	**29,576**	27,299
Compensation Fund	**33,000**	30,223
General Fund	**14,573**	13,342
Total	**77,149**	70,864

Investments comprise Canadian equities (19%) and Canadian fixed income investments (81%). The portfolio is managed in compliance with the Society's investment policy. Fixed income investments include a diversified mix of government, provincial and corporate bonds with an investment rating of BBB or better. Equity investments include a diversified mix of securities listed on the Toronto Stock Exchange.

Capital Assets
The decrease in capital assets to $13.7 million from $14.7 million reflects amortization for the period, offset by $2.4 million in additions for projects such as the replacement of infrastructure and the enterprise content management initiative. Capital assets are recorded at cost and are amortized over their useful lives according to the Society's capital asset policy. Capital asset additions are typically financed from the Society's Capital Allocation Fund.

Provision for Unpaid Grants / Claims
This balance includes the provisions for the Compensation Fund's unpaid grants and the E&O Fund's unpaid claims. It has decreased from $10.7 million in 2012 to $10 million in the light of slightly better claims experience in the Compensation Fund.

The provision for unpaid grants in the Compensation Fund represents the estimate for unpaid claims and inquiries against the Compensation Fund, supplemented by the costs for processing these claims and has decreased from $10.3 million to $9.8 million due to a moderate decrease in grants anticipated to be closed with payment. The paralegal Compensation Fund provision for unpaid grants comprises $98,000 (2012 – $155,000) of the total $9.8 million Compensation Fund provision for unpaid grants.

At $168,000, the balance of the E&O Fund provision for unpaid claims has decreased from $391,000. This provision is in run-off mode and all claims pre-date 1995.

Unclaimed Trust Funds
Unclaimed trust funds continue to increase, now totalling $3.2 million compared to $2.7 million at the end of 2012. These are trust monies turned over to the Society by lawyers who are unable to locate or identify the clients to whom the monies are owed. To date, monies returned to clients from the fund have been nominal. By statute, the Society administers the unclaimed trust funds, in perpetuity, and is entitled to reimbursement for administrative expenses to a limit of the annual income earned on funds held. Net income, if any, is available for transfer to the Law Foundation of Ontario ("LFO"). To date, administrative expenses have exceeded income and no transfers to the LFO have been made.

Other Trust Funds
Included in the notes to the financial statements, but not the Balance Sheet, is a reference to other trust funds held by the Society. The Society administers client funds for lawyers under voluntary or court-ordered trusteeships. These funds and matching liabilities are not reflected on the Balance Sheet as they are held temporarily and with a restricted administrative mandate. Money paid to the Society is held in trust until it is repaid to the appropriate payee or transferred to the Unclaimed Trust Funds. At the end of 2013, total funds held in trust amounted to $2.8 million (2012 – $3.8 million). The volume and value of balances depend on trusteeships at the time.

Statement of Revenues and Expenses and Change in Fund Balances

Revenues

Annual Fees
Total annual fee revenues have increased to $70.8 million from $67.4 million in 2012 attributable to an increase in the fee for lawyers of $25 and for paralegals of $14 and an increase in the number of lawyers and paralegals billed.

Insurance Premiums and Levies
The E&O Fund accounts for insurance related transactions between LAWPRO, the Society and insured lawyers. The E&O Fund collects premiums and levies from lawyers and remits these amounts to LAWPRO.

Insurance premiums and levies increased from $101.7 million in 2012 to $102.4 million in 2013. The base premium for professional liability insurance coverage for Ontario lawyers was $3,350 per lawyer, the same premium charged in 2012. The professional liability insurance program was essentially the same, year on year. The number of insured lawyers was slightly higher than 2012. The totals of transaction levies and claims history surcharges were static.

Professional Development & Competence ("PD&C")
Total PD&C revenues have increased slightly from $17.1 million in 2012 to $17.4 million in 2013.

- Licensing Process revenues from lawyer and paralegal candidates have increased from $8.9 million to $9.4 million due to a higher number of candidates. The Licensing Process fees for lawyers and paralegals were both unchanged from 2012. The Law Foundation of Ontario approved grants totaling $572,000 for the 2013 lawyer and paralegal Licensing Processes, 30% lower than 2012.
- Continuing Professional Development revenues have decreased nominally from $8.2 million to $8 million. The proportion of registrations for paid versus free programs has decreased slightly from 43% paid in 2012 to 42% paid in 2013. Total registrations have increased from 84,000 in 2012 to 89,000 in 2013. For the first time, in 2014 there will be a nominal charge for previously free courses.

Investment Income
Total investment income has increased from $3.4 million to $4.7 million primarily due to improvements in unrealized gains.

Other Revenues
Included in other revenues are a variety of items such as referral service fees, the LibraryCo administration fee, *Ontario Reports* royalties, catering revenues, litigation and enforcement cost recoveries, charges for fee payment plans and other miscellaneous revenues.

Expenses

Professional Regulation, Tribunals and Compliance
Regulation related expenses of $26.2 million total the same as 2012. With the exception of the implementation of the Tribunal Chair which occurred later in the year, the number of budgeted departmental employees was consistent, there were less staff vacancies and expenses for outside counsel and expert witnesses were reduced.

Professional Development & Competence ("PD&C")
In 2013, total PD&C expenses are less than 2012 ($21.1 million versus $21.8 million) and less than budget also by approximately $960,000. The number of budgeted departmental employees was consistent and there were fewer one-time expenses in continuing professional education.

Corporate Services
Corporate Services expenses, primarily comprising the Client Service Centre, Information Systems, Finance and Human Resources, increased from $20.3 million in 2012, to $21.9 million in 2013 due to restructuring and other costs associated with an operational review.

Convocation, Policy and Outreach
These expenses which include the Policy Secretariat and other governance expenses, Equity, Communications and payments to the Federation of Law Societies, decreased by $200,000 to $8 million. Bencher remuneration and expense reimbursements were less than budget and the prior year.

Services to Members and Public
These expenses which primarily comprise the Law Society's Referral Service, payments to CANLII and the Members Assistance Plan, increased from $3.7 million to $4.3 million primarily because of an expansion of the capabilities of the Referral Service.

Schedule of Restricted Funds

Compensation Fund
The Compensation Fund mitigates losses sustained by any person as a consequence of dishonesty on the part of a member of the Law Society. In 2013, the combined lawyer and paralegal Compensation Funds experienced an increase in the fund balance of $534,000 compared to an increase of $2.2 million in 2012. Lawyer and paralegal revenues are substantially the same at $10.7 million. The provision for unpaid grants decreased by $449,000 in 2013 (2012 – $2.4 million).

Errors & Omissions Insurance Fund
The E&O Fund accounts for insurance-related transactions between LAWPRO, the Society and insured lawyers. As analyzed in the revenue section above, insurance premiums and levies increased slightly from $101.7 million in 2012 to $102.4 million in 2013. Expenses of the Fund have increased from $99 million in 2012 to $101.9 in 2013.

County Libraries Fund
Funding of county libraries totalled $7.5 million compared to the 2012 funding of $7.3 million.

Parental Leave Assistance Plan ("PLAP")
PLAP is one of the funds included under "Other Restricted" funds. PLAP provides financial assistance to lawyers in firms of five lawyers or fewer who do not have access to any other parental leave financial benefits. Under the program terms for 2013, the Society provided a fixed sum of $750 a week to eligible applicants for up to 12 weeks to cover expenses associated with maintaining their practice during a maternity, parental or adoption leave. Convocation has approved an extension of the PLAP pilot project to permit further evaluation of the program, and instituted a means test by which an applicant must have a net annual practice income of less than $50,000 to be eligible for the PLAP. The new means test will be effective as of January 1, 2014. Benefit payments totaled $418,000 to 54 successful applicants (2012 - $343,000 to 39 successful applicants).

Changes in Fund Balances
The 2013 budget planned to reduce the lawyer General Fund balance by $2.75 million. Based on actual results, and after the transfer of $10.7 million from the Working Capital Reserve and the budgeted transfer of $3 million from the accumulated surplus investment income in the E&O Fund, the lawyer General Fund has increased by $14.7 million. The lawyer General Fund balance is now $21.4 million. In 2014, $446,000 of this accumulated balance has again been earmarked for the reduction of annual fees.

The 2013 budget planned to use $810,000 from the paralegal General Fund balance, although based on actual results, the paralegal General Fund has increased by $1 million. The paralegal General Fund balance is now $1.9 million. In 2014, $313,000 of this accumulated balance has again been earmarked for the reduction of annual fees.

The Compensation Fund balance of $25.8 million for lawyers and $419,000 for paralegals has increased by $498,000 and $36,000 respectively during 2013. The 2013 budget planned to reduce the lawyer Compensation Fund balance by $1.8 million. In 2014, $707,000 has been earmarked for the reduction of Compensation Fund levies for lawyers and $40,000 for paralegals.

The E&O Fund balance has decreased from $65.9 million in 2012 to $65 million in 2013. $3 million in surplus investment income accumulated in this fund had been earmarked for the reduction of lawyers' annual fees and was transferred in 2013. In 2014, $1.5 million in surplus investment income accumulated in this fund has been earmarked for the reduction of lawyers' annual fees.

The Capital Allocation Fund is stable at $4 million. The other restricted funds balance is made up of the J. Shirley Denison Fund, the Repayable Allowance Fund, the Special Projects Fund and the Parental Leave Assistance Plan Fund.

Conclusion

The Society has completed an operational review to optimize how it fulfills its mandate, remains financially sound and is well placed for the future. The Society's accumulated fund balances total $134 million of which $14 million represents the book value of the Society's capital assets and $36 million the value, at cost, of its investments in LAWPRO.

Deloitte.

Deloitte LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada
Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

DRAFT
Independent Auditor's Report

To the Members of
The Law Society of Upper Canada

We have audited the accompanying financial statements of The Law Society of Upper Canada which comprise the balance sheet as at December 31, 2013, and the statements of revenue and expenses and change in fund balances and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Law Society of Upper Canada as at December 31, 2013, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
April 24, 2014

DRAFT

THE LAW SOCIETY OF UPPER CANADA

Balance Sheet

Stated in thousands of dollars
As at December 31

		2013	2012
	Assets		
	Current Assets		
1	Cash	**19,424**	19,474
2	Short-term investments	**19,687**	16,558
3	Cash and short-term investments	**39,111**	36,032
4	Accounts receivable (note 8)	**2,494**	2,149
5	Prepaid expenses	**1,621**	1,552
6	Due from LAWPRO (note 4)	**3**	2,565
7	**Total current assets**	**43,229**	42,298
8	**Investment in subsidiaries (note 4)**	**35,642**	35,642
9	**Portfolio investments (note 6)**	**77,149**	70,864
10	**Capital assets (note 7)**	**13,653**	14,744
11	**Total Assets**	**169,673**	163,548
	Liabilities and Fund Balances		
	Current Liabilities		
12	Accounts payable and accrued liabilities (note 8)	**9,686**	9,106
13	Deferred revenue	**13,234**	11,255
14	**Total current liabilities**	**22,920**	20,361
15	Provision for unpaid grants/claims (note 9)	**10,003**	10,675
16	Unclaimed trust funds (note 10)	**3,195**	2,747
17	**Total Liabilities**	**36,118**	33,783
	Fund Balances		
	General funds		
18	Lawyers	**21,410**	6,710
19	Paralegals	**1,882**	847
	Restricted funds		
20	Compensation - lawyers	**25,829**	25,331
21	Compensation - paralegals	**419**	383
22	Errors and omissions insurance	**65,042**	65,910
23	Capital allocation	**3,953**	4,055
24	Invested in capital assets	**13,653**	14,744
25	Working capital reserve (note 15)	**-**	10,675
26	Other	**1,367**	1,110
27	**Total Fund Balances**	**133,555**	129,765
28	**Total Liabilities and Fund Balances**	**169,673**	163,548

See accompanying notes

On behalf of Convocation

Treasurer **Chair of Audit & Finance Committee**

DRAFT

THE LAW SOCIETY OF UPPER CANADA

Statement of Revenues and Expenses and Change in Fund Balances

Stated in thousands of dollars

For the year ended December 31

		2013	2012	2013	2012	2013	2012	2013	2012
		General Fund Lawyer		General Fund Paralegal		Restricted Funds		Total	
	Revenues								
1	Annual fees	**47,879**	46,008	**3,035**	2,323	**19,866**	19,071	**70,780**	67,402
2	Insurance premiums and levies	**-**	-	**-**	-	**102,428**	101,678	**102,428**	101,678
3	Professional development and competence	**14,458**	15,209	**2,939**	1,880	**-**	-	**17,397**	17,089
4	Investment income (note 13)	**1,074**	881	**85**	-	**3,520**	2,520	**4,679**	3,401
5	Other (note 12)	**5,599**	5,920	**466**	116	**236**	555	**6,301**	6,591
6	**Total revenues**	**69,010**	68,018	**6,525**	4,319	**126,050**	123,824	**201,585**	196,161
	Expenses								
7	Professional regulation, tribunals and compliance	**24,263**	24,097	**1,924**	2,189	**-**	-	**26,187**	26,286
8	Professional development and competence	**19,252**	20,689	**1,813**	1,131	**-**	-	**21,065**	21,820
9	Corporate services	**20,254**	19,096	**1,640**	1,203	**-**	-	**21,894**	20,299
10	Convocation, policy and outreach	**7,524**	7,787	**500**	444	**-**	-	**8,024**	8,231
11	Services to members and public	**4,068**	3,675	**206**	41	**-**	-	**4,274**	3,716
12	Allocated to Compensation Fund	**(7,753)**	(7,726)	**(600)**	(565)	**8,353**	8,291	**-**	-
13	Restricted (schedule of restricted funds)	**-**	-	**-**	-	**116,351**	110,713	**116,351**	110,713
14	**Total expenses**	**67,608**	67,618	**5,483**	4,443	**124,704**	119,004	**197,795**	191,065
15	**Surplus (Deficit)**	**1,402**	400	**1,042**	(124)	**1,346**	4,820	**3,790**	5,096
16	**Fund balances, beginning of year**	**6,710**	7,199	**847**	917	**122,208**	116,553	**129,765**	124,669
17	**Interfund transfers (notes 2 & 15)**	**13,298**	(889)	**(7)**	54	**(13,291)**	835	**-**	-
18	**Fund balances, end of year**	**21,410**	6,710	**1,882**	847	**110,263**	122,208	**133,555**	129,765

See accompanying notes

THE LAW SOCIETY OF UPPER CANADA

DRAFT

Statement of Cash Flows

Stated in thousands of dollars

For the year ended December 31

		2013	2012
	Net inflow of cash related to the following activities		
	Operating		
1	Surplus	**3,790**	5,096
	Items not affecting cash:		
2	Decrease in provision for unpaid grants and claims	**(672)**	(2,707)
3	Amortization of capital assets	**3,484**	3,028
4	Loss on disposal of capital assets	**37**	-
		6,639	5,417
5	Accounts receivable	**(345)**	33
6	Prepaid expenses	**(69)**	240
7	Accounts payable and accrued liabilities	**580**	-
8	Due from LAWPRO	**2,562**	(3,683)
9	Deferred revenue	**1,979**	(1,240)
10	Fund contribution - unclaimed trusts	**448**	410
11	**Cash from operating activities**	**11,794**	1,177
	Investing		
12	Portfolio investments (net)	**(6,285)**	(767)
13	Short-term investments (net)	**(3,129)**	2,254
14	Capital asset additions	**(2,430)**	(2,554)
15	**Cash from investing activities**	**(11,844)**	(1,067)
16	**Net (outflow) inflow of cash, during the year**	**(50)**	110
17	Cash, beginning of year	**19,474**	19,364
18	**Cash, end of year**	**19,424**	19,474

See accompanying notes

THE LAW SOCIETY OF UPPER CANADA
Notes to Financial Statements, December 31, 2013
Stated in whole dollars except where indicated

DRAFT

1. Background

The Law Society of Upper Canada (the "Society") was founded in 1797 and incorporated in 1822 with the enactment of the Law Society Act.

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

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

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

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

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

At December 31, 2013, the total membership of the Society exceeded 50,000 lawyers and paralegals. The primary sources of revenues are member annual fees and insurance premiums and levies, set by Convocation, based on the financial requirements of the Society.

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

2. Nature of Financial Statements

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

Subsidiaries and Related Corporation

The Society has two wholly-owned subsidiaries: Lawyers' Professional Indemnity Company ("LAWPRO"), and LibraryCo Inc. ("LibraryCo") and a related corporation, the Law Society Foundation.

These entities have not been consolidated or included in the Society's financial statements apart from the information in Notes 4 and 5. The audited annual financial statements for these three entities are available separately.

General Fund

The General Fund accounts for the Society's program delivery and administrative activities related to the regulation and licensing of lawyers and paralegals. This fund reports unrestricted resources. At December 31, 2013, the lawyer fund balance was $21,410,000 (2012 – $6,710,000). During the year, the Working Capital Reserve of $10,675,000 was transferred to the General Fund. The paralegal fund balance was $1,882,000 (2012 – $847,000).

As approved by Convocation in May 2013, the Society's policy is to maintain the General Fund balance at no less than two and no more than three months of General Fund budgeted expenses.

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

- Mitigate the General Fund levy for the next fiscal year;
- Transfer the excess to another Law Society fund if the fund balance is below its stated policy benchmark.

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

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

- Mitigate the General Fund levy for the next fiscal year;
- Transfer the excess to another Law Society fund if the fund balance is below its stated policy benchmark.

Restricted Funds

Compensation Fund

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

Pursuant to the Law Society Act, the Compensation Fund is supported by members' annual fees, investment income and recoveries. The Compensation Fund accounts for program delivery, administration and payment of grants and has separate fund balances for lawyer members and paralegal members.

As approved by Convocation in May 2013, the Society's policy is to maintain the Lawyer Compensation Fund balance at an amount sufficient to provide for a minimum of three successive 99th percentile aggregate claim scenarios (one-in-one-hundred-year event) and a maximum of four such events. The estimated amount of aggregate claims in the 99th percentile is to be actuarially reviewed at least every three years.

If the Lawyer Compensation Fund balance exceeds four one-in-one-hundred year events, Convocation shall utilize some or all of the excess for the following:

- Mitigation of the Lawyer Compensation Fund levy for the next fiscal year;
- Annual mitigation of the Lawyer Compensation Fund levy shall continue such that within the next three fiscal years, the maximum benchmark shall be achieved.

If the Lawyer Compensation Fund balance is less than three one-in-one-hundred-year events, Convocation shall budget for an annual surplus to restore the fund balance to its minimum policy objective. The minimum policy benchmark should be restored within three fiscal periods.

If the Lawyer Compensation Fund balance is more than three one-in-one-hundred-year events and less than four one-in-one-hundred-year events Convocation may:

- Mitigate the Lawyer Compensation Fund levy for the next fiscal year;
- Budget for a surplus sufficient to increase the fund balance to its maximum policy objective of four one-in-one-hundred-year events;
- Leave the fund balance at its current balance for the upcoming fiscal year.

The General Fund allocates certain administrative expenses, spot audit expenses and a portion of the costs of operating the investigation and discipline functions of the Society to the Compensation Fund. In 2013, these amounted to $8,353,000 (2012 – $8,291,000). At December 31, 2013, the lawyer share of the fund balance was $25,829,000 (2012 – $25,331,000) and the paralegal share of the fund balance was $419,000 (2012 – $383,000).

Errors and Omissions Insurance Fund

The Errors and Omissions Insurance Fund ("E&O Fund") accounts for insurance-related transactions between LAWPRO, the Society and insured lawyers. The E&O Fund collects premiums and levies from lawyers, reported as revenues, and remits these amounts to LAWPRO, reported as expenses.

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

To the extent that transaction-based levies exceed anticipated amounts, the excess remains in the E&O Fund and is applied as premiums in future years. In the event of a shortfall, the shortfall is met by

additional funds from the E&O fund balance. The net 2013 contribution to the E&O Fund balance was $334,000 (2012 - $2,528,000).

There is also a retrospective premium provision under the insurance policy between the Society and LAWPRO. To the extent underwriting results vary from the approved program, additional premiums are charged. Under these provisions, LAWPRO made no retrospective premium assessment in 2013 and 2012.

The E&O Fund also reports claims liabilities for 1995 and prior which are now substantially in run-off mode. The Society retained financial responsibility for insurance policy deductibles through to December 31, 1994. Effective 1995, 100% of the risk above the individual member deductible was insured through LAWPRO.

At December 31, 2013, the E&O Fund balance was $65,042,000 (2012 – $65,910,000) of which $35,642,000 (2012 – $35,642,000) comprises the Society's investment in LAWPRO.

Capital Allocation Fund

The Capital Allocation Fund is maintained to provide a source of funds for the acquisition and maintenance of the Society's capital assets. These include buildings and major equipment including computers. Amounts of assets capitalized, according to the Society's capital asset policy, are transferred to the Invested in Capital Assets Fund. Expenditures not capitalized are expended in the Capital Allocation Fund. At December 31, 2013, the balance was $3,953,000 (2012 – $4,055,000).

Invested in Capital Assets Fund

The Invested in Capital Assets Fund records transactions related to the Society's capital assets, specifically acquisitions, amortization and disposals. At December 31, 2013, the balance was $13,653,000 (2012 – $14,744,000), representing the net book value of the Society's capital assets.

County Libraries Fund

The County Libraries Fund records transactions related to the Society's support of county law libraries. As approved by Convocation, the fund accumulates funds for county library purposes which are remitted to LibraryCo. The fund balance at December 31, 2013 and 2012 was $nil.

Other Restricted Funds

The Repayable Allowance Fund provides loans for tuition and living expenses to candidates in the lawyer licensing process. At December 31, 2013, the balance was $316,000 (2012 – $253,000).

The J. Shirley Denison Fund, an endowment fund, provides relief and assistance to lawyers, candidates in the lawyer licensing process and former lawyers who find themselves in difficult financial circumstances. Contributions for endowments are recognized as revenues. At December 31, 2013, the balance was $46,000 (2012 – $53,000).

The Special Projects Fund is maintained to ensure that financing is available for ongoing special projects approved by Convocation. The balance at December 31, 2013 was $758,000 (2012 – $538,000).

The Parental Leave Assistance Fund accounts for the delivery of the Parental Leave Assistance Program ("PLAP") and is funded by lawyers' fees. The PLAP provides financial assistance to lawyers in firms of five lawyers or fewer who do not have access to any other parental leave financial benefits. Under the program, the Society provides a fixed sum of $750 a week to eligible applicants for up to 12 weeks to cover expenses associated with maintaining their practice during a maternity, parental or adoption leave. Convocation has approved an extension of the PLAP pilot project to permit further evaluation of the program, and instituted a means test by which an applicant must have a net annual practice income of less than $50,000 to be eligible for the PLAP. The new means test will be effective as of January 1, 2014. At December 31, 2013, the Fund balance was $247,000 (2012 – $266,000), which will be carried over to the next year to fund the program.

3. Significant Accounting Policies

Basis of presentation

The financial statements have been prepared in accordance with the accounting standards for not-for-profit organizations set out in the CPA Canada Handbook – Accounting.

Financial instruments

The Society's financial assets and financial liabilities are classified and measured as follows:

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

Other amounts noted on the Balance Sheet such as prepaid expenses, capital assets, investment in subsidiaries, deferred revenue, and the provisions for unpaid grants/claims, are not financial instruments. Investments in subsidiaries are reported at cost.

The fair value of portfolio investments is determined by reference to published quotations in an active market at year end for fixed income and by reference to transactional net asset value for the Canadian equity pooled fund. Transaction costs are expensed as incurred. The fair value of cash and short-term investments, accounts receivable, accounts payable and accrued liabilities and unclaimed trust funds approximate their carrying values due to their nature or capacity for prompt liquidation.

There has been no change in risk exposures from the previous period.

Interest rate risk

The risk that the fair value of financial instruments will fluctuate due to changes in market interest rates is managed through compliance with the Society's investment policy. The Society has no interest-bearing liabilities.

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

Market risk

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

Credit risk

Credit risk is the possibility that other parties may default on their financial obligations. At year end, the maximum exposure of the Society to credit risk in cash and short and long-term fixed income investments was $101,776,000 (2012 – $94,951,000). In compliance with the Society's investment policy, fixed income investments are in the financial obligations of governments, major financial institutions and commercial paper with investment grade ratings.

At year end, the maximum exposure of the Society to credit risk in accounts receivable was $2,494,000 (2012 – $2,149,000). This credit risk is minimized by the credit quality and a diverse debtor base. The Society maintains an allowance for potential credit losses.

Liquidity risk

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

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

Cash and short-term investments

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

Portfolio investments

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

Capital assets

Capital assets are presented at cost net of accumulated amortization. For purposes of calculating the first year's amortization, all capital assets are deemed to be acquired, put into service, or completed on July 1.

Amortization is charged to expenses on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	30 years
Building improvements	10 years
Furniture, equipment and computer hardware and software	3 to 5 years

Revenue recognition

Annual member fees, premiums and levies are set annually by Convocation and are recognized in the year to which they relate if the amount can be reasonably estimated and collection is reasonably assured. Accordingly, fees for the next fiscal year received prior to December 31 have been deferred and are recognized as revenue in the next year. Premium revenues are recognized on a pro rata basis over the term of the respective insurance policies. Premiums related to the unexpired term of coverage at the balance sheet date are reported as deferred revenue. Transaction-based levies are recorded as revenues in the year received.

Professional development & competence, and other revenues and realized investment income/losses are recognized when receivable if the amount can be reasonably estimated. Unrealized investment gains/losses are recognized with changes in the fair value of financial instruments.

Fees and premiums receivable are recorded as accounts receivable on the balance sheet, net of any required provision for doubtful amounts.

Grant - related balances

Included in the provision for unpaid grants/claims is the provision for unpaid Compensation Fund grants. Pursuant to section 51(5) of the Law Society Act, the payment of grants from the Compensation Fund is at the discretion of Convocation. Grants paid from the lawyer pool of the Compensation Fund are subject to a $150,000 limit per applicant. Grants paid from the paralegal pool of the Compensation Fund are subject to a $10,000 limit per applicant. The Compensation Fund expense represents a provision for unpaid grants, administrative expenses and expenses allocated from the General Fund.

Provisions for unpaid grants are recorded as liabilities on the balance sheet. The measurement of the ultimate settlement costs of claims made to date that underlies the provision for unpaid grants involves estimates and measurement uncertainty. Ultimate costs incurred could vary from current estimates. Although it is not possible to measure the degree of variability inherent in such estimates, management believes that the methods of estimation that have been used will produce reasonable results given the current information. These provisions represent an estimate of the present value of grants to be paid for claims and the associated administrative costs net of recoveries. Grant liabilities are carried on a discounted basis using the yield of the underlying assets backing the grant liabilities with a provision for adverse deviation. The discount rate is 1.28% (2012 – 1.05%).

Collections

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

Volunteer services

Convocation, consisting of the Treasurer and benchers, governs the Society. Benchers may be elected by lawyers, paralegals, appointed by the provincial government, have ex-officio status by virtue of their office or past service as elected benchers or Treasurers, or qualify as emeritus benchers. In addition, the Paralegal Standing Committee is responsible for developing policy related to paralegal regulation for Convocation's approval. Licensed paralegals elected five paralegal members to the Paralegal Standing Committee. In December 2013, the Law Society Act was amended so that, with effect from the paralegal elections in March 2014, licensed paralegals will elect five paralegals as benchers and members of the Paralegal Standing Committee.

In total there are 13 members of the Paralegal Standing Committee: five paralegals, five lawyers and three lay benchers. Two paralegal benchers were elected by the Paralegal Standing Committee's five paralegal members and three lay benchers.

Elected and ex-officio benchers and Paralegal Standing Committee members are only eligible for remuneration after contributing 26 days of voluntary time. The work of the Society is also dependent on other voluntary services by lawyers and paralegals. No value has been included in these financial statements for volunteer services.

Measurement uncertainty

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

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

4. Investment in Subsidiaries

Investment in the Society's subsidiaries is recorded at cost:

	2013	2012
LAWPRO	**35,642,000**	35,642,000
LibraryCo	**100**	100
Total investment in subsidiaries	**35,642,100**	35,642,100

LAWPRO

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

The professional liability insurance program generally requires practising lawyers to pay premiums and levies to the E&O Fund that contribute toward the premium paid by the Society to fund the anticipated costs of professional liability claims made in each annual policy period.

Paralegals obtain this form of coverage through independent insurance companies. In addition to providing mandatory lawyers professional liability insurance, LAWPRO also sells optional excess lawyers professional liability and title insurance.

The $5 million in capital stock of LAWPRO comprises 30,000 common shares of par value of $100 each and 20,000 6% non-cumulative, redeemable, non-voting preferred shares. In the period from 1995 to 1997, the Society transferred a net amount of $30.6 million in capitalization funding as contributed surplus to LAWPRO.

As required by Canadian generally accepted accounting principles, LAWPRO, a publicly accountable entity, adopted International Financial Reporting Standards ("IFRS") commencing in its financial year ended December 31, 2011.

There are therefore significant differences in the accounting policies of LAWPRO and the Society, but because the two organizations are so different and LAWPRO is not consolidated, variances arising from the different financial reporting framework adopted by the two organizations have not been reconciled.

Summarized balance sheet of LAWPRO:

($000's)	**2013**	2012
Total assets	**645,436**	610,759
Total liabilities	**455,561**	439,470
Total shareholder's equity	**189,875**	171,289
Total liabilities and shareholder's equity	**645,436**	610,759

Summarized statement of income of LAWPRO for the year ended December 31:

($000's)	**2013**	2012
Revenue	**124,274**	123,451
Expenses	**116,441**	126,889
Income (loss) before taxes	**7,833**	(3,438)
Income tax (expense) recovery	**(1,900)**	1,206
Net income (loss)	**5,933**	(2,232)
Other comprehensive income net of tax	**12,653**	6,246
Comprehensive income	**18,586**	4,014

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

($000's)	**2013**	2012
Net cash inflow from operating activities	**20,412**	26,078
Net cash outflow from investing activities	**(24,264)**	(24,637)
Cash and cash equivalents, beginning of year	**18,377**	16,936
Cash and cash equivalents, end of year	**14,525**	18,377

LAWPRO administers the operations of the E&O Fund at no charge, under an administrative services agreement. LAWPRO billed the Society $102,093,000 (2012 – $99,150,000) for premiums during the year. LAWPRO contributed $210,000 to a wellness program provided by the Society to its members (2012 - $nil). Included in the Society's financial statements are amounts due from LAWPRO of $3,000 (2012 – $2,565,000).

LibraryCo

LibraryCo, a wholly-owned, not-for-profit subsidiary of the Society, was established to develop policies, procedures, guidelines and standards for the delivery of county law library services and legal information across Ontario and to administer funding on behalf of the Society. LibraryCo was incorporated under the Business Corporations Act (Ontario) in 2001. The Society holds all of the 100 common shares. Of the 100 special shares, 25 are held by the Toronto Lawyers Association ("TLA") and 75 are held by the County and District Law Presidents' Association ("CDLPA"). The Society may appoint up to four directors, CDLPA may appoint up to three directors and TLA may appoint one director. The investment is recorded at cost on the Society's Balance Sheet.

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

Summarized balance sheet of LibraryCo:

($000's)	**2013**	2012
Total assets	**909**	998
Total liabilities	**26**	27
Total share capital and fund balances	**883**	971
Total liabilities, share capital and fund balances	**909**	998

Summarized statement of income of LibraryCo for the year ended December 31:

($000's)	**2013**	2012
Total revenue	**8,230**	8,024
Total expenses	**8,318**	8,087
Deficit	**88**	63

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

($000's)	**2013**	2012
Net cash outflow from operating activities	**(98)**	(152)
Cash and short-term investments, beginning of year	**962**	1,114
Cash and short-term investments, end of year	**864**	962

The Society administers the operations of LibraryCo under an administrative services agreement. The total amount billed by the Society was $591,000 (2012 – $585,000) for administrative services and certain other services and publications. Included in the Society's accounts receivable are amounts due from LibraryCo of $8,000 (2012 – $8,000).

5. Related Corporation

The Law Society Foundation ("LSF") is regarded as a related corporation, although the Society does not have an equity interest in the LSF.

The LSF, a registered charity, was incorporated by Letters Patent in 1962. The objectives of the LSF are to foster, encourage and promote legal education in Ontario, provide financial assistance to licensing process candidates in Ontario, restore and preserve land and buildings of historical significance to Canada's legal heritage, receive gifts of muniments and legal memorabilia of interest and significance to Canada's legal heritage, maintain a collection of gifts of books and other written material for use by educational

institutions in Canada, receive donations and maintain funds for the relief of poverty by providing meals to persons in need.

The Society provides facilities, administration, accounting, security and certain other services at no cost to the LSF. Trustees of the LSF are elected by the members of the LSF. Included in the Society's accounts receivable are amounts due from the LSF of $30,000 (2012 – $27,000).

6. Portfolio Investments

($000's)	**2013**	2012
Debt securities	**62,665**	58,494
Canadian equities	**14,484**	12,370
Total portfolio investments	**77,149**	70,864

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

	2013	2012
Effective interest rates (%)	**1.4 – 3.1**	1.2 – 3.2
Maturity dates (years)	**1 - 5**	1 - 5

7. Capital Assets

($000's)	**2013**		
	Cost	**Accumulated Amortization**	**Net**
Land and buildings	**25,395**	**21,071**	**4,324**
Building improvements	**22,994**	**15,160**	**7,834**
Furniture, equipment and computer hardware and software	**7,901**	**6,406**	**1,495**
Total capital assets	**56,290**	**42,637**	**13,653**

($000's)	2012		
	Cost	Accumulated Amortization	Net
Land and buildings	25,396	20,521	4,875
Building improvements	21,744	13,274	8,470
Furniture, equipment and computer hardware and software	7,579	6,180	1,399
Total capital assets	54,719	39,975	14,744

8. Accounts Payable and Accrued Liabilities and Accounts Receivable

Included in accounts payable is $934,000 in government remittances, primarily sales taxes (2012 – $743,000).

The accounts receivable balance comprises:

($000's)	**2013**	2012
Accounts receivable	**15,352**	14,056
Allowance for doubtful accounts	**12,858**	11,907
Accounts receivable - net	**2,494**	2,149

The allowance for doubtful accounts mainly relates to monitoring and enforcement receivables and annual fees receivable.

9. Provision for Unpaid Grants / Claims

($000's)	**2013**	2012
Provision for unpaid grants – Compensation Fund	**9,835**	10,284
Provision for unpaid claims – E&O Fund	**168**	391
TOTAL	**10,003**	10,675

10. Unclaimed Trust Funds

Section 59.6 of the Law Society Act permits a member who has held money in trust for, or on account of, a person for a period of at least two years, to apply in accordance with the by-laws for permission to pay the money to the Society. Money paid to the Society is held in trust in perpetuity for the purpose of satisfying the claims of the persons who are entitled to the capital amount. Subject to certain provisions in the Act enabling the Society to recover its expenses associated with maintaining these funds, net income from the money held in trust shall be paid to the Law Foundation of Ontario. Unclaimed money held in trust amounts to $3,195,000 (2012 – $2,747,000).

11. Other Trust Funds

The Society administers client funds for members under voluntary or court-ordered trusteeships. These funds and matching liabilities are not reflected on the Balance Sheet. Money paid to the Society is held in trust until it is repaid to the clients or transferred to the Unclaimed Trust Funds. At December 31, 2013, total funds held in trust amount to $2,760,000 (2012 – $3,838,000).

12. Other Revenues

Included in other revenues is income from the *Ontario Reports*, catering, the Law Society Referral Service and specialist certification.

13. Investment Income

Investment income is summarized below ($'000s):

	2013	2012
Dividends and interest	**2,555**	2,465
Realized gains	**608**	522
Unrealized gains	**1,516**	414
TOTAL	**4,679**	3,401

14. Other Expenses

Included in Convocation, policy and outreach expenses are payments for the total remuneration of elected and ex-officio benchers, lay benchers and Paralegal Standing Committee members during the year of $836,000 (2012 – $1,022,000). The total expense reimbursements of the elected and ex-officio benchers, lay benchers and Paralegal Standing Committee members during the year was $557,000 (2012 – $723,000). The Treasurer's honorarium for the year was $176,000 (2012 – $142,000).

15. Interfund Transfers

During the year the following interfund transfers took place:

- $2,430,000 million transferred from the Capital Allocation Fund to the Invested in Capital Assets Fund representing assets capitalized during the year in compliance with the Law Society's accounting policies.
- $65,000 transferred from the General Fund to the County Libraries Fund.
- Transfer of $100,000 from the General Fund to the Repayable Allowance Fund, as provided in the 2013 budget to fund the Repayable Allowance Program in the Licensing Process.
- Transfer of $219,000 from the General Fund to the Special Projects Fund.
- Transfer of $3,000,000 from the E&O Fund to the General Fund as provided in the 2013 budget representing surplus investment income.
- Transfer of $10,675,000 from the Working Capital Reserve to the General Fund.

16. Pension Plan

The Society maintains a defined contribution plan for all eligible employees of the Society. Each member of the plan, other than designated employees, elect to contribute matching employee and employer contributions from 1% to 6% of annual earnings up to the maximum deduction allowed by the Canada Revenue Agency. Designated employees, who hold executive positions, have contributions made to the plan by the Society equivalent to 12% of annual earnings up to the maximum deduction allowed by the Canada Revenue Agency. The Society's pension expense in 2013 amounted to $2,495,000 (2012 – $2,357,000).

17. Commitments

The Society is committed to monthly lease payments for property under leases having various terms up to April 2020. Aggregate minimum annual payments to the expiry of the leases are as follows:

2014	959,000
2015	955,000
2016	922,000
2017	923,000
2018	926,000
Thereafter	1,237,000

In 2011, the Society renewed a five-year commitment in the annual amount of $138,000 to the Law Commission of Ontario to support its operations.

18. Contingent Liabilities

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

Members failing to meet their professional and ethical obligations are subject to the Society's regulatory process. Regulatory proceedings may result in cost awards against the Society. At the end of 2013, in management's judgement, there is at least a reasonable possibility that a contingent liability relating to one or more cost awards may exist but the amount of any losses cannot be reliably estimated. From its regulatory proceedings, the Society has determined that the ultimate settlement for possible cost awards could range from nil to approximately $5 million. No amount has been recorded in the financial statements.

19. Comparative Figures

Certain prior year's comparative figures have been reclassified to conform to the current year's financial statement presentation.

THE LAW SOCIETY OF UPPER CANADA

DRAFT

Schedule of Restricted Funds

Stated in thousands of dollars

For the year ended December 31

		2013									2012
		Compensation Fund		Errors and omissions insurance	Capital allocation	Invested in capital assets	County libraries	Working capital reserve	Other restricted	Total restricted funds	Total
		Lawyer	Paralegal								
1	**Fund balances, beginning of year**	**25,331**	**383**	**65,910**	**4,055**	**14,744**	**-**	**10,675**	**1,110**	**122,208**	116,553
	Revenues										
2	Annual fees	8,014	601	-	3,417	-	7,434	-	400	**19,866**	19,071
3	Insurance premiums and levies	-	-	102,428	-	-	-	-	-	**102,428**	101,678
4	Investment income	1,897	-	1,623	-	-	-	-	-	**3,520**	2,520
5	Other	148	-	-	125	(37)	-	-	-	**236**	555
6	**Total revenues**	**10,059**	**601**	**104,051**	**3,542**	**(37)**	**7,434**	**-**	**400**	**126,050**	123,824
	Expenses										
7	Allocated expenses	7,753	600	-	-	-	-	-	-	**8,353**	8,291
8	Direct expenses	1,808	(35)	101,919	1,214	3,484	7,499		462	**116,351**	110,713
	Total expenses	**9,561**	**565**	**101,919**	**1,214**	**3,484**	**7,499**	**-**	**462**	**124,704**	119,004
9	**Surplus (Deficit)**	498	36	2,132	2,328	(3,521)	(65)	-	(62)	**1,346**	4,820
10	**Interfund transfers**	-	-	(3,000)	(2,430)	2,430	65	(10,675)	319	**(13,291)**	835
11	**Fund balances, end of year**	**25,829**	**419**	**65,042**	**3,953**	**13,653**	**-**	**-**	**1,367**	**110,263**	122,208

FOR INFORMATION

Law Society of Upper Canada Financial Statements
For the financial year ended December 31, 2013
Supplementary Analysis – Unaudited

Budget to Actual Comparison – Unaudited

Lawyers and Paralegals General Fund
Surplus

The 2013 budget anticipated a deficit in the General Fund of $6.5 million. This deficit was to be funded by $3.0 million of surplus investment income from the E&O Fund, and draw downs of $2.75 million from the lawyer General Fund balance and $810,000 from the paralegal General Fund balance.

The actual results of operations for 2013 generated a surplus of $2.4 million and as a result the budgeted draw downs on the General Fund balances did not occur. In fact, the operating surplus increased the lawyer General Fund balance by $1.4 million and the paralegal General Fund balance by slightly more than $1.0 million. These operational results generated a positive variance of $9.0 million.

The transfer of $3.0 million from the E&O fund was made as planned and is reported on the Statement of Revenue and Expenses and Change in Fund Balances. The remaining variance ($6.0 million) is described in the commentary below. In brief, approximately half of the $6.0 million is the result of revenues from professional development and competence due to greater than anticipated CPD participation and increased numbers of licensing process candidates. The remaining $3.0 million variance results from expenditure savings in operations, primarily in professional regulation and bencher remuneration.

Lawyers
General Fund - Schedule of Revenues and Expenses

- On the revenue side, the major variances include:
    - Annual fees are under budget by $396,000. The number of full time equivalent lawyers increased less than the 600 anticipated in the budget.
    - Professional development and competence revenues exceeded budget by $2.1 million comprised of:
        - a positive variance for licensing process revenues of $892,000. With the fee unchanged from 2012, the 2013 budget envisaged an increase in licensing process candidates slightly offset by a 30% reduction in the Law Foundation of Ontario grant.
        - a positive variance for continuing professional development revenues of $1.1 million. In response to declining attendances in 2012, the budget for

continuing professional development was reduced by $640,000 in 2013, but attendance actually increased. Registration percentages for free (58%) and fee-based (42%) programs in 2013 resembled the 2012 breakdown.

- Investment revenue is over budget by $427,000 as the budget did not anticipate the extent of the rebound in equity markets and the continuing unrealized capital gains on fixed income securities.

- On the expense side, the major variances include:

  - Professional regulation, tribunals and compliance expenses are under budget by $1.7 million. Two thirds of the variance was in counsel fees and amounts paid for expert opinions and witnesses with the balance made up from adjudicator remuneration and expenses.

  - Professional development and competence is under budget by $782,000 with the variance primarily attributable to continuing professional development expenses.

  - Corporate services expenses were under budget by $785,000, with Finance, Facilities, Human Resources, Client Service Centre and Information Systems all contributing, with underspending in categories such as consulting and staffing, offsetting the restructuring costs associated with the operational review.

  - Convocation, policy and outreach expenses were under budget by $1.5 million. Based on trends in recent years, the budget for Convocation activities including, remuneration and disbursements, had been increased. The trend reversed in 2013 resulting in reduced costs and positive variance.

Paralegals
General Fund - Schedule of Revenues and Expenses

- Paralegal revenues are higher than budgeted by $1.3 million primarily due to a higher than anticipated number of applicants for licensing. With the fee unchanged from 2012, the 2013 budget envisaged a small increase in licensing process candidates offset by a 30% reduction in the Law Foundation of Ontario grant. The increase in candidates was greater than expected.

- Total expenses in the Paralegal Fund are less than budget, with actual expenses of $5.5 million against budgeted expenses of $6.1 million with the variance spread across most departments.

THE LAW SOCIETY OF UPPER CANADA
Lawyers and Paralegals General Fund
Schedule of Revenues and Expenses

Stated in thousands of dollars
For the year ended December 31

		2013 Actual	Annual Budget	Budget Variance	2012 Actual
	REVENUES				
1	Annual fees	**50,915**	**51,314**	**(399)**	48,331
2	Professional development and competence	**17,397**	**14,142**	**3,255**	17,089
3	Investment income	**1,159**	**700**	**459**	881
4	Ontario reports revenue	**1,706**	**1,600**	**106**	1,824
5	Payment plan admin fee	**357**	**340**	**17**	321
6	Referral service fees	**316**	**325**	**(9)**	301
7	Other	**3,685**	**3,749**	**(64)**	3,590
8	**Total revenues**	**75,535**	**72,170**	**3,365**	72,337
	EXPENSES				
9	Professional regulation, tribunals and compliance	**26,187**	**28,024**	**1,837**	26,286
10	Professional development and competence	**21,065**	**22,027**	**962**	21,820
11	Corporate services	**21,894**	**22,690**	**796**	20,299
12	Convocation, policy and outreach	**8,024**	**9,674**	**1,650**	8,231
13	Services to members and public	**4,274**	**4,908**	**634**	3,716
14	Allocated to Compensation Fund	**(8,353)**	**(8,593)**	**(240)**	(8,291)
15	**Total expenses**	**73,091**	**78,730**	**5,639**	72,061
16	**Surplus (Deficit)**	**2,444**	**(6,560)**	**9,004**	**276**

THE LAW SOCIETY OF UPPER CANADA
General Fund - Lawyers
Schedule of Revenues and Expenses

Stated in thousands of dollars
For the year ended December 31

		2013 Actual	Annual Budget	Budget Variance	2012 Actual
	REVENUES				
1	Annual fees	**47,879**	**48,275**	**(396)**	46,008
2	Professional development and competence	**14,458**	**12,364**	**2,094**	15,209
3	Investment income	**1,074**	**647**	**427**	881
4	Ontario reports revenue	**1,525**	**1,478**	**47**	1,824
5	Payment plan admin fee	**310**	**300**	**10**	283
6	Referral service fees	**293**	**301**	**(8)**	301
7	Other	**3,471**	**3,543**	**(72)**	3,512
8	**Total revenues**	**69,010**	**66,908**	**2,102**	68,018
	EXPENSES				
9	Professional regulation, tribunals and compliance	**24,263**	**25,965**	**1,702**	24,097
10	Professional development and competence	**19,252**	**20,034**	**782**	20,689
11	Corporate services	**20,254**	**21,039**	**785**	19,096
12	Convocation, policy and outreach	**7,524**	**8,983**	**1,459**	7,787
13	Services to members and public	**4,068**	**4,690**	**622**	3,675
14	Allocated to Compensation Fund	**(7,753)**	**(8,053)**	**(300)**	(7,726)
15	**Total expenses**	**67,608**	**72,658**	**5,050**	67,618
16	**Surplus (Deficit)**	**1,402**	**(5,750)**	**7,152**	**400**

THE LAW SOCIETY OF UPPER CANADA
General Fund - Paralegals
Schedule of Revenues and Expenses

Stated in thousands of dollars
For the year ended December 31

		2013 Actual	Annual Budget	Budget Variance	2012 Actual
	REVENUES				
1	Annual fees	**3,036**	**3,039**	**(3)**	2,323
2	Professional development and competence	**2,939**	**1,778**	**1,161**	1,880
3	Investment income	**85**	**53**	**32**	-
4	Ontario reports revenue	**181**	**122**	**59**	-
5	Payment plan admin fee	**47**	**40**	**7**	38
6	Referral service fees	**23**	**24**	**(1)**	-
7	Other	**214**	**206**	**8**	78
8	**Total revenues**	**6,525**	**5,262**	**1,263**	4,319
	EXPENSES				
9	Professional regulation, tribunals and compliance	**1,924**	**2,059**	**135**	2,189
10	Professional development and competence	**1,813**	**1,993**	**180**	1,131
11	Corporate services	**1,640**	**1,651**	**11**	1,203
12	Convocation, policy and outreach	**500**	**691**	**191**	444
13	Services to members and public	**206**	**218**	**12**	41
14	Allocated to Compensation Fund	**(600)**	**(540)**	**60**	(565)
15	**Total expenses**	**5,483**	**6,072**	**589**	4,443
16	**Surplus (Deficit)**	**1,042**	**(810)**	**1,852**	**(124)**

TAB 9.2

FOR DECISION

LAW SOCIETY AUDITOR

Motion:

6. **That Convocation appoint Deloitte LLP as The Law Society of Upper Canada and LibraryCo Inc. auditor for the 2014 financial year.**

7. Deloitte are the auditors of the Law Society, LAWPRO, LibraryCo, the Law Society Foundation and the Law Society's Pension Fund. Convocation appoints the Law Society auditor on the advice of the Audit & Finance Committee. LAWPRO's auditors are appointed at their Annual General Meeting. Under the terms of the Unanimous Shareholders Agreement, LibraryCo's auditor is appointed by the Law Society. The Law Society Foundation's auditors are appointed at their Annual Meeting.

8. Deloitte has been the Law Society auditor since the 2002 financial year. Recently, the Law Society and LAWPRO Audit Committees have concluded the audit should be put out to tender for the 2015 financial year. A Request for Expression of Interest is being drafted to start this process.

9. There have been no issues with Deloitte services or fees during the current audit, leading to the recommendation that they be reappointed until the tender for audit services is completed.

TAB 9.3

REPORTS FOR INFORMATION

THIS SECTION CONTAINS

IN CAMERA MATERIAL

TAB 9.3.2

FOR INFORMATION

FINANCIAL STATEMENTS OF LAWYERS' PROFESSIONAL INDEMNITY COMPANY FOR THE YEAR ENDED DECEMBER 31, 2013

12. **The Audit & Finance Committee recommends that the audited financial statements for Lawyers' Professional Indemnity Company ("LAWPRO") for the year ended December 31, 2013 be received by Convocation for information.**

13. The Law Society provides mandatory professional liability insurance to lawyers through LAWPRO, a provincially licensed insurer and wholly owned subsidiary of the Society. A Report to the Audit & Finance Committee including a Key Point Summary and the financial statements of LAWPRO follows on the next page.

14. The financial statements have been approved by LAWPRO's board.

Report to the Audit and Finance Committee of The Law Society of Upper Canada

April 9, 2014

LawPRO®
Lawyers' Professional Indemnity Company
Assurance LawPRO™

Report to the Audit and Finance Committee – Law Society
April 9, 2014

INDEX

- ***Key Point Summary*** **2**

LAWPRO

- ***Audited Financial Statements, as at December 31, 2013*** **4**
- ***Draft Management Discussion and Analysis*** **52**
- ***Management Statement of Responsibility for Financial Information*** **64**
- ***Review of Insurance Ratios*** **66**
- ***Compliance with Investment Guidelines:***
  - ***CIBC Global Asset Management Inc*** **67**
  - ***Letko Brosseau & Associates Inc*** **68**

KEY POINT SUMMARY

- ***The 2013 financial statements of LAWPRO received an unqualified opinion from its external auditor.***

- ***The financial statements in this report were prepared in accordance with both new and revised International Financial Reporting Standards. The standards were applied effective January 1, 2012, and the transition resulted in adjustments to amounts previously reported in the various financial statements. For more details regarding the accounting policies the Company established under the new and revised accounting standards see note 2 of the financial statements, and for more details regarding the transition itself see note 3.***

- ***LAWPRO's net income for the year ended December 31, 2013 was $5.9 million compared to a loss of $2.2 million in 2012. Net premiums earned increased by $1.8 million to $106.5 million in 2013. Investment income for 2013 was $16.3 million, an increase of $1.4 million from 2012.***

- ***Investment income for 2013 was impacted by $5.6 million of realized gains from regular trading during the year, a $5.9 million decrease in unrealized gains on the Company's asset-liability matched portfolio, and a $0.9 million impairment expense relating to some equities that have experienced a significant or prolonged decline in value, compared to a $1.4 million in realized gains, a $1.9 million decrease in unrealized gains, and a $2.5 million impairment expense in 2012.***

- ***In total, during 2013 LAWPRO earned a comprehensive income of $18.6 million which includes an increase in unrealized gains on its surplus investments of $12.2 million and a remeasurement income on its defined benefit pension plan of $0.5 million, compared to a comprehensive income of $4.0 million during 2012 which includes an increase in unrealized gains on its surplus investments of $6.6 million and a remeasurement loss on its defined benefit pension plan of $0.4 million.***

- ***As a result of its comprehensive income, the Company increased its shareholder's equity by $18.6 million in 2013 compared to an increase of $4.0 million in 2012.***

- ***LAWPRO is in compliance with all regulatory requirements regarding solvency and filing of financial information. A summary of LAWPRO's position with respect to insurance ratios at year-end is included on page 66.***

KEY POINT SUMMARY

- ***Assets recorded in LAWPRO's financial statements are sufficient to discharge its claim liabilities at December 31, 2013. Investment assets, inclusive of cash and cash equivalent holdings and investment income due and accrued, total $591.7 million. These funds have been invested in accordance with the Company's investment policy. Investment managers have submitted letters of compliance with investment policies (pages 67 and 68).***

- ***There were 24,338 full-time equivalent lawyers covered under the Ontario Mandatory Professional Liability Program at December 31, 2013, an increase of approximately 3% over 2012. The base annual premium per lawyer remained flat at $3,350 in 2013. The $1.8 million increase in earned premiums from 2012 to 2013 is attributable to an increase in the number of insured lawyers purchasing insurance coverage in 2013.***

- ***Revenues from transaction levies and claims history surcharge levies amounted to $26.3 million in 2013 compared to $27.3 million in 2012 for the Ontario Program. While lower than 2012 results, the current year transaction levy revenue was largely in line with expectations. As a result, a net of $0.3 million of premium revenue was returned to the Errors & Omissions Insurance Fund in 2013, pursuant to LAWPRO's insurance arrangement with the Law Society of Upper Canada.***

- ***The number of claims on the Ontario mandatory errors and omissions insurance program for 2013 were 2,539, approximately the same level as 2012, bringing the number of open claim files to 3,602 (see page 60). Claims relating to prior years developed favourably in the aggregate, resulting in a reduction in previously established net claims liabilities of $11.4 million for LAWPRO in 2013. However, this result was offset somewhat by an increase in the current year losses incurred. The current fund year claims estimate is well over $95 million for 2013, even higher than the adverse environment established in the 2007 through 2012 fund years.***

- ***As a result of the positive 2013 results, LAWPRO may expect to undergo the regulatory and accounting changes anticipated in the next 12 to 36 months with slightly more margin for absorption than may otherwise have been expected. In particular, significant changes to the calculation of the Minimum Capital Test have been released by the regulator for for 2015. Many of these changes will have an adverse impact on LAWPRO's test results, similar to the insurance industry overall. Also, anticipated changes to various accounting standards, such as for insurance contracts under the next phase of IFRS, as well as the accounting for investments, could have an adverse impact on the Company's financial position and/or regulatory capital. Having the increase in shareholder's equity effective December 31, 2013 is positive in assisting with both of these issues.***

Lawyers' Professional Indemnity Company
Financial Statements
As at and for the year ended December 31, 2013

Deloitte LLP
Brookfield Place
181 Bay Street
Suite 1400
Toronto ON M5J 2V1
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Shareholder of Lawyers' Professional Indemnity Company

We have audited the accompanying financial statements of Lawyers' Professional Indemnity Company, which comprise the statement of financial position as at December 31, 2013, and the statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lawyers' Professional Indemnity Company as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
February 26, 2014

Appointed Actuary's Report

I have valued the policy liabilities including reinsurance recoverables of Lawyers' Professional Indemnity Company for its statement of financial position as at December 31, 2013, and their changes in its statement of profit or loss for the year then ended, in accordance with accepted actuarial practice in Canada, including selection of appropriate assumptions and methods.

In my opinion, the amount of the policy liabilities makes appropriate provision for all policy obligations, and the financial statements fairly present the results of the valuation.

Toronto, Ontario
February 26, 2014

Brian G. Pelly
Fellow, Canadian Institute of Actuaries
Eckler Ltd.
110 Sheppard Avenue East, Suite 900
Toronto, Ontario M2N 7A3

Lawyers' Professional Indemnity Company
Statement of Financial Position
Stated in thousands of Canadian dollars

As at	December 31 2013	December 31 2012 (restated*)	January 1 2012 (restated*)
Assets			
Cash and cash equivalents	14,525	18,377	16,936
Investments (note 5)	575,039	533,175	500,674
Investment income due and accrued	2,136	1,902	3,159
Due from reinsurers	309	2,883	2,179
Due from insureds	2,027	1,739	1,570
Due from the Law Society of Upper Canada (note 11)	-	-	1,118
Reinsurers' share of provision for unpaid claims and adjustment expenses (note 8)	40,487	39,936	43,089
Other receivables	1,419	1,045	864
Other assets	2,758	1,707	1,115
Property and equipment (note 7)	2,193	2,835	2,716
Income taxes recoverable	-	2,671	2,528
Deferred income tax asset (note 13)	4,543	4,489	4,009
Total assets	**645,436**	**610,759**	**579,957**
Liabilities			
Provision for unpaid claims and adjustment expenses (note 8)	447,912	433,329	408,666
Unearned premiums	749	723	663
Due to reinsurers	591	601	690
Due to insureds	66	206	263
Due to Law Society of Upper Canada (note 11)	3	2,565	-
Expenses due and accrued	1,526	1,634	1,968
Income taxes due and accrued	4,312	-	-
Other taxes due and accrued	402	412	432
	455,561	**439,470**	**412,682**
Equity			
Capital stock (note 16)	5,000	5,000	5,000
Contributed surplus (note 16)	30,645	30,645	30,645
Retained earnings	129,076	122,663	125,258
Accumulated other comprehensive income	25,154	12,981	6,372
	189,875	**171,289**	**167,275**
Total liabilities and equity	**645,436**	**610,759**	**579,957**

* See Note 3d)

Accompanying notes are an integral part of the financial statements.

On behalf of the Board _____ _____

Lawyers' Professional Indemnity Company
Statement of Profit or Loss
Stated in thousands of Canadian dollars

For the year ended December 31	**2013**	**2012 (restated*)**
Revenue		
Gross written premiums	113,561	110,676
Premiums ceded to reinsurers	(7,051)	(5,899)
Net written premiums	106,510	104,777
(Increase) decrease in unearned premiums (note 9)	(26)	(60)
Net premiums earned	**106,484**	**104,717**
Net investment income (note 5)	16,255	14,893
Ceded commissions	1,535	3,841
	124,274	**123,451**
Expenses		
Gross claims and adjustment expenses (note 8)	99,178	105,721
Reinsurers' share of claims and adjustment expenses	(2,475)	385
Net claims and adjustment expenses	96,703	106,106
Operating expenses (note 14)	16,330	17,462
Premium taxes	3,408	3,321
	116,441	**126,889**
Profit (loss) before income taxes	**7,833**	**(3,438)**
Income tax expense (recovery) (note 13)		
Current	2,126	(856)
Deferred	(226)	(350)
	1,900	**(1,206)**
Profit (loss)	**5,933**	**(2,232)**

* See Note 3d)

Accompanying notes are an integral part of the financial statements.

Lawyers' Professional Indemnity Company
Statement of Profit or Loss and Other Comprehensive Income
Stated in thousands of Canadian dollars

For the year ended December 31		**2013**	**2012 (restated*)**
Profit (loss)		**5,933**	**(2,232)**
Other comprehensive income (loss), net of income tax:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit obligation, net of income tax expense (recovery) of $174 [2012: ($131)]		480	(363)
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale assets			
Net changes unrealized gains (losses), net of income tax expense (recovery) of $5,780 (2012: $2,052)		16,034	5,693
Reclassification adjustment for (gains) losses recognized in profit or loss, net of income tax (expense) recovery of ($1,618) [2012: ($319)]		(4,486)	(886)
Reclassification adjustment for impairments, recognized in profit or loss, net of income tax expense of $226 (2012: $650)	(note 5)	625	1,802
Other comprehensive income (loss)		**12,653**	**6,246**
Comprehensive income		**18,586**	**4,014**

* See Note 3d)

Accompanying notes are an integral part of the financial statements.

Lawyers' Professional Indemnity Company
Statement of Changes in Equity
Stated in thousands of Canadian dollars

	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Equity
Balance at January 1, 2012 (as previously reported)	**5,000**	**30,645**	**125,859**	**6,372**	**167,876**
IAS 19 adjustment for defined benefit obligation remeasurements (see note 3d)	-	-	(601)	-	(601)
Balance at January 1, 2012 (restated)	**5,000**	**30,645**	**125,258**	**6,372**	**167,275**
Total comprehensive income for the year	-	-	(2,232)	6,246	4,014
Transfer of defined benefit remeasurements from OCI to retained earnings	-	-	(363)	363	-
Balance at December 31, 2012	**5,000**	**30,645**	**122,663**	**12,981**	**171,289**
Total comprehensive income for the year	-	-	5,933	12,653	18,586
Transfer of defined benefit remeasurements from OCI to retained earnings	-	-	480	(480)	-
Balance at December 31, 2013	**5,000**	**30,645**	**129,076**	**25,154**	**189,875**

The aggregate of retained earnings and accumulated other comprehensive income as at December 31, 2013 is $154,230 (December 31, 2012: $135,644).

Accompanying notes are an integral part of the financial statements.

Lawyers' Professional Indemnity Company

Statement of Cash Flows

Stated in thousands of Canadian dollars

For the year ended December 31	2013	2012 (restated*)
Operating Activities		
Profit (loss)	5,933	(2,232)
Items not affecting cash:		
Deferred income taxes	(226)	(350)
Amortization of property and equipment	815	914
Realized (gains) losses on disposition or impairment	(4,712)	1,022
Amortization of premiums and discounts on bonds	(2,503)	(2,789)
Changes in unrealized (gains) losses	6,003	1,862
	5,310	(1,573)
Changes in non-cash working capital balances:		
Investment income due and accrued	(234)	1,257
Due from reinsurers	2,564	(793)
Due from insureds	(428)	(226)
Due from the Law Society of Upper Canada	(2,562)	3,683
Reinsurers' share of provision for unpaid claims and adjustment expenses	(551)	3,153
Other receivables	(374)	(181)
Other assets	(398)	(1,085)
Income taxes due and accrued (recoverable)	2,595	(2,526)
Provision for unpaid claims and adjustment expenses	14,583	24,663
Unearned premiums	26	60
Expenses due and accrued	(108)	(334)
Other taxes due and accrued	(10)	(20)
Net cash inflow from operating activities	20,413	26,078
Investing Activities		
Purchases of property and equipment	(173)	(1,033)
Purchases of investments	(254,038)	(220,765)
Proceeds from sales and maturities of investments	229,946	197,161
Net cash outflow from investing activities	(24,265)	(24,637)
Net change in cash and cash equivalents during the year	(3,852)	1,441
Cash and cash equivalents, beginning of year	18,377	16,936
Cash and cash equivalents, end of year	14,525	18,377
Cash and cash equivalents at end of year consists of:		
Cash	6,746	9,151
Cash equivalents	7,779	9,226
	14,525	18,377
Supplemental disclosure of cash flow information:		
Income taxes paid	2,206	4,201
Interest received	13,119	14,682
Dividends received	2,602	2,504

* See Note 3d)

Accompanying notes are an integral part of the financial statements.

Lawyers' Professional Indemnity Company
Notes to Financial Statements
For the year ended December 31, 2013
Amounts stated in Canadian dollars (amounts in tables in thousands)

1. NATURE OF OPERATIONS

Lawyers' Professional Indemnity Company (the "Company") is an insurance company, incorporated on March 14, 1990 under the *Corporations Act* (Ontario) and licensed to provide lawyers professional liability insurance in Ontario and title insurance in all provinces and territories in Canada. The Company is a wholly-owned subsidiary of the Law Society of Upper Canada (the "Law Society"), which is the governing body for lawyers in Ontario. The Company's registered office is located at 250 Yonge Street, Toronto, Ontario, Canada.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared under the *Insurance Act* (Ontario) (the "Act") and related regulations which require that, except as otherwise specified by the Company's primary insurance regulator, the Financial Services Commission of Ontario ("FSCO"), the financial statements of the Company are to be prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements have been prepared in accordance with final accounting standards issued and effective on or before December 31, 2013. None of the accounting requirements of FSCO represent exceptions to IFRS. These financial statements were authorized for issuance by the Company's Board of Directors on February 26, 2014.

The significant accounting policies used in the preparation of these financial statements are summarized below. These accounting policies conform, in all material respects, to IFRS.

Basis of measurement

The financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability that market participants would likely take into account when pricing the asset or liability at the measurement date. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for example, lease transactions that are within the scope of IAS 17 *"Leases"*, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 *"Impairment of Assets"*.

The valuation process includes utilizing market driven fair value measurements from active markets where available, considering other observable and unobservable inputs and employing valuation techniques which make use of current market data. Considerable judgement may be required in interpreting market data used to develop the estimates of fair value. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that would be realized in a current market exchange.

The Company utilizes a fair value hierarchy to categorize the inputs used in valuation techniques to measure fair value, which prioritizes these inputs into three broad levels. The level in the fair value hierarchy within which the

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fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. The three levels of the fair value hierarchy are:

Level 1 - Quoted market prices in active markets
Inputs to Level 1, the highest level of the hierarchy, reflect fair values that are quoted prices (unadjusted) in active markets for identical assets and liabilities. An active market is considered to be one in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 assets and liabilities include debt and equity securities, quoted unit trusts and derivative contracts that are traded in an active exchange market, as well as certain government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets.

Level 2 – Modelled with significant observable market inputs
Inputs to Level 2 fair values are inputs, other than quoted prices within Level 1 prices, that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 inputs include: quoted prices for similar (i.e. not identical) assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly; inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment spreads, loss severities, credit risks, and default rates); and inputs that are derived principally from, or corroborated by, observable market data by correlation or other means (market corroborated inputs). Valuations incorporate credit risk by adjusting the spread above the yield curve for government treasury securities for the appropriate amount of credit risk for each issuer, based on observed market transactions. To the extent observed market spreads are either not used in valuing a security, or do not fully reflect liquidity risk, the valuation methodology reflects a liquidity premium. Examples of these are securities measured using discounted cash flow models based on market observable swap yields, and listed debt or equity securities in a market that is inactive. This category generally includes government and agency mortgage-backed debt securities and corporate debt securities.

Level 3 - Modelled with significant unobservable market inputs
Inputs to Level 3 are unobservable, supported by little or no market activity, and are significant to the fair value of the assets or liabilities. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date (or market information for the inputs to any valuation models). As such, unobservable inputs reflect the assumptions the business unit considers that market participants would use in pricing the asset or liability. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible. Level 3 assets and liabilities generally include certain private equity investments, certain asset-backed securities, highly structured, complex or long-dated derivative contracts, and certain collateralized debt obligations where independent pricing information was not able to be obtained for a significant portion of the underlying assets.

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Use of estimates and judgments made by management

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the reporting period in which they are determined. Key estimates are discussed in the following accounting policies and applicable notes.

Key areas where management has made difficult, complex or subjective judgments in the process of applying the Company's accounting policies, often as a result of matters that are inherently uncertain, include:

Impairment	Note 5
Fair value measurements	Note 6
Property and equipment	Note 7
Unpaid claims and adjustment expenses	Note 8
Employee future benefits	Note 12
Income taxes	Note 13

Financial instruments – recognition and measurement

Financial assets are classified as fair value through profit or loss ("FVTPL"), available-for-sale, held to maturity or loans and receivables. Financial liabilities are classified as FVTPL or as other financial liabilities. These classifications are determined based on the characteristics of the financial assets and liabilities, the company's choice and/or the company's intent and ability. As permitted under the IFRS standards, a company has the ability to designate any financial instrument irrevocably, on initial recognition or adoption of the standards, as FVTPL provided certain criteria are met.

The Company's financial assets and liabilities are measured on the statement of financial position at fair value on initial recognition and are subsequently measured at fair value or amortized cost depending on their classification as indicated below.

Transaction costs for FVTPL investments are expensed in the current period, and for all other categories of investments are capitalized and, when applicable, amortized over the expected life of the investment. The Company accounts for the purchase and sale of securities using trade date accounting. Realized gains or losses on disposition are determined on an average cost basis.

The effective interest method is used to calculate amortization/accretion of premiums or discounts on fixed income securities over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the fixed income security, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets at fair value through profit or loss

Financial assets at FVTPL are measured at fair value in the statement of financial position with realized gains and losses and net changes in unrealized gains and losses recorded in net investment income along with dividends and interest earned.

The Company maintains an investment portfolio, referred to as the cash-flow matched portfolio, which is designated as FVTPL. This portfolio is invested with the primary objective of matching the cash inflows from fixed income investment securities with the expected timing and magnitude of future payments of claims and

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adjustment expenses. The cash-flow matched portfolio represents a significant component of the Company's risk management strategy for meeting its claims obligations. The designation of the financial assets in the cash-flow matched investment portfolio as FVTPL is intended to significantly reduce the measurement or recognition inconsistency that would otherwise arise from measuring assets, liabilities, and gains and losses under different accounting methods. Interest rate movements cause changes in the values of the investment portfolio and of discounted estimated future claims liabilities. As the changes in values of the matched portfolio and of the discounted estimated future claims liabilities flow through profit or loss, the result is an offset of a significant portion of these changes.

Cash and cash equivalents are also classified as FVTPL. Cash and cash equivalents consist of cash on deposit and short-term investments that mature in three months or less from the date of acquisition. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset.

Available-for-sale financial assets

Financial assets classified as available-for-sale are measured at fair value in the statement of financial position. Net interest income, including amortization of premiums and the accretion of discounts, are recorded in investment income in profit or loss. Dividend income on common and preferred shares is included in investment income on the ex-dividend date. Changes in fair value of available-for-sale fixed income securities resulting from changes to foreign exchange rates are recognized in net investment income as incurred. Changes in the fair value of available-for-sale fixed income securities related to the underlying investment in its issued currency, as well as all elements of fair value changes of available-for-sale equity securities, are recorded to unrealized gains and losses in accumulated other comprehensive income ("AOCI") until disposition or impairment is recognized, at which time the cumulative gain or loss is reclassified to net investment income in profit or loss. When a reliable estimate of fair value cannot be determined for equity securities that do not have quoted market prices in an active market, the security is valued at cost.

Financial assets in the Company's surplus portfolio (consisting of all investments outside the cash-flow matched portfolio), including fixed income securities and equities, are designated as available-for-sale.

Other financial assets and liabilities

The Company has not designated any financial assets as held to maturity. Loans and receivables and other financial liabilities are carried at amortized cost. Given the short term nature of other financial assets and other financial liabilities, amortized cost approximates fair value.

Impairment

Available-for-sale financial assets are tested for impairment on a quarterly basis. Objective evidence of impairment for fixed income securities includes financial difficulty of the issuer, bankruptcy or defaults and delinquency in payments of interest or principal. Objective evidence of impairment for equities includes a significant or prolonged decline in fair value of the equity below cost or changes with adverse effects that have taken place in the technological, market, economic or legal environment in which the issuer operates that indicates the cost of the security may not be recovered. In general, an equity security is considered impaired if the decline in fair value relative to cost has been either at least 25% for a continuous nine-month period or more than 40% at the end of the reporting period, or been in an unrealised loss position for a continuous period of 18 months.

Where there is objective evidence that an available-for-sale asset is impaired, the loss accumulated in AOCI is reclassified to net investment income. Once an impairment loss is recorded to profit or loss, the loss can only be reversed into income for fixed income securities to the extent a subsequent increase in fair value can be objectively correlated to an event occurring after the loss was recognized. Following impairment loss recognition, further

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decreases in fair value are recorded as an impairment loss to profit or loss, while a subsequent recovery in fair value for equity securities, and fixed income securities that do not qualify for loss reversal treatment, are recorded to other comprehensive income ("OCI"). Interest continues to be accrued, but at the effective rate of interest based on the fair value at impairment, and dividends of equity securities are recognized in income when the Company's right to receive payment has been established.

Foreign currency translation

The Canadian dollar is the functional and presentation currency of the Company. Transactions in foreign currencies are translated into Canadian dollars at rates of exchange at the time of such transactions. Monetary assets and liabilities are translated at current rates of exchange, with all translation differences recognized in investment income in the current period. Non-monetary assets and liabilities are translated at the date the fair value is determined, with the translation differences recognized in AOCI until disposition or impairment of the underlying asset or liability.

Premium-related balances

The Company issues two types of professional liability policies: a primary lawyer's errors and omissions ("E&O") policy and an excess policy increasing the insurance coverage limit to a maximum of $9 million per claim/$9 million in the aggregate above the $1 million per claim/$2 million aggregate levels provided by the primary policy; and a title insurance policy. Insurance policies written under the professional liability insurance program are effective on a calendar year basis. Professional liability insurance premium income is earned on a *pro rata* basis over the term of coverage of the underlying insurance policies, which is generally one year, except for policies for retired lawyers, which have terms of up to five years. Title insurance premiums are earned at the inception date of the policies.

Unearned premiums reported on the statement of financial position represent the portion of premiums written that relate to the unexpired risk portion of the policy at the end of the reporting period.

Premiums receivable are recorded in the statement of financial position as amounts due from insureds, net of any required provision for doubtful amounts. Premiums received from insureds in advance of the effective date of the insurance policy are recorded as amounts due to insureds in the statement of financial position.

The Company defers policy acquisition expenses, primarily premium taxes on its written professional liability insurance premiums, to the extent these costs are considered recoverable. These costs are expensed on the same basis that the related premiums are earned. The method to determine recoverability of deferred policy acquisition expenses takes into consideration future claims and adjustment expenses to be incurred as premiums are earned and anticipated net investment income. Deferred policy acquisition expenses are not material at year-end, and therefore the Company's policy is to not recognize an asset on the statement of financial position.

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Unpaid claims and adjustment expenses

The provision for unpaid claims and adjustment expenses includes an estimate of the cost of projected final settlements of insurance claims incurred on or before the date of the statement of financial position, consisting of case estimates prepared by claims adjusters and a provision for incurred but not reported claims ("IBNR") calculated based on accepted actuarial practice in Canada as required by the Canadian Institute of Actuaries ("CIA"). These estimates include the full amount of all expected expenses, including related investigation, settlement and adjustment expenses, net of any anticipated salvage and subrogation recoveries. The professional liability insurance policy requires insureds to pay deductibles to the maximum extent of $25,000 on each individual claim. Expected deductible recoveries on paid and unpaid claims are recognized net of any required provision for uncollectible accounts at the same time as the related claims liability.

The provision takes into consideration the time value of money using discount rates based on the estimated market value based yield to maturity of the underlying assets backing these liabilities, with reductions for estimated investment-related expense and credit risk. A provision for adverse deviations ("PfAD") is then added to the discounted liabilities, to allow for possible deterioration of experience in claims development, recoverability of reinsurance balances and investment risk, in order to generate the actuarial present value.

These estimates of future claims payments and adjustment expenses are subject to uncertainty and are selected from a wide range of possible outcomes. All provisions are periodically reviewed and evaluated in light of emerging claims experience and changing circumstances. The resulting changes in estimates of the ultimate liability are reported as net claims and adjustment expenses in the reporting period in which they are determined.

Reinsurance

In the normal course of business, the Company enters into per claim and excess of loss reinsurance contracts with other insurers in order to limit its net exposure to significant losses. Amounts relating to reinsurance in respect of the premiums and claims-related balances in the statements of financial position and income are recorded separately. Premiums ceded to reinsurers are presented before deduction of broker commission and any premium-based taxes or duty. Amounts recoverable from reinsurers are estimated and recognized in a manner consistent with the Company's method of determining the underlying provision for unpaid claims and adjustment expenses covered by the reinsurance contract. Amounts recoverable from reinsurers are assessed for indicators of impairment at the end of each reporting period. An impairment loss is recognized and the amount recoverable from reinsurers is reduced by the amount by which the carrying value exceeds the expected recoverable amount under the impairment analysis.

Ceding commissions, which relate to amounts received from the Company's reinsurers on the placement of its reinsurance contracts, is earned into income on a *pro rata* basis over the contract period.

Property and equipment

Property and equipment are recorded in the statement of financial position at cost less accumulated amortization. Amortization is charged to operating expense on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and fixtures	5 years
Computer equipment	3 years
Computer software	1 to 3 years
Leasehold improvements	Term of lease

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Property and equipment and other non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount.

Income taxes

Income tax expense is recognized in profit or loss and the statement of profit or loss and other comprehensive income. Current tax is based on taxable income which differs from profit or loss as reported in the statement of profit or loss and statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Current tax includes any adjustments in respect of prior years.

Deferred tax assets are generally recognized for all deductible temporary income tax differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets and liabilities are determined based on the enacted or substantively enacted tax laws and rates that are anticipated to apply in the period of realization. The measurement of deferred tax assets and liabilities utilizes the liability method, reflecting the tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amount of the related assets and liabilities. The carrying amount of the deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Income tax assets and liabilities are offset when the income taxes are levied by the same taxation authority and there is a legally enforceable right to offset current tax assets with current tax liabilities.

Employee benefits

The Company maintains a defined contribution pension plan for its employees as well as a supplemental defined benefit pension plan for certain designated employees, which provides benefits in excess of the benefits provided by the Company's defined contribution pension plan. For the supplemental defined benefit pension plan, the benefit obligation is determined using the projected unit credit method. Actuarial valuations are carried out at the end of each annual reporting period using management's assumptions on items such discount rates, expected asset performance, salary growth and retirement ages of employees. The discount rate is determined based on the market yields of high quality, mid-duration corporate fixed income securities.

Defined contribution plan expenses are recognized in the reporting period in which services are rendered. Regarding the supplemental defined benefit pension plan, remeasurements comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding net interest cost), is reflected immediately in the statement of profit or loss and other comprehensive income with a charge or credit recognized in OCI in the period in which they occur. Remeasurements recognized in OCI are transferred immediately to retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows: service cost (including current service, past service cost, as well as gains or losses on curtailments and settlements), net interest expense or income, and remeasurements. The Company presents the first two components of defined benefit cost as part of operating expenses in the statement of profit or loss.

The retirement benefit obligation recognized in the statement of financial position represents the actual deficit or surplus in the Company's defined benefit pension plan. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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3. APPLICATION OF NEW AND REVISED IFRSs RELEVANT TO THE COMPANY

In the current year, the Company has applied a number of new and revised IFRSs issued by the IASB that are mandatorily effective for an accounting period that begins on or after January 1, 2013.

a) IFRS 13 "*Fair Value Measurement*"

IFRS 13 "*Fair Value Measurement*" replaces various IFRS guidance on fair value measurement with a single standard. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements. In general, the disclosure requirements in IFRS 13 are more extensive than those required by the previous standards. For example, quantitative and qualitative disclosures based on the three-level hierarchy currently required for financial instruments only under IFRS 7 *"Financial Instruments: Disclosures"* have been extended by IFRS 13 to cover all assets and liabilities under its scope. The standard is applied prospectively. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognized in the financial statements.

b) Amendments to IAS 1 *"Presentation of Items of Other Comprehensive Income"*

An amendment to IAS 1 introduced changes to the presentation of items of OCI as well as new terminology. Under the amendments, presentation of items within OCI will be separately presented based on whether or not the item will be subsequently reclassified into profit or loss when specific conditions are met. The amendments have been applied retrospectively, and hence the presentation of items of OCI has been modified to reflect the changes. The application of the amendments to IAS 1 does not result in any impact on profit or loss, OCI or comprehensive income.

c) Amendments to IAS 1 "*Presentation of Financial Statements*"

As part of the Annual Improvements to IFRSs 2009-2011 Cycle issued by the IASB in 2012, an amendment to IAS 1 introduces new guidance regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position), as well as the related notes, are required to be presented. The amendments specify that a third statement of financial position is required when an entity applies an accounting policy retrospectively, and the retrospective application has a material effect on the information in the third statement of financial position. The amendments also specify that related notes are not required to accompany the third statement of financial position.

d) Amendments to IAS 19 "*Employee Benefits*"

IAS 19 "*Employee Benefits*" (as revised in 2011) requires the full funded status of a defined benefit plan to be reflected in the statement of financial position and the immediate recognition of actuarial remeasurements in OCI. The net benefit cost for defined benefit plans is now disaggregated into service cost and net interest components in profit or loss. Service cost includes current and past service cost as well as gains or losses on settlements. Net interest expense or income represents the change in the defined benefit obligation and the plan assets as a result of the passage of time, and is calculated as the product of the net balance sheet defined liability or asset and the discount rate, which is based on high quality mid-duration corporate bond yields, each as at the beginning of the fiscal year. Actuarial remeasurements are comprised of actuarial gains and losses on the defined benefit obligation, the excess of the actual return on plan assets over the imputed net interest expense or income, and the changes, if any, due to the impact of the asset ceiling. Further, these amendments include enhanced disclosures about the

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characteristics of defined benefit plans and the risks to which the entity is exposed through participation in those plans.

The amendments to IAS 19 are effective for fiscal years beginning on or after January 1, 2013, and require retrospective application with certain exceptions. Specific transitional provisions are applicable to the first-time application of IAS 19 (as revised in 2011). The Company has applied transitional provisions and restated the comparative amounts on a retrospective basis, as follows:

Impact on assets, liabilities, and equity as at January 1, 2012:

	As at January 1, 2012 (as previously reported)	IAS 19 Transition Adjustments	Transfer of OCI to Retained Earnings	As at January 1, 2012 (as restated)
Other assets	1,933	(818)	-	1,115
Deferred tax assets	3,792	217	-	4,009
Total effect on net assets	5,725	(601)	-	5,124
Retained earnings	125,859	-	(601)	125,258
AOCI	6,372	(601)	601	6,372
Total effect on equity	132,231	(601)	-	131,630

Impact on total comprehensive income for the year ended December 31:

	2013	2012
Impact on profit (loss) for the year		
(Increase) decrease in administration expenses	(527)	928
Decrease (increase) in income tax expenses	140	(246)
(Decrease) increase in profit for the year	(387)	682
Impact on OCI for the year		
Increase (decrease) in remeasurement of defined benefit obligation	654	(494)
Decrease (increase) in income tax relating to items of other comprehensive income	(174)	131
(Decrease) increase in profit for the year	480	(363)
Increase (decrease) in total comprehensive income for the year	93	319

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Impact on assets, liabilities, and equity as at December 31, 2013:

	IAS 19 Adjustments
Increase in other assets	654
Decrease in deferred tax assets	(174)
Increase in net assets	480
Increase in retained earnings	480
Increase in equity	480

The implementation of IAS 19 (as revised in 2011) had no significant impact on cash flows.

4. NEW AND REVISED IFRSs ISSUED BUT NOT YET EFFECTIVE

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

a) IFRS 9 "*Financial Instruments*"

IFRS 9 "*Financial Instruments*", as issued in November 2009, reissued in October 2010, amended in December 2011 and again in November 2012, is the first phase of a three phase project to replace IAS 39 "*Financial Instruments: Recognition and Measurement*". As currently drafted, IFRS 9 provides that, subject to a FVTPL election available in certain circumstances, based on the contractual cash flow characteristics of the financial asset and the business model within which they are held, fixed income securities would be classified in one of three measurement categories: amortized cost, FVTPL or fair value through other comprehensive income ("FVOCI"). The measurement characteristics for the amortised cost and FVOCI categories are similar to the held to maturity and available-for-sale categories, respectively, in the current IAS 39 standard (see note 2). Equity securities would be classified as FVTPL, but a company may elect on initial recognition to present the fair value changes on an equity investment that is not held for trading directly to OCI. The dividends on investments for which this election is made must be recognized in profit or loss, but gains or losses are not reclassified from OCI upon disposition of the asset. The classification and measurement for financial liabilities remains generally unchanged, but revisions have been made in the accounting for changes in fair value of a financial liability attributable to changes in the credit risk of that liability. The other phases of this project which are currently under development include impairment and hedge accounting. IFRS 9 was originally effective for annual periods beginning on or after January 1, 2015, however in late 2013 the IASB tentatively resolved to defer the effective date until no earlier than January 1, 2017.

The Company is currently assessing the full impact of IFRS 9 on its financial statements in conjunction with the completion of the other phases of this project, and notes that the application of this standard in the future may have a significant impact on the amounts reported in respect of its financial assets.

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b) IFRIC 21 *"Levies"*

IFRIC 21 "*Levies*" was issued in May 2013, introducing an interpretation of IAS 37 "*Provisions, Contingent Liabilities and Contingent Assets"* on the accounting for levies (except income taxes) imposed by governments, government agencies and similar bodies. IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The liability to pay a levy is recognized progressively if the obligating event occurs over a period of time. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Company's current policy of recognizing levies closely aligns with the new interpretation, and therefore no significant impact is expected from its implementation.

5. INVESTMENTS

a) Summary

The tables below provide details of the amortized cost and fair value of the Company's investments, classified by accounting category and investment type:

	December 31, 2013			
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses and impairments	Fair value
Available-for-sale				
Fixed income securities	115,700	2,956	(227)	118,429
Common equities	63,801	29,433	(2,779)	90,455
Preferred equities	-	-	-	-
	179,501	32,389	(3,006)	208,884
Designated as FVTPL				
Fixed income securities	357,638	9,365	(1,347)	365,656
Preferred equities	615	-	(116)	499
	358,253	9,365	(1,463)	366,155
Total	**537,754**	**41,754**	**(4,469)**	**575,039**
Reconciled in aggregate to asset classes as follows:				
Fixed income securities	473,338	12,321	(1,574)	484,085
Equities	64,416	29,433	(2,895)	90,954
Total	**537,754**	**41,754**	**(4,469)**	**575,039**

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	December 31, 2012			
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses and impairments	Fair value
Available-for-sale				
Fixed income securities	94,410	4,970	(7)	99,373
Common equities	62,437	13,005	(4,980)	70,462
Preferred equities	-	-	-	-
	156,847	17,975	(4,987)	169,835
Designated as FVTPL				
Fixed income securities	348,819	14,791	(798)	362,812
Preferred equities	615	-	(87)	528
	349,434	14,791	(885)	363,340
Total	**506,281**	**32,766**	**(5,872)**	**533,175**
Reconciled in aggregate to asset classes as follows:				
Fixed income securities	443,229	19,761	(805)	462,185
Equities	63,052	13,005	(5,067)	70,990
Total	**506,281**	**32,766**	**(5,872)**	**533,175**

In the above tables, the gross unrealized figures for common equities securities includes recognized impairments. As at December 31, 2013, of the total cumulative impairments of $5,335,662 (December 31, 2012: $5,173,587) an amount of $3,248,254 is included in gross unrealized losses (December 31, 2012: $4,457,783) and an amount of $2,087,408 is included in gross unrealized gains (December 31, 2012: $715,804). For additional details, see note 5c.

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b) Maturity profile of fixed income securities

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

	December 31, 2013			
	Within 1 year	1 to 5 years	Over 5 years	Total
Available-for-sale				
Issued or guaranteed by:				
Canadian federal government	50	16,420	323	16,793
Canadian provincial and municipal governments	-	57,895	22,867	80,762
Mortgage backed securities	83	1,869	-	1,952
Corporate debt	502	9,190	9,230	18,922
	635	85,374	32,420	118,429
Designated as FVTPL				
Issued or guaranteed by:				
Canadian federal government	28,228	21,830	-	50,058
Canadian provincial and municipal governments	22,753	34,905	44,439	102,097
Mortgage backed securities	361	10,352	-	10,713
Corporate debt	27,642	83,286	91,860	202,788
	78,984	150,373	136,299	365,656
Fixed income securities	**79,619**	**235,747**	**168,719**	**484,085**
Percent of total	16%	49%	35%	100%

	December 31, 2012			
	Within 1 year	1 to 5 years	Over 5 years	Total
Available-for-sale				
Issued or guaranteed by:				
Canadian federal government	723	13,790	367	14,880
Canadian provincial and municipal governments	225	43,739	17,840	61,804
Mortgage backed securities	-	2,224	-	2,224
Corporate debt	1,361	7,436	11,668	20,465
	2,309	67,189	29,875	99,373
Designated as FVTPL				
Issued or guaranteed by:				
Canadian federal government	22,246	26,323	2,254	50,823
Canadian provincial and municipal governments	17,056	43,311	47,242	107,609
Mortgage backed securities	627	10,829	-	11,456
Corporate debt	14,243	75,417	103,264	192,924
	54,172	155,880	152,760	362,812
Fixed income securities	**56,481**	**223,069**	**182,635**	**462,185**
Percent of total	12%	48%	40%	100%

The weighted average duration of fixed income securities as at December 31, 2013 is 3.10 years (December 31, 2012: 3.13 years). The effective yield on fixed income securities as at December 31, 2013 is 2.79% (December 31, 2012: 2.88%).

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c) Impairment Analysis

Management performs a quarterly analysis of the Company's available-for-sale investments to determine whether there is objective evidence that the estimated cash flows of the investments have been affected. The analysis includes the following procedures as deemed appropriate by management:

- identifying all security holdings in unrealized loss positions that have existed for a length of time that management believes may impact the recoverability of the investment;
- identifying all security holdings in unrealized loss positions that have an unrealized loss magnitude that management believes may impact the recoverability of the investment;
- reviewing the trading range of certain investments over the preceding calendar period;
- assessing whether any credit losses are expected for those investments. This assessment includes consideration of, among other things, all available information and factors having a bearing upon collectability such as changes to credit rating by rating agencies, financial condition of the issuer, expected cash flows and value of any underlying collateral;
- assessing whether declines in fair value for any fixed income securities represent objective evidence of impairment based on their investment grade credit ratings from third party security rating agencies;
- assessing whether declines in fair value for any fixed income securities with non-investment grade credit rating represent objective evidence of impairment based on the history of its debt service record; and
- obtaining a valuation analysis from third party investment managers regarding the intrinsic value of these holdings based on their knowledge, experience and other market based valuation techniques.

As a result of the impairment analysis performed by management, $850,680 in write-downs to various equity securities were required for the year ended December 31, 2013 (2012: $2,451,869).

The movements in cumulative impairment write-downs on available-for-sale investments for the years ended December 31 were as follows:

	2013	2012
Balance, as at January 1	5,174	2,726
Increase for the year charged to the income statement	851	2,452
Release upon disposition	(689)	(4)
Balance, as at December 31	**5,336**	**5,174**

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d) Net investment income

Net investment income arising from investments designated as FVTPL and classified as available-for-sale recorded in profit or loss for the year ended December 31 is as follows:

	2013			2012		
	Designated as FVTPL	Available-for-sale	Total	Designated as FVTPL	Available-for-sale	Total
Interest	12,777	3,042	15,819	13,235	3,005	16,240
Dividends	21	2,613	2,634	21	2,457	2,478
Net realized gains (losses)	(475)	6,104	5,629	226	1,204	1,430
Change in net unrealized gains (losses)	(6,003)	67	(5,936)	(1,864)	2	(1,862)
Impairments	-	(851)	(851)	-	(2,452)	(2,452)
	6,320	10,975	17,295	11,618	4,216	15,834
Less: Investment expenses	(388)	(652)	(1,040)	(565)	(376)	(941)
Net investment income	**5,932**	**10,323**	**16,255**	**11,053**	**3,840**	**14,893**

e) Realized and change in unrealized gains and losses

The realized gains (losses) and increase (decrease) in the unrealized gains and losses of the Company's available-for-sale investments recorded in OCI for the year ended December 31 are as follows:

	2013					
	Net realized gains (losses)			Increase (decrease) in unrealized gains and losses		
	Gross	Tax	Net	Gross	Tax	Net
Fixed income securities	911	(241)	670	(2,235)	592	(1,643)
Equities	5,193	(1,376)	3,817	18,797	(4,981)	13,816
Total	**6,104**	**(1,617)**	**4,487**	**16,562**	**(4,389)**	**12,173**

	2012					
	Net realized gains (losses)			Increase (decrease) in unrealized gains and losses		
	Gross	Tax	Net	Gross	Tax	Net
Fixed income securities	732	(194)	538	(966)	256	(710)
Equities	473	(125)	348	9,958	(2,639)	7,319
Total	**1,205**	**(319)**	**886**	**8,992**	**(2,383)**	**6,609**

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6. FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS AND LIABILITIES

The following tables present the fair value of the Company's financial assets and liabilities categorized by either recurring or non-recurring. The items presented below include related accrued interest or dividends, as appropriate.

As at December 31, 2013	Carrying amount					Fair value			
	Designated at fair value	Loans and receivables	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value (recurring basis)									
Cash and cash equivalents	14,525	-	-	-	**14,525**	14,525	-	-	**14,525**
Fixed income securities	367,033	-	118,897	-	**485,930**	244,017	241,913	-	**485,930**
Common equities	-	-	90,740	-	**90,740**	90,740	-	-	**90,740**
Preferred equities	505	-	-	-	**505**	-	505	-	**505**
	382,063	-	209,637	-	**591,700**	349,282	242,418	-	**591,700**
Financial assets measured at fair value (non-recurring basis)									
Due from reinsurers	-	309	-	-	**309**	-	309	-	**309**
Due from insureds	-	2,027	-	-	**2,027**	-	2,027	-	**2,027**
Other receivables	-	1,419	-	-	**1,419**	-	1,419	-	**1,419**
Other assets	-	280	-	-	**280**	-	280	-	**280**
	-	4,035	-	-	**4,035**	-	4,035	-	**4,035**
Financial liabilities measured at fair value (non-recurring basis)									
Due to reinsurers	-	-	-	591	**591**	-	591	-	**591**
Due to insureds	-	-	-	66	**66**	-	66	-	**66**
Due to the Law Society of Upper Canada	-	-	-	3	**3**	-	3	-	**3**
Expenses due and accrued	-	-	-	1,526	**1,526**	-	1,526	-	**1,526**
Other taxes due and accrued	-	-	-	402	**402**	-	402	-	**402**
	-	-	-	2,588	**2,588**	-	2,588	-	**2,588**
Total	**382,063**	**4,035**	**209,637**	**2,588**	**598,323**	**349,282**	**249,041**	**-**	**598,323**

As at December 31, 2012	Carrying amount					Fair value			
	Designated at fair value	Loans and receivables	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value (recurring basis)									
Cash and cash equivalents	18,381	-	-	-	**18,381**	18,381	-	-	**18,381**
Fixed income securities	363,935	-	99,895	-	**463,830**	228,788	235,042	-	**463,830**
Common equities	-	-	70,710	-	**70,710**	70,710	-	-	**70,710**
Preferred equities	533	-	-	-	**533**	-	533	-	**533**
	382,849	-	170,605	-	**553,454**	317,879	235,575	-	**553,454**
Financial assets measured at fair value (non-recurring basis)									
Due from reinsurers	-	2,883	-	-	**2,883**	-	2,883	-	**2,883**
Due from insureds	-	1,739	-	-	**1,739**	-	1,739	-	**1,739**
Other receivables	-	1,045	-	-	**1,045**	-	1,045	-	**1,045**
Other assets	-	71	-	-	**71**	-	71	-	**71**
	-	5,738	-	-	**5,738**	-	5,738	-	**5,738**
Financial liabilities measured at fair value (non-recurring basis)									
Due to reinsurers	-	-	-	601	**601**	-	601	-	**601**
Due to insureds	-	-	-	206	**206**	-	206	-	**206**
Due to the Law Society of Upper Canada	-	-	-	2,565	**2,565**	-	2,565	-	**2,565**
Expenses due and accrued	-	-	-	1,634	**1,634**	-	1,634	-	**1,634**
Other taxes due and accrued	-	-	-	412	**412**	-	412	-	**412**
	-	-	-	5,418	**5,418**	-	5,418	-	**5,418**
Total	**382,849**	**5,738**	**170,605**	**5,418**	**564,610**	**317,879**	**246,731**	**-**	**564,610**

There were no transfers between any levels during the year ended December 31, 2013 (2012: none).

Note that for financial instruments such as short term trade receivables and payables, the Company believes that their carrying amounts are reasonable approximations of fair value.

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7. PROPERTY AND EQUIPMENT

During the years ending December 31, details of the movement in the carrying values by class of property and equipment are as follows:

	Furniture and fixtures	Computer equipment	Computer software	Leasehold improvements	Total
January 1, 2012	292	344	197	1,883	2,716
Additions	37	437	98	461	1,033
Amortization	(272)	(219)	(91)	(332)	(914)
December 31, 2012	57	562	204	2,012	2,835
Additions	7	90	62	14	173
Amortization	(31)	(292)	(118)	(374)	(815)
December 31, 2013	33	360	148	1,652	2,193

Details of the cost and accumulated amortization of property and equipment are as follows:

	December 31, 2013			December 31, 2012		
	Cost	Accumulated amortization	Carrying value	Cost	Accumulated amortization	Carrying value
Furniture and fixtures	1,372	(1,339)	33	1,365	(1,308)	57
Computer equipment	2,040	(1,680)	360	1,950	(1,388)	562
Computer software	633	(486)	147	571	(367)	204
Leasehold improvements	3,407	(1,754)	1,653	3,393	(1,381)	2,012
Total	**7,452**	**(5,259)**	**2,193**	**7,279**	**(4,444)**	**2,835**

8. PROVISION FOR UNPAID CLAIMS AND ADJUSTMENT EXPENSES

a) Nature of unpaid claims and adjustment expenses

The determination of the provision for unpaid claims and adjustment expenses is a complex process based on known facts, interpretations and judgment and is influenced by a variety of factors. These factors include the Company's own experience with similar cases and historical trends involving claim payment patterns, loss payments, pending levels of unpaid claims and adjustment expenses, product mix and concentration, claims severity and claim frequency patterns.

Other factors include the continually evolving and changing regulatory and legal environment, actuarial studies, professional experience and expertise of the Company's claim departments' personnel and independent adjusters retained to handle individual claims, the quality of the data used for projection purposes, existing claims management practices including claims handling and settlement practices, the effect of inflationary trends on future claims settlement costs, investment rates of return, court decisions and economic conditions. In addition, time can be a critical part of the provision determination, since the longer the span between the incidence of a loss and the settlement of the claim, the more potential for variation in the ultimate settlement amount. Accordingly, short-tailed claims, such as property claims, tend to be more reasonably predictable than long-tailed claims, such as professional liability and title claims.

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The process of establishing the provision relies on the judgment and opinions of a large number of individuals, on historical precedents and trends, on prevailing legal, economic, social and regulatory trends and on expectations as to future developments. The provision reflects expectations of the ultimate cost of resolution and administration of claims based on an assessment of facts and circumstances then known, together with a review of historical settlement patterns, estimates of trends in claims severity and frequency, legal theories of liability and other factors.

Consequently, the measurement of the ultimate settlement costs of claims to date that underlies the provision for unpaid claims and adjustment expenses, and any related recoveries for reinsurance and deductibles, involves estimates and measurement uncertainty. The amounts are based on estimates of future trends in claim severity and other factors which could vary as claims are settled. Variability can be caused by several factors including the emergence of additional information on claims, changes in judicial interpretation, significant changes in severity or frequency of claims from historical trends, and inclusion of exposures not contemplated at the time of policy inception. Ultimate costs incurred could vary from current estimates. Although it is not possible to measure the degree of variability inherent in such estimates, management believes that the methods of estimation that have been used will produce reasonable results given the current information.

b) Methodologies and assumptions

The best estimates of future claims payments and adjustment expenses are determined based on one or more of the following actuarial methods: the Adler-Kline method, the chain ladder method, the frequency and severity method and the expected loss ratio method. Considerations in the choice of methods to estimate ultimate claims include, among other factors, the line of business, the number of years of experience and the relative maturity of the experience, and as such, reflect methods for lines of business with long settlement patterns and which are subject to the occurrence of large claims.

Each method involves tracking claims data by "policy year", which is the year in which such claims are made for the Company's professional liability policies, and the year in which such policies were written for its title policies. Claims paid and reported, gross and net of reinsurance recoveries and net of salvage and subrogation, are tracked by lines of business, policy years and development periods in a format known as claims development triangles.

A description of each of these methods is as follows:

i. Adler-Kline method
This is a form of frequency and severity method which involves estimation of the closing pattern for current open and estimated unreported claims, which is combined with estimates of the average severity across successive intervals of percentage claims closed, based on consideration of historical claim settlement patterns and average amounts paid on closed claims.

ii. Chain ladder method
The distinguishing characteristic of this form of development method is that ultimate claims for each policy year are projected from recorded values assuming the future claim development is similar to the prior years' development.

iii. Frequency and severity method
This method assumes that, for each identified homogenous claims type group, claims count reported to date will develop to ultimate in a similar manner to historical patterns, and settle at predictable average severity amounts. This method involves applying the developed estimated ultimate claims count to selected estimated ultimate average claim severities.

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iv. Expected loss ratio method

Using the expected loss ratio method, ultimate claims projections are based upon *a priori* measures of the anticipated claims. An expected loss ratio is applied to the measure of exposure to determine estimated ultimate claims for each year. This method is commonly used in lines of business with a limited experience history.

Claims data includes external claims adjustment expenses, and for a portion of the portfolio includes internal claims adjustment expenses ("IAE"). A provision for IAE has been determined based on the Mango-Allen claim staffing technique, a transaction-based method which utilizes expected future claims handler workload per claim per handler, claims closure rates and ultimate claims count. The IAE provision is included in the IBNR balances.

The provision for unpaid claims and adjustment expenses is discounted using an interest rate based on the estimated market value based yield to maturity, inherent credit risk and related investment expense of the Company's fixed income securities supporting the provision for unpaid claims and adjustment expense as at December 31, 2013, which was 2.69% (December 31, 2012: 2.64%). Reinsurance recoverable estimates and claims recoverable from other insurers are discounted in a manner consistent with the method used to establish the related liability. Based on published guidance from the CIA, as at December 31, 2013 the PfAD was calculated at 15% (December 31, 2012: 11%) of the net discounted claim liabilities, 1.5% (December 31, 2012: 1.5%) of the ceded discounted claim liabilities, and a 0.50% reduction to the discount rate (December 31, 2012: 0.50%).

As the provision for unpaid claims and adjustment expenses is recorded on a discounted basis and reflects the time value of money, its carrying value is expected to provide a reasonable basis for the determination of fair value. However, determination of fair value also requires the practical context of a buyer and seller, both of whom are willing and able to enter into an arm's length transaction. In the absence of such a practical context, the fair value is not readily determinable.

The following table shows unpaid claims and adjustment expenses on an undiscounted basis and a discounted basis:

	December 31, 2013		December 31, 2012	
	Undiscounted	**Discounted**	**Undiscounted**	**Discounted**
Unpaid claims and adjustment expenses	417,231	447,912	417,411	433,329
Recoverable from reinsurers	(38,063)	(40,487)	(38,869)	(39,936)
Net	**379,168**	**407,425**	**378,542**	**393,393**

Details of the provision for unpaid claims and adjustment expenses, by line of business, are summarized as follows:

	December 31, 2013			December 31, 2012		
	Gross	**Ceded**	**Net**	**Gross**	**Ceded**	**Net**
Professional liability	430,823	(40,348)	390,475	417,912	(39,801)	378,111
Title	17,089	(139)	16,950	15,417	(135)	15,282
Total	**447,912**	**(40,487)**	**407,425**	**433,329**	**(39,936)**	**393,393**

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The provision for unpaid claims and adjustment expenses by case reserves and IBNR are as follows:

	December 31, 2013			December 31, 2012		
	Gross	**Ceded**	**Net**	**Gross**	**Ceded**	**Net**
Case reserves	269,525	(3,473)	266,052	258,633	(7,238)	251,395
IBNR	178,387	(37,014)	141,373	174,696	(32,698)	141,998
Total	**447,912**	**(40,487)**	**407,425**	**433,329**	**(39,936)**	**393,393**

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

c) Changes in methodologies or basis of selection of assumptions

Based on the Company's actuarial valuation process, at each valuation the Company's claims data is analyzed to determine whether the current methodologies and basis of selection of actuarial assumptions continue to be appropriate for the determination of the IBNR provision. As a result, the Company revised the basis of selection of some key assumptions used in its actuarial valuation methods as at December 31, 2013 and December 31, 2012.

In 2013, the Company performed a detailed re-evaluation of the methodologies and basis of selection of key assumptions used in determining its provision for unpaid claims and adjustment expenses to ensure they appropriately reflect emerging experience and changes in risk profile. Changes to the actuarial methods and assumptions resulted in a change to projected net cash outflows and, therefore, to the provision. The net impact of the changes in the basis of selection of assumptions and model enhancements was a $11,417,696 decrease in the provision, before reinsurance, as at December 31, 2013, which included a net decrease of $11,609,994 relating to severity assumptions, and an increase of $192,025 relating to claim frequency assumptions. This total impact has been allocated by policy year as a $4,925,517 decrease related to the current year and a $6,492,452 decrease related to the prior years, and by line of business as a $12,136,482 net decrease to professional liability and a $718,512 increase to title.

In 2012, the Company performed a detailed re-evaluation of the methodologies and basis of selection of key assumptions used in determining its provision for unpaid claims and adjustment expenses to ensure they appropriately reflect emerging experience and changes in risk profile. Changes to the actuarial methods and assumptions resulted in a change to projected net cash outflows and, therefore, to the provision. The net impact of the changes in the basis of selection of assumptions and model enhancements was a $4,152,231 decrease in the provision, before reinsurance, as at December 31, 2012, which included a net decrease of $10,205,480 relating to severity assumptions, an increase of $6,409,355 relating to claim frequency assumptions, and a decrease of $356,106 relating to refinements to the modeling of expected future net cash flows. This total impact has been allocated by policy year as a $6,020,817 increase related to the current year and a $10,173,048 decrease related to the prior years, and by line of business as a $4,708,599 net decrease to professional liability and a $556,368 increase to title.

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Details of the claims and adjustment expenses for the year ended December 31 are as follows:

	2013			2012		
	Gross	**Ceded**	**Net**	**Gross**	**Ceded**	**Net**
Claims & external adjustment expenses paid	77,248	1,924	75,324	74,628	2,768	71,860
Change in case reserves	1,930	(3,106)	5,036	12,264	(1,792)	14,056
Change in IBNR	(4,446)	2,300	(6,746)	9,643	(1,428)	11,071
Discount expense	14,763	1,357	13,406	1,381	67	1,314
IAE paid	7,347	-	7,347	6,430	-	6,430
Change in provision for IAE	2,336	-	2,336	1,375	-	1,375
	99,178	**2,475**	**96,703**	**105,721**	**(385)**	**106,106**

Changes in the provision for unpaid claims and adjustment expenses, including IAE, recorded in the statement of financial position during the year is comprised of the following:

	2013	**2012**
Provision for unpaid claims and adjustment expenses – January 1 – net	393,393	365,577
Change in net provision for claims and adjustment expenses due to:		
Prior years' incurred claims	(24,366)	(9,798)
Current year's incurred claims	107,663	114,590
Net claims and adjustment expenses paid in relation to:		
Prior years	(74,920)	(70,062)
Current year	(7,751)	(8,228)
Impact of discounting	13,406	1,314
Provision for unpaid claims and adjustment expenses – December 31 – net	407,425	393,393
Reinsurers' share of provisions for unpaid claims and adjustment expenses	40,487	39,936
Provision for unpaid claims and adjustment expenses – December 31 – gross	**447,912**	**433,329**

d) Loss development tables

The tables on the following pages show the development of claims, excluding IAE, by policy year over a period of time. The first table reflects development for gross claims, which excludes any reductions for reinsurance recoverables. The second table reflects development for net claims, which is gross claims less reinsurance recoverables. The top triangle in each table shows how the estimates of total claims for each policy year develop over time as more information becomes known regarding individual claims and overall claims frequency and severity. Claims are presented on an undiscounted basis in the top triangle. The bottom triangle in each table presents the cumulative amounts paid for claims and external loss adjustment expenses for each policy year at the end of each successive year. At the bottom of each table, the provision for IAE as well as the effect of discounting and the PfAD, as at December 31, 2013, is presented based on the net amounts of the two triangles.

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Before the effect of reinsurance, the loss development table is as follows:

Lawpro as at December 31, 2013 - Gross Basis

		Policy Year										
	All Prior Years	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Estimate of Ultimate Claims												
At end of Policy year		86,224	76,338	82,043	88,720	91,567	94,936	90,778	98,870	110,380	102,937	
One Year Later		84,723	77,704	81,820	90,139	99,776	95,781	90,585	100,573	93,630		
Two Years Later		80,693	78,736	82,040	95,375	94,086	97,708	89,394	97,841			
Three Years Later		75,159	72,246	78,097	93,715	93,942	96,541	87,128				
Four Years Later		72,727	74,959	72,438	93,424	92,322	94,258					
Five Years Later		69,390	71,851	70,399	90,823	89,566						
Six Years Later		65,672	68,675	71,942	91,450							
Seven Years Later		63,553	66,854	71,364								
Eight Years Later		63,787	64,347									
Nine Years Later		64,645										
Cumulative Claims Paid												
At end of Policy year		(5,938)	(3,792)	(4,811)	(4,100)	(5,593)	(6,726)	(4,628)	(6,868)	(4,744)	(4,167)	
One Year Later		(17,846)	(14,771)	(15,829)	(21,723)	(19,886)	(21,366)	(16,553)	(17,678)	(15,743)		
Two Years Later		(29,814)	(26,437)	(25,463)	(37,033)	(32,641)	(35,997)	(30,239)	(30,885)			
Three Years Later		(38,240)	(35,268)	(35,114)	(51,509)	(47,582)	(48,477)	(42,488)				
Four Years Later		(42,468)	(43,306)	(44,050)	(59,136)	(55,086)	(59,669)					
Five Years Later		(46,728)	(50,379)	(49,252)	(65,553)	(63,348)						
Six Years Later		(49,342)	(53,878)	(56,997)	(71,553)							
Seven Years Later		(52,017)	(56,628)	(60,476)								
Eight Years Later		(55,454)	(58,992)									
Nine Years Later		(57,425)										
Estimate of Ultimate Claims		64,645	64,347	71,364	91,450	89,566	94,258	87,128	97,841	93,630	102,937	
Cumulative Claims Paid		(57,425)	(58,992)	(60,476)	(71,553)	(63,348)	(59,669)	(42,488)	(30,885)	(15,743)	(4,167)	
Undiscounted Claims Liabilities	10,617	7,220	5,355	10,888	19,897	26,218	34,589	44,640	66,956	77,887	98,770	**403,037**
Provision for IAE	130	97	124	187	374	530	807	1,085	2,038	3,438	5,384	**14,194**
Discounting (including PfAD)	898	588	441	884	1,665	2,241	2,837	3,548	5,256	5,782	6,541	**30,681**
Present Value recognized in the Statement of Financial Position	11,645	7,905	5,920	11,959	21,936	28,989	38,233	49,273	74,250	87,107	110,695	**447,912**

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After the effect of reinsurance, the loss development table is as follows:

Lawpro as at December 31, 2013 - Net Basis

		Policy Year										
	All Prior Years	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Estimate of Ultimate Claims												
At end of Policy year		75,255	72,615	78,076	84,240	86,762	89,886	86,458	94,874	106,381	98,696	
One Year Later		74,954	73,981	77,873	85,659	94,971	91,732	86,265	96,577	89,631		
Two Years Later		71,725	75,013	78,093	90,895	90,242	93,660	85,075	93,845			
Three Years Later		66,990	68,523	74,150	90,130	90,098	92,492	82,808				
Four Years Later		64,559	71,236	69,280	89,840	88,478	90,209					
Five Years Later		61,221	68,873	67,241	87,238	85,722						
Six Years Later		58,548	65,696	68,785	87,866							
Seven Years Later		56,429	63,875	68,207								
Eight Years Later		56,664	64,347									
Nine Years Later		57,521										
Cumulative Claims Paid												
At end of Policy year		(4,910)	(3,792)	(4,811)	(4,100)	(5,593)	(6,726)	(4,628)	(6,868)	(4,744)	(4,167)	
One Year Later		(15,239)	(14,771)	(15,829)	(21,723)	(19,886)	(21,366)	(16,553)	(17,678)	(15,741)		
Two Years Later		(26,057)	(26,437)	(25,463)	(37,033)	(32,641)	(35,997)	(30,239)	(29,976)			
Three Years Later		(34,117)	(35,268)	(35,114)	(51,509)	(47,582)	(48,477)	(42,466)				
Four Years Later		(38,233)	(43,306)	(44,050)	(59,136)	(55,086)	(59,669)					
Five Years Later		(42,438)	(50,379)	(49,252)	(65,553)	(63,348)						
Six Years Later		(45,242)	(53,878)	(56,997)	(71,553)							
Seven Years Later		(47,875)	(56,628)	(60,476)								
Eight Years Later		(51,298)	(58,992)									
Nine Years Later		(53,233)										
Estimate of Ultimate Claims		57,521	64,347	68,207	87,866	85,722	90,209	82,808	93,845	89,631	98,696	
Cumulative Claims Paid		(53,233)	(58,992)	(60,476)	(71,553)	(63,348)	(59,669)	(42,466)	(29,976)	(15,741)	(4,167)	
Undiscounted Claims Liabilities	5,742	4,288	5,355	7,731	16,313	22,374	30,540	40,342	63,869	73,890	94,529	**364,973**
Provision for IAE	130	97	124	187	374	530	807	1,085	2,038	3,438	5,384	**14,194**
Discounting (including PfAD)	570	396	441	676	1,417	1,969	2,564	3,272	5,063	5,553	6,336	**28,257**
Present Value recognized in the Statement of Financial Position	6,443	4,781	5,920	8,594	18,104	24,873	33,911	44,699	70,970	82,881	106,249	**407,425**

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9. UNEARNED PREMIUMS

The following changes have occurred in the provision for unearned premiums during the years ended December 31:

	2013	2012
Balance, as at January 1	723	663
Net premiums written during the year	106,510	104,777
Less: Net premiums earned during the year	(106,484)	(104,717)
Increase (decrease) in unearned premiums	26	60
Balance, as at December 31	**749**	**723**

The estimates for unearned premium liabilities have been actuarially tested to ensure that they are sufficient to pay for future claims and expenses in servicing the unexpired policies as of the valuation dates.

10. REINSURANCE

The Company's reinsurance program consists of a 90% quota share cession on its excess professional liability policies (2012: 90%), and a $10 million in excess of $5 million per occurrence clash reinsurance arrangement which provides protection for single events that bring about multiple professional liability and/or title claims with an additional $20 million in excess of $15 million per occurrence relating to class action proceedings (2012: $10 million in excess of $5 million only). Reinsurance does not relieve the Company of its primary liability as the originating insurer. In the event that a reinsurer is unable to meet obligations assumed under reinsurance agreements, the Company is liable for such amounts. Reinsurance treaties typically renew annually and the terms and conditions are reviewed by senior management and reported to the Company's Board of Directors. Reinsurance agreements are negotiated with reinsurance companies that have an independent credit rating of "A-" or better and that the Company considers creditworthy. Based on current information on the financial health of the reinsurers, no provision for doubtful debts has been made in the financial statements in respect of reinsurers.

11. RELATED PARTY TRANSACTIONS

Pursuant to a service agreement effective January 1, 1995, and as amended effective September 30, 2009, the Company administers the Errors and Omissions Insurance Fund (the "Fund") of the Law Society and provides all services directly related to the operations and general administration of the Fund in consideration for the Law Society insuring its mandatory professional liability insurance program with the Company.

The insurance policy under the mandatory professional liability insurance program of the Law Society is written by the Company and is effective on a calendar year basis. The insurance policy is renewed effective January 1 each year subject to the Law Society's acceptance of the terms of renewal submitted by the Company. The annual policy limits for each of the years effective January 1, 1995 to December 31, 2013 are $1 million per claim and $2 million in aggregate per member. Under the insurance policy that was in force between July 1, 1990 and December 31, 1994, the Company was responsible for claims in excess of the Law Society and member deductibles. The provision for unpaid claims and adjustment expenses is net of amounts relating to policies for years prior to 1995 that are payable by the Law Society.

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For the year ended December 31, 2013, $102,093,412 of the gross premiums written related to mandatory insurance coverage provided to the Law Society and its members (2012: $99,150,283). As at December 31, 2013, the Company had a balance due to the Law Society of $2,896 (December 31, 2012: $2,565,129 due to Law Society).

For the year ended December 31, 2013, the Company contributed to the Law Society $210,230 in regards to a wellness program to be made available to the insureds of the Company's primary liability policy (2012: nil).

The total compensation to Company personnel classified as key management, being those having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including directors of the Company, is as follows:

	2013	2012
Short-term compensation and benefits	3,163	2,684
Post employment benefits	251	208
	3,414	2,892

12. EMPLOYEE BENEFITS

The Company has a defined contribution pension plan which is available to all its employees upon meeting the eligibility requirements. Each employee is required to contribute 4.5% of yearly maximum pensionable earnings, and 6% in excess thereof, of an employee's annual base earnings. Under the plan, the Company matches all employee contributions. In 2013, the Company made payments of $603,836 (2012: $590,375) and recorded pension expense of $630,402 (2012: $610,356).

The Company also has a supplemental defined benefit pension plan, which provides pension benefits on a final salary or fixed schedule basis, depending on certain criteria. Measurements and funding requirements of this plan are based on valuations prepared by an external actuary. For reporting purposes the plan is measured using the projected unit credit method, which involves calculating the actuarial present value of the past service liability to members including an allowance for their projected future earnings. Funding requirements for the plan are determined using the solvency method, which utilizes the estimated cost of securing each member's benefits with an insurance company or alternative buy-out provider as at the valuation date. The valuation methods are based on a number of assumptions, which vary according to economic conditions, including prevailing market interest rates, and changes in these assumptions can significantly affect the measurement of the pension obligations.

Funding for the supplemental plan commenced in 2005, with payments of $248,402 in 2013 (2012: $1,120,194) and recorded pension expenses of $59,671 in 2013 (2012 restated [see note 3d)]: $34,429). Funding requirements are reviewed annually with an actuarial valuation for funding purposes effective as at December 31. As the Company's defined benefit pension plan qualifies as a "retirement compensation arrangement" pursuant to the *Income Tax Act*, half of any required annual contribution to the plan is remitted to the Canada Revenue Agency, held in a refundable tax account and refunded in prescribed amounts as actual benefit payments are made to the participants. The most recent actuarial valuation for funding purposes was performed effective December 31, 2012. Management's preliminary estimate is that no contribution is required to the plan during the year ending December 31, 2014.

The assets of both pension plans are held separately from those of the Company in funds under the control of trustees.

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The defined benefit pension plan exposes the Company to risks such as: investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality mid-duration corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity and fixed income securities. Due to the long-term nature of the plan liabilities, the Company considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities to leverage the return generated by the fund.
Interest rate risk	A decrease in the market interest rate will increase the plan obligation; however, this will be partially offset by an increase in the return of the plan's fixed income securities.
Longevity risk	The present value of the defined benefit plan obligation is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's obligation.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's obligation.

The following represents the assets and liabilities associated with pension benefits measured using values as at December 31:

Defined benefit plan obligations

	2013	2012 (restated*)
Accrued benefit obligation		
Balance, as at January 1	6,343	5,669
Current service cost	126	110
Interest cost	249	256
Remeasurement (gains) losses:		
Actuarial (gains) losses - demographic assumptions	285	-
Actuarial (gains) losses - financial assumptions	(545)	479
Actuarial (gains) losses - experience adjustments	-	-
Benefits paid	(205)	(171)
Balance, as at December 31	**6,253**	**6,343**

* See Note 3d)

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Defined benefit plan assets

	2013	2012
Plan assets		
Fair value, as at January 1	7,978	6,712
Interest income on on plan assets	316	332
Remeasurement gains (losses):		
Return on plan assets greater (less) than discount rate	394	(15)
Others	-	-
Benefits paid	(205)	(171)
Employer contribution	248	1,120
Fair value, as at December 31	**8,731**	**7,978**

The defined benefit plan assets arise primarily from employer contributions that are originally allocated equally between deposits with the Government of Canada and investments in the units of a balanced pooled fund. The fair values of the above equity and fixed income securities are derived based on quoted market prices in active markets. The plan assets contains the following financial instrument allocation:

	December 31, 2013	December 31, 2012
Equity securities	36.42%	33.23%
Fixed income securities	16.48%	15.41%
Cash and cash equivalents	1.31%	2.56%
Refundable-tax account	45.79%	48.80%
	100%	**100%**

Reconciliation of funded status surplus of the benefit plans to the amounts recorded in the financial statements is as follows:

	December 31, 2013	December 31, 2012 (restated*)
Fair value of plan assets	8,731	7,978
Accrued benefit obligation	(6,253)	(6,343)
Funded status surplus	2,478	1,635
Irrecoverable surplus (effect of asset ceiling)	-	-
Accrued benefit asset	**2,478**	**1,635**

* See Note 3d)

The accrued benefit asset is included in other assets in the statement of financial position.

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Amounts recognized in comprehensive income in respect of the defined benefit plan in the year ended December 31:

	2013	2012 (restated*)
Service cost:		
Current service cost	126	110
Past service cost and (gain) loss from settlements	-	-
Net interest (income) expense	(67)	(76)
Components of defined benefit costs recognized in profit or loss	**59**	**34**
Remeasurement on the net defined benefit liability		
Actuarial (gain) loss due to liability experience	-	-
Actuarial (gain) loss due to liability assumption changes	(260)	479
Actuarial (gain) loss arising during year	(260)	479
Return on plan assets (greater) less than discount rate	(394)	15
Change in irrecoverable surplus (effect of asset ceiling)	-	-
Components of defined benefit costs recognized in OCI	**(654)**	**494**
Total	**(595)**	**528**

* See Note 3d)

The significant assumptions used by the Company for year-end measurement purposes are as follows:

	2013	2012
Discount rate	4.60%	3.90%
Rate of compensation increase	3.50%	3.50%
Mortality	CPM-RPP2014Priv mortality table with generational mortality improvements following Scale CPM-A; pension size adjustment factors of 0.84 for males and 0.96 for females	UP94G

The sensitivity of the key assumption, namely discount rate, assuming all other assumptions remain constant, is as follows: as at December 31, 2013, if the discount rate was 1% higher/(lower) the defined benefit obligation would decrease by $775,194 (increase by $884,700). Note that the sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumption would occur in isolation of one or other changes as some of the assumptions may be correlated.

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The expected maturity profile of the defined benefit obligation as at December 31, 2013 is as follows:

	2014	2015	2016	2017	2018	Thereafter
Expected benefit payments	273	278	277	277	276	1,994

The defined benefit obligation as at December 31, 2013 by participant category is as follows:

Active participants	1,901
Deferred participants	-
Pensioners	4,352

13. INCOME TAXES

a) Income tax expense recognized in profit or loss

The total income tax expense recognized in profit or loss is comprised as follows:

	2013	2012 (restated*)
Current income tax		
(Recovered) expensed during the year	2,129	(854)
Prior year adjustments	(3)	(2)
Total current income tax expense (recovery)	**2,126**	**(856)**
Deferred income tax		
Origination and reversal of temporary differences	(226)	(195)
Changes in statutory tax rates	-	(155)
Total deferred income tax expense (recovery)	**(226)**	**(350)**
Total income tax expense (recovery)	**1,900**	**(1,206)**

* See Note 3d)

Deferred income tax expense recognized in profit or loss represents movements on the following items:

	2013	2012 (restated*)
Unpaid claims and adjustment expenses	(186)	(571)
Investments	(42)	(27)
Pensions	43	309
Property and equipment	(41)	(61)
	(226)	**(350)**

* See Note 3d)

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b) Income tax expense recognized in the statement of profit or loss and other comprehensive income

The total income tax expense recognized in OCI is comprised as follows:

	2013	2012
Current income tax		**(restated*)**
Unrealized investment gains and losses on available-for-sale portfolio	4,388	2,383
Pensions	-	-
Total current income tax expense	**4,388**	**2,383**
Deferred income tax		
Unrealized investment gains and losses on available-for-sale portfolio	-	-
Pensions	174	(131)
Total deferred income tax expense	174	(131)
Total income tax expense in OCI	**4,562**	**2,252**

* See Note 3d)

c) Income tax reconciliation

The following is a reconciliation of income taxes, calculated at the statutory income tax rate, to the income tax provision included in profit or loss.

	2013	2012
		(restated*)
Profit or loss before income taxes	7,833	(3,438)
Statutory income tax rate	26.50%	26.50%
Provision for (recovery of) income taxes at statutory rates	2,076	(911)
Increase (decrease) resulting from:		
Unpaid claims	-	(203)
Investments	(193)	(139)
Pension	-	27
Property and equipment	-	(9)
Non-deductible meals and entertainment	12	21
Other non-deductible items	5	8
Provision for (recovery of) income taxes	**1,900**	**(1,206)**

* See Note 3d)

The statutory rate applicable to the Company at December 31, 2013 is same as at December 31, 2012.

During the year the Company made income tax payments of $2,205,734 (2012: $4,200,580) and received refunds of $2,674,499 (2012: $2,530,664) from the various taxing authorities.

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d) Net deferred income tax asset

The Company's net deferred income tax asset is the result of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The sources of these temporary differences and the tax effects are as follows:

	December 31 2013	December 31 2012 (restated*)
Deferred tax assets		
Net provision for unpaid claims and adjustment expenses	5,398	5,212
Property and equipment	249	208
	5,647	5,420
Deferred tax liabilities		
Investments	(471)	(513)
Pension	(633)	(418)
	(1,104)	(931)
Total net deferred tax assets	**4,543**	**4,489**

* See Note 3d)

The Company believes that, based on available information, it is probable that the deferred income tax assets will be realized through a combination of future reversals of temporary differences and taxable income.

14. OPERATING EXPENSES

The following table summarizes the Company's operating expenses by nature:

	2013	2012 (restated*)
Salaries and benefits	9,373	10,039
Administrative expenses	2,203	3,264
Professional fees	1,682	1,274
Occupancy lease	1,100	875
Communication	582	900
Information systems	875	516
Amortization of property and equipment	515	594
Total	**16,330**	**17,462**

* See Note 3d)

Included in salaries and benefits are amounts for future employee benefits under a defined contribution plan of $603,836 (2012 - $590,375) and a supplementary defined benefit plan of $59,671 (2012 restated [see note 3d)] - $34,429).

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15. OPERATING LEASE COMMITMENTS

The Company entered into a ten year lease effective February 1, 2008 for premises at 250 Yonge Street. The Company has an option to extend the lease period for five additional years under the current general terms and conditions.

At December 31, 2013, lease obligations on office premises were as follows:

2014	1,220
2015	1,220
2016	1,220
2017	1,220
2018	508
Thereafter	-

16. CAPITAL STOCK AND CONTRIBUTED SURPLUS

Capital stock of the Company represents:

30,000 Common Shares of par value of $100 each - authorized, issued and paid.

20,000 6% non-cumulative, redeemable, non-voting Preferred Shares of par value of $100 each - authorized, issued and paid.

The Preferred Shares meet the definition of equity in accordance with the criteria outlined in IAS 32 "*Financial Instruments: Presentation*".

Contributed surplus represents additional capitalization funding provided by the Law Society.

17. STATUTORY INSURANCE INFORMATION

The Company is the beneficiary of trust accounts in the amount of $1,247,970 as at December 31, 2013 (December 31, 2012: $1,257,599) which are held as security for reinsurance ceded to unregistered reinsurers. This trust balance is not reflected in these financial statements but is considered in determining statutory capital requirements.

In accordance with licensing requirements, the Company has deposited securities with the regulatory authorities having a market value of $50,416 as at December 31, 2013 (December 31, 2012: $51,306).

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18. CAPITAL MANAGEMENT

Capital is comprised of the Company's equity. As at December 31, 2013 the Company's equity was $189,875,442 (December 31, 2012 restated [see note 3d)]: $171,289,710). The Company's objectives when managing capital are to maintain financial strength and protect its claims paying abilities, to maintain creditworthiness and to provide a reasonable return to the shareholder over the long term. In conjunction with the Company's Board of Directors and its Audit Committee, senior management develops the capital strategy and oversees the capital management processes of the Company. Capital is managed using both regulatory capital measures and internal metrics.

FSCO, the Company's primary insurance regulator, along with other provincial insurance regulators, regulate the capital required in the Company using two key measures, i.e., Minimum Capital Test ("MCT") and the Dynamic Capital Adequacy Test ("DCAT"). FSCO has established an MCT guideline which sets out 100% as the minimum and 150% as the supervisory target for P&C insurance companies. To ensure that it attains its objectives, the Company has established an internal target of 180% (2012: 185%) in excess of which, under normal circumstances, the Company will maintain its capital. During the year ended December 31, 2013, the Company complied with the various provincial regulators' guidelines and as at December 31, 2013, the Company has a MCT ratio of 233% (December 31, 2012: 223%). Annually, the Company's Appointed Actuary prepares a DCAT on the MCT to ensure that the Company has adequate capital to withstand significant adverse event scenarios. These scenarios are reviewed each year to ensure appropriate risks are included in the testing process. The Appointed Actuary must present both an annual report and the DCAT report to management and the Audit Committee. The DCAT report prepared during the year indicated that the Company's capital position is satisfactory. In addition, the target, actual and forecasted capital position of the Company is subject to ongoing monitoring by management using stress and scenario analysis to ensure its adequacy.

The Company may use reinsurance to manage its capital position.

19. RISK MANAGEMENT

By virtue of the nature of the insurance company business, financial instruments comprise the majority of the Company's statement of financial position as at both December 31, 2013 and 2012. The most significant identified risks to the Company which arise from holding financial instruments and insurance contract liabilities include insurance risk, credit risk, liquidity risk and market risk. The market risk exposure of the Company is primarily related to changes in interest rates and adverse movement in equity prices.

The Company employs an enterprise-wide risk management framework which establishes practices for risk management and includes policies and processes to identify, assess, manage and monitor risks and risk tolerance limits. It provides governance and supervision of risk management activities across the Company's business units, promoting the discipline and consistency applied to the practice of risk management.

The Company's risk framework is designed to minimize risks that could materially adversely affect the value or stature of the Company, to contribute to stable and sustainable returns, to identify risks that the Company can manage in order to increase earnings, and to provide transparency of the Company's risks through internal and external reporting. The Company's risk philosophy involves undertaking risks for appropriate return and accepting those risks that meet its objectives. The Company's risk management program is aligned with its long term vision and its culture supports an effective risk management program. The key components of the risk culture include acting with fairness, appreciating the impact of risk on all major stakeholders, embedding risk management into day to day business activities, fostering full and transparent communications, cooperation, and aligning of objectives and incentives. The Company's risk management activities are monitored by its Risk Committee and Board of Directors.

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The risk exposure measures expressed below primarily include the sensitivity of the Company's profit or loss, and OCI as applicable, to the movement of various economic factors. These risk exposures include the sensitivity due to specific changes in market prices and interest rate levels projected using internal models as at a specific date, and are measured relative to a starting level reflecting the Company's assets and liabilities at that date and the actuarial factors, investment returns and investment activity the Company assumes in the future. The risk exposures measure the impact of changing one factor at a time and assume that all other factors remain unchanged. Actual results can differ materially from these estimates for a variety of reasons including the interaction among these factors when more than one changes, changes in actuarial and investment return and future investment activity assumptions, actual experience differing from the assumptions, changes in business mix, effective tax rates, and other market factors and general limitations of the Company's internal models.

a) Insurance risk

Insurance risk is the risk of loss due to actual experience differing from the experience assumed when a product was designed and priced with respect to claims, policyholder behaviour and expenses. The Company has identified pricing risk, concentration of risk and reserving risk as its most significant sources of insurance risks. The Company's underwriting objective is to develop business within its target market on a prudent and diversified basis and to achieve profitable operating results.

Pricing risk

Pricing risk arises when actual claims experience differs from the assumptions included in pricing calculations. Historically, the underwriting results of the property and casualty industry have fluctuated significantly due to the cyclicality of the insurance market. The market cycle is affected by the frequency and severity of claims, levels of capacity and demand, general economic conditions and price competition.

The Company focuses on profitable underwriting using a combination of experienced underwriting staff, pricing models and price adequacy monitoring tools. The Company prices its products taking into account numerous factors including claims frequency and severity trends, product line expense ratios, special risk factors associated the product line, and the investment income earned on premiums held until the payment of claims and expenses. The Company's pricing is designed to ensure an appropriate return while also providing long-term rate stability. These factors are reviewed and adjusted periodically to ensure they reflect the current environment.

Concentration of risk

A concentration of risk represents the exposure to increased losses associated with an inadequately diversified portfolio of policy coverage. The Company has a reinsurance program to limit its exposure to catastrophic losses from any one event or set of events. The Company has approximately 99% of its business in Ontario (2012: 99%) and 95% in professional liability (2012: 95%), and consequently is exposed to trends, inflation, judicial changes and regulatory changes affecting these segments. The geographical diversity by location of the underlying insurance risk for the year ended December 31 is summarized below:

	2013			2012		
Gross written premium	**Ontario**	**All other provinces**	**Total**	**Ontario**	**All other provinces**	**Total**
Professional liability	108,009	-	108,009	104,764	-	104,764
Title	5,257	295	5,552	5,635	277	5,912
Total	**113,266**	**295**	**113,561**	**110,399**	**277**	**110,676**

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Reserving risk
Reserving risk arises because actual claims experience can differ adversely from the assumptions included in setting reserves, in large part due to the length of time between the occurrence of a loss, the reporting of the loss to the insurer and the ultimate resolution of the claim. Claims provisions reflect expectations of the ultimate cost of resolution and administration of claims based on an assessment of facts and circumstances then known, a review of historical settlement patterns, estimates of trends in claims severity and frequency, legal theories of liability and other factors. Reserve changes associated with claims of prior periods are recognized in the current period, which could have a significant impact on current year profit or loss. In order to mitigate this risk the Company utilizes information systems in order to maintain claims data integrity, and the claims provision valuations are prepared by an internal actuary on a quarterly basis, and are reviewed separately by, and must be acceptable to, management of the Company every quarter and the external Appointed Actuary at mid-year and year-end.

Sensitivity analyses
Risks associated with property and casualty insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company considers that the provision for its unpaid claims and adjustment expenses recognized in the statement of financial position is adequate. However, actual experience will differ from the expected outcome. Among the Company's lines of business, the professional liability line of business has the largest provision for unpaid claims and adjustment expenses. Given this line of business and the actuarial methods utilized to estimate the related provision for unpaid claims and adjustment expenses, the reported claims count development factors and average claim severity selections are the most critical of the assumptions used. The following table provides the estimated increase (decrease) of the net provision for unpaid claims and adjustment expense and the after-tax net effect on equity if the reported claims count development factors were increased such that the estimate of unreported claims was 20% higher or the average claim severity selections were 1% higher. Other changes in assumptions are considered to be less material.

	December 31, 2013		December 31, 2012	
	Net provision for unpaid claims and adjustment expenses	Equity	Net provision for unpaid claims and adjustment expenses	Equity
Unreported claims +20%	4,904	(3,605)	2,239	(1,646)
Average claim severities +1%	4,843	(3,560)	4,534	(3,332)

b) Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a borrower or counterparty to fulfill its payment obligation to the Company. Credit risks arise from investments in fixed income securities and preferred shares, and balances due from insureds and reinsurers.

Management monitors credit risk and any mitigating controls. The Company has established a credit review process where the credit quality of all exposures is continually monitored so that appropriate prompt action can be taken when there is a change which may have material impact.

Governance processes around investments include oversight by the Board of Directors' Investment Committee. The oversight includes reviews of the Company's third party investment managers, investment performance and adherence to the Company's investment policy. The Company's investment policy statement is reviewed at least on an annual basis and addresses various matters including investment objectives, risks and management. Guidelines and limits have been established in respect of asset classes, issuers of securities and the nature of securities to address matters such as quality and concentration of risks.

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With respect to credit risk arising from balances due from reinsurers, the Company's exposure is measured to reflect both current exposure and potential future exposure to ceded liabilities. Reinsurance and insurance counterparties must also meet minimum risk rating criteria. The Company's Board of Directors has approved a reinsurance policy, which is monitored by the Company's Audit Committee.

The following table provides a credit risk profile of the Company's applicable investment assets and amounts recoverable from reinsurers.

	December 31, 2013						
	AAA	AA	A	BBB	BB and lower	Not rated	Carrying value
Cash and cash equivalents	550	-	-	-	-	13,975	14,525
Fixed income securities	107,128	109,025	193,069	69,077	-	5,786	484,085
Investment income due and accrued	216	294	832	678	-	116	2,136
Due from reinsurers	-	-	276	-	7	26	309
Due from insureds	-	-	-	-	-	2,027	2,027
Reinsurers' share of provisions for unpaid claims and adjustment expenses	-	-	40,049	-	-	438	40,487
Other receivables	-	-	-	-	-	1,419	1,419
Other assets	-	-	-	-	-	2,758	2,758

	December 31, 2012						
	AAA	AA	A	BBB	BB and lower	Not rated	Carrying value
Cash and cash equivalents	3,128	-	-	-	-	15,249	18,377
Fixed income securities	121,888	104,687	175,967	58,282	-	1,361	462,185
Investment income due and accrued	298	469	400	636	1	98	1,902
Due from reinsurers	-	-	2,626	-	7	250	2,883
Due from insureds	-	-	-	-	-	1,739	1,739
Reinsurers' share of provisions for unpaid claims and adjustment expenses	-	-	39,382	-	35	519	39,936
Other receivables	-	-	-	-	-	1,045	1,045
Other assets	-	-	-	-	-	1,707	1,707

Fixed income securities are rated using a composite of Moody's, Standard & Poor and Dominion Bond Rating Service ratings, and reinsurers are rated using A.M. Best. The balances in the above tables do not contain any amounts that are past due.

c) Liquidity risk

Liquidity risk is the risk that the Company will not have enough funds available to meet all expected and unexpected cash outflow commitments as they fall due. Under stressed conditions, unexpected cash demands could arise primarily from a significant increase in the level of claim payment demands.

To manage its cash flow requirements, the Company has arranged diversified funding sources and maintains a significant portion of its invested assets in highly liquid securities such as cash and cash equivalents and government bonds (see note 5b). In addition, the Company has established counterparty exposure limits that aim to ensure that exposures are not so large that they may impact the ability to liquidate investments at their market value.

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Claims liabilities account for the majority of the Company's liquidity risk. A significant portion of the investment portfolio is invested with the primary objective of matching the investment asset cash flows with the expected future payments on these claims liabilities. This portion, referred to as the cash-flow matched investment portfolio, consists of fixed income and preferred equity securities that are intended to address the liquidity and cash flow needs of the Company as claims are settled. The remainder of the Company's overall investment portfolio, the available-for-sale portfolio, backs equity and is invested in fixed income securities and equities with the objective of preserving capital and achieving an appropriate return consistent with the objectives of the Company.

The following tables summarize the carrying amounts of financial instruments and insurance assets and liabilities by contractual maturity or expected cash flow dates (the actual repricing dates may differ from contractual maturity because certain securities and debentures have the right to call or prepay obligations with or without call or prepayment penalties) as at:

	December 31, 2013				
	Within one year	**One to five years**	**More than five years**	**No fixed maturity**	**Total**
Assets					
Cash and cash equivalents	14,525	-	-	-	14,525
Investments - designated as FVTPL	78,984	150,373	136,299	499	366,155
Investments - available-for-sale	635	85,374	32,420	90,455	208,884
Investment income due and accrued	2,136	-	-	-	2,136
Due from reinsurers	309	-	-	-	309
Due from insureds	2,027	-	-	-	2,027
Reinsurers' share of unpaid claims	10,347	18,989	5,952	5,199	40,487
Other receivable	1,419	-	-	-	1,419
Other assets	2,758	-	-	-	2,758
Total	**113,140**	**254,736**	**174,671**	**96,153**	**638,700**
Liabilities					
Provision for unpaid claims	98,586	215,468	70,553	63,305	447,912
Due to reinsurers	591	-	-	-	591
Due to insureds	66	-	-	-	66
Due to Law Society	3	-	-	-	3
Expenses due and accrued	1,526	-	-	-	1,526
Total	**100,772**	**215,468**	**70,553**	**63,305**	**450,098**

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	December 31, 2012				
	Within one year	**One to five years**	**More than five years**	**No fixed maturity**	**Total**
Assets					
Cash and cash equivalents	18,377	-	-	-	18,377
Investments - designated as FVTPL	54,172	155,880	152,760	528	363,340
Investments - available-for-sale	2,309	67,189	29,875	70,462	169,835
Investment income due and accrued	1,902	-	-	-	1,902
Due from reinsurers	2,883	-	-	-	2,883
Due from insureds	1,739	-	-	-	1,739
Reinsurers' share of unpaid claims	10,623	19,358	6,086	3,869	39,936
Other receivable	1,045	-	-	-	1,045
Other assets	1,707	-	-	-	1,707
Total	**94,757**	**242,427**	**188,721**	**74,859**	**600,764**
Liabilities					
Provision for unpaid claims	98,783	217,339	69,199	48,008	433,329
Due to reinsurers	601	-	-	-	601
Due to insureds	206	-	-	-	206
Due to Law Society	2,565	-	-	-	2,565
Expenses due and accrued	1,634	-	-	-	1,634
Total	**103,789**	**217,339**	**69,199**	**48,008**	**438,335**

d) Market and interest rate risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate, foreign exchange rates, and equity prices. Due to the nature of the Company's business, invested assets and insurance liabilities as well as revenues and expenses are impacted by movements in capital markets, interest rates, and to a lesser extent, foreign currency exchange rates. Accordingly, the Company considers these risks together in managing its asset and liability positions and ensuring that risks are properly addressed. These risks are referred to collectively as market price and interest rate risk - the risk of loss resulting from movements in market price, interest rate, credit spreads and foreign currency rates.

Interest rate risk is the potential for financial loss arising from changes in interest rates. The Company is exposed to interest rate price risk on monetary financial assets and liabilities that have a fixed interest rate and is exposed to interest rate cash flow risk on monetary financial assets and liabilities with floating interest rates that are reset as market rates change.

For FVTPL assets and other financial assets supporting actuarial liabilities, the Company is exposed to interest rate risk when the cash flows from assets and the policy obligations they support are significantly mismatched, as this may result in the need to either sell assets to meet policy payments and expenses or reinvest excess asset cash flows under unfavourable interest environments. Bonds designated as available-for-sale generally do not support actuarial liabilities. Changes in fair value, other than foreign exchange rate gains and losses, of available-for-sale fixed income securities are recorded to OCI.

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The following chart provides the estimated increase (decrease) on the Company's net investment income, net provision for unpaid claims and adjustment expenses, and after-tax OCI, after an immediate parallel increase or decrease of 1% in interest rates as at December 31 across the yield curve in all markets.

	December 31, 2013			December 31, 2012		
	Net investment income	Net provision for unpaid claims and adjustment expenses	After-tax OCI	Net investment income	Net provision for unpaid claims and adjustment expenses	After-tax OCI
Interest rates +1%	(10,780)	(11,686)	(3,003)	(11,273)	(10,567)	(2,036)
-1%	11,332	9,717	3,161	11,888	11,111	2,144

Market price and interest rate risk is managed through established policies and standards of practice that limit market price and interest rate risk exposure. Company-wide market price and interest rate risk limits are established and actual positions are monitored against limits. Target asset mixes, term profiles, and risk limits are updated regularly and communicated to portfolio managers. Actual asset positions are periodically rebalanced to within established limits.

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual equity securities. The Company's equities are designated as available-for-sale and generally do not support actuarial liabilities. The following chart provides the estimated increase (decrease) on the Company's after-tax OCI, assuming all other variables held constant, after an immediate 10% increase or decrease in equity prices as at December 31.

	2013	2012
	After-tax OCI	
Equity prices +10%	6,648	5,179
-10%	(6,648)	(5,179)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates, in particular when an asset and liability mismatch exists in a different currency than the currency in which they are measured. As the Company does not hold significant liabilities in foreign currencies, the resulting currency risk is borne by the Company and forms part of its overall investment income. The table below details the effect of a 10% movement of the currency rate against the Canadian dollar as at December 31, with all other variables held constant.

	2013		2012	
Currency	Effect on profit (loss) before taxes (+/-)	Effect on OCI (+/-)	Effect on profit (loss) before taxes (+/-)	Effect on OCI (+/-)
US Dollar	344	2,600	49	1,674
Euro	1	1,204	-	987
Other	-	847	-	846
	345	**4,651**	**49**	**3,507**

The Company also manages possible excessive concentration of risk. Excessive concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political and other conditions. Concentrations indicate the relative sensitivity of

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the Company's performance to developments affecting a particular industry or geographic location. In order to avoid excessive concentrations of risk, the Company applies specific policies on maintaining a diversified portfolio. Identified risk concentrations are managed accordingly.

The following tables summarize the carrying amounts of financial instruments by geographical location of the issuer, as at:

	December 31, 2013					
	Cash and cash equivalents	**Fixed income securities**	**Equities**	**Investment income due and accrued**	**Total**	**% of total**
Canada	11,068	465,013	26,786	1,911	504,778	85.3%
USA	3,443	-	29,961	50	33,454	5.7%
France	-	-	9,155	-	9,155	1.5%
Australia	-	4,197	1,387	30	5,614	0.9%
Others	14	14,875	23,665	145	38,699	6.5%
Total	**14,525**	**484,085**	**90,954**	**2,136**	**591,700**	**99.9%**

	December 31, 2012					
	Cash and cash equivalents	**Fixed income securities**	**Equities**	**Investment income due and accrued**	**Total**	**% of total**
Canada	17,888	443,219	22,878	1,721	485,706	87.8%
USA	489	-	19,553	29	20,071	3.6%
France	-	-	6,137	-	6,137	1.1%
Australia	-	4,249	1,437	31	5,717	1.0%
Others	-	14,717	20,985	121	35,823	6.5%
Total	**18,377**	**462,185**	**70,990**	**1,902**	**553,454**	**100.0%**

20. CONTINGENT LIABILITY

During 2012, three insurance companies providing a separate coverage to the insured in excess of the Company's primary professional liability policy have commenced independent but related legal actions against the Company, claiming total damages of $28,000,000 for alleged breaches of duty in the Company's handling of a claim. The Company believes that the actions lack merit and will vigorously defend its position. Accordingly, the Company has not recorded any related provision in its statement of financial position. Subsequent to the claims being brought forward, two claimants have agreed to drop their actions against the Company without costs. The amount of damages claimed by the remaining claimant is $14,000,000.

Management Discussion and Analysis

The following Management Discussion and Analysis provides a review of the activities, results of operations and financial condition of Lawyers' Professional Indemnity Company ("LAWPRO" or the "Company") for the year ended December 31, 2013, in comparison with the year ended December 31, 2012. These comments should be read in conjunction with the corresponding audited financial statements, including the accompanying notes.

Amendments to IFRS

The financial statements in this report were prepared in accordance with both new and revised International Financial Reporting Standards. The standards were applied effective January 1, 2012, and the transition resulted in adjustments to amounts previously reported in the statements of financial position, profit or loss, profit or loss and other comprehensive income, and changes in equity. For more details regarding the accounting policies the Company established under the new and revised accounting standards see note 2 of the financial statements, and for more details regarding the transition itself see note 3.

Financial highlights

Statement of profit or loss and other comprehensive income

During 2013 the Company generated a net income of $5.9 million, an increase in earnings of $8.2 million over 2012, and earned comprehensive income of $18.6 million compared to $4.0 million during the prior year.

Net premiums earned

Premiums earned, net of reinsurance ceded, increased by $1.8 million to $106.5 million in 2013. Premiums from the mandatory Ontario errors and omissions ("E&O") insurance program were $2.1 million higher than 2012 results and $0.2 million above the budgeted figure, primarily due to a higher than expected number of insured lawyers purchasing insurance coverage in 2013. The optional excess insurance program premiums remained relatively steady in the year, while title insurance premiums declined by $0.3 million.

Net claims and adjustment expenses

Incurred claims and adjustment expenses in 2013, net of reinsurance recoveries, decreased by $9.4 million from 2012. The 2013 results benefitted from a $13.4 million net reduction to reserves due to the completion of a re-evaluation of the actuarial models used to estimate ultimate outstanding losses, though this was partially offset by items such as a $1.5 million increase in reserves for internal adjustment expense.

Reinsurance

In addition to the excess-of-loss clash reinsurance coverage the Company has purchased in recent years, which limits its exposure to one or more large aggregations of multiple claims arising from the same proximate cause, an additional layer of coverage was purchased relating specifically to class action

proceedings. During 2013, the Company maintained its 10 per cent retention in the optional excess program, whereas prior to 2011 the program was fully reinsured. The high level of reinsurance significantly mitigates exposure to the Company from claims in this program.

General expenses
LAWPRO's general expenses in 2013 were $1.1 million lower than 2012, and $1.6 million lower than budgeted, due to continued cost management efforts undertaken by the Company.

Commissions earned
The Company earned reinsurance commissions of $1.4 million on premium ceded in respect of its 2013 optional excess insurance program, a similar result to 2012. In addition, the Company also earned $0.1 million of profit commissions for favourable claims development on the quota share reinsurance arrangements that it had prior to January 1, 2003, down from $2.4 million in 2012. As claims estimates become more certain with time, there is less potential for favourable development on claims relating to older fund years, resulting in a tendency towards lower profit commissions.

Investment income
Income generated from investments increased by $1.4 million to $16.3 million in 2013. Investment income from interest receipts decreased by $0.4 million to $15.8 million due to pressure on market yields. As a result of market volatility, the Company experienced a $6.0 million decrease in net unrealized gains on its fixed income security portfolio used to match its claims liabilities, compared to a decrease of $1.9 million in 2012. The 2013 results also included net capital gains of $5.6 million realized on disposition of investments, compared to $1.4 million in 2012. In addition, during 2013 the Company recognized $0.9 million of unrealized losses as an impairment due to the significant or prolonged decline of some of its equity securities, compared to $2.5 million in 2012.

Other comprehensive income
During 2013 LAWPRO experienced other comprehensive income of $12.7 million, primarily due to an increase in net unrealized gains on its surplus investments generated by the recent rally in the world equity markets. These results compare to the other comprehensive income of $6.3 million experienced during 2012.

Statement of financial position

Overall, the Company ended the year of 2013 in a favourable position, with shareholder's equity up by $18.6 million year over year, as the net income achieved during the year was buttressed by the significant other comprehensive income experienced during the same period.

Investments
As at December 31, 2013, the market value of the Company's investment portfolio exceeded its cost by $37.3 million, compared to 2012 where the market value exceeded cost by $26.9 million. Investment assets, inclusive of cash and cash equivalents and investment income due and accrued, increased by $38.2 million to $591.7 million at December 31, 2013. The increase was primarily the result of the positive cash flow provided by operations and investment income generated by the portfolio.

The investment portfolio is managed in accordance with the investment policy approved by the Company's Board of Directors in diversified, high-quality assets. A portion of the investment portfolio, which is composed of primarily fixed income securities, is invested in a manner that is expected to

substantially match in maturity to the payment of claims liabilities in future years. The portion of the Company's investment portfolio which is considered surplus to the requirements of settling claims liabilities is managed separately and includes fixed income securities and equity investments in publicly traded companies, the values of which are more subject to market volatility.

Provision for unpaid claims and adjustment expenses and reinsurers' share thereof

The provision for unpaid claims represents the amount required to satisfy all of the Company's obligations to claimants prior to reinsurance recoveries. This balance has increased by $14.6 million. Reinsurance recoverables have increased by $0.6 million and accordingly the net increase in the provision is $14.0 million. This increase is attributable to the fact that the claims expense relating to the additional risk associated with the 2013 program more than offset the reductions to the claims provision from both the settlement of claims during 2013 and the net favourable development of prior years' reserves experienced during the year.

Report on LAWPRO operations

LAWPRO is an insurance company with three product lines: a mandatory E&O insurance program, as required by the Law Society of Upper Canada (Law Society) for all lawyers in private practice in Ontario; an optional excess insurance program that enables Ontario law firms to increase their insurance coverage limit to a maximum of $9 million per claim/$9 million in the aggregate above the $1 million per claim/$2 million aggregate levels provided by the mandatory E&O program; and an optional TitlePLUS title insurance product that real estate practitioners across Canada can make available to their clients.

The mandatory E&O insurance program

In each of the last two years, the number of lawyers insured under the LAWPRO program has increased by just under three per cent. In 2013, the Company provided E&O coverage almost 24,300 lawyers, up from about 23,600 in 2012. The E&O base premium has varied since the Company assumed active responsibility for the Law Society's insurance operations in 1995 (see graph 1), depending on the outlook of key factors such as claims costs and investment income. In order to address rising claims trends, the base premium was increased by $400 to $3,350 per lawyer in 2011. For 2012 through 2014, the base premium has been held at $3,350 per lawyer – a level selected with a view to the longer-term stability and sustainability of the program.

One of the hallmarks of the mandatory LAWPRO E&O insurance program is its flexibility. Lawyers have a number of options to tailor their insurance coverage to their specific needs – often with the added benefit of reducing the actual premium payable below the base premium level. As indicated on the table to the right, the number of lawyers availing themselves of these options continues to increase. LAWPRO's sustainability initiative, combined with its program of encouraging lawyers to use its comprehensive website to access information and complete insurance-related filings, also continues to yield solid results. At renewal, a record 98 per cent of lawyers – 23,500 – filed their insurance applications online for the 2013 insurance program; 82 per cent of them did so in time to qualify for the $25 per lawyer e-filing discount. For the 2014 program renewal, the number of lawyers e-filing continued to increased again, once again representing approximately 98 per cent of lawyers.

E&O claims

The numbers

The 2013 claim figures reflect a rather troubling ongoing trend – elevated claims counts and costs. The number of claims reported to LAWPRO during the calendar has exceeded 2,500 for the second straight year (see graph 2). Looking more closely at the underlying cause of claims by policy year, we are seeing startlingly increased levels in types such as time management as well as failure to either know or apply the law (see graph 3). Despite a concerted and successful effort on the part of the Company's claims group to close more files than the previous year, the number of open files managed by the claims team now stands at over 3,600 – the highest it has been in the last decade (see graph 4).

A very important measure is to compare the average cost of claims for each policy year at a specific point in time: As graph 5 shows, between 2007 and 2011 the average severity (i.e., the average cost per claim) was close to $40,000, compared to an average severity at the beginning of decade of only about $30,000. These figures have been affected by the growing number of large claims received by the Company, which continues to exceed 200 per annum (see graph 6). As a result of these pressures, since 2007 the annual programs are typically costing in the $80 to $90 million range in claims expenses; the 2013 program's ultimate cost is projected to significantly exceed this range.

Although the estimated costs attached to 2013 claims are still relatively new at this point, a clear trend is evident. As in the past, real estate and litigation claims continue to account for the bulk of claims costs, with real estate claims representing approximately 33 per cent of claims costs, on average, for the past five years. The rise in the cost of real estate claims is a reflection of both the more complex practice environment and the high underlying values associated with alleged errors in these areas (see graph 7).

Managing costs

LAWPRO's focused claims management philosophy – which sees us resolve claims quickly in situations where there is liability, defend vigorously if the claim has no merit, and avoid economic settlements – yielded solid results.

In 2013, LAWPRO won 18 of the 20 matters that the Company took to trial and on which a decision was rendered; was successful on 10 of 13 appeal decisions; and won 20 of 25 summary judgment applications.

Another important tool – and a measure of success – is feedback the Company receives from lawyers. A survey conducted of insured lawyers with a closed claim demonstrates that the Company is meeting lawyers' needs and expectations.

Helping lawyers avoid claims

An important focus for LAWPRO is to help lawyers avoid claims before they happen. LAWPRO's practicePRO risk management initiative has become a widely-recognized and well-respected provider of tools and resources to help members of the practising bar identify practice risks and take steps to minimize their claims exposure.

A principal tool to communicate risk management content is LAWPRO Magazine, which was distributed to all practising insured lawyers four times in 2013. Key content included information on the most common claims risks, a practicePRO 15th anniversary pull-out that highlighted LAWPRO's best risk and practice management resources and a feature article on the future of the legal profession. An extensive examination of the growing cybercrime risks facing lawyers and law firms and what can be done to

reduce these risks was also featured. Complementing the printed magazine were extensive web-based materials, electronic webzines and email alerts on topics including active frauds, evolving risk issues, various area of law-specific topics and insurance program-related information.

The bar's reliance on the practicePRO program as a key source of risk management information is evidenced by the growth, each year, in the program's online reach and influence. In 2013, the practicePRO website averaged over 1000 visits per day and more than 362,000 copies of articles and other resources were downloaded.

The AvoidAClaim.com blog provides lawyers with tips and insights into risk and practice issues as they develop, including real-time warnings on active frauds targeting lawyers. It continues to be the go-to site for fraud prevention and in 2013 averaged 639 visitors a day, a 40% increase over 2012. It continues to help Ontario lawyers avoid being duped by bad cheque frauds, real estate fraud and other scams.

Social media is now an accepted form of business communication and is an expedient way to disseminate risk information in an increasingly digital world. LAWPRO's activity and number of followers on Twitter, LinkedIn and Facebook continued to increase in 2013. This gave LAWPRO a greater online profile and helped its insureds find relevant and useful content on its website and blog.

LAWPRO also worked behind the scenes to ensure the risk management message is being heard. As a result of the LAWPRO Risk Management Credit program, through which lawyers taking LAWPRO–approved continuing professional development programs receive a $50 per course credit on their insurance premium (to a maximum of $100), the Company has worked to ensure that CPD providers include a significant risk management component in their programs. For the 2013 policy year, the Company approved 240 programs attended by more than 58,000 lawyers, paralegals and law office staff. LAWPRO and practicePRO content was included in the materials for many of these programs.

Active participation in the work of the Law Society and of other law-related associations is yet another way the Company spreads the risk management message. In 2013, LAWPRO interacted with several stakeholder groups that addressed major issues affecting the profession including the Law Society's Alternative Business Structures Working Group, the Federation of Law Societies on the National Entry to Practice Competency Profile for Lawyers and Quebec Notaries, the Canadian Bar Association's Future of Law Task Force and the Civil Rules Committee on possible changes regarding administrative dismissals. The Company also worked with Law Society staff on a review of risk issues that could be addressed in Practice Reviews and Practice Audits.

Through the practicePRO program, Company staff delivered 112 presentations to more than 16,300 lawyers, paralegals and law firm staff on risk management-related topics at various law associations, law firms and CPD programs. The Vice President of Claims Prevention and Stakeholder Relations was Co-Chair of the Law Society's Solo and Small firm Conference and Expo for the 8th consecutive year.

The LAWPRO Excess program

Since it was established in 1997, LAWPRO's optional Excess Insurance program has posted consistent annual growth in revenues and numbers of law firms (and lawyers) insured under the program. An impressive 1,466 firms representing 3,769 lawyers elected LAWPRO as their excess insurance provider for 2013 (see graph 8); 147 firms chose the maximum $9 million limit option.

To date we have seen solid results in the 2014 program. While the number of firms insured under the LAWPRO Excess program for 2013 decreased slightly to 1,435, the number of lawyers being represented grew to 3,802. Of 35 new firms opting to buy excess coverage from LAWPRO for 2014, 88 per cent did not already carry excess coverage. The Company's retention rate on excess business was an impressive 96 per cent, a clear indication that this program meets the needs of the market it is aimed at – small and medium- sized firms of fewer than 50 lawyers. LAWPRO's Excess program insures approximately 20 per cent of the lawyers employed in firms of 50 or fewer lawyers.

Excess claims

As of December 31, 2013, the Company has paid only two indemnity amounts under its Excess program, a reflection of LAWPRO's ability to generally manage costs within the insurance program's primary limits. Prudent underwriting and solid claims management have helped ensure that our Excess program is a profitable line of business for LAWPRO.

The TitlePLUS program

In part due to a difficult real estate market, the TitlePLUS title insurance program posted a modest decrease in gross written premiums in 2013 compared to 2012. However, there was an increase in policy sales in the second half of 2013. Our subscriber base at December 31, 2013, remained solid at more than 4,900 lawyers and Quebec notaries, with new applications continuing to be received, and the Company issuing TitlePLUS policies for over 870 lenders across Canada. These results indicate that our vision of real estate practice resonates with legal professionals and the lending community: The higher level of legal expertise and professionalism that LAWPRO expects from both lawyer/notary subscribers and our TitlePLUS staff sets it apart from other providers.

TitlePLUS claims

The legal expertise and experience of the TitlePLUS team referenced earlier not only helped alert lawyers to potential claims issues, but also strengthened its stringent underwriting measures. The result: Approximately 90 per cent of TitlePLUS claims are minor with payments of less than $10,000, and the average indemnity payment on a TitlePLUS claim is approximately $6,150 (based on claims closed as of December 31, 2013).

Building compliance-related claims continue to have a significant impact on the program. For policies sold in the years since 2000, the TitlePLUS program has had 1,064 building compliance-related claims, costing a total of $18.7 million (payments plus reserves on claims in progress). So, although only 24 per cent of the TitlePLUS claims by count arise from this area of coverage, 48 per cent of the claims costs reside here. However, the significant pressures that these trends placed on the program's claims costs have been appreciably mitigated through various underwriting and risk management programs (see graph 9). The TitlePLUS underwriting team continues to work on methods to better detect building compliance risks before a policy is approved. Also, the TitlePLUS claims team is focusing additional efforts on recovery initiatives where a past property owner should be bearing responsibility for the problem, as well as on salvage opportunities.

LawPRO survey results

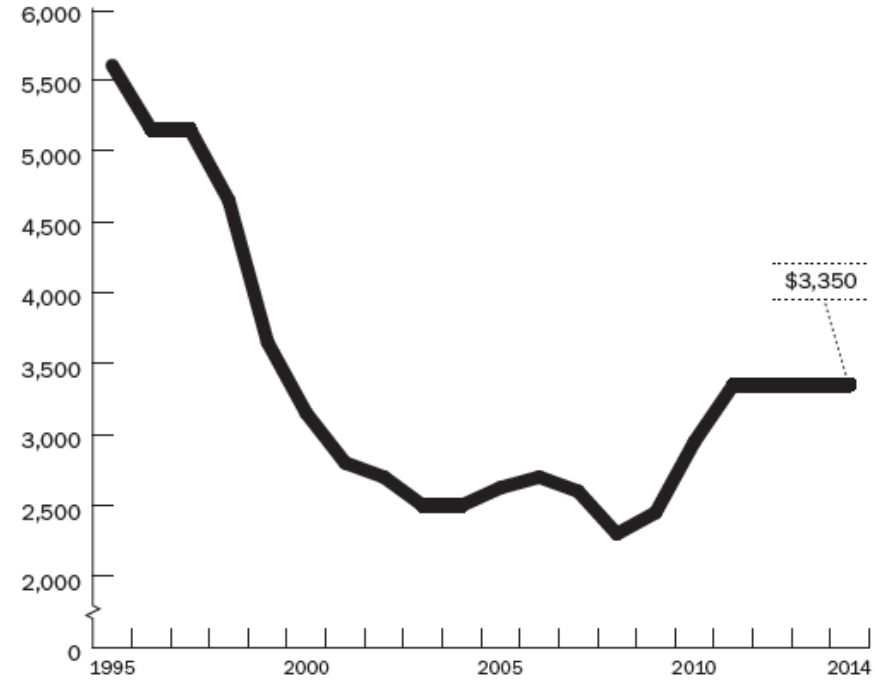
The annual survey of LawPRO E&O insureds with a closed claim indicated the following:

- 97 per cent said that they were satisfied with how LawPRO handled the claim;
- 92 per cent said they were satisfied with our selection of counsel;
- 89 per cent said they would have the defence counsel firm represent them again; and
- 87 per cent said LawPRO received good value for defence monies spent.

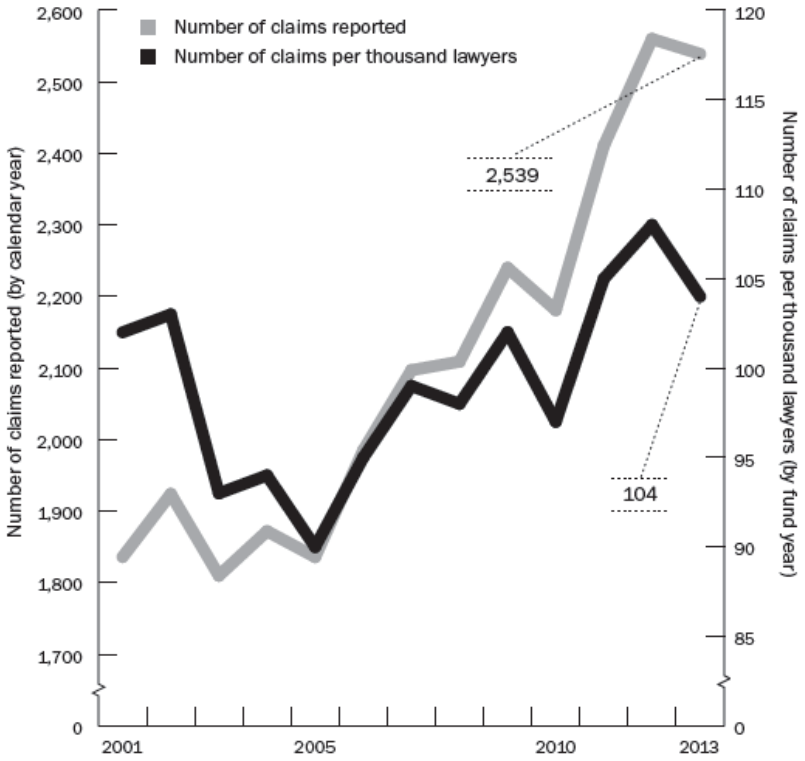
Coverage Options Selected

Coverage option	**Feature**	**No. of lawyers participating as of Jan. 31, 2013**	**No. of lawyers participating as of Jan. 31, 2014**
New call discount	20 to 50 per cent base premium discount for those called in the last one to four years	4,196	4,499
Part-time practice	50 per cent base premium discount for eligible lawyers	1,562	1,675
Restricted area of practice option	50 per cent base premium discount for immigration/criminal law practitioners	1,484	1,512
Innocent Party buy-up	Increase in Innocent Party sublimits up to as much as $1 million per claim/aggregate	3,471 (based on $249/lawyer)	3,424 (based on $249/lawyer)
Run-off buy-up	Increase limits for past services from $250,000 per claim/aggregate to as much as $1 million per claim/$2 million aggregate	963	965
Real Estate practice coverage	Required for all lawyers practising real estate law in Ontario. Sublimit coverage of $250,000 per claim/$1 million aggregate	7,376	7,499

Graph 1 – Base premium per lawyer



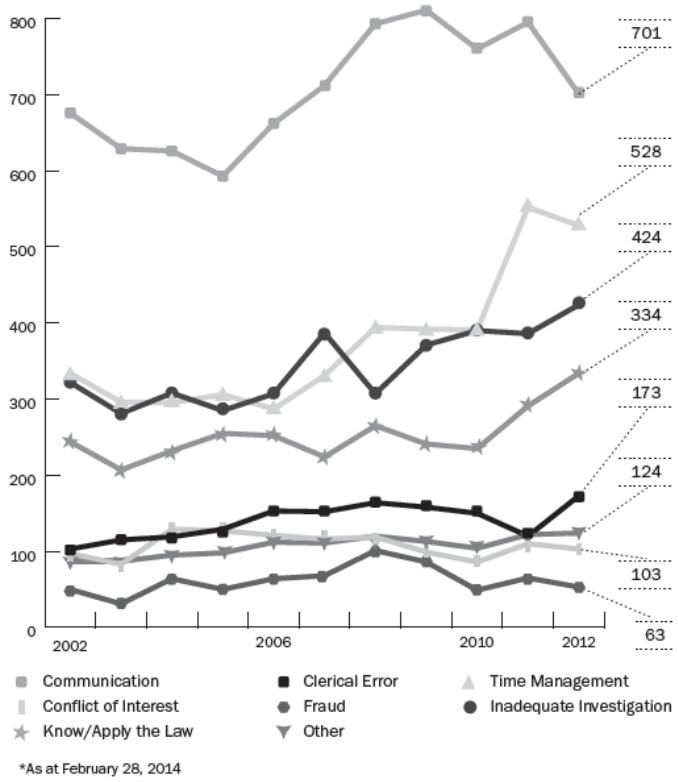
Graph 2 – Number of claims reported & frequency*



* By calendar year, as at February 28, 2014

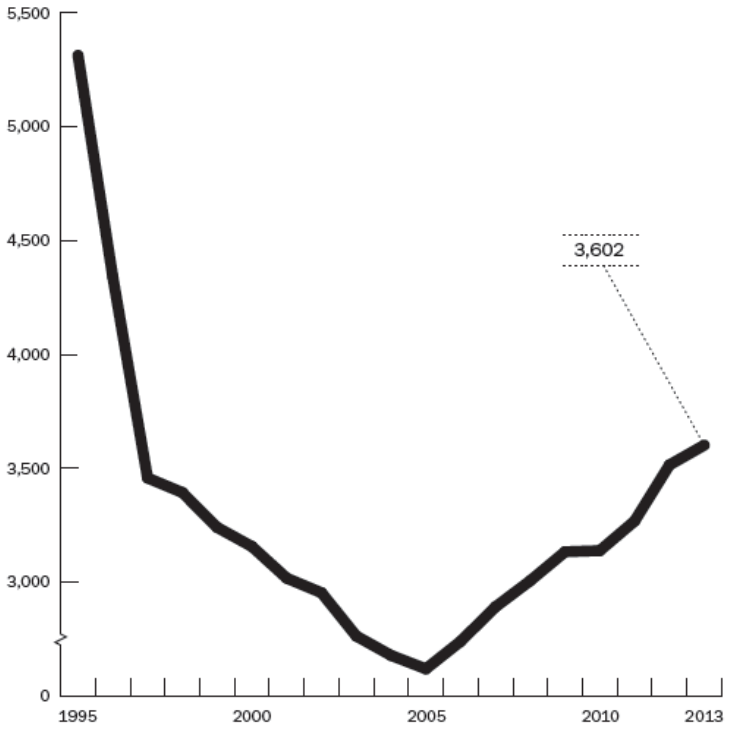
DRAFT

Graph 3 – Reported claim count by cause of loss by fund year*



*As at February 28, 2014

Graph 4 – Number of open claims files



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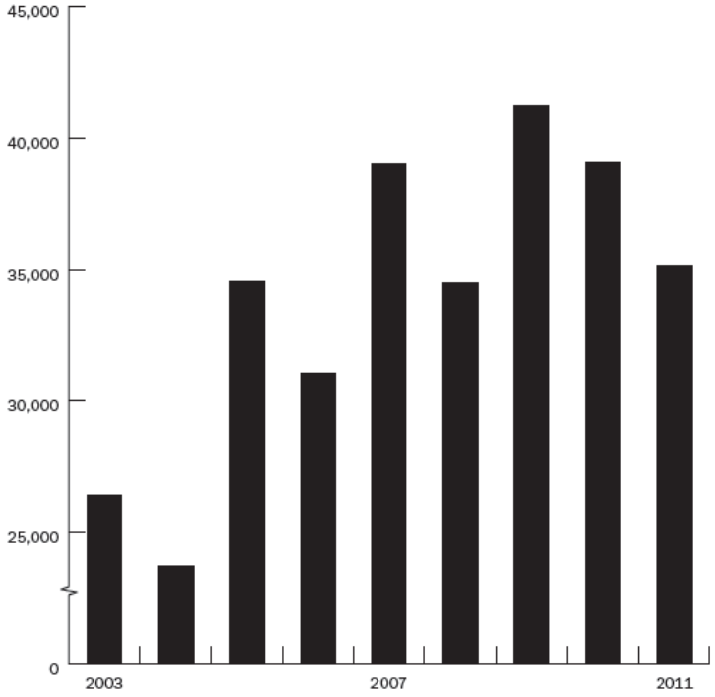
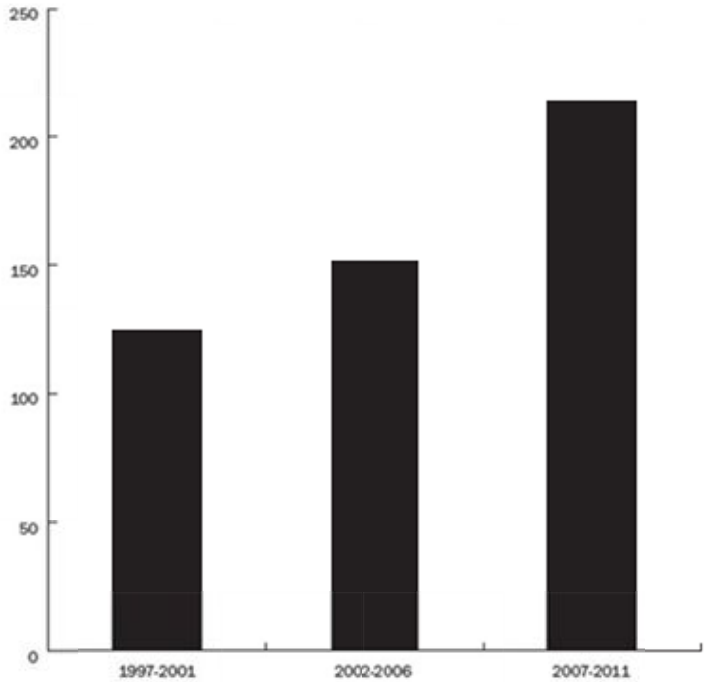
Graph 5 – Average cost per claim at 38 months after start of year in which claim was reported*



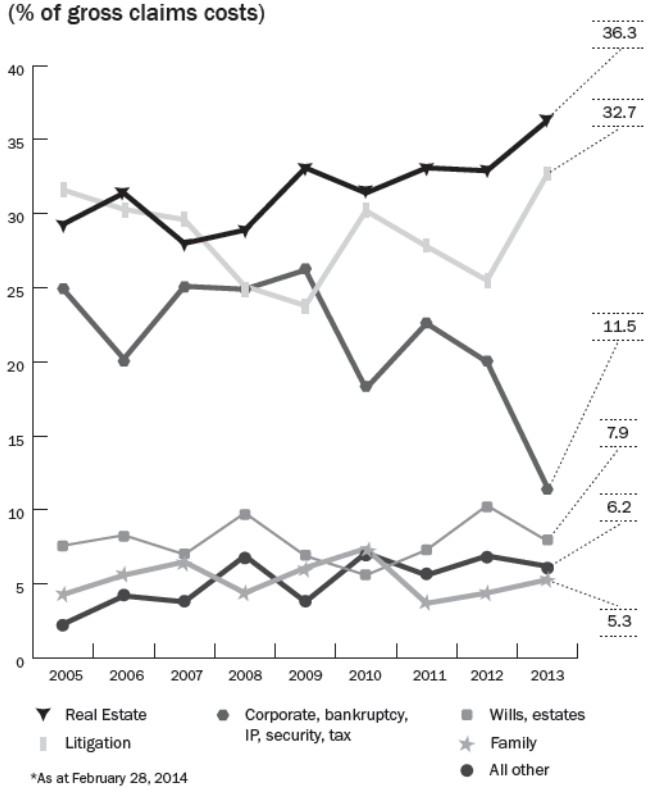
*As at February 28, 2014

Graph 6 – Number of claims reported with a value greater than $100,000*



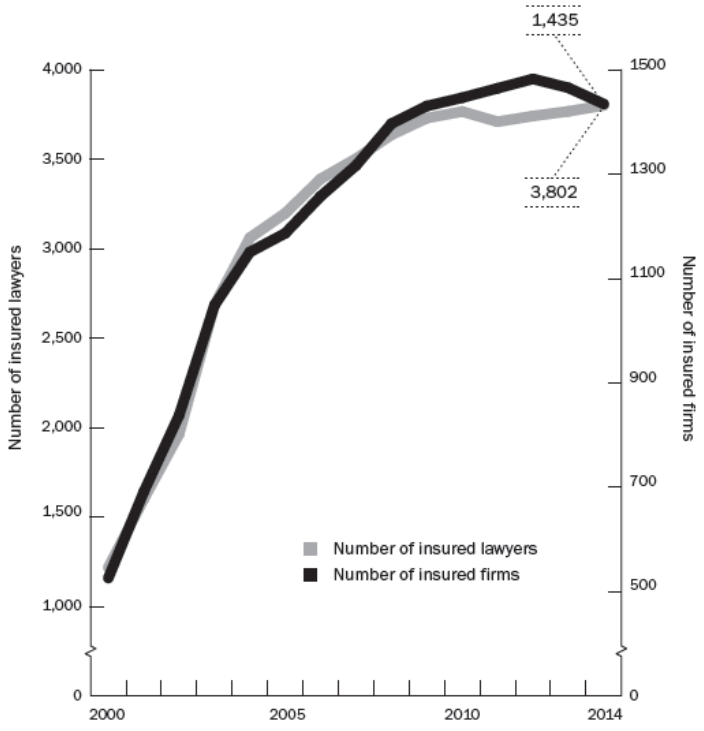
*As at February 28, 2014

Graph 7 – Distribution of claims by area of practice*
(% of gross claims costs)



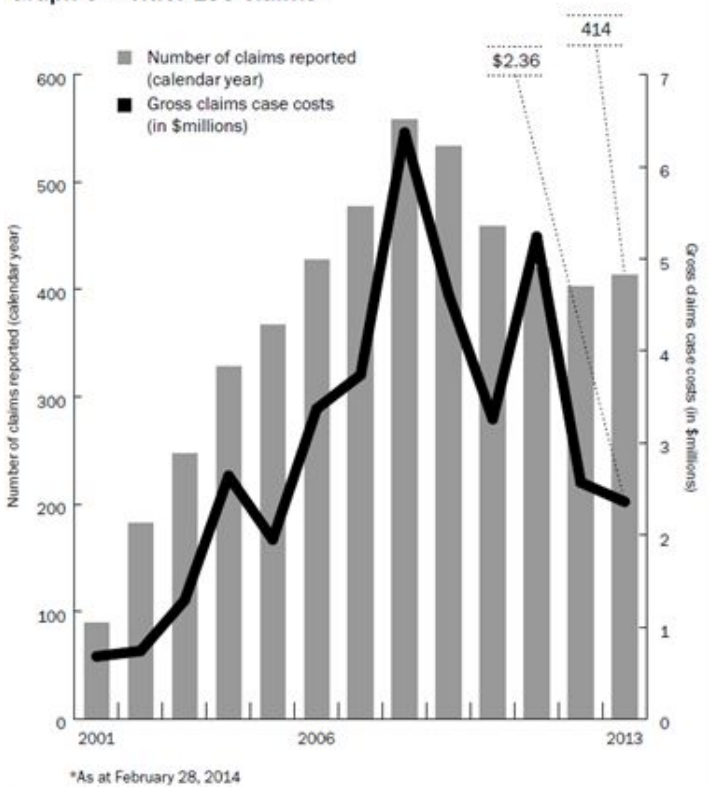
*As at February 28, 2014

Graph 8 – LawPRO Excess Insurance Program*



*As at February 28, 2014

Graph 9 – TitlePLUS claims*



*As at February 28, 2014

MANAGEMENT STATEMENT ON RESPONSIBILITY FOR FINANCIAL INFORMATION

The preparation of the annual financial statements, Management's Discussion and Analysis and all other information in the Company's Annual Report is the responsibility of the Company's management, and the annual financial statements have been approved by the Board of Directors.

The financial statements have been prepared in accordance with International Financial Reporting Standards. Financial statements, by their very nature, include amounts and disclosures based on estimates and judgments. Where alternative methods or interpretations exist, management has chosen those it deems most appropriate in the circumstances, including appropriate consideration to relevance and materiality. Actual results in the future may differ materially from management's current assessment given the inherent variability of future events and circumstances. Financial information appearing elsewhere in the Company's Annual Report is consistent with the financial statements.

Management maintains the necessary system of internal controls over financial reporting to meet its responsibility for the reliability of the financial statements. These controls are designed to provide management with reasonable assurance that the financial records are reliable for preparing financial statements and other financial information, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

The Board of Directors is responsible to ensure that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out its responsibility primarily through its Audit Committee, which is independent of management. The Audit Committee reviews the financial statements and recommends them to the Board for approval. The Audit Committee also reviews and monitors the Company's system of internal controls over financial reporting in the context of reports made by management or the external auditor.

Role of the Auditor

The external auditor, Deloitte LLP, has been appointed by the shareholder. Its responsibility is to conduct an independent and objective audit of the financial statements in accordance with Canadian generally accepted auditing standards and to report thereon to the Company's shareholder. In carrying out its audit, the auditor considers the work of the appointed actuary and his report on the policy liabilities of the Company. The external auditor has full and unrestricted access to the Audit Committee and the Board of Directors to discuss audit, financial reporting and related findings. The auditor's report outlines the scope of its audit and its opinion.

Role of the Appointed Actuary

The actuary is appointed by the Board of Directors of the Company. With respect to the preparation of these financial statements, the appointed actuary is required to carry out a valuation of the policy liabilities and to report thereon to the Company's shareholder. The valuation is carried out in accordance with accepted actuarial practice and regulatory requirements. The scope of the valuation encompasses the policy

liabilities as well as any other matter specified in any direction that may be made by the regulators. The policy liabilities consist of a provision for unpaid claims and adjustment expenses on the expired portion of policies, a provision for future obligations on the unexpired portion of policies, and other policy liabilities that may be applicable to the specific circumstances of the Company.

In performing the valuation of the policy liabilities, which are by their very nature inherently variable, the appointed actuary makes assumptions as to the future rates of claims severity, inflation, reinsurance recoveries, expenses and other matters, taking into consideration the circumstances of the Company and the nature of the insurance coverage being offered. The valuation is necessarily based on estimates; consequently, the final values may vary significantly from those estimates. The appointed actuary also makes use of management information provided by the Company, and uses the work of the auditor with respect to the verification of the underlying data used in the valuation.

Toronto, Ontario
February 26, 2014

Kathleen A. Waters	Steven W. Jorgensen
President & CEO	Chief Financial Officer

INSURANCE RATIOS[1]

TEST	RECOMMENDED RANGE	DEC 2013	DEC 2012	DEC 2011
I. Solvency Ratios				
1. Minimum Capital Test				
(Measures the excess of capital available to capital required based on a risk-based capital adequacy framework and is used to determine capital adequacy of a company.)	Preferred: 220-230% Minimum: 180%	233%	223%	220%
2. Loss reserves to equity				
(Measures unpaid claim and adjustment reserves as a percentage of surplus and provides a simple test of the leveraged position of the company.)	Preferred: < 225% Maximum: 250%	215%	230%	218%
II. Other Select Ratios				
1. Liabilities as a % of liquid assets				
(Liabilities as a percentage of Cash and other liquid assets-measures company's ability to meet its financial demands.)	Preferred: < 80% Maximum: 105%	70%	72%	71%
2. Net premiums written as a % of surplus				
(Net risk ratio measures the company's ability to absorb financial shocks. The higher the ratio of premiums to surplus, the greater is the potential risk borne by the company in relation to the surplus available to absorb loss variations.)	Preferred: < 80% Maximum: 100%	56%	61%	65%
3. Return on equity				
(Measures an insurer's net income as a percentage of equity. The higher the ratio, the greater the return to shareholders per unit of invested capital. Sustainability of earnings is more important than periods of high returns followed by periods of low returns or losses.)	Greater than 0%[2], Net income	3%	(1%)	5%
	Comprehensive Income	10%	2%	5%
4. General expense ratio				
(Measures an insurer's general expenses, excluding commissions, as a percentage of net earned premiums.). This ratio should be maintained at lower than or equal to comparable small insurance companies.	Up to small insurance company benchmark (25% as at Dec 2012)	19%	20%	19%
5. Optional business segment				
(Excess program and TitlePLUS title insurance) is planned to operate on a break-even or better basis.	Greater than $0 (stated in $'000s)	993	(753)	1,160

Note:

1. The above metrics reflect the Risk Appetite Statement approved by the Board of Directors on February 26, 2013.
2. Sufficient to maintain/grow MCT.

Better Than Range
Within Range
Outside of Range

LAWPRO & LAWPRO POST 2007

COMPLIANCE

As of and for the quarter ending December 31, 2013, we hereby certify that to the best of our knowledge the investments in the Lawyers' Professional Indemnity Company portfolio were in compliance, based on our records which are issued on a trade date basis, in accordance with the Investment Policy Statement dated January 1, 2013.

Deborah Lewis, CFA
First Vice President

Date: Feb 11, 2014

CIBC

– Confidential –

LETKO BROSSEAU

GESTION DE PLACEMENTS GLOBALE
GLOBAL INVESTMENT MANAGEMENT
www.letkobrosseau.ca

1800 McGill College
Suite 2510
Montréal, QC H3A 3J6
Canada
(514) 499-1200
(800) 307-8557
(514) 499-0361

145 King Street West
Suite 2101
Toronto, ON M5H 1J8
Canada
(647) 426-1987
(800) 307-8557
(647) 426-1587

January 31, 2014

Lawyer's Professional Indemnity Company
C/O Ms Kathleen A. Waters, President & CEO
250 Yonge Street, Suite 3101
P.O. Box 3
Toronto, Ontario
M5B 2L7

SUBJECT: COMPLIANCE CERTIFICATE

Dear Ms. Waters,

This is to confirm that, at the end of each month of the quarter ending December 31st, 2013, Letko Brosseau was in compliance with the requirements of the Statement of Investment Policies and Procedures, effective January 1st, 2013. To the best of our knowledge, we have no reason to believe that we were not in compliance with all such requirements at any other time during such period.

Should you require additional information, please do not hesitate to contact us at your convenience.

Regards,

Peter Letko
Letko Brosseau & Associates Inc.
PL/mn

TAB 9.3.3

FOR INFORMATION

LIBRARYCO INC. – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

15. **The Audit & Finance Committee recommends that the audited Annual Financial Statements for LibraryCo Inc. for December 31, 2013 be received by Convocation for information.**

16. LibraryCo, a wholly-owned, not-for-profit subsidiary of the Society, was established to develop policies, procedures, guidelines and standards for the delivery of county law library services and legal information across Ontario and to administer funding on behalf of the Society.

17. LibraryCo's Annual Financial Statements, approved by LibraryCo's Board follow on the next page.

LIBRARYCO INC.

2013 ANNUAL REPORT

Financial Statements

LibraryCo Inc.
Management Discussion and Analysis

December 31, 2013

Results of Operations

Results for the 2013 year identify a deficit of $88,000 compared to a budgeted deficit of $218,000 and a deficit of $63,000 in 2012. The variance between actual and budget is primarily a result of positive variances in capital and special needs grants, group benefits expense and professional fees.

At $8.3 million, total expenses were comparable to the 2012 total of $8.1 million, with grants to county libraries increasing by $183,000 and expenditures on electronic products increasing by $25,000. The Law Foundation of Ontario grant revenue remained the same and the Law Society grant revenue increased by $206,000.

Balance Sheet

Assets

The 2013 cash and short-term investment balance of $864,000 (2012 – $962,000) has decreased primarily due to the operating deficit during the year. At $19,000, accounts receivable are similar to 2012. Prepaid expenses have increased from $18,000 to $27,000 because of increases in the underlying insurance coverage to which the prepaid balances relate.

Liabilities

At $26,000, accounts payable and accrued liabilities are comparable to the 2012 total of $27,000.

General Fund

The General Fund accounts for the delivery, management and administration of library services. The General Fund ended the year with a balance of $383,000 (2012 - $471,000) after the deficit for the year.

Reserve Fund

The balance in the Reserve Fund is $500,000 (2012 - $500,000). In accordance with Board policy, the Reserve Fund balance is to be maintained at a minimum of $500,000, comprising a general component of $200,000, a capital and special needs component of $150,000, and a staffing and severance component of $150,000. Any expenses of this Fund that would reduce the Reserve Fund balance below $500,000 should be replenished in the following year.

Statement of Revenues and Expenses

Revenues

Law Society of Upper Canada Grant

This is the lawyer-based fee totaling $7.5 million in 2013 (2012 - $7.3 million) that is transferred to LibraryCo Inc. from the Law Society.

Law Foundation of Ontario (“LFO”) grant

The 2013 LFO grant of $723,000 (2012 - $723,000) is directed to the purchase of electronic products.

Expenses

Head Office/Administration

In addition to salaries and employee benefits, the salaries and administration line includes administration fees paid to the Law Society of $520,000 (2012 - $510,000). Other expenses include Board of Directors’ meetings, telephone charges, and other miscellaneous items totalling $60,000 (2012 - $53,000).

Electronic Products and Services

Electronic products and services expenditures at $893,000 (2012 - $868,000) are $25,000 higher and are in line with higher contract prices.

Group Benefits

Group Benefits in 2013 totalled $266,000 (2012 - $251,000) with coverage staying at the same level as in 2012.

Other Expenses – County and District Law Libraries

Other library related expenses of $151,000 (2012 - $158,000) include staff and travel, the Conference for Ontario Law Associations' Libraries (COLAL) and County and District Law Presidents’ Association (CDLPA) Library Committee meetings, continuing education and bulk purchase publications for the library system.

County and District Law Libraries – Grants

The remittances by LibraryCo Inc. to the county and district law libraries totaled $6.3 million in 2013 (2012 - $6.1 million). Included in the grants are Capital and Special Needs funding of $81,000 (2012 - $36,000).

Deloitte LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Shareholders of LibraryCo Inc.

We have audited the accompanying financial statements of LibraryCo Inc., which comprise the balance sheet as at December 31, 2013, and the statements of revenues and expenses, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of LibraryCo as at December 31, 2013, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
March 7, 2014

LIBRARYCO INC.
Balance Sheet
Stated in dollars
As at December 31

		2013	2012
	Current Assets		
1	Cash and short-term investments	**863,847**	961,745
2	Accounts receivable	**18,917**	18,930
3	Prepaid expenses	**26,798**	17,820
4	**Total Assets**	**909,562**	998,495
	Liabilities, Share Capital and Fund Balances		
	Current Liabilities		
5	Accounts payable and accrued liabilities (notes 4 and 6)	**26,426**	27,107
6	**Total Liabilities**	**26,426**	27,107
7	**Share Capital and Fund Balances**		
8	Share capital (note 5)	**200**	200
9	General fund (note 2)	**382,936**	471,188
10	Reserve fund (note 2)	**500,000**	500,000
11	**Total Share Capital and Fund Balances**	**883,136**	971,388
12	**Total Liabilities, Share Capital and Fund Balances**	**909,562**	998,495

See accompanying notes

On behalf of the Board of Directors

Chair – Board of Directors

Chair – Audit and Finance Committee

LIBRARYCO INC.
Statement of Revenues and Expenses
Stated in Dollars
For the year ended December 31

		2013	2012
	Revenues		
1	Law Society of Upper Canada grant	**7,498,524**	7,292,597
2	Law Foundation of Ontario grant	**722,500**	722,500
3	Interest income	**8,551**	8,659
4	**Total revenues**	**8,229,575**	8,023,756
	Expenses		
	Head office / administration		
5	Salaries and administration	**664,725**	654,092
6	Professional fees	**14,614**	16,061
7	Other (note 7)	**60,147**	53,110
8	Total head office / administration expenses	**739,486**	723,263
	County & District Law Libraries - centralized purchases		
9	Electronic products and services	**892,518**	868,432
10	Group benefits	**266,253**	251,021
11	Other (note 8)	**151,027**	158,452
12	**Total Law Libraries - centralized purchases**	**1,309,798**	1,277,905
13	County and District Law Libraries Grants (note 10)	**6,268,543**	6,085,460
14	**Total County and District Law Libraries Expenses**	**7,578,341**	7,363,365
15	**Total expenses**	**8,317,827**	8,086,628
16	**Deficit for the year**	**(88,252)**	(62,872)

See accompanying notes

LIBRARYCO INC.

Statement of Changes in Fund Balances

Stated in Dollars

For the year ended December 31

		2013			2012
		General Fund	Reserve Fund	**Total**	Total
1	Balances, beginning of year	**471,188**	**500,000**	**971,188**	1,034,060
2	Deficit for the year	**(88,252)**	**-**	**(88,252)**	(62,872)
3	**Balances, end of year**	**382,936**	**500,000**	**882,936**	971,188

See accompanying notes

LIBRARYCO INC.

Statement of Cash Flows

Stated in dollars

For the year ended December 31

		2013	2012
1	**Net outflow of cash related to operating activities:**		
2	**Deficit for the year**	**(88,252)**	(62,872)
3	Net change in non-cash operating working capital items:		
4	Accounts receivable	**13**	(1,944)
5	Prepaid expenses	**(8,978)**	2,326
6	Accounts payable and accrued liabilities	**(681)**	(89,707)
7	Cash used in operating activities	**(97,898)**	(152,197)
8	Cash and short-term investments, beginning of year	**961,745**	1,113,942
9	**Cash and short-term investments, end of year**	**863,847**	961,745

See accompanying notes

LibraryCo Inc.
Notes to financial statements

For the year ended December 31, 2013

1. General

LibraryCo Inc. ("the Organization") was established to develop policies, procedures, guidelines and standards for the delivery of county law library services and legal information across Ontario and to administer funding from the Law Society of Upper Canada ("the Society").

The Organization has two classes of shares: Common shares and Special shares. The Society holds all of the 100 Common shares outstanding. Of the 100 Special shares outstanding, 25 are held by the Toronto Lawyers Association ("TLA") and 75 are held by the County & District Law Presidents' Association ("CDLPA"). The Society may appoint up to four directors, CDLPA may appoint up to three directors and TLA may appoint one director.

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

Under an Administrative Services Agreement, the Society provides most of the administrative functions of the Organization.

2. Significant Accounting Policies

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

General and reserve funds
The General Fund accounts for the delivery, management and administration of library services. The Reserve Fund is maintained to assist the Organization's cash flows and act as a contingency fund. In accordance with a Board resolution, the Reserve Fund will be maintained at a minimum of $500,000, comprising a general component of $200,000, a capital and special needs component of $150,000, and a staffing and severance component of $150,000; any expenses of this fund that would reduce the fund balance below $500,000 should be replenished in the following year.

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

Revenue recognition
Grants are recorded as revenue in the General Fund in the fiscal year in which they are received. Investment income is recognized when receivable, if the amount can be reasonably estimated.

Grants paid
Grants are recognized in the fiscal year in which they are paid.

3. Financial Instruments

The Organization's financial assets and financial liabilities are classified and measured as follows:

Asset / Liability	Measurement
Cash and short-term investments	Fair value
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

4. Accounts Payable and Accrued Liabilities

There are no amounts payable for government remittances.

5. Share Capital

Authorized
Unlimited number of Common shares
Unlimited number of Special shares

Issued	**2013**	2012
100 Common shares	**$100**	$100
100 Special shares	**100**	100
	$200	$200

6. Related Party Transactions

The Society provides administrative services to the Organization (Note 1) as well as certain other services and publications. The total amount billed by the Society for 2013 was $590,555 (2012 - $584,577). Included in accounts payable and accrued liabilities are amounts due to the Society of $8,526 (2012 - $8,193).

7. Other Expenses – Head Office/Administration

Included in these expenses are costs associated with administration by the Society, directors' and officers' insurance, Board of Directors' meetings and other miscellaneous items.

8. Other Expenses – County and District Law Libraries – centralized purchases

Included in these expenses are costs associated with staffing and travel, document delivery, publications, committee meetings and miscellaneous items.

9. Commitments

The Organization has approved grants totaling $28,700 in 2013. In accordance with the Organization's policy, these grants will be expensed when paid.

10. County and District Law Library Grants

These grants represent the quarterly distribution of funds to the 48 County and District Law Libraries and any capital and special needs grants. The grants are distributed in accordance with policies and procedures established by the Organization's Board of Directors.

The following individual law library grants were distributed by the Organization during 2013 and 2012:

Law Association	**2013**	2012
Algoma County	**130,972**	$129,404
Brant	**100,239**	95,383
Bruce	**54,265**	54,523
Carleton County	**599,602**	587,845
Cochrane	**47,141**	46,216
Dufferin	**45,890**	45,890
Durham	**126,267**	119,197
Elgin	**75,632**	72,678
Essex	**272,770**	267,422
Frontenac	**128,853**	116,124
Grey County	**67,256**	54,362
Haldimand	**30,510**	28,440
Halton County	**139,369**	135,715
Hamilton	**435,780**	427,235
Hastings County	**85,607**	83,681
Huron	**73,640**	67,456
Kenora District	**86,891**	83,021
Kent	**68,376**	70,035
Lambton	**75,707**	72,781
Lanark	**41,105**	37,364
Leeds & Grenville	**72,535**	68,323
Lennox & Addington	**27,309**	29,803
Lincoln	**173,180**	169,784
Manitoulin	**0**	6,988
Middlesex	**351,703**	345,907
Muskoka	**64,122**	62,894
Nipissing	**83,663**	85,023
Norfolk	**69,898**	67,057
Northumberland County	**76,023**	76,615
Oxford	**70,159**	67,681
Parry Sound	**39,718**	37,468
Peel	**288,524**	282,867
Perth	**54,667**	52,126
Peterborough	**128,699**	126,175
Prescott & Russell	**14,993**	13,231
Rainy River	**26,173**	26,173
Renfrew County	**120,515**	118,189
Simcoe County	**136,260**	136,598
Stormont, Dundas & Glengarry	**75,275**	73,799
Sudbury	**184,339**	179,255
Temiskaming	**41,934**	44,112
Thunder Bay	**165,297**	163,514
Toronto	**570,760**	559,569
Victoria Haliburton	**85,025**	84,602
Waterloo	**267,606**	228,045
Welland County	**94,471**	91,915
Wellington	**74,487**	72,057
York Region	**225,336**	220,918
	$6,268,543	$6,085,460

TAB 9.3.4

FOR INFORMATION

INVESTMENT COMPLIANCE REPORTING

18. Investment Compliance Statements as at December 31, 2013 are for information and follow on the next page.

STATEMENT OF INVESTMENT COMPLIANCE
LONG TERM
As at December 31, 2013

Investment Parameters	Guidelines	COMPENSATION FUND Compliance	GENERAL FUND Compliance	E & O FUND Compliance
1. Asset Mix				
Cash and Short-Term	0 - 15%	Yes	Yes	Yes
Equity investments	5 - 25%	Yes	Yes	Yes
Bonds	75 - 95%	Yes	Yes	Yes
2. Quality Requirements				
Bonds	Min. BBB	Yes	Yes	Yes
3. Quantity Restrictions				
Equities:				
single holding	Max. 10%	Yes	Yes	Yes
weight in portfolio > weight in S&P/TSX Composite Index	Varies	Yes	Yes	Yes
derivatives etc.	None	Yes	Yes	Yes
Non-Canadian	None	Yes	Yes	Yes
Bonds:				
single security or issuer (non-government)	Max. 10%	Yes	Yes	Yes
corporate issues	Max 50%	Yes	Yes	Yes
provincial govt. issues	Max 60%	Yes	Yes	Yes
municipal issues	Max 10%	Yes	Yes	Yes
foreign issues	Max 10%	Yes	Yes	Yes
BBB issues	Max. 10%	Yes	Yes	Yes

Fred Grady
Manager of Finance

The Law Society of Upper Canada
Compensation Fund
Manager: Foyston, Gordon & Payne Inc.
Compliance Report
(Period ending December 31, 2013)

1. Asset Mix:	Min.	Mid-Point	Max.	Compliance* (Y/N)
Cash & Short Term	0%	0%	15%	Y
Bonds	60%	85%	95%	Y
Total Fixed Income	**75%**	**85%**	**95%**	**Y**
Canadian Equity	**5%**	**15%**	**25%**	**Y**

Minimum bond rating "BBB" or better by the Dominion Bond Rating Service or equivalent rating by another recognized bond rating service.	**Y**
Max. 10% in BBB rated bonds.	**Y**
Max. 100% in Government of Canada or Government of Canada guaranteed bonds.	**Y**
Max. 60% in Provincial government and Provincial government guaranteed bonds.	**Y**
Max. 10% in Municipal bonds.	**Y**
Max. 50% in Corporate issues.	**Y**
Max. 10% in non-Government issuers.	**Y**
Not more than 10% of the total market value of the bond portfolio will be invested in securities issued by a foreign issuer, or Canadian issuer in a foreign currency.	**Y**
Bond portfolio duration 1 to 5 years.	**Y**

Investment policy revised April 2013.

*If policy not complied with, comment on specifics.

JAN 17, 2014
Date:

Stephen P. Copeland
Senior Vice President Investments
& Private Client Services

The Law Society of Upper Canada
General Fund
Manager: Foyston, Gordon & Payne Inc.
Compliance Report
(Period ending December 31, 2013)

1. Asset Mix:	Min.	Mid-Point	Max.	Compliance* (Y/N)
Cash & Short Term	0%	0%	15%	Y
Bonds	60%	85%	95%	Y
Total Fixed Income	**75%**	**85%**	**95%**	**Y**
Canadian Equity	**5%**	**15%**	**25%**	**Y**

Minimum bond rating "BBB" or better by the Dominion Bond Rating Service or equivalent rating by another recognized bond rating service.	**Y**
Max. 10% BBB rated bonds.	Y
Max. 100% in Government of Canada or Government of Canada guaranteed bonds.	Y
Max. 60% in Provincial government and Provincial government guaranteed bonds.	Y
Max. 10% in Municipal bonds.	Y
Max. 50% in Corporate issues.	Y
Max. 10% in non-Government issuers.	Y
Not more than 10% of the total market value of the bond portfolio will be invested in securities issued by a foreign issuer, or Canadian issuer in a foreign currency.	Y
Bond portfolio duration 1 to 5 years.	Y

Investment policy revised April 2013.

*If policy not complied with, comment on specifics.

JAN 17, 2014
Date:

Stephen P. Copeland
Senior Vice President Investments
& Private Client Services

FOYSTON, GORDON & PAYNE INC.

INVESTMENT COUNSEL

January 2014

Ms. Wendy Tysall
Chief Financial Officer
Osgoode Hall
Finance Dept., 1st Floor
130 Queen Street West
Toronto, Ontario
M5H 2N6

Dear Wendy:

Re: Manager Compliance Reporting

For the Law Society of Upper Canada Errors and Omissions Insurance Fund, we wish to confirm that the portfolio being managed by Foyston, Gordon & Payne Inc. was in compliance with the Fund's Investment Policy Statement in effect (latest revision April 2013), for the quarter ending December 31, 2013.

Yours truly,

JAN 17, 2014

Stephen P. Copeland
Senior Vice President Investments
& Private Client Services

P.O. Box 200, 1 Adelaide Street East, Suite 2600, Toronto Ontario M5C 2V9
TEL 416.362.4725 FAX 416.367.1183 www.foyston.com

STATEMENT OF INVESTMENT COMPLIANCE
SHORT TERM
As at December 31, 2013

Investment Parameters	Guidelines for Both	COMPENSATION FUND Compliance	GENERAL FUND Compliance
1. Asset Mix			
Federal & provincial treasury bills	Allowed	Yes	Yes
Bankers acceptances	Allowed	Yes	Yes
Commercial paper	Allowed	Yes	Yes
Investment manager Money Market Fund	Allowed	Yes	Yes
Premium Savings Account	Allowed	Yes	Yes
FGP S/T Invest Fund	Allowed	Yes	Yes
2. Quality Requirements			
Commercial paper rating	Min. R1	N/A	N/A
Liquidity	Max. term to maturity of 365 days	Yes	Yes
3. Quantity Restrictions			
Commercial paper of a single corporate issuer	Max. 8% of Fund	Yes	Yes
4. Other Restrictions			
Equity securities	None	Yes	Yes
Direct investments in:			
resource properties	None	Yes	Yes
mortgages and mortgage-backed securities	None	Yes	Yes
real estate	None	Yes	Yes
venture capital financings	None	Yes	Yes
Derivatives	None	Yes	Yes

Fred Grady
Manager of Finance

TAB 9.3.5

FOR INFORMATION

OTHER COMMITTEE WORK

19. The Audit & Finance Committee reviewed a copy of the latest Litigation List.

20. The Audit & Finance Committee reviewed reports pertaining to Treasurer expenses for the year ended December 31, 2013 as well as Bencher, Paralegal Standing Committee Remuneration and Expense Reimbursement Reports related to bencher and paralegal standing committee member expenses and remuneration paid for the periods of June 1, 2012 to May 31, 2013 and June 1, 2013 to February 28, 2014.

LawPRO®

Lawyers' Professional Indemnity Company

annual report 2013

LawPRO Statement on Corporate Social Responsibility

LawPRO's vision is to be regarded as the preferred insurer in all product lines and markets in which it does business.

Implicit in this vision – and in the values that support our vision – is a commitment to being a responsible, involved and accountable citizen of the many communities in which we hold membership: the employer community, the insurance community, the legal community, and of course the larger community in which we all live.

The LawPRO Corporate Social Responsibility Statement is informed by this spirit of community and accountability, while acknowledging that we are governed and profoundly shaped by our unique role as the provider of the primary professional liability insurance program for all lawyers in Ontario. Our social responsibility commitment as a corporate body is focused on four principal areas:

Providing a healthy and rewarding workplace

We respect and value our employees and the vital role they play in enabling the company to fulfill its mandate. To that end we adopt policies and practices that not only comply with applicable law and fair labour practices, but also respect diversity, promote inclusion and fellowship, cultivate professional growth through education and service, and promote health, safety and wellness, in the workplace and in personal life.

Respecting the environment

We believe that individually and as a company we have a role to play as stewards of our environment and its resources. To that end we support and promote initiatives in our company that help advance the goal of a sustainable environment.

The company supports the work of its employee-led green committee, which aims to educate LawPRO employees about the role individuals and organizations can play in protecting and improving the environment. LawPRO also has spearheaded a company-wide campaign to reduce reliance on paper and related products, and facilitate use of technology in all aspects of the company's operations. The company actively encourages initiatives such as these that meet a dual mandate of being stewards of the environment and the bar's resources.

Fostering the legal community

We view a committed, healthy and diverse bar as essential to the functioning of a democracy and to the protection of individual rights in society.

We have over the years provided financial and in-kind support to organizations that promote and deliver lawyer wellness programs. As well, we make available wellness information and resources electronically at no cost.

We support and sponsor a range of legal-related charitable and non-profit causes that advance the role and reputation of lawyers in our community and by implication, foster access to justice in Canada. We also work to support charitable initiatives which have captured the interest and imagination of the bar and their clients. We promote the enrichment of the bar through our promotion of legal education, both internally and externally, and by fostering the building of relationships within the legal community.

Supporting the broader Canadian community

We acknowledge that as highly skilled and employed individuals, we are among the fortunate in our community. LawPRO employees give back by selecting five registered charities annually and partner with the company to fundraise for their benefit. In addition, each LawPRO employee may request one "charity day" per year to undertake work for the registered charity of the employee's choice.

We actively contribute to the advancement of the Canadian insurance industry, and engage in a dialogue with government in the interests of the bar and the Canadian consumer.

We promote inclusion by working to expand the range of our materials available in both official languages and by providing materials in other languages based on level of demand.

About LawPRO®

Lawyers' Professional Indemnity Company (LawPRO) is licensed to provide professional liability insurance and title insurance in numerous jurisdictions across Canada.

In 2013, LawPRO provided liability insurance to about 24,300 members of the Law Society of Upper Canada. We also insured more than 1,460 law firms (representing about 3,800 lawyers) under our optional Excess Insurance program.

Through our TitlePLUS® operation, LawPRO also provides comprehensive title insurance to property owners and lenders throughout Canada. LawPRO's practicePRO® risk management program assists lawyers in managing their potential exposure to professional liability claims.

Vision, mission and values

Our vision

To be regarded as the preferred insurer in all markets and product lines in which we do business.

Our mission

To be an innovative provider of insurance products and services that enhance the viability and competitive position of the legal profession.

Our values

Professionalism

Individually and as a team, we hold ourselves to the highest professional standards.
We deliver programs and services known for quality and cost-effectiveness, and for being practical, helpful and relevant.

We demand the best of ourselves every day and in everything we do.

Innovation

We foster a climate in which creativity, innovation and change can flourish.
We share ideas, skills and knowledge and encourage continual learning.

We value teamwork and collaboration, and the diverse strengths and perspectives of others.

Integrity

We act with the highest levels of integrity in all of our interactions and decisions.
We aim to always be consistent, fair, ethical and accountable.

Service

We strive for excellence in customer service.
We share our knowledge, experience and expertise with our customers and with each other, so that together we can identify, prevent and solve problems.

We take the time to listen and understand, so we can respond effectively and empathetically to our customers and to each other.

We demonstrate courtesy and genuine respect for all.

Leadership

We try to make the world a better place, and to that end lend our energy and expertise to many communities.

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REMARKS OF THE CHAIR

Looking back on LawPRO's performance in 2013, I am reminded of the scouting motto known around the world, "be prepared." The horizon may look dark, and winds are picking up but if key preparations are made in advance and a bit of good fortune comes your way, much can be withstood and even achieved.

LawPRO began the year becoming familiar with some new accounting methods (as the International Financial Reporting Standards continue to evolve over the years), anticipating possible regulatory changes and managing increasing claims counts and costs. However, we ended the year with higher than expected comprehensive income, a better Minimum Capital Test (MCT) score than in previous years and a decreasing claims rate per 1,000 insured lawyers.

What happened between those two dates?

With net income of $5.9 million – an excellent result when compared to that of 2012, when LawPRO had a net loss of $2.2 million – and comprehensive income of over $18.6 million, shareholder's equity reached a new high of $189.9 million. This was due, in part, to tremendous performance in the equity markets as well as decreased claims expense as a result of further actuarial analysis.

A review of the actuarial valuation process which determines the company's claims expense using refined methodologies was completed to ensure that LawPRO maintains appropriate provisions for unpaid claims and adjustment expenses.

With more stringent MCT requirements on the horizon for Canadian insurance companies, we were pleased to surpass our expectations for 2013 with an MCT result of 233 per cent – higher than the 2012 result of 223 per cent. This test is the main way the Financial Services Commission of Ontario (FSCO) measures an insurance company's financial strength and its claims paying abilities. It is clear that there will be changes to how the MCT is calculated commencing in 2015, with the phase-in completed by the end of 2016. These changes will put downward pressure on LawPRO's MCT. As a result it is important that we continue to prepare for a more demanding regulatory solvency environment. The Board of LawPRO is evaluating a number of options to help the company cope with the changes, to minimize any unnecessary negative effect on the MCT. However, it is important to remember that nothing is fundamentally different at LawPRO or with its business lines – only the framework for regulatory supervision is changing.

Even though we didn't experience as demanding a year financially as expected, it's important to stay alert for upcoming challenges and tests. An insurance company is only as good as its ability to pay claims and maintaining a prudent and sufficient base to meet the needs of our insureds is our primary focus. To that end, please join me in celebrating a fortuitous 2013 and then we will return to making preparations for a stable and resilient future. As always, preparation is key.

Susan T. McGrath
Susan T. McGrath
Chair

REMARKS OF THE PRESIDENT AND CEO

As Chair Susan McGrath commented, 2013 was a year where our preparations paid off and LawPRO thrived.

With claims expense lower than expected and claims per 1,000 lawyer-insureds levelling off, we finished the year on a positive note. Claims expense incurred was $96.7 million compared to $106.1 million in 2012 and there were 104 claims per thousand insured – down from 108 last year.

Although we remain in the $100 million claims world once adjusting costs are added to projected indemnity and legal expenses, the number of insureds is increasing at a faster pace than the number of claims. Time management claims – on the upswing last year – have moderated but the three highest risk areas continue to be real estate, civil litigation, and corporate law.

One of LawPRO's corporate values is service, and having completed our 2013 performance reviews of all staff, I can report that service ranked highest in employee value focus last year. That is very important to us at LawPRO, but good service is always a balancing act. The number of insureds we serve is constantly increasing, which drives higher volumes of correspondence and phone calls. Open claim files are at the highest level in a decade, requiring significant attention to our staffing needs in the claims handling operation. But insureds also consider premium costs when they evaluate an insurance company, and LawPRO has maintained a stable base premium for the Law Society of Upper Canada's primary professional liability program since 2011. That stability has been maintained, in part, due to a rigorous focus on general expenses, and it is noteworthy that in 2013 operating expenses declined by $1.1 million compared to 2012.

LawPRO spends money wisely, focusing on areas where our insureds get the most value in terms of saving them both money and (hopefully) day-to-day aggravation. Our practicePRO claims prevention program marked its 15th anniversary in 2013. It continues to be a leading source of risk mitigation information in Ontario and its materials are accessed by professionals throughout Canada and abroad. In preparation for new risks ahead and in response to the growing cyber risk exposure, the practicePRO program launched an education package about cyber risks faced by law firms and how to address them.

Technology is not the only new challenge to the status quo. The environment in which lawyers do business in Ontario is changing rapidly and there are many unknowns ahead, including new ways to structure and offer legal services, hurdles to access to justice, and new lawyer education models. To address emerging risks, changes to the program for 2014 include the introduction of: an increase in deductible of $10,000 for certain administrative dismissal claims; a coverage sublimit of $250,000 for cybercrime claims; changes to support the terms of the National Mobility Agreement with respect to mobility for lawyers called to both the Barreau du Québec and to the bar of a common law province; and changes to support coverage of paralegal licensees practising in partnership with lawyers.

This is an exciting time for the legal profession in Ontario and LawPRO is well positioned to be a part of the changes. Maintaining strong relationships with government, educational institutions, and our colleagues around the world means that as the profession evolves, the risks and challenges faced by our insureds can be incorporated in our plans.

K. Waters
Kathleen A. Waters
President & CEO

MANAGEMENT DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis provides a review of the activities, results of operations and financial condition of Lawyers' Professional Indemnity Company ("LAWPRO" or the "Company") for the year ended December 31, 2013, in comparison with the year ended December 31, 2012. These comments should be read in conjunction with the corresponding audited financial statements, including the accompanying notes.

Amendments to IFRS

The financial statements in this report were prepared in accordance with both new and revised International Financial Reporting Standards. The standards were applied effective January 1, 2012, and the transition resulted in adjustments to amounts previously reported in the statements of financial position, profit or loss, profit or loss and other comprehensive income, and changes in equity. For more details regarding the accounting policies the Company established under the new and revised accounting standards see note 2 of the financial statements, and for more details regarding the transition itself see note 3.

Financial highlights

Statement of profit or loss and other comprehensive income

During 2013 the Company generated a net income of $5.9 million, an increase in earnings of $8.2 million over 2012, and earned comprehensive income of $18.6 million compared to $4.0 million during the prior year.

Net premiums earned

Premiums earned, net of reinsurance ceded, increased by $1.8 million to $106.5 million in 2013. Premiums from the mandatory Ontario errors and omissions ("E&O") insurance program were $2.1 million higher than 2012 results and $0.2 million above the budgeted figure, primarily due to a higher than expected number of insured lawyers purchasing insurance coverage in 2013. The optional excess insurance program premiums remained relatively steady in the year, while title insurance premiums declined by $0.3 million.

Net claims and adjustment expenses

Incurred claims and adjustment expenses in 2013, net of reinsurance recoveries, decreased by $9.4 million from 2012. The 2013 results benefitted from a $13.1 million net reduction to reserves due to the completion of a re-evaluation of the actuarial models used to estimate ultimate outstanding losses, though this was partially offset by items such as a $1.7 million increase in reserves for internal adjustment expense.

Reinsurance

In addition to the excess-of-loss clash reinsurance coverage the Company has purchased in recent years, which limits its exposure to one or more large aggregations of multiple claims arising from the same proximate cause, an additional layer of coverage was purchased relating specifically to class action proceedings. During 2013, the Company maintained its 10 per cent retention in the optional excess program, whereas prior to 2011 the program was fully reinsured. The high level of reinsurance significantly mitigates exposure to the Company from claims in this program.

General expenses

LAWPRO's general expenses in 2013 were $1.1 million lower than 2012, and $1.6 million lower than budgeted, due to continued cost management efforts undertaken by the Company.

Commissions earned

The Company earned reinsurance commissions of $1.4 million on premium ceded in respect of its 2013 optional excess insurance program, a similar result to 2012. In addition, the Company also earned $0.1 million of profit commissions for favourable claims

MANAGEMENT DISCUSSION AND ANALYSIS

development on the quota share reinsurance arrangements that it had prior to January 1, 2003, down from $2.4 million in 2012. As claims estimates become more certain with time, there is less potential for favourable development on claims relating to older fund years, resulting in a tendency towards lower profit commissions.

Investment income

Income generated from investments increased by $1.4 million to $16.3 million in 2013. Investment income from interest receipts decreased by $0.4 million to $15.8 million due to pressure on market yields. As a result of market volatility, the Company experienced a $6.0 million decrease in net unrealized gains on its fixed income security portfolio used to match its claims liabilities, compared to a decrease of $1.9 million in 2012. The 2013 results also included net capital gains of $5.6 million realized on disposition of investments, compared to $1.4 million in 2012. In addition, during 2013 the Company recognized $0.9 million of unrealized losses as an impairment due to the significant or prolonged decline of some of its equity securities, compared to $2.5 million in 2012.

Other comprehensive income

During 2013 LawPRO experienced other comprehensive income of $12.7 million, primarily due to an increase in net unrealized gains on its surplus investments generated by the recent rally in the world equity markets. These results compare to the other comprehensive income of $6.3 million experienced during 2012.

Statement of financial position

Overall, the Company ended the year of 2013 in a favourable position, with shareholder's equity up by $18.6 million year over year, as the net income achieved during the year was buttressed by the significant other comprehensive income experienced during the same period.

Investments

As at December 31, 2013, the market value of the Company's investment portfolio exceeded its cost by $37.3 million, compared to 2012 where the market value exceeded cost by $26.9 million. Investment assets, inclusive of cash and cash equivalents and investment income due and accrued, increased by $38.2 million to $591.7 million at December 31, 2013. The increase was primarily the result of the positive cash flow provided by operations and investment income generated by the portfolio.

The investment portfolio is managed in accordance with the investment policy approved by the Company's Board of Directors in diversified, high-quality assets. A portion of the investment portfolio, which is composed of primarily fixed income securities, is invested in a manner that is expected to substantially match in maturity to the payment of claims liabilities in future years. The portion of the Company's investment portfolio which is considered surplus to the requirements of settling claims liabilities is managed separately and includes fixed income securities and equity investments in publicly traded companies, the values of which are more subject to market volatility.

Provision for unpaid claims and adjustment expenses and reinsurers' share thereof

The provision for unpaid claims represents the amount required to satisfy all of the Company's obligations to claimants prior to reinsurance recoveries. This balance has increased by $14.6 million. Reinsurance recoverables have increased by $0.6 million and accordingly the net increase in the provision is $14.0 million. This increase is attributable to the fact that the claims expense relating to the additional risk associated with the 2013 program more than offset the reductions to the claims provision from both the settlement of claims during 2013 and the net favourable development of prior years' reserves experienced during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Report on LawPRO operations

LawPRO is an insurance company with three product lines: a mandatory E&O insurance program, as required by the Law Society of Upper Canada (Law Society) for all lawyers in private practice in Ontario; an optional excess insurance program that enables Ontario law firms to increase their insurance coverage limit to a maximum of $9 million per claim/$9 million in the aggregate above the $1 million per claim/$2 million aggregate levels provided by the mandatory E&O program; and an optional TitlePLUS title insurance product that real estate practitioners across Canada can make available to their clients.

The mandatory E&O insurance program

In each of the last two years, the number of lawyers insured under the LawPRO program has increased by just under three per cent. In 2013, the Company provided E&O coverage to almost 24,300 lawyers, up from about 23,600 in 2012. The E&O base premium has varied since the Company assumed active responsibility for the Law Society's insurance operations in 1995 (see graph 1), depending on the outlook of key factors such as claims costs and investment income. In order to address rising claims trends, the base premium was increased by $400 to $3,350 per lawyer in 2011. For 2012 through 2014, the base premium has been held at $3,350 per lawyer – a level selected with a view to the longer-term stability and sustainability of the program.

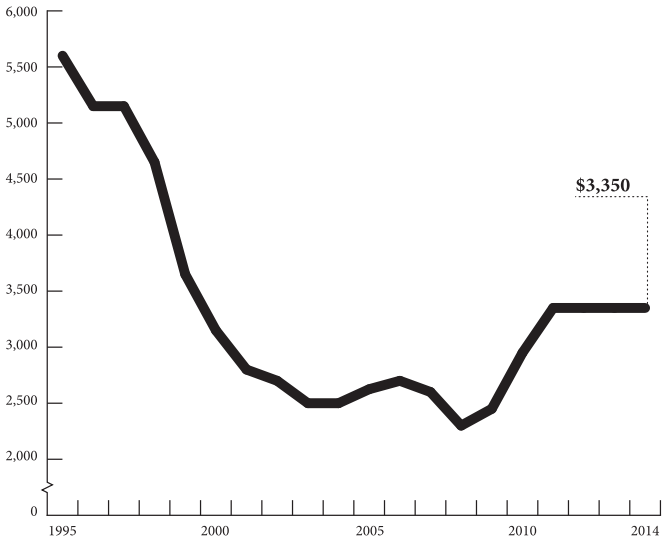
One of the hallmarks of the mandatory LawPRO E&O insurance program is its flexibility. Lawyers have a number of options to tailor their insurance coverage to their specific needs – often with the added benefit of reducing the actual premium payable below the base premium level. As indicated on the table to the right, the number of lawyers availing themselves of these options continues to increase. LawPRO's sustainability initiative, combined with its program of encouraging lawyers to use its comprehensive website to access information and complete insurance-related filings, also continues to yield solid results. At renewal, a record 98 per cent of lawyers – 23,500 – filed their insurance applications online for the 2013 insurance program; 82 per cent of them did so in time to qualify for the $25 per lawyer e-filing discount. For the 2014 program renewal, the number of lawyers e-filing increased, once again representing approximately 98 per cent of lawyers.

E&O claims

The numbers

The 2013 claim figures reflect a rather troubling ongoing trend – elevated claims counts and costs. The number of claims reported to LawPRO during the calendar year has exceeded 2,500 for the

Graph 1 – Base premium per lawyer



Coverage Options Selected

Coverage option	Feature	No. of lawyers participating as of Jan. 31, 2013	No. of lawyers participating as of Jan. 31, 2014
New call discount	20 to 50 per cent base premium discount for those called in the last one to four years	4,196	4,499
Part-time practice	50 per cent base premium discount for eligible lawyers	1,562	1,675
Restricted area of practice option	50 per cent base premium discount for immigration/ criminal law practitioners	1,484	1,512
Innocent Party buy-up	Increase in Innocent Party sublimits up to as much as $1 million per claim/aggregate	3,471 (based on $249/lawyer)	3,424 (based on $249/lawyer)
Run-off buy-up	Increase limits for past services from $250,000 per claim/aggregate to as much as $1 million per claim/$2 million aggregate	963	965
Real estate practice coverage	Required for all lawyers practising real estate law in Ontario. Sublimit coverage of $250,000 per claim/$1 million aggregate	7,376	7,499

MANAGEMENT DISCUSSION AND ANALYSIS

second straight year (see graph 2). Looking more closely at the underlying cause of claims by policy year, we are seeing startlingly increased levels in types such as time management as well as failure to either know or apply the law (see graph 3). Despite a concerted and successful effort on the part of the Company's claims group to close more files than the previous year, the number of open files managed by the claims team now stands at over 3,600 – the highest it has been in the last decade (see graph 4).

A very important measure is to compare the average cost of claims for each policy year at a specific point in time. As graph 5 shows, between 2007 and 2011 the average severity (i.e., the average cost per claim) was close to $40,000, compared to an average severity at the beginning of the decade of only about $30,000. These figures have been affected by the growing number of large claims received by the Company, which continues to exceed 200 per annum (see graph 6). As a result of these pressures, since 2007 the annual programs are typically costing in the $80 to $90 million range in claims expenses; the 2013 program's ultimate cost is projected to significantly exceed this range.

Although the estimated costs attached to 2013 claims are still relatively new at this point, a clear trend is evident. As in the past, real estate and litigation claims continue to account for the bulk of claims costs, with real estate claims representing approximately 33 per cent of claims costs, on average, for the past five years. The rise in the cost of real estate claims is a reflection of both the more complex practice environment and the high underlying values associated with alleged errors in these areas (see graph 7).

Managing costs

LawPRO's focused claims management philosophy – which sees us resolve claims quickly in situations where there is liability, defend vigorously if the claim has no merit, and avoid economic settlements – yielded solid results.

In 2013, LawPRO won 18 of the 20 matters that the Company took to trial and on which a decision was rendered; was successful on 10 of 13 appeal decisions; and won 20 of 25 summary judgment applications.

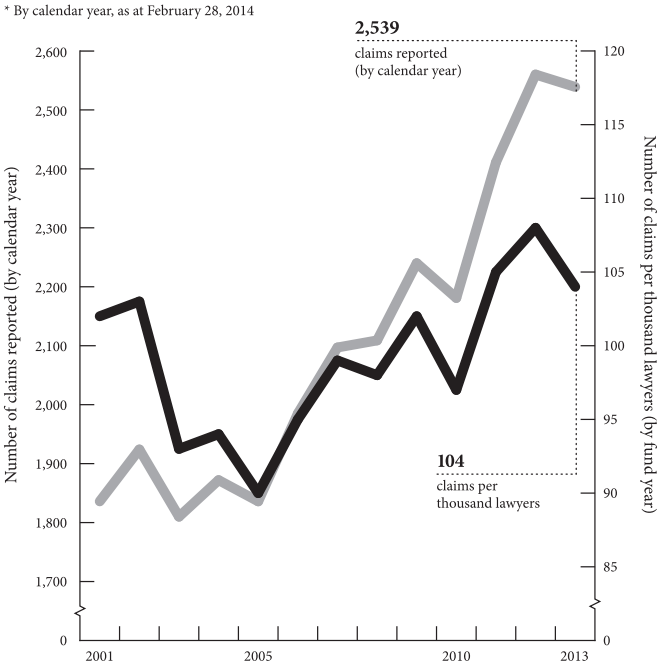
Another important tool – and a measure of success – is feedback the Company receives from lawyers. A survey conducted of insured lawyers with a closed claim demonstrates that the Company is meeting lawyers' needs and expectations.

Helping lawyers avoid claims

An important focus for LawPRO is to help lawyers avoid claims before they happen. LawPRO's practicePRO risk management initiative has become a widely-recognized and well-respected provider of tools and resources to help members of the practising bar identify practice risks and take steps to minimize their claims exposure.

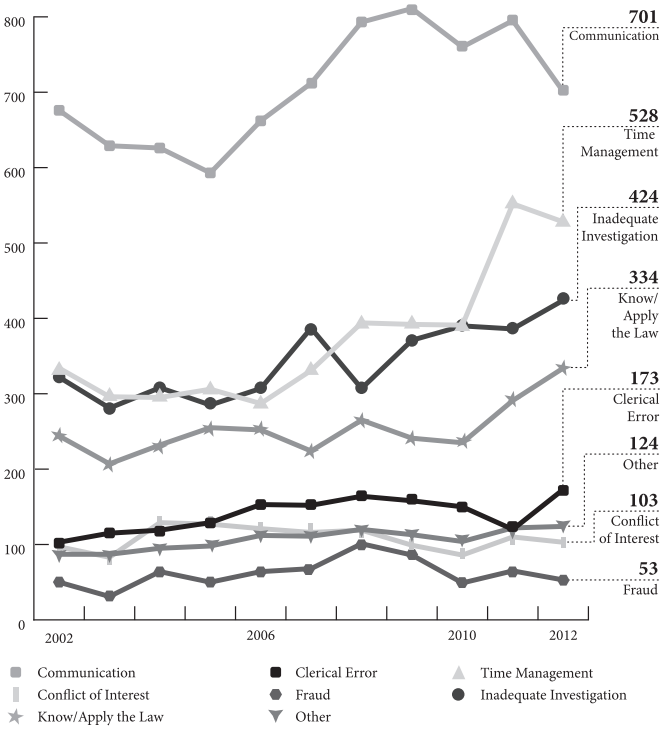
Graph 2 – Number of claims reported and frequency*

* By calendar year, as at February 28, 2014



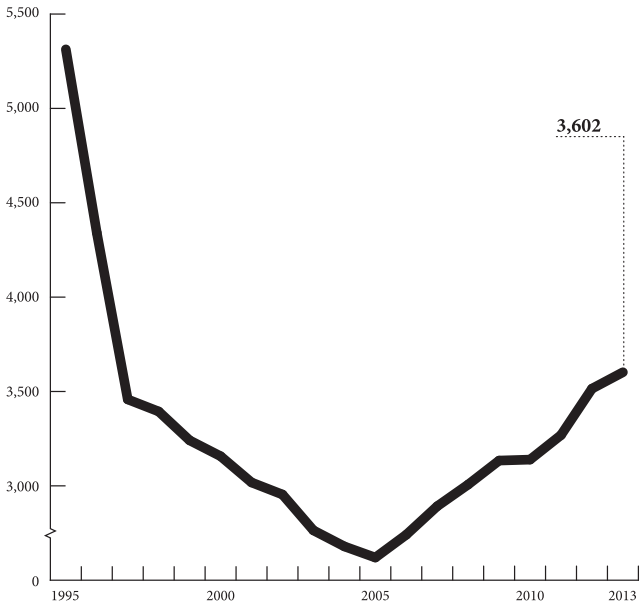
Graph 3 – Reported claim count by cause of loss by fund year*

*As at February 28, 2014



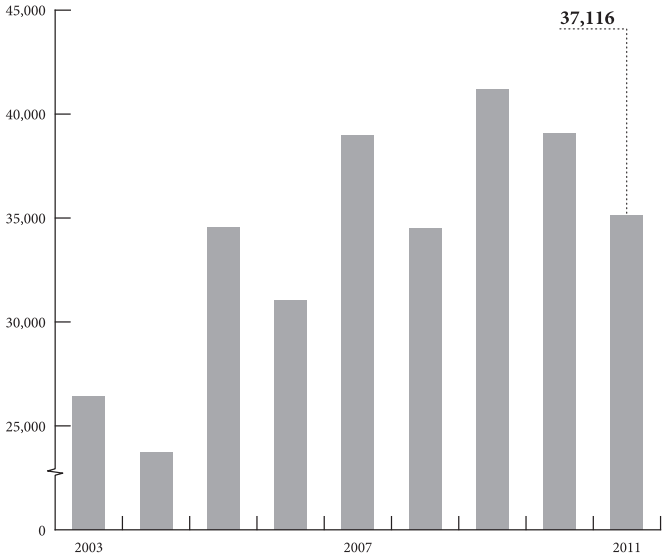
MANAGEMENT DISCUSSION AND ANALYSIS

Graph 4 – Number of open claims files



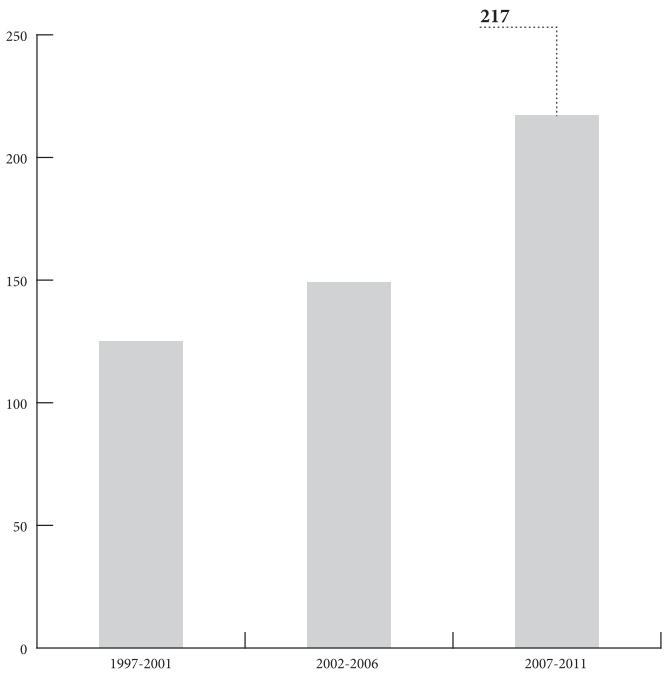
Graph 5 – Average cost per claim at 38 months after start of year in which claim was reported*

*As at February 28, 2014



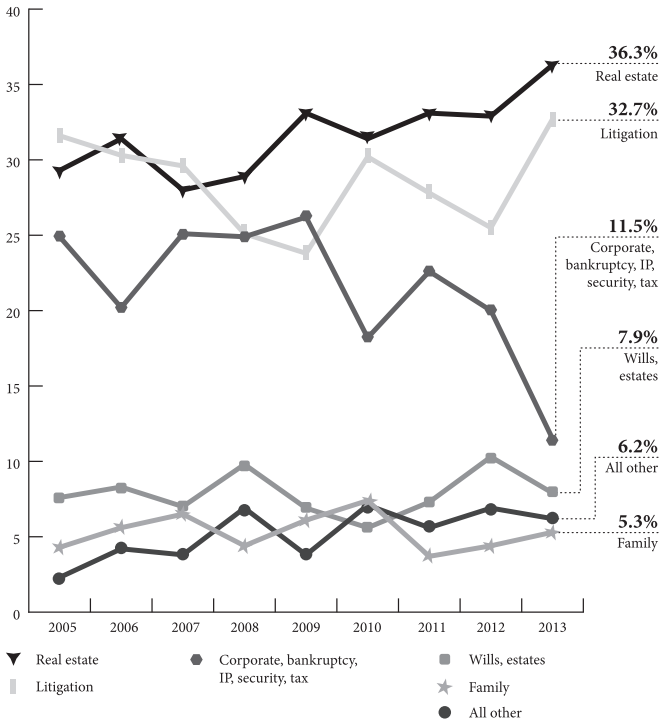
Graph 6 – Number of claims reported with a value greater than $100,000*

*As at February 28, 2014



Graph 7 – Distribution of claims by area of practice* (% of gross claims costs)

*As at February 28, 2014



MANAGEMENT DISCUSSION AND ANALYSIS

LawPRO survey results

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

- **97** per cent said that they were satisfied with how LawPRO handled the claim;
- **92** per cent said they were satisfied with our selection of counsel;
- **89** per cent said they would have the defence counsel firm represent them again; and
- **87** per cent said LawPRO received good value for defence monies spent.

A principal tool to communicate risk management content is LawPRO Magazine, which was distributed to all practising insured lawyers four times in 2013. Key content included information on the most common claims risks, a practicePRO 15th anniversary pull-out that highlighted LawPRO's best risk and practice management resources and a feature article on the future of the legal profession. An extensive examination of the growing cybercrime risks facing lawyers and law firms and what can be done to reduce these risks was also featured. Complementing the printed magazine were extensive web-based materials, electronic webzines and email alerts on topics including active frauds, evolving risk issues, various area of law-specific topics and insurance program-related information.

The bar's reliance on the practicePRO program as a key source of risk management information is evidenced by the growth, each year, in the program's online reach and influence. In 2013, the practicePRO website averaged over 1000 visits per day and more than 362,000 copies of articles and other resources were downloaded.

The AvoidAClaim.com blog provides lawyers with tips and insights into risk and practice issues as they develop, including real-time warnings on active frauds targeting lawyers. It continues to be the go-to site for fraud prevention and in 2013 averaged 639 visitors a day, a 40% increase over 2012. It continues to help Ontario lawyers avoid being duped by bad cheque frauds, real estate fraud and other scams.

Social media is now an accepted form of business communication and is an expedient way to disseminate risk information in an increasingly digital world. LawPRO's activity and number of followers on Twitter, LinkedIn and Facebook continued to increase in 2013. This gave LawPRO a greater online profile and helped its insureds find relevant and useful content on its website and blog.

LawPRO also worked behind the scenes to ensure the risk management message is being heard. As a result of the LawPRO Risk Management Credit program, through which lawyers taking LawPRO–approved continuing professional development programs receive a $50 per course credit on their insurance premium (to a maximum of $100), the Company has worked to ensure that CPD providers include a significant risk management component in their programs. For the 2013 policy year, the Company approved 240 programs attended by more than 58,000 lawyers, paralegals and law office staff. LawPRO and practicePRO content was included in the materials for many of these programs.

Active participation in the work of the Law Society and of other law-related associations is yet another way the Company spreads the risk management message. In 2013, LawPRO interacted with several stakeholder groups that addressed major issues affecting the profession including the Law Society's Alternative Business Structures Working Group, the Federation of Law Societies on the National Entry to Practice Competency Profile for Lawyers and Quebec Notaries, the Canadian Bar Association's Future of Law Task Force and the Civil Rules Committee on possible changes regarding administrative dismissals. The Company also worked with Law Society staff on a review of risk issues that could be addressed in Practice Reviews and Practice Audits.

Through the practicePRO program, Company staff delivered 112 presentations to more than 16,300 lawyers, paralegals and law firm staff on risk management-related topics at various law associations, law firms and CPD programs. The vice president of claims prevention and stakeholder relations was co-chair of the Law Society's Solo and Small firm Conference and Expo for the 8th consecutive year.

The LawPRO Excess program

Since it was established in 1997, LawPRO's optional Excess Insurance program has posted consistent annual growth in revenues and numbers of law firms (and lawyers) insured under the program. An impressive 1,466 firms representing 3,769 lawyers elected LawPRO as their excess insurance provider for 2013 (see graph 8); 147 firms chose the maximum $9 million limit option.

To date we have seen solid results in the 2014 program. While the number of firms insured under the LawPRO Excess program for 2013 decreased slightly to 1,435, the number of lawyers being represented grew to 3,802. Of 35 new firms opting to buy excess coverage from LawPRO for 2014, approximately 90 per cent did not already carry excess coverage. The Company's retention rate on excess business was an impressive 96 per cent, a clear indication that this program

MANAGEMENT DISCUSSION AND ANALYSIS

meets the needs of the market it is aimed at with small and medium-sized firms of fewer than 50 lawyers. LawPRO's Excess program insures approximately 20 per cent of the lawyers employed in firms of 50 or fewer lawyers.

Excess claims

As of December 31, 2013, the Company has paid only two indemnity amounts under its Excess program, a reflection of LawPRO's ability to generally manage costs within the insurance program's primary limits. Prudent underwriting and solid claims management have helped ensure that our Excess program is a profitable line of business for LawPRO.

The TitlePLUS program

In part due to a difficult real estate market, the TitlePLUS title insurance program posted a modest decrease in gross written premiums in 2013 compared to 2012. However, there was an increase in policy sales in the second half of 2013. Our subscriber base at December 31, 2013, remained solid at more than 4,900 lawyers and Quebec notaries, with new applications continuing to be received, and the Company issuing TitlePLUS policies for over 870 lenders across Canada. These results indicate that our vision of real estate practice resonates with legal professionals and the lending community: The higher level of legal expertise and professionalism that LawPRO expects from both lawyer/notary subscribers and our TitlePLUS staff sets it apart from other providers.

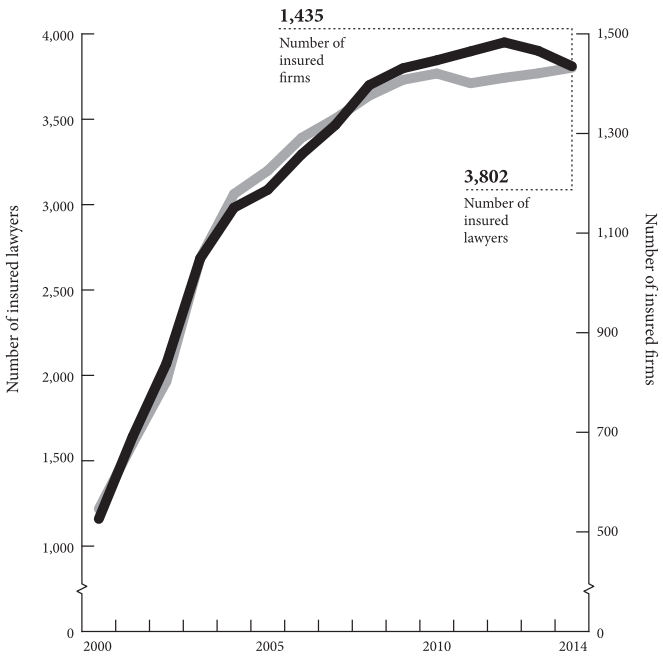
TitlePLUS claims

The legal expertise and experience of the TitlePLUS team referenced earlier not only helped alert lawyers to potential claims issues, but also strengthened its stringent underwriting measures. The result: approximately 90 per cent of TitlePLUS claims are minor with payments of less than $10,000, and the average indemnity payment on a TitlePLUS claim is approximately $6,150 (based on claims closed as of December 31, 2013).

Building compliance-related claims continue to have a significant impact on the program. For policies sold in the years since 2000, the TitlePLUS program has had 1,064 building compliance-related claims, costing a total of $18.7 million (payments plus reserves on claims in progress). So, although only 24 per cent of the TitlePLUS claims by count arise from this area of coverage, 48 per cent of the claims costs reside here. However, the significant pressures that these trends placed on the program's claims costs have been appreciably mitigated through various underwriting and risk management programs (see graph 9). The TitlePLUS underwriting team continues to work on methods to better detect building compliance risks before a policy is approved. Also, the TitlePLUS claims team is focusing additional efforts on recovery initiatives where a past property owner should be bearing responsibility for the problem, as well as on salvage opportunities.

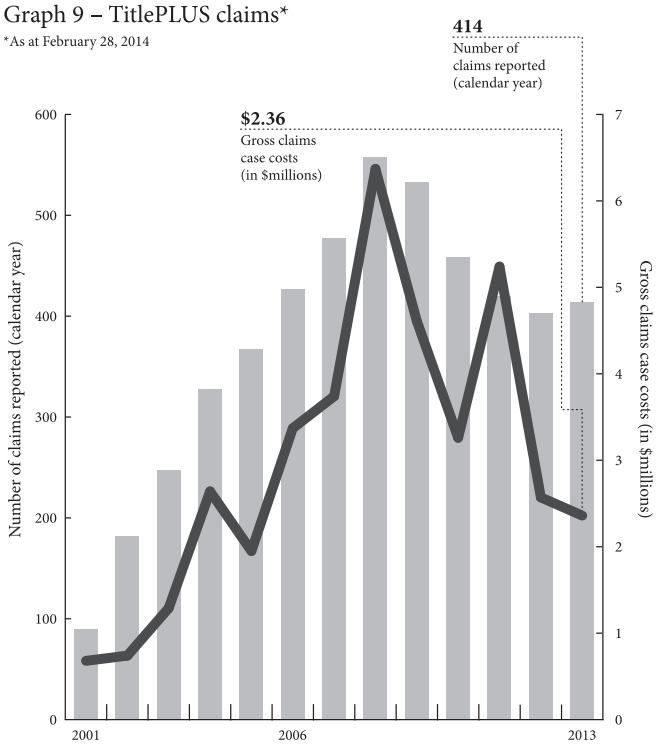
Graph 8 – LawPRO Excess Insurance program*

*As at February 28, 2014



Graph 9 – TitlePLUS claims*

*As at February 28, 2014



MANAGEMENT STATEMENT ON RESPONSIBILITY FOR FINANCIAL INFORMATION

The preparation of the annual financial statements, Management's Discussion and Analysis and all other information in the Company's Annual Report is the responsibility of the Company's management, and the annual financial statements have been approved by the Board of Directors.

The financial statements have been prepared in accordance with International Financial Reporting Standards. Financial statements, by their very nature, include amounts and disclosures based on estimates and judgements. Where alternative methods or interpretations exist, management has chosen those it deems most appropriate in the circumstances, including appropriate consideration to relevance and materiality. Actual results in the future may differ materially from management's current assessment given the inherent variability of future events and circumstances. Financial information appearing elsewhere in the Company's Annual Report is consistent with the financial statements.

Management maintains the necessary system of internal controls over financial reporting to meet its responsibility for the reliability of the financial statements. These controls are designed to provide management with reasonable assurance that the financial records are reliable for preparing financial statements and other financial information, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

The Board of Directors is responsible to ensure that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out its responsibility primarily through its audit committee, which is independent of management. The audit committee reviews the financial statements and recommends them to the Board for approval. The audit committee also reviews and monitors the Company's system of internal controls over financial reporting in the context of reports made by management or the external auditor.

Role of the Auditor

The external auditor, Deloitte LLP, has been appointed by the shareholder. Its responsibility is to conduct an independent and objective audit of the financial statements in accordance with Canadian generally accepted auditing standards and to report thereon to the Company's shareholder. In carrying out its audit, the auditor considers the work of the appointed actuary and his report on the policy liabilities of the Company. The external auditor has full and unrestricted access to the audit committee and the Board of Directors to discuss audit, financial reporting and related findings. The auditor's report outlines the scope of its audit and its opinion.

Role of the Appointed Actuary

The actuary is appointed by the Board of Directors of the Company. With respect to the preparation of these financial statements, the appointed actuary is required to carry out a valuation of the policy liabilities and to report thereon to the Company's shareholder. The valuation is carried out in accordance with accepted actuarial practice and regulatory requirements. The scope of the valuation encompasses the policy liabilities as well as any other matter specified in any direction that may be made by the regulators. The policy liabilities consist of a provision for unpaid claims and adjustment expenses on the expired portion of policies, a provision for future obligations on the unexpired portion of policies, and other policy liabilities that may be applicable to the specific circumstances of the Company.

In performing the valuation of the policy liabilities, which are by their very nature inherently variable, the appointed actuary makes assumptions as to the future rates of claims severity, inflation, reinsurance recoveries, expenses and other matters, taking into consideration the circumstances of the Company and the nature of the insurance coverage being offered. The valuation is necessarily based on estimates; consequently, the final values may vary significantly from those estimates. The appointed actuary also makes use of management information provided by the Company, and uses the work of the auditor with respect to the verification of the underlying data used in the valuation.

Toronto, Ontario
February 26, 2014

K. Waters
Kathleen A. Waters
President & CEO

Steve Jorgensen
Steven W. Jorgensen
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

Deloitte LLP
Brookfield Place
181 Bay Street, Suite 1400
Toronto, Ontario M5J 2V1
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Deloitte.

To the Shareholder of Lawyers' Professional Indemnity Company

We have audited the accompanying financial statements of Lawyers' Professional Indemnity Company, which comprise the statement of financial position as at December 31, 2013, and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lawyers' Professional Indemnity Company as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
February 26, 2014

APPOINTED ACTUARY'S REPORT

Eckler

I have valued the policy liabilities including reinsurance recoverables of Lawyers' Professional Indemnity Company for its statement of financial position as at December 31, 2013, and their changes in its statement of profit or loss for the year then ended, in accordance with accepted actuarial practice in Canada, including selection of appropriate assumptions and methods.

In my opinion, the amount of the policy liabilities makes appropriate provision for all policy obligations, and the financial statements fairly present the results of the valuation.

Toronto, Ontario
February 26, 2014

Brian G. Pelly
Fellow, Canadian Institute of Actuaries
Eckler Ltd.
110 Sheppard Avenue East, Suite 900
Toronto, Ontario M2N 7A3

STATEMENT OF FINANCIAL POSITION

Stated in thousands of Canadian dollars

As at	December 31, 2013	December 31, 2012 (restated*)	January 1, 2012 (restated*)
Assets			
Cash and cash equivalents	$ 14,525	18,377	16,936
Investments (note 5)	575,039	533,175	500,674
Investment income due and accrued	2,136	1,902	3,159
Due from reinsurers	309	2,883	2,179
Due from insureds	2,027	1,739	1,570
Due from the Law Society of Upper Canada (note 11)	-	-	1,118
Reinsurers' share of provision for unpaid claims and adjustment expenses (note 8)	40,487	39,936	43,089
Other receivables	1,419	1,045	864
Other assets	2,758	1,707	1,115
Property and equipment (note 7)	2,193	2,835	2,716
Income taxes recoverable	-	2,671	2,528
Deferred income tax asset (note 13)	4,543	4,489	4,009
Total assets	**$ 645,436**	**610,759**	**579,957**
Liabilities			
Provision for unpaid claims and adjustment expenses (note 8)	$ 447,912	433,329	408,666
Unearned premiums	749	723	663
Due to reinsurers	591	601	690
Due to insureds	66	206	263
Due to Law Society of Upper Canada (note 11)	3	2,565	-
Expenses due and accrued	1,526	1,634	1,968
Income taxes due and accrued	4,312	-	-
Other taxes due and accrued	402	412	432
	$ 455,561	**439,470**	**412,682**
Equity			
Capital stock (note 16)	$ 5,000	5,000	5,000
Contributed surplus (note 16)	30,645	30,645	30,645
Retained earnings	129,076	122,663	125,258
Accumulated other comprehensive income	25,154	12,981	6,372
	189,875	**171,289**	**167,275**
Total liabilities and equity	**$ 645,436**	**610,759**	**579,957**

** See Note 3d)*

Accompanying notes are an integral part of the financial statements.

On behalf of the Board

K. Waters
Kathleen A. Waters
Director

Susan T. McGrath
Susan T. McGrath
Director

STATEMENT OF PROFIT OR LOSS

Stated in thousands of Canadian dollars

For the year ended December 31		2013	2012 (restated*)
Revenue			
Gross written premiums	$	113,561	110,676
Premiums ceded to reinsurers		(7,051)	(5,899)
Net written premiums		106,510	104,777
(Increase) decrease in unearned premiums (note 9)		(26)	(60)
Net premiums earned		**106,484**	**104,717**
Net investment income (note 5)		16,255	14,893
Ceded commissions		1,535	3,841
		$ 124,274	**123,451**
Expenses			
Gross claims and adjustment expenses (note 8)	$	99,178	105,721
Reinsurers' share of claims and adjustment expenses		(2,475)	385
Net claims and adjustment expenses		96,703	106,106
Operating expenses (note 14)		16,330	17,462
Premium taxes		3,408	3,321
		116,441	**126,889**
Profit (loss) before income taxes		**$ 7,833**	**(3,438)**
Income tax expense (recovery) (note 13)			
Current	$	2,126	(856)
Deferred		(226)	(350)
		1,900	**(1,206)**
Profit (loss)		**$ 5,933**	**(2,232)**

** See Note 3d)*

Accompanying notes are an integral part of the financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Stated in thousands of Canadian dollars

For the year ended December 31	2013	2012 (restated*)
Profit (loss)	**$ 5,933**	**(2,232)**
Other comprehensive income (loss), net of income tax:		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit obligation, net of income tax expense (recovery) of $174 [2012: ($131)]	480	(363)
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale assets		
Net changes unrealized gains (losses), net of income tax expense (recovery) of $5,780 (2012: $2,052)	16,034	5,693
Reclassification adjustment for (gains) losses recognized in profit or loss, net of income tax (expense) recovery of ($1,618) [2012: ($319)]	(4,486)	(886)
Reclassification adjustment for impairments, recognized in profit or loss, net of income tax expense of $226 (2012: $650) (note 5)	625	1,802
Other comprehensive income (loss)	**12,653**	**6,246**
Comprehensive income	**$ 18,586**	**4,014**

** See Note 3d)*

Accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

Stated in thousands of Canadian dollars

	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Equity
Balance at January 1, 2012 (as previously reported)	**$ 5,000**	**30,645**	**125,859**	**6,372**	**167,876**
IAS 19 adjustment for defined benefit obligation remeasurements (see note 3d)	-	-	(601)	-	(601)
Balance at January 1, 2012 (restated)	**5,000**	**30,645**	**125,258**	**6,372**	**167,275**
Total comprehensive income for the year	-	-	(2,232)	6,246	4,014
Transfer of defined benefit remeasurements from OCI to retained earnings	-	-	(363)	363	-
Balance at December 31, 2012	**5,000**	**30,645**	**122,663**	**12,981**	**171,289**
Total comprehensive income for the year	-	-	5,933	12,653	18,586
Transfer of defined benefit remeasurements from OCI to retained earnings	-	-	480	(480)	-
Balance at December 31, 2013	**$ 5,000**	**30,645**	**129,076**	**25,154**	**189,875**

The aggregate of retained earnings and accumulated other comprehensive income as at December 31, 2013 is $154,230 (December 31, 2012: $135,644).

Accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

Stated in thousands of Canadian dollars

For the year ended December 31		2013	2012 (restated*)
Operating Activities			
Profit (loss)	$	5,933	(2,232)
Items not affecting cash:			
Deferred income taxes		(226)	(350)
Amortization of property and equipment		815	914
Realized (gains) losses on disposition or impairment		(4,712)	1,022
Amortization of premiums and discounts on bonds		(2,503)	(2,789)
Changes in unrealized (gains) losses		6,003	1,862
		5,310	(1,573)
Changes in non-cash working capital balances:			
Investment income due and accrued		(234)	1,257
Due from reinsurers		2,564	(793)
Due from insureds		(428)	(226)
Due from the Law Society of Upper Canada		(2,562)	3,683
Reinsurers' share of provision for unpaid claims and adjustment expenses		(551)	3,153
Other receivables		(374)	(181)
Other assets		(398)	(1,085)
Income taxes due and accrued (recoverable)		2,595	(2,526)
Provision for unpaid claims and adjustment expenses		14,583	24,663
Unearned premiums		26	60
Expenses due and accrued		(108)	(334)
Other taxes due and accrued		(10)	(20)
Net cash inflow from operating activities	**$**	**20,413**	**26,078**
Investing Activities			
Purchases of property and equipment	$	(173)	(1,033)
Purchases of investments		(254,038)	(220,765)
Proceeds from sales and maturities of investments		229,946	197,161
Net cash outflow from investing activities		**(24,265)**	**(24,637)**
Net change in cash and cash equivalents during the year		(3,852)	1,441
Cash and cash equivalents, beginning of year		18,377	16,936
Cash and cash equivalents, end of year		**14,525**	**18,377**
Cash and cash equivalents at end of year consists of:			
Cash		6,746	9,151
Cash equivalents		7,779	9,226
	$	**14,525**	**18,377**
Supplemental disclosure of cash flow information:			
Income taxes paid	$	2,206	4,201
Interest received	$	13,119	14,682
Dividends received	$	2,602	2,504

** See Note 3d)*

Accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2013
Amounts stated in Canadian dollars (amounts in tables in thousands)

1. Nature of Operations

Lawyers' Professional Indemnity Company (the "Company") is an insurance company, incorporated on March 14, 1990 under the *Corporations Act* (Ontario) and licensed to provide lawyers professional liability insurance in Ontario and title insurance in all provinces and territories in Canada. The Company is a wholly-owned subsidiary of the Law Society of Upper Canada (the "Law Society"), which is the governing body for lawyers in Ontario. The Company's registered office is located at 250 Yonge Street, Toronto, Ontario, Canada.

2. Basis of Preparation and Significant Accounting Policies

These financial statements have been prepared under the *Insurance Act* (Ontario) (the "Act") and related regulations which require that, except as otherwise specified by the Company's primary insurance regulator, the Financial Services Commission of Ontario ("FSCO"), the financial statements of the Company are to be prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements have been prepared in accordance with final accounting standards issued and effective on or before December 31, 2013. None of the accounting requirements of FSCO represent exceptions to IFRS. These financial statements were authorized for issuance by the Company's Board of Directors on February 26, 2014.

The significant accounting policies used in the preparation of these financial statements are summarized below. These accounting policies conform, in all material respects, to IFRS.

Basis of measurement

The financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability that market participants would likely take into account when pricing the asset or liability at the measurement date. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for example, lease transactions that are within the scope of IAS 17 "*Leases*," and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 "*Impairment of Assets*."

The valuation process includes utilizing market driven fair value measurements from active markets where available, considering other observable and unobservable inputs and employing valuation techniques which make use of current market data. Considerable judgement may be required in interpreting market data used to develop the estimates of fair value. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that would be realized in a current market exchange.

The Company utilizes a fair value hierarchy to categorize the inputs used in valuation techniques to measure fair value, which prioritizes these inputs into three broad levels. The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. The three levels of the fair value hierarchy are:

***Level 1* – Quoted market prices in active markets**
Inputs to Level 1, the highest level of the hierarchy, reflect fair values that are quoted prices (unadjusted) in active markets for identical assets and liabilities. An active market is considered to be one in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 assets and liabilities include debt and equity securities, quoted unit

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2013
Amounts stated in Canadian dollars (amounts in tables in thousands)

trusts and derivative contracts that are traded in an active exchange market, as well as certain government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets.

***Level 2* – Modelled with significant observable market inputs**
Inputs to Level 2 fair values are inputs, other than quoted prices within Level 1 prices, that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 inputs include: quoted prices for similar (i.e. not identical) assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly; inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment spreads, loss severities, credit risks, and default rates); and inputs that are derived principally from, or corroborated by, observable market data by correlation or other means (market corroborated inputs). Valuations incorporate credit risk by adjusting the spread above the yield curve for government treasury securities for the appropriate amount of credit risk for each issuer, based on observed market transactions. To the extent observed market spreads are either not used in valuing a security, or do not fully reflect liquidity risk, the valuation methodology reflects a liquidity premium. Examples of these are securities measured using discounted cash flow models based on market observable swap yields, and listed debt or equity securities in a market that is inactive. This category generally includes government and agency mortgage-backed debt securities and corporate debt securities.

***Level 3* – Modelled with significant unobservable market inputs**
Inputs to Level 3 are unobservable, supported by little or no market activity, and are significant to the fair value of the assets or liabilities. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date (or market information for the inputs to any valuation models). As such, unobservable inputs reflect the assumptions the business unit considers that market participants would use in pricing the asset or liability. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible. Level 3 assets and liabilities generally include certain private equity investments, certain asset-backed securities, highly structured, complex or long-dated derivative contracts, and certain collateralized debt obligations where independent pricing information was not able to be obtained for a significant portion of the underlying assets.

Use of estimates and judgements made by management

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the reporting period in which they are determined. Key estimates are discussed in the following accounting policies and applicable notes.

Key areas where management has made difficult, complex or subjective judgements in the process of applying the Company's accounting policies, often as a result of matters that are inherently uncertain, include:

Impairment	Note 5
Fair value measurements	Note 6
Property and equipment	Note 7
Unpaid claims and adjustment expenses	Note 8
Employee future benefits	Note 12
Income taxes	Note 13

Financial instruments – recognition and measurement

Financial assets are classified as fair value through profit or loss ("FVTPL"), available-for-sale, held to maturity or loans and receivables. Financial liabilities are classified as FVTPL or as other financial liabilities. These classifications are determined based on the characteristics of the financial assets and liabilities, the company's choice and/or the company's intent and ability. As permitted under the IFRS standards, a company has the ability to designate any financial instrument irrevocably, on initial recognition or adoption of the standards, as FVTPL provided certain criteria are met.

The Company's financial assets and liabilities are measured on the statement of financial position at fair value on initial recognition and are subsequently measured at fair value or amortized cost depending on their classification as indicated below.

Transaction costs for FVTPL investments are expensed in the current period, and for all other categories of investments are capitalized and, when applicable, amortized over the expected life of the investment. The Company accounts for the purchase and sale of securities using trade date accounting. Realized gains or losses on disposition are determined on an average cost basis.

The effective interest method is used to calculate amortization/accretion of premiums or discounts on fixed income securities over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the fixed income security, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets at fair value through profit or loss

Financial assets at FVTPL are measured at fair value in the statement of financial position with realized gains and losses and net changes in unrealized gains and losses recorded in net investment income along with dividends and interest earned.

The Company maintains an investment portfolio, referred to as the cash-flow matched portfolio, which is designated as FVTPL. This portfolio is invested with the primary objective of matching the cash inflows from fixed income investment securities with the expected timing and magnitude of future payments of claims and adjustment expenses. The cash-flow matched portfolio represents a significant component of the Company's risk management strategy for meeting its claims obligations. The designation of the financial assets in the cash-flow matched investment portfolio as FVTPL is intended to significantly reduce the measurement or recognition inconsistency that would otherwise arise from measuring assets, liabilities, and gains and losses under different accounting methods. Interest rate movements cause changes in the values of the investment portfolio and of discounted estimated future claims liabilities. As the changes in values of the matched portfolio and of the discounted estimated future claims liabilities flow through profit or loss, the result is an offset of a significant portion of these changes.

Cash and cash equivalents are also classified as FVTPL. Cash and cash equivalents consist of cash on deposit and short-term investments that mature in three months or less from the date of acquisition. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset.

Available-for-sale financial assets

Financial assets classified as available-for-sale are measured at fair value in the statement of financial position. Net interest income, including amortization of premiums and the accretion of discounts, are recorded in investment income in profit or loss. Dividend income on common and preferred shares is included in investment income on the ex-dividend date. Changes in fair value of available-for-sale fixed income securities resulting from changes to foreign exchange rates are recognized in net investment income as incurred. Changes in the fair value of available-for-sale fixed income securities related to the underlying investment in its issued currency, as well as all elements of fair value changes of available-for-sale equity securities, are recorded to unrealized gains and losses in accumulated other comprehensive income ("AOCI") until disposition or impairment is recognized, at which time the cumulative gain or loss is reclassified to net investment income in profit or loss. When a reliable estimate of fair value cannot be determined for equity securities that do not have quoted market prices in an active market, the security is valued at cost.

Financial assets in the Company's surplus portfolio (consisting of all investments outside the cash-flow matched portfolio), including fixed income securities and equities, are designated as available-for-sale.

Other financial assets and liabilities

The Company has not designated any financial assets as held to maturity. Loans and receivables and other financial liabilities are carried at amortized cost. Given the short term nature of other financial assets and other financial liabilities, amortized cost approximates fair value.

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Impairment

Available-for-sale financial assets are tested for impairment on a quarterly basis. Objective evidence of impairment for fixed income securities includes financial difficulty of the issuer, bankruptcy or defaults and delinquency in payments of interest or principal. Objective evidence of impairment for equities includes a significant or prolonged decline in fair value of the equity below cost or changes with adverse effects that have taken place in the technological, market, economic or legal environment in which the issuer operates that indicates the cost of the security may not be recovered. In general, an equity security is considered impaired if the decline in fair value relative to cost has been either at least 25% for a continuous nine-month period or more than 40% at the end of the reporting period, or been in an unrealised loss position for a continuous period of 18 months.

Where there is objective evidence that an available-for-sale asset is impaired, the loss accumulated in AOCI is reclassified to net investment income. Once an impairment loss is recorded to profit or loss, the loss can only be reversed into income for fixed income securities to the extent a subsequent increase in fair value can be objectively correlated to an event occurring after the loss was recognized. Following impairment loss recognition, further decreases in fair value are recorded as an impairment loss to profit or loss, while a subsequent recovery in fair value for equity securities, and fixed income securities that do not qualify for loss reversal treatment, are recorded to other comprehensive income ("OCI"). Interest continues to be accrued, but at the effective rate of interest based on the fair value at impairment, and dividends of equity securities are recognized in income when the Company's right to receive payment has been established.

Foreign currency translation

The Canadian dollar is the functional and presentation currency of the Company. Transactions in foreign currencies are translated into Canadian dollars at rates of exchange at the time of such transactions. Monetary assets and liabilities are translated at current rates of exchange, with all translation differences recognized in investment income in the current period. Non-monetary assets and liabilities are translated at the date the fair value is determined, with the translation differences recognized in AOCI until disposition or impairment of the underlying asset or liability.

Premium-related balances

The Company issues two types of professional liability policies: a primary lawyer's errors and omissions ("E&O") policy and an excess policy increasing the insurance coverage limit to a maximum of $9 million per claim/$9 million in the aggregate above the $1 million per claim/$2 million aggregate levels provided by the primary policy; and a title insurance policy. Insurance policies written under the professional liability insurance program are effective on a calendar year basis. Professional liability insurance premium income is earned on a *pro rata* basis over the term of coverage of the underlying insurance policies, which is generally one year, except for policies for retired lawyers, which have terms of up to five years. Title insurance premiums are earned at the inception date of the policies.

Unearned premiums reported on the statement of financial position represent the portion of premiums written that relate to the unexpired risk portion of the policy at the end of the reporting period.

Premiums receivable are recorded in the statement of financial position as amounts due from insureds, net of any required provision for doubtful amounts. Premiums received from insureds in advance of the effective date of the insurance policy are recorded as amounts due to insureds in the statement of financial position.

The Company defers policy acquisition expenses, primarily premium taxes on its written professional liability insurance premiums, to the extent these costs are considered recoverable. These costs are expensed on the same basis that the related premiums are earned. The method to determine recoverability of deferred policy acquisition expenses takes into consideration future claims and adjustment expenses to be incurred as premiums are earned and anticipated net investment income. Deferred policy acquisition expenses are not material at year-end, and therefore the Company's policy is to not recognize an asset on the statement of financial position.

Unpaid claims and adjustment expenses

The provision for unpaid claims and adjustment expenses includes an estimate of the cost of projected final settlements of insurance claims incurred on or before the date of the statement of financial position, consisting of case estimates prepared by claims adjusters and a provision for incurred but not reported claims ("IBNR") calculated based on accepted actuarial practice in Canada as required by the Canadian Institute of Actuaries ("CIA"). These estimates include the full amount of all expected expenses, including related investigation, settlement and adjustment expenses, net of any anticipated salvage and subrogation recoveries. The professional liability insurance policy requires insureds to pay deductibles to the maximum extent of $25,000 on each individual claim. Expected deductible recoveries on paid and unpaid claims are recognized net of any required provision for uncollectible accounts at the same time as the related claims liability.

The provision takes into consideration the time value of money using discount rates based on the estimated market value based yield to maturity of the underlying assets backing these liabilities, with reductions for estimated investment-related expense and credit risk. A provision for adverse deviations ("PfAD") is then added to the discounted liabilities, to allow for possible deterioration of experience in claims development, recoverability of reinsurance balances and investment risk, in order to generate the actuarial present value.

These estimates of future claims payments and adjustment expenses are subject to uncertainty and are selected from a wide range of possible outcomes. All provisions are periodically reviewed and evaluated in light of emerging claims experience and changing circumstances. The resulting changes in estimates of the ultimate liability are reported as net claims and adjustment expenses in the reporting period in which they are determined.

Reinsurance

In the normal course of business, the Company enters into per claim and excess of loss reinsurance contracts with other insurers in order to limit its net exposure to significant losses. Amounts relating to reinsurance in respect of the premiums and claims-related balances in the statements of financial position and income are recorded separately. Premiums ceded to reinsurers are presented before deduction of broker commission and any premium-based taxes or duty. Amounts recoverable from reinsurers are estimated and recognized in a manner consistent with the Company's method of determining the underlying provision for unpaid claims and adjustment expenses covered by the reinsurance contract. Amounts recoverable from reinsurers are assessed for indicators of impairment at the end of each reporting period. An impairment loss is recognized and the amount recoverable from reinsurers is reduced by the amount by which the carrying value exceeds the expected recoverable amount under the impairment analysis.

Ceding commissions, which relate to amounts received from the Company's reinsurers on the placement of its reinsurance contracts, is earned into income on a *pro rata* basis over the contract period.

Property and equipment

Property and equipment are recorded in the statement of financial position at cost less accumulated amortization. Amortization is charged to operating expense on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and fixtures	5 years
Computer equipment	3 years
Computer software	1 to 3 years
Leasehold improvements	Term of lease

Property and equipment and other non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount.

Income taxes

Income tax expense is recognized in profit or loss and the statement of profit or loss and other comprehensive income. Current tax is based on taxable income which differs from profit or loss as reported in the statement of profit or loss and statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Current tax includes any adjustments in respect of prior years.

Deferred tax assets are generally recognized for all deductible temporary income tax differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets and liabilities are determined based on the enacted or substantively enacted tax laws and rates that are anticipated to apply in the period of realization. The measurement of deferred tax assets and liabilities utilizes the liability method, reflecting the tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amount of the related assets and liabilities. The carrying amount of the deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Income tax assets and liabilities are offset when the income taxes are levied by the same taxation authority and there is a legally enforceable right to offset current tax assets with current tax liabilities.

Employee benefits

The Company maintains a defined contribution pension plan for its employees as well as a supplemental defined benefit pension plan for certain designated employees, which provides benefits in excess of the benefits provided by the Company's defined contribution pension plan. For the supplemental defined benefit pension plan, the benefit obligation is determined using the projected unit credit method. Actuarial valuations are carried out at the end of each annual reporting period using management's assumptions on items such as discount rates, expected asset performance, salary growth and retirement ages of employees. The discount rate is determined based on the market yields of high quality, mid-duration corporate fixed income securities.

Defined contribution plan expenses are recognized in the reporting period in which services are rendered. Regarding the supplemental defined benefit pension plan, remeasurements comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding net interest cost), is reflected immediately in the statement of profit or loss and other comprehensive income with a charge or credit recognized in OCI in the period in which they occur. Remeasurements recognized in OCI are transferred immediately to retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows: service cost (including current service, past service cost, as well as gains or losses on curtailments and settlements), net interest expense or income, and remeasurements. The Company presents the first two components of defined benefit cost as part of operating expenses in the statement of profit or loss.

The retirement benefit obligation recognized in the statement of financial position represents the actual deficit or surplus in the Company's defined benefit pension plan. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

3. Application of New and Revised IFRSs Relevant to the Company

In the current year, the Company has applied a number of new and revised IFRSs issued by the IASB that are mandatorily effective for an accounting period that begins on or after January 1, 2013.

a) IFRS 13 "*Fair Value Measurement*"

IFRS 13 "*Fair Value Measurement*" replaces various IFRS guidance on fair value measurement with a single standard. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial

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instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements. In general, the disclosure requirements in IFRS 13 are more extensive than those required by the previous standards. For example, quantitative and qualitative disclosures based on the three-level hierarchy currently required for financial instruments only under IFRS 7 "*Financial Instruments: Disclosures*" have been extended by IFRS 13 to cover all assets and liabilities under its scope. The standard is applied prospectively. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognized in the financial statements.

b) Amendments to IAS 1 "*Presentation of Items of Other Comprehensive Income*"
An amendment to IAS 1 introduced changes to the presentation of items of OCI as well as new terminology. Under the amendments, presentation of items within OCI will be separately presented based on whether or not the item will be subsequently reclassified into profit or loss when specific conditions are met. The amendments have been applied retrospectively, and hence the presentation of items of OCI has been modified to reflect the changes. The application of the amendments to IAS 1 does not result in any impact on profit or loss, OCI or comprehensive income.

c) Amendments to IAS 1 "*Presentation of Financial Statements*"
As part of the Annual Improvements to IFRSs 2009-2011 Cycle issued by the IASB in 2012, an amendment to IAS 1 introduces new guidance regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position), as well as the related notes, are required to be presented. The amendments specify that a third statement of financial position is required when an entity applies an accounting policy retrospectively, and the retrospective application has a material effect on the information in the third statement of financial position. The amendments also specify that related notes are not required to accompany the third statement of financial position.

d) Amendments to IAS 19 "*Employee Benefits*"
IAS 19 "*Employee Benefits*" (as revised in 2011) requires the full funded status of a defined benefit plan to be reflected in the statement of financial position and the immediate recognition of actuarial remeasurements in OCI. The net benefit cost for defined benefit plans is now disaggregated into service cost and net interest components in profit or loss. Service cost includes current and past service cost as well as gains or losses on settlements. Net interest expense or income represents the change in the defined benefit obligation and the plan assets as a result of the passage of time, and is calculated as the product of the net balance sheet defined liability or asset and the discount rate, which is based on high quality mid-duration corporate bond yields, each as at the beginning of the fiscal year. Actuarial remeasurements are comprised of actuarial gains and losses on the defined benefit obligation, the excess of the actual return on plan assets over the imputed net interest expense or income, and the changes, if any, due to the impact of the asset ceiling. Further, these amendments include enhanced disclosures about the characteristics of defined benefit plans and the risks to which the entity is exposed through participation in those plans.

The amendments to IAS 19 are effective for fiscal years beginning on or after January 1, 2013, and require retrospective application with certain exceptions. Specific transitional provisions are applicable to the first-time application of IAS 19 (as revised in 2011). The Company has applied transitional provisions and restated the comparative amounts on a retrospective basis, as follows:

Impact on assets, liabilities, and equity as at January 1, 2012:

	As at January 1, 2012 (as previously reported)	IAS 19 Transition Adjustments	Transfer of OCI to Retained Earnings	As at January 1, 2012 (as restated)
Other assets	$ 1,933	(818)	-	1,115
Deferred tax assets	3,792	217	-	4,009
Total effect on net assets	5,725	(601)	-	5,124
Retained earnings	125,859	-	(601)	125,258
AOCI	6,372	(601)	601	6,372
Total effect on equity	**$ 132,231**	**(601)**	**-**	**131,630**

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Impact on total comprehensive income for the year ended December 31:

	2013	2012
Impact on profit (loss) for the year		
(Increase) decrease in administration expenses	$ (527)	928
Decrease (increase) in income tax expenses	140	(246)
(Decrease) increase in profit for the year	(387)	682
Impact on OCI for the year		
Increase (decrease) in remeasurement of defined benefit obligation	654	(494)
Decrease (increase) in income tax relating to items of other comprehensive income	(174)	131
(Decrease) increase in profit for the year	480	(363)
Increase (decrease) in total comprehensive income for the year	**$ 93**	**319**

Impact on assets, liabilities, and equity as at December 31, 2013:

	IAS 19 Adjustments
Increase in other assets	$ 654
Decrease in deferred tax assets	(174)
Increase in net assets	480
Increase in retained earnings	480
Increase in equity	$ 480

The implementation of IAS 19 (as revised in 2011) had no significant impact on cash flows.

4. New and Revised IFRSs Issued but not yet Effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

a) IFRS 9 "*Financial Instruments*"

IFRS 9 "*Financial Instruments,*" as issued in November 2009, reissued in October 2010, amended in December 2011 and again in November 2012, is the first phase of a three phase project to replace IAS 39 "*Financial Instruments: Recognition and Measurement*." As currently drafted, IFRS 9 provides that, subject to a FVTPL election available in certain circumstances, based on the contractual cash flow characteristics of the financial asset and the business model within which they are held, fixed income securities would be classified in one of three measurement categories: amortized cost, FVTPL or fair value through other comprehensive income ("FVOCI"). The measurement characteristics for the amortized cost and FVOCI categories are similar to the held to maturity and available-for-sale categories, respectively, in the current IAS 39 standard (see note 2). Equity securities would be classified as FVTPL, but a company may elect on initial recognition to present the fair value changes on an equity investment that is not held for trading directly to OCI. The dividends on investments for which this election is made must be recognized in profit or loss, but gains or losses are not reclassified from OCI upon disposition of the asset. The classification and measurement for financial liabilities remains generally unchanged, but revisions have been made in the accounting for changes in fair value of a financial liability attributable to changes in the credit risk of that liability. The other phases of this project which are currently under development include impairment and hedge accounting. IFRS 9 was originally effective for annual periods beginning on or after January 1, 2015, however in late 2013 the IASB tentatively resolved to defer the effective date until no earlier than January 1, 2017.

The Company is currently assessing the full impact of IFRS 9 on its financial statements in conjunction with the completion of the other phases of this project, and notes that the application of this standard in the future may have a significant impact on the amounts reported in respect of its financial assets.

b) IFRIC 21 "*Levies*"

IFRIC 21 "*Levies*" was issued in May 2013, introducing an interpretation of IAS 37 "*Provisions, Contingent Liabilities and Contingent Assets*" on the accounting for levies (except income taxes) imposed by governments, government agencies and similar bodies. IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The liability to pay a levy is recognized progressively if the obligating event occurs over a period of time. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Company's current policy of recognizing levies closely aligns with the new interpretation, and therefore no significant impact is expected from its implementation.

5. Investments

a) Summary

The tables below provide details of the amortized cost and fair value of the Company's investments, classified by accounting category and investment type:

	December 31, 2013				December 31, 2012			
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses and impairments	Fair value	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses and impairments	Fair value
Available-for-sale								
Fixed income securities	$ 115,700	2,956	(227)	118,429	94,410	4,970	(7)	99,373
Common equities	63,801	29,433	(2,779)	90,455	62,437	13,005	(4,980)	70,462
	179,501	32,389	(3,006)	208,884	156,847	17,975	(4,987)	169,835
Designated as FVTPL								
Fixed income securities	357,638	9,365	(1,347)	365,656	348,819	14,791	(798)	362,812
Preferred equities	615	-	(116)	499	615	-	(87)	528
	358,253	9,365	(1,463)	366,155	349,434	14,791	(885)	363,340
Total	**$ 537,754**	**41,754**	**(4,469)**	**575,039**	**506,281**	**32,766**	**(5,872)**	**533,175**
Reconciled in aggregate to asset classes as follows:								
Fixed income securities	$ 473,338	12,321	(1,574)	484,085	443,229	19,761	(805)	462,185
Equities	64,416	29,433	(2,895)	90,954	63,052	13,005	(5,067)	70,990
Total	**$ 537,754**	**41,754**	**(4,469)**	**575,039**	**506,281**	**32,766**	**(5,872)**	**533,175**

In the above tables, the gross unrealized figures for common equities securities includes recognized impairments. As at December 31, 2013, of the total cumulative impairments of $5,335,662 (December 31, 2012: $5,173,587) an amount of $3,248,254 is included in gross unrealized losses (December 31, 2012: $4,457,783) and an amount of $2,087,408 is included in gross unrealized gains (December 31, 2012: $715,804). For additional details, see note 5c.

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b) Maturity profile of fixed income securities

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

	December 31, 2013				December 31, 2012			
	Within 1 year	1 to 5 years	Over 5 years	Total	Within 1 year	1 to 5 years	Over 5 years	Total
Available-for-sale								
Issued or guaranteed by:								
Canadian federal government	$ 50	16,420	323	16,793	723	13,790	367	14,880
Canadian provincial and municipal governments	-	57,895	22,867	80,762	225	43,739	17,840	61,804
Mortgage backed securities	83	1,869	-	1,952	-	2,224	-	2,224
Corporate debt	502	9,190	9,230	18,922	1,361	7,436	11,668	20,465
	$ 635	85,374	32,420	118,429	2,309	67,189	29,875	99,373
Designated as FVTPL								
Issued or guaranteed by:								
Canadian federal government	$ 28,228	21,830	-	50,058	22,246	26,323	2,254	50,823
Canadian provincial and municipal governments	22,753	34,905	44,439	102,097	17,056	43,311	47,242	107,609
Mortgage backed securities	361	10,352	-	10,713	627	10,829	-	11,456
Corporate debt	27,642	83,286	91,860	202,788	14,243	75,417	103,264	192,924
	$ 78,984	150,373	136,299	365,656	54,172	155,880	152,760	362,812
Fixed income securities	**$ 79,619**	**235,747**	**168,719**	**484,085**	**56,481**	**223,069**	**182,635**	**462,185**
Percent of total	16%	49%	35%	100%	12%	48%	40%	100%

The weighted average duration of fixed income securities as at December 31, 2013 is 3.10 years (December 31, 2012: 3.13 years). The effective yield on fixed income securities as at December 31, 2013 is 2.79% (December 31, 2012: 2.88%).

c) Impairment analysis

Management performs a quarterly analysis of the Company's available-for-sale investments to determine whether there is objective evidence that the estimated cash flows of the investments have been affected. The analysis includes the following procedures as deemed appropriate by management:

- identifying all security holdings in unrealized loss positions that have existed for a length of time that management believes may impact the recoverability of the investment;
- identifying all security holdings in unrealized loss positions that have an unrealized loss magnitude that management believes may impact the recoverability of the investment;
- reviewing the trading range of certain investments over the preceding calendar period;
- assessing whether any credit losses are expected for those investments. This assessment includes consideration of, among other things, all available information and factors having a bearing upon collectability such as changes to credit rating by rating agencies, financial condition of the issuer, expected cash flows and value of any underlying collateral;
- assessing whether declines in fair value for any fixed income securities represent objective evidence of impairment based on their investment grade credit ratings from third party security rating agencies;
- assessing whether declines in fair value for any fixed income securities with non-investment grade credit rating represent objective evidence of impairment based on the history of its debt service record; and
- obtaining a valuation analysis from third party investment managers regarding the intrinsic value of these holdings based on their knowledge, experience and other market based valuation techniques.

As a result of the impairment analysis performed by management, $850,680 in write-downs to various equity securities were required for the year ended December 31, 2013 (2012: $2,451,869).

The movements in cumulative impairment write-downs on available-for-sale investments for the years ended December 31 were as follows:

	2013	2012
Balance, as at January 1	$ 5,174	2,726
Increase for the year charged to the income statement	851	2,452
Release upon disposition	(689)	(4)
Balance, as at December 31	**$ 5,336**	**5,174**

d) Net investment income

Net investment income arising from investments designated as FVTPL and classified as available-for-sale recorded in profit or loss for the year ended December 31 is as follows:

	2013			2012		
	Designated as FVTPL	Available-for-sale	Total	Designated as FVTPL	Available-for-sale	Total
Interest	$ 12,777	3,042	15,819	13,235	3,005	16,240
Dividends	21	2,613	2,634	21	2,457	2,478
Net realized gains (losses)	(475)	6,104	5,629	226	1,204	1,430
Change in net unrealized gains (losses)	(6,003)	67	(5,936)	(1,864)	2	(1,862)
Impairments	-	(851)	(851)	-	(2,452)	(2,452)
	6,320	10,975	17,295	11,618	4,216	15,834
Less: Investment expenses	(388)	(652)	(1,040)	(565)	(376)	(941)
Net investment income	**$ 5,932**	**10,323**	**16,255**	**11,053**	**3,840**	**14,893**

e) Realized and change in unrealized gains and losses

The realized gains (losses) and increase (decrease) in the unrealized gains and losses of the Company's available-for-sale investments recorded in OCI for the year ended December 31 are as follows:

	2013						2012					
	Net realized gains (losses)			Increase (decrease) in unrealized gains and losses			Net realized gains (losses)			Increase (decrease) in unrealized gains and losses		
	Gross	Tax	Net	Gross	Tax	Net	Gross	Tax	Net	Gross	Tax	Net
Fixed income securities	$ 911	(241)	670	(2,235)	592	(1,643)	732	(194)	538	(966)	256	(710)
Equities	5,193	(1,376)	3,817	18,797	(4,981)	13,816	473	(125)	348	9,958	(2,639)	7,319
Total	**$ 6,104**	**(1,617)**	**4,487**	**16,562**	**(4,389)**	**12,173**	**1,205**	**(319)**	**886**	**8,992**	**(2,383)**	**6,609**

6. Fair Value Measurements of Financial Assets and Liabilities

The following tables present the fair value of the Company's financial assets and liabilities categorized by either recurring or non-recurring. The items presented below include related accrued interest or dividends, as appropriate.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2013
Amounts stated in Canadian dollars (amounts in tables in thousands)

As at December 31, 2013	Carrying amount					Fair value			
	Designated at fair value	Loans and receivables	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value (recurring basis)									
Cash and cash equivalents	$ 14,525	-	-	-	**14,525**	14,525	-	-	**14,525**
Fixed income securities	367,033	-	118,897	-	**485,930**	244,017	241,913	-	**485,930**
Common equities	-	-	90,740	-	**90,740**	90,740	-	-	**90,740**
Preferred equities	505	-	-	-	**505**	-	505	-	**505**
	382,063	-	209,637	-	**591,700**	349,282	242,418	-	**591,700**
Financial assets measured at fair value (non-recurring basis)									
Due from reinsurers	-	309	-	-	**309**	-	309	-	**309**
Due from insureds	-	2,027	-	-	**2,027**	-	2,027	-	**2,027**
Other receivables	-	1,419	-	-	**1,419**	-	1,419	-	**1,419**
Other assets	-	280	-	-	**280**	-	280	-	**280**
	-	4,035	-	-	**4,035**	-	4,035	-	**4,035**
Financial liabilities measured at fair value (non-recurring basis)									
Due to reinsurers	-	-	-	591	**591**	-	591	-	**591**
Due to insureds	-	-	-	66	**66**	-	66	-	**66**
Due to the Law Society of Upper Canada	-	-	-	3	**3**	-	3	-	**3**
Expenses due and accrued	-	-	-	1,526	**1,526**	-	1,526	-	**1,526**
Other taxes due and accrued	-	-	-	402	**402**	-	402	-	**402**
	-	-	-	2,588	**2,588**	-	2,588	-	**2,588**
Total	**$ 382,063**	**4,035**	**209,637**	**2,588**	**598,323**	**349,282**	**249,041**	**-**	**598,323**

As at December 31, 2012	Carrying amount					Fair value			
	Designated at fair value	Loans and receivables	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value (recurring basis)									
Cash and cash equivalents	$ 18,381	-	-	-	**18,381**	18,381	-	-	**18,381**
Fixed income securities	363,935	-	99,895	-	**463,830**	228,788	235,042	-	**463,830**
Common equities	-	-	70,710	-	**70,710**	70,710	-	-	**70,710**
Preferred equities	533	-	-	-	**533**	-	533	-	**533**
	382,849	-	170,605	-	**553,454**	317,879	235,575	-	**553,454**
Financial assets measured at fair value (non-recurring basis)									
Due from reinsurers	-	2,883	-	-	**2,883**	-	2,883	-	**2,883**
Due from insureds	-	1,739	-	-	**1,739**	-	1,739	-	**1,739**
Other receivables	-	1,045	-	-	**1,045**	-	1,045	-	**1,045**
Other assets	-	71	-	-	**71**	-	71	-	**71**
	-	5,738	-	-	**5,738**	-	5,738	-	**5,738**
Financial liabilities measured at fair value (non-recurring basis)									
Due to reinsurers	-	-	-	601	**601**	-	601	-	**601**
Due to insureds	-	-	-	206	**206**	-	206	-	**206**
Due to the Law Society of Upper Canada	-	-	-	2,565	**2,565**	-	2,565	-	**2,565**
Expenses due and accrued	-	-	-	1,634	**1,634**	-	1,634	-	**1,634**
Other taxes due and accrued	-	-	-	412	**412**	-	412	-	**412**
	-	-	-	5,418	**5,418**	-	5,418	-	**5,418**
Total	**$ 382,849**	**5,738**	**170,605**	**5,418**	**564,610**	**317,879**	**246,731**	**-**	**564,610**

There were no transfers between any levels during the year ended December 31, 2013 (2012: none).

Note that for financial instruments such as short term trade receivables and payables, the Company believes that their carrying amounts are reasonable approximations of fair value.

7. Property and Equipment

During the years ending December 31, details of the movement in the carrying values by class of property and equipment are as follows:

	Furniture and fixtures	Computer equipment	Computer software	Leasehold improvements	Total
January 1, 2012	$ 292	344	197	1,883	2,716
Additions	37	437	98	461	1,033
Amortization	(272)	(219)	(91)	(332)	(914)
December 31, 2012	57	562	204	2,012	2,835
Additions	7	90	62	14	173
Amortization	(31)	(292)	(118)	(374)	(815)
December 31, 2013	$ 33	360	148	1,652	2,193

Details of the cost and accumulated amortization of property and equipment are as follows:

	December 31, 2013			December 31, 2012		
	Cost	Accumulated amortization	Carrying value	Cost	Accumulated amortization	Carrying value
Furniture and fixtures	$ 1,372	(1,339)	33	1,365	(1,308)	57
Computer equipment	2,040	(1,680)	360	1,950	(1,388)	562
Computer software	633	(486)	147	571	(367)	204
Leasehold improvements	3,407	(1,754)	1,653	3,393	(1,381)	2,012
Total	**$ 7,452**	**(5,259)**	**2,193**	7,279	(4,444)	2,835

8. Provision for Unpaid Claims and Adjustment Expenses

a) Nature of unpaid claims and adjustment expenses

The determination of the provision for unpaid claims and adjustment expenses is a complex process based on known facts, interpretations and judgement and is influenced by a variety of factors. These factors include the Company's own experience with similar cases and historical trends involving claim payment patterns, loss payments, pending levels of unpaid claims and adjustment expenses, product mix and concentration, claims severity and claim frequency patterns.

Other factors include the continually evolving and changing regulatory and legal environment, actuarial studies, professional experience and expertise of the Company's claim departments' personnel and independent adjusters retained to handle individual claims, the quality of the data used for projection purposes, existing claims management practices including claims handling and settlement practices, the effect of inflationary trends on future claims settlement costs, investment rates of return, court decisions and economic conditions. In addition, time can be a critical part of the provision determination, since the longer the span between the incidence of a loss and the settlement of the claim, the more potential for variation in the ultimate settlement amount. Accordingly, short-tailed claims, such as property claims, tend to be more reasonably predictable than long-tailed claims, such as professional liability and title claims.

The process of establishing the provision relies on the judgement and opinions of a large number of individuals, on historical precedents and trends, on prevailing legal, economic, social and regulatory trends and on expectations as to future developments. The provision reflects expectations of the ultimate cost of resolution and administration of claims based on an assessment of facts and circumstances then known, together with a review of historical settlement patterns, estimates of trends in claims severity and frequency, legal theories of liability and other factors.

Consequently, the measurement of the ultimate settlement costs of claims to date that underlies the provision for unpaid claims and adjustment expenses, and any related recoveries for reinsurance and deductibles, involves estimates and measurement uncertainty. The amounts are based on estimates of future trends in claim severity and other factors which could vary as claims are settled. Variability can be caused by several factors including the emergence of additional information on claims, changes in judicial interpretation, significant changes in severity or frequency of claims from historical trends, and inclusion of exposures not contemplated at the time of policy inception. Ultimate costs incurred could vary from current estimates. Although it is not possible to measure the degree of variability inherent in such estimates, management believes that the methods of estimation that have been used will produce reasonable results given the current information.

b) Methodologies and assumptions

The best estimates of future claims payments and adjustment expenses are determined based on one or more of the following actuarial methods: the Adler-Kline method, the chain ladder method, the frequency and severity method and the expected loss ratio method. Considerations in the choice of methods to estimate ultimate claims include, among other factors, the line of business, the number of years of experience and the relative maturity of the experience, and as such, reflect methods for lines of business with long settlement patterns and which are subject to the occurrence of large claims.

Each method involves tracking claims data by "policy year," which is the year in which such claims are made for the Company's professional liability policies, and the year in which such policies were written for its title policies. Claims paid and reported, gross and net of reinsurance recoveries and net of salvage and subrogation, are tracked by lines of business, policy years and development periods in a format known as claims development triangles.

A description of each of these methods is as follows:

i. Adler-Kline method

This is a form of frequency and severity method which involves estimation of the closing pattern for current open and estimated unreported claims, which is combined with estimates of the average severity across successive intervals of percentage claims closed, based on consideration of historical claim settlement patterns and average amounts paid on closed claims.

ii. Chain ladder method

The distinguishing characteristic of this form of development method is that ultimate claims for each policy year are projected from recorded values assuming the future claim development is similar to the prior years' development.

iii. Frequency and severity method

This method assumes that, for each identified homogenous claims type group, claims count reported to date will develop to ultimate in a similar manner to historical patterns, and settle at predictable average severity amounts. This method involves applying the developed estimated ultimate claims count to selected estimated ultimate average claim severities.

iv. Expected loss ratio method

Using the expected loss ratio method, ultimate claims projections are based upon a *priori* measures of the anticipated claims. An expected loss ratio is applied to the measure of exposure to determine estimated ultimate claims for each year. This method is commonly used in lines of business with a limited experience history.

Claims data includes external claims adjustment expenses, and for a portion of the portfolio includes internal claims adjustment expenses ("IAE"). A provision for IAE has been determined based on the Mango-Allen claim staffing technique, a transaction-based method which utilizes expected future claims handler workload per claim per handler, claims closure rates and ultimate claims count. The IAE provision is included in the IBNR balances.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2013
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The provision for unpaid claims and adjustment expenses is discounted using an interest rate based on the estimated market value based yield to maturity, inherent credit risk and related investment expense of the Company's fixed income securities supporting the provision for unpaid claims and adjustment expense as at December 31, 2013, which was 2.69% (December 31, 2012: 2.64%). Reinsurance recoverable estimates and claims recoverable from other insurers are discounted in a manner consistent with the method used to establish the related liability. Based on published guidance from the CIA, as at December 31, 2013 the PfAD was calculated at 15% (December 31, 2012: 11%) of the net discounted claim liabilities, 1.5% (December 31, 2012: 1.5%) of the ceded discounted claim liabilities, and a 0.50% reduction to the discount rate (December 31, 2012: 0.50%).

As the provision for unpaid claims and adjustment expenses is recorded on a discounted basis and reflects the time value of money, its carrying value is expected to provide a reasonable basis for the determination of fair value. However, determination of fair value also requires the practical context of a buyer and seller, both of whom are willing and able to enter into an arm's length transaction. In the absence of such a practical context, the fair value is not readily determinable.

The following table shows unpaid claims and adjustment expenses on an undiscounted basis and a discounted basis:

	December 31, 2013		December 31, 2012	
	Undiscounted	Discounted	Undiscounted	Discounted
Unpaid claims and adjustment expenses	$ 417,231	447,912	417,411	433,329
Recoverable from reinsurers	(38,063)	(40,487)	(38,869)	(39,936)
Net	**$ 379,168**	**407,425**	**378,542**	**393,393**

Details of the provision for unpaid claims and adjustment expenses, by line of business, are summarized as follows:

	December 31, 2013			December 31, 2012		
	Gross	Ceded	Net	Gross	Ceded	Net
Professional Liability	$ 430,823	(40,348)	390,475	417,912	(39,801)	378,111
Title	17,089	(139)	16,950	15,417	(135)	15,282
Total	**$ 447,912**	**(40,487)**	**407,425**	**433,329**	**(39,936)**	**393,393**

The provision for unpaid claims and adjustment expenses by case reserves and IBNR are as follows:

	December 31, 2013			December 31, 2012		
	Gross	Ceded	Net	Gross	Ceded	Net
Case reserves	$ 269,525	(3,473)	266,052	258,633	(7,238)	251,395
IBNR	178,387	(37,014)	141,373	174,696	(32,698)	141,998
Total	**$ 447,912**	**(40,487)**	**407,425**	**433,329**	**(39,936)**	**393,393**

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

c) Changes in methodologies or basis of selection of assumptions

Based on the Company's actuarial valuation process, at each valuation the Company's claims data is analyzed to determine whether the current methodologies and basis of selection of actuarial assumptions continue to be appropriate for the determination of the IBNR provision. As a result, the Company revised the basis of selection of some key assumptions used in its actuarial valuation methods as at December 31, 2013 and December 31, 2012.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2013
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In 2013, the Company performed a detailed re-evaluation of the methodologies and basis of selection of key assumptions used in determining its provision for unpaid claims and adjustment expenses to ensure they appropriately reflect emerging experience and changes in risk profile. Changes to the actuarial methods and assumptions resulted in a change to projected net cash outflows and, therefore, to the provision. The net impact of the changes in the basis of selection of assumptions and model enhancements was a $11,417,696 decrease in the provision, before reinsurance, as at December 31, 2013, which included a net decrease of $11,609,994 relating to severity assumptions, and an increase of $192,025 relating to claim frequency assumptions. This total impact has been allocated by policy year as a $4,925,517 decrease related to the current year and a $6,492,452 decrease related to the prior years, and by line of business as a $12,136,482 net decrease to professional liability and a $718,512 increase to title.

In 2012, the Company performed a detailed re-evaluation of the methodologies and basis of selection of key assumptions used in determining its provision for unpaid claims and adjustment expenses to ensure they appropriately reflect emerging experience and changes in risk profile. Changes to the actuarial methods and assumptions resulted in a change to projected net cash outflows and, therefore, to the provision. The net impact of the changes in the basis of selection of assumptions and model enhancements was a $4,152,231 decrease in the provision, before reinsurance, as at December 31, 2012, which included a net decrease of $10,205,480 relating to severity assumptions, an increase of $6,409,355 relating to claim frequency assumptions, and a decrease of $356,106 relating to refinements to the modeling of expected future net cash flows. This total impact has been allocated by policy year as a $6,020,817 increase related to the current year and a $10,173,048 decrease related to the prior years, and by line of business as a $4,708,599 net decrease to professional liability and a $556,368 increase to title.

Details of the claims and adjustment expenses for the year ended December 31 are as follows:

	2013			2012		
	Gross	Ceded	Net	Gross	Ceded	Net
Claims & external adjustment expenses paid	$ 77,248	1,924	75,324	74,628	2,768	71,860
Change in case reserves	1,930	(3,106)	5,036	12,264	(1,792)	14,056
Change in IBNR	(4,446)	2,300	(6,746)	9,643	(1,428)	11,071
Discount expense	14,763	1,357	13,406	1,381	67	1,314
IAE paid	7,347	-	7,347	6,430	-	6,430
Change in provision for IAE	2,336	-	2,336	1,375	-	1,375
	$ 99,178	**2,475**	**96,703**	**105,721**	**(385)**	**106,106**

Changes in the provision for unpaid claims and adjustment expenses, including IAE, recorded in the statement of financial position during the year is comprised of the following:

	2013	2012
Provision for unpaid claims and adjustment expenses – January 1 – net	$ 393,393	365,577
Change in net provision for claims and adjustment expenses due to:		
Prior years' incurred claims	(24,366)	(9,798)
Current year's incurred claims	107,663	114,590
Net claims and adjustment expenses paid in relation to:		
Prior years	(74,920)	(70,062)
Current year	(7,751)	(8,228)
Impact of discounting	13,406	1,314
Provision for unpaid claims and adjustment expenses – December 31 – net	407,425	393,393
Reinsurers' share of provisions for unpaid claims and adjustment expenses	40,487	39,936
Provision for unpaid claims and adjustment expenses – December 31 – gross	**$ 447,912**	**433,329**

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2013
Amounts stated in Canadian dollars (amounts in tables in thousands)

d) Loss development tables

The tables on the following pages show the development of claims, excluding IAE, by policy year over a period of time. The first table reflects development for gross claims, which excludes any reductions for reinsurance recoverables. The second table reflects development for net claims, which is gross claims less reinsurance recoverables. The top triangle in each table shows how the estimates of total claims for each policy year develop over time as more information becomes known regarding individual claims and overall claims frequency and severity. Claims are presented on an undiscounted basis in the top triangle. The bottom triangle in each table presents the cumulative amounts paid for claims and external loss adjustment expenses for each policy year at the end of each successive year. At the bottom of each table, the provision for IAE as well as the effect of discounting and the PfAD, as at December 31, 2013, is presented based on the net amounts of the two triangles.

Before the effect of reinsurance, the loss development table is as follows:

		Policy Year										
	All Prior Years	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Estimate of Ultimate Claims												
At end of Policy year		86,224	76,338	82,043	88,720	91,567	94,936	90,778	98,870	110,380	102,937	
One Year Later		84,723	77,704	81,820	90,139	99,776	95,781	90,585	100,573	93,630		
Two Years Later		80,693	78,736	82,040	95,375	94,086	97,708	89,394	97,841			
Three Years Later		75,159	72,246	78,097	93,715	93,942	96,541	87,128				
Four Years Later		72,727	74,959	72,438	93,424	92,322	94,258					
Five Years Later		69,390	71,851	70,399	90,823	89,566						
Six Years Later		65,672	68,675	71,942	91,450							
Seven Years Later		63,553	66,854	71,364								
Eight Years Later		63,787	64,347									
Nine Years Later		64,645										
Cumulative Claims Paid												
At end of Policy year		(5,938)	(3,792)	(4,811)	(4,100)	(5,593)	(6,726)	(4,628)	(6,868)	(4,744)	(4,167)	
One Year Later		(17,846)	(14,771)	(15,829)	(21,723)	(19,886)	(21,366)	(16,553)	(17,678)	(15,743)		
Two Years Later		(29,814)	(26,437)	(25,463)	(37,033)	(32,641)	(35,997)	(30,239)	(30,885)			
Three Years Later		(38,240)	(35,268)	(35,114)	(51,509)	(47,582)	(48,477)	(42,488)				
Four Years Later		(42,468)	(43,306)	(44,050)	(59,136)	(55,086)	(59,669)					
Five Years Later		(46,728)	(50,379)	(49,252)	(65,553)	(63,348)						
Six Years Later		(49,342)	(53,878)	(56,997)	(71,553)							
Seven Years Later		(52,017)	(56,628)	(60,476)								
Eight Years Later		(55,454)	(58,992)									
Nine Years Later		(57,425)										
Estimate of Ultimate Claims		64,645	64,347	71,364	91,450	89,566	94,258	87,128	97,841	93,630	102,937	
Cumulative Claims Paid		(57,425)	(58,992)	(60,476)	(71,553)	(63,348)	(59,669)	(42,488)	(30,885)	(15,743)	(4,167)	
Undiscounted Claims Liabilities	10,617	7,220	5,355	10,888	19,897	26,218	34,589	44,640	66,956	77,887	98,770	**403,037**
Provision for IAE	130	97	124	187	374	530	807	1,085	2,038	3,438	5,384	**14,194**
Discounting (including PfAD)	898	588	441	884	1,665	2,241	2,837	3,548	5,256	5,782	6,541	**30,681**
Present Value recognized in the Statement of Financial Position	11,645	7,905	5,920	11,959	21,936	28,989	38,233	49,273	74,250	87,107	110,695	**447,912**

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2013
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After the effect of reinsurance, the loss development table is as follows:

	Policy Year										
	All Prior Years	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Estimate of Ultimate Claims												
At end of Policy year		75,255	72,615	78,076	84,240	86,762	89,886	86,458	94,874	106,381	98,696	
One Year Later		74,954	73,981	77,873	85,659	94,971	91,732	86,265	96,577	89,631		
Two Years Later		71,725	75,013	78,093	90,895	90,242	93,660	85,075	93,845			
Three Years Later		66,990	68,523	74,150	90,130	90,098	92,492	82,808				
Four Years Later		64,559	71,236	69,280	89,840	88,478	90,209					
Five Years Later		61,221	68,873	67,241	87,238	85,722						
Six Years Later		58,548	65,696	68,785	87,866							
Seven Years Later		56,429	63,875	68,207								
Eight Years Later		56,664	64,347									
Nine Years Later		57,521										
Cumulative Claims Paid												
At end of Policy year		(4,910)	(3,792)	(4,811)	(4,100)	(5,593)	(6,726)	(4,628)	(6,868)	(4,744)	(4,167)	
One Year Later		(15,239)	(14,771)	(15,829)	(21,723)	(19,886)	(21,366)	(16,553)	(17,678)	(15,741)		
Two Years Later		(26,057)	(26,437)	(25,463)	(37,033)	(32,641)	(35,997)	(30,239)	(29,976)			
Three Years Later		(34,117)	(35,268)	(35,114)	(51,509)	(47,582)	(48,477)	(42,466)				
Four Years Later		(38,233)	(43,306)	(44,050)	(59,136)	(55,086)	(59,669)					
Five Years Later		(42,438)	(50,379)	(49,252)	(65,553)	(63,348)						
Six Years Later		(45,242)	(53,878)	(56,997)	(71,553)							
Seven Years Later		(47,875)	(56,628)	(60,476)								
Eight Years Later		(51,298)	(58,992)									
Nine Years Later		(53,233)										
Estimate of Ultimate Claims		57,521	64,347	68,207	87,866	85,722	90,209	82,808	93,845	89,631	98,696	
Cumulative Claims Paid		(53,233)	(58,992)	(60,476)	(71,553)	(63,348)	(59,669)	(42,466)	(29,976)	(15,741)	(4,167)	
Undiscounted Claims Liabilities	5,742	4,288	5,355	7,731	16,313	22,374	30,540	40,342	63,869	73,890	94,529	**364,973**
Provision for IAE	130	97	124	187	374	530	807	1,085	2,038	3,438	5,384	**14,194**
Discounting (including PfAD)	570	396	441	676	1,417	1,969	2,564	3,272	5,063	5,553	6,336	**28,257**
Present Value recognized in the Statement of Financial Position	6,443	4,781	5,920	8,594	18,104	24,873	33,911	44,699	70,970	82,881	106,249	**407,425**

9. Unearned Premiums

The following changes have occurred in the provision for unearned premiums during the years ended December 31:

	2013	2012
Balance, as at January 1	$ 723	663
Net premiums written during the year	106,510	104,777
Less: Net premiums earned during the year	(106,484)	(104,717)
Increase (decrease) in unearned premiums	26	60
Balance, as at December 31	**$ 749**	723

The estimates for unearned premium liabilities have been actuarially tested to ensure that they are sufficient to pay for future claims and expenses in servicing the unexpired policies as of the valuation dates.

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10. Reinsurance

The Company's reinsurance program consists of a 90% quota share cession on its excess professional liability policies (2012: 90%), and a $10 million in excess of $5 million per occurrence clash reinsurance arrangement which provides protection for single events that bring about multiple professional liability and/or title claims with an additional $20 million in excess of $15 million per occurrence relating to class action proceedings (2012: $10 million in excess of $5 million only). Reinsurance does not relieve the Company of its primary liability as the originating insurer. In the event that a reinsurer is unable to meet obligations assumed under reinsurance agreements, the Company is liable for such amounts. Reinsurance treaties typically renew annually and the terms and conditions are reviewed by senior management and reported to the Company's Board of Directors. Reinsurance agreements are negotiated with reinsurance companies that have an independent credit rating of "A-" or better and that the Company considers creditworthy. Based on current information on the financial health of the reinsurers, no provision for doubtful debts has been made in the financial statements in respect of reinsurers.

11. Related Party Transactions

Pursuant to a service agreement effective January 1, 1995, and as amended effective September 30, 2009, the Company administers the Errors and Omissions Insurance Fund (the "Fund") of the Law Society and provides all services directly related to the operations and general administration of the Fund in consideration for the Law Society insuring its mandatory professional liability insurance program with the Company.

The insurance policy under the mandatory professional liability insurance program of the Law Society is written by the Company and is effective on a calendar year basis. The insurance policy is renewed effective January 1 each year subject to the Law Society's acceptance of the terms of renewal submitted by the Company. The annual policy limits for each of the years effective January 1, 1995 to December 31, 2013 are $1 million per claim and $2 million in aggregate per member. Under the insurance policy that was in force between July 1, 1990 and December 31, 1994, the Company was responsible for claims in excess of the Law Society and member deductibles. The provision for unpaid claims and adjustment expenses is net of amounts relating to policies for years prior to 1995 that are payable by the Law Society.

For the year ended December 31, 2013, $102,093,412 of the gross premiums written related to mandatory insurance coverage provided to the Law Society and its members (2012: $99,150,283). As at December 31, 2013, the Company had a balance due to the Law Society of $2,896 (December 31, 2012: $2,565,129 due to Law Society).

For the year ended December 31, 2013, the Company contributed to the Law Society $210,230 in regards to a wellness program to be made available to the insureds of the Company's primary liability policy (2012: nil).

The total compensation to Company personnel classified as key management, being those having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including directors of the Company, is as follows:

		2013	2012
Short-term compensation and benefits	$	3,163	2,684
Post employment benefits		251	208
	$	**3,414**	**2,892**

12. Employee Benefits

The Company has a defined contribution pension plan which is available to all its employees upon meeting the eligibility requirements. Each employee is required to contribute 4.5% of yearly maximum pensionable earnings, and 6% in excess thereof, of an employee's annual base earnings. Under the plan, the Company matches all employee contributions. In 2013, the Company made payments of $603,836 (2012: $590,375) and recorded pension expense of $630,402 (2012: $610,356).

The Company also has a supplemental defined benefit pension plan, which provides pension benefits on a final salary or fixed schedule basis, depending on certain criteria. Measurements and funding requirements of this plan are based on valuations prepared by an external actuary. For reporting purposes the plan is measured using the projected unit credit method, which involves calculating the actuarial

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present value of the past service liability to members including an allowance for their projected future earnings. Funding requirements for the plan are determined using the solvency method, which utilizes the estimated cost of securing each member's benefits with an insurance company or alternative buy-out provider as at the valuation date. The valuation methods are based on a number of assumptions, which vary according to economic conditions, including prevailing market interest rates, and changes in these assumptions can significantly affect the measurement of the pension obligations.

Funding for the supplemental plan commenced in 2005, with payments of $248,402 in 2013 (2012: $1,120,194) and recorded pension expenses of $59,671 in 2013 (2012 restated [see note 3d)]: $34,429). Funding requirements are reviewed annually with an actuarial valuation for funding purposes effective as at December 31. As the Company's defined benefit pension plan qualifies as a "retirement compensation arrangement" pursuant to the *Income Tax Act*, half of any required annual contribution to the plan is remitted to the Canada Revenue Agency, held in a refundable tax account and refunded in prescribed amounts as actual benefit payments are made to the participants. The most recent actuarial valuation for funding purposes was performed effective December 31, 2012. Management's preliminary estimate is that no contribution is required to the plan during the year ending December 31, 2014.

The assets of both pension plans are held separately from those of the Company in funds under the control of trustees.

The defined benefit pension plan exposes the Company to risks such as: investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality mid-duration corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity and fixed income securities. Due to the long-term nature of the plan liabilities, the Company considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities to leverage the return generated by the fund.
Interest rate risk	A decrease in the market interest rate will increase the plan obligation; however, this will be partially offset by an increase in the return of the plan's fixed income securities.
Longevity risk	The present value of the defined benefit plan obligation is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's obligation.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's obligation.

The following represents the assets and liabilities associated with pension benefits measured using values as at December 31:

Defined benefit plan obligations

	2013	2012 (restated*)
Accrued benefit obligation		
Balance, as at January 1	$ 6,343	5,669
Current service cost	126	110
Interest cost	249	256
Remeasurement (gains) losses:		
Actuarial (gains) losses - demographic assumptions	285	-
Actuarial (gains) losses - financial assumptions	(545)	479
Actuarial (gains) losses - experience adjustments	-	-
Benefits paid	(205)	(171)
Balance, as at December 31	**$ 6,253**	**6,343**

** See Note 3d)*

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Defined benefit plan assets

	2013	2012
Plan assets		
Fair value, as at January 1	$ 7,978	6,712
Interest income on plan assets	316	332
Remeasurement gains (losses):		
Return on plan assets greater (less) than discount rate	394	(15)
Others	-	-
Benefits paid	(205)	(171)
Employer contribution	248	1,120
Fair value, as at December 31	**$ 8,731**	**7,978**

The defined benefit plan assets arise primarily from employer contributions that are originally allocated equally between deposits with the Government of Canada and investments in the units of a balanced pooled fund. The fair values of the above equity and fixed income securities are derived based on quoted market prices in active markets. The plan assets contains the following financial instrument allocation:

	December 31, 2013	December 31, 2012
Equity securities	36.42%	33.23%
Fixed income securities	16.48%	15.41%
Cash and cash equivalents	1.31%	2.56%
Refundable-tax account	45.79%	48.80%
	100%	**100%**

Reconciliation of funded status surplus of the benefit plans to the amounts recorded in the financial statements is as follows:

	December 31, 2013	December 31, 2012 (restated*)
Fair value of plan assets	$ 8,731	7,978
Accrued benefit obligation	(6,253)	(6,343)
Funded status surplus	2,478	1,635
Irrecoverable surplus (effect of asset ceiling)	-	-
Accrued benefit asset	**$ 2,478**	**1,635**

** See Note 3d)*

The accrued benefit asset is included in other assets in the statement of financial position.

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Amounts recognized in comprehensive income in respect of the defined benefit plan in the year ended December 31:

	2013	2012 (restated*)
Service cost:		
Current service cost	$ 126	110
Past service cost and (gain) loss from settlements	-	-
Net interest (income) expense	(67)	(76)
Components of defined benefit costs recognized in profit or loss	59	**34**
Remeasurement on the net defined benefit liability		
Actuarial (gain) loss due to liability experience	-	-
Actuarial (gain) loss due to liability assumption changes	(260)	479
Actuarial (gain) loss arising during year	(260)	479
Return on plan assets (greater) less than discount rate	(394)	15
Change in irrecoverable surplus (effect of asset ceiling)	-	-
Components of defined benefit costs recognized in OCI	(654)	**494**
Total	**$ (595)**	**528**

** See Note 3d)*

The significant assumptions used by the Company for year-end measurement purposes are as follows:

	2013	2012
Discount rate	4.60%	3.90%
Rate of compensation increase	3.50%	3.50%
Mortality	CPM-RPP2014Priv mortality table with generational mortality improvements following Scale CPM-A; pension size adjustment factors of 0.84 for males and 0.96 for females	UP94G

The sensitivity of the key assumption, namely discount rate, assuming all other assumptions remain constant, is as follows: as at December 31, 2013, if the discount rate was 1% higher/(lower) the defined benefit obligation would decrease by $775,194 (increase by $884,700). Note that the sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumption would occur in isolation of one or other changes as some of the assumptions may be correlated.

The expected maturity profile of the defined benefit obligation as at December 31, 2013 is as follows:

	2014	2015	2016	2017	2018	Thereafter
Expected benefit payments	273	278	277	277	276	1,994

The defined benefit obligation as at December 31, 2013 by participant category is as follows:

Active participants	1,901
Deferred participants	-
Pensioners	4,352

13. Income Taxes

a) Income tax expense recognized in profit or loss

The total income tax expense recognized in profit or loss is comprised as follows:

	2013	2012 (restated*)
Current income tax		
(Recovered) expensed during the year	$ 2,129	(854)
Prior year adjustments	(3)	(2)
Total current income tax expense (recovery)	**2,126**	**(856)**
Deferred income tax		
Origination and reversal of temporary differences	(226)	(195)
Changes in statutory tax rates	-	(155)
Total deferred income tax expense (recovery)	**(226)**	**(350)**
Total income tax expense (recovery)	**$ 1,900**	**(1,206)**

** See Note 3d)*

Deferred income tax expense recognized in profit or loss represents movements on the following items:

	2013	2012 (restated*)
Unpaid claims and adjustment expenses	$ (186)	(571)
Investments	(42)	(27)
Pensions	43	309
Property and equipment	(41)	(61)
	$ (226)	**(350)**

** See Note 3d)*

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b) Income tax expense recognized in the statement of profit or loss and other comprehensive income

The total income tax expense recognized in OCI is comprised as follows:

	2013	2012 (restated*)
Current income tax		
Unrealized investment gains and losses on available-for-sale portfolio	$ 4,388	2,383
Pensions	-	-
Total current income tax expense	**4,388**	**2,383**
Deferred income tax		
Unrealized investment gains and losses on available-for-sale portfolio	-	-
Pensions	174	(131)
Total deferred income tax expense	**174**	**(131)**
Total income tax expense in OCI	**$ 4,562**	**2,252**

** See Note 3d)*

c) Income tax reconciliation

The following is a reconciliation of income taxes, calculated at the statutory income tax rate, to the income tax provision included in profit or loss.

	2013	2012 (restated*)
Profit or loss before income taxes	$ 7,833	(3,438)
Statutory income tax rate	26.50%	26.50%
Provision for (recovery of) income taxes at statutory rates	$ 2,076	(911)
Increase (decrease) resulting from:		
Unpaid claims	-	(203)
Investments	(193)	(139)
Pension	-	27
Property and equipment	-	(9)
Non-deductible meals and entertainment	12	21
Other non-deductible items	5	8
Provision for (recovery of) income taxes	**$ 1,900**	**(1,206)**

** See Note 3d)*

The statutory rate applicable to the Company at December 31, 2013 is the same as at December 31, 2012.

During the year the Company made income tax payments of $2,205,734 (2012: $4,200,580) and received refunds of $2,674,499 (2012: $2,530,664) from the various taxing authorities.

d) Net deferred income tax asset

The Company's net deferred income tax asset is the result of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The sources of these temporary differences and the tax effects are as follows:

	December 31, 2013	December 31, 2012 (restated*)
Deferred tax assets		
Net provision for unpaid claims and adjustment expenses	5,398	5,212
Property and equipment	249	208
	5,647	5,420
Deferred tax liabilities		
Investments	(471)	(513)
Pension	(633)	(418)
	(1,104)	(931)
Total net deferred tax assets	**4,543**	**4,489**

** See Note 3d)*

The Company believes that, based on available information, it is probable that the deferred income tax assets will be realized through a combination of future reversals of temporary differences and taxable income.

14. Operating Expenses

The following table summarizes the Company's operating expenses by nature:

	2013	2012 (restated*)
Salaries and benefits	9,373	10,039
Administrative expenses	2,203	3,264
Professional fees	1,682	1,274
Occupancy lease	1,100	875
Communication	582	900
Information systems	875	516
Amortization of property and equipment	515	594
Total	**16,330**	**17,462**

** See Note 3d)*

Included in salaries and benefits are amounts for future employee benefits under a defined contribution plan of $603,836 (2012 – $590,375) and a supplementary defined benefit plan of $59,671 (2012 restated [see note 3d)] – $34,429).

15. Operating Lease Commitments

The Company entered into a ten year lease effective February 1, 2008 for premises at 250 Yonge Street. The Company has an option to extend the lease period for five additional years under the current general terms and conditions.

At December 31, 2013, lease obligations on office premises were as follows:

2014	1,220
2015	1,220
2016	1,220
2017	1,220
2018	508
Thereafter	-

16. Capital Stock and Contributed Surplus

Capital stock of the Company represents:

30,000 Common Shares of par value of $100 each – authorized, issued and paid.

20,000 6% non-cumulative, redeemable, non-voting Preferred Shares of par value of $100 each – authorized, issued and paid.

The Preferred Shares meet the definition of equity in accordance with the criteria outlined in IAS 32 "*Financial Instruments: Presentation*."

Contributed surplus represents additional capitalization funding provided by the Law Society.

17. Statutory Insurance Information

The Company is the beneficiary of trust accounts in the amount of $1,247,970 as at December 31, 2013 (December 31, 2012: $1,257,599) which are held as security for reinsurance ceded to unregistered reinsurers. This trust balance is not reflected in these financial statements but is considered in determining statutory capital requirements.

In accordance with licensing requirements, the Company has deposited securities with the regulatory authorities having a market value of $50,416 as at December 31, 2013 (December 31, 2012: $51,306).

18. Capital Management

Capital is comprised of the Company's equity. As at December 31, 2013 the Company's equity was $189,875,442 (December 31, 2012 restated [see note 3d)]: $171,289,710). The Company's objectives when managing capital are to maintain financial strength and protect its claims paying abilities, to maintain creditworthiness and to provide a reasonable return to the shareholder over the long term. In conjunction with the Company's Board of Directors and its Audit Committee, senior management develops the capital strategy and oversees the capital management processes of the Company. Capital is managed using both regulatory capital measures and internal metrics.

FSCO, the Company's primary insurance regulator, along with other provincial insurance regulators, regulate the capital required in the Company using two key measures, i.e., Minimum Capital Test ("MCT") and the Dynamic Capital Adequacy Test ("DCAT"). FSCO has established an MCT guideline which sets out 100% as the minimum and 150% as the supervisory target for P&C insurance companies. To ensure that it attains its objectives, the Company has established an internal target of 180% (2012: 185%) in excess of which, under normal circumstances, the Company will maintain its capital. During the year ended December 31, 2013, the Company complied with the various provincial regulators' guidelines and as at December 31, 2013, the Company has an MCT ratio of 233% (December 31, 2012: 223%). Annually, the Company's Appointed Actuary prepares a DCAT on the MCT to ensure that the Company has adequate capital to withstand significant adverse event scenarios. These scenarios are reviewed each year to ensure appropriate risks are included in the testing process. The Appointed Actuary must present both an annual report and the DCAT report to management and the Audit Committee. The DCAT report prepared during the year indicated that the Company's capital position is satisfactory. In addition, the target, actual and

forecasted capital position of the Company is subject to ongoing monitoring by management using stress and scenario analysis to ensure its adequacy.

The Company may use reinsurance to manage its capital position.

19. Risk Management

By virtue of the nature of the insurance company business, financial instruments comprise the majority of the Company's statement of financial position as at both December 31, 2013 and 2012. The most significant identified risks to the Company which arise from holding financial instruments and insurance contract liabilities include insurance risk, credit risk, liquidity risk and market risk. The market risk exposure of the Company is primarily related to changes in interest rates and adverse movement in equity prices.

The Company employs an enterprise-wide risk management framework which establishes practices for risk management and includes policies and processes to identify, assess, manage and monitor risks and risk tolerance limits. It provides governance and supervision of risk management activities across the Company's business units, promoting the discipline and consistency applied to the practice of risk management.

The Company's risk framework is designed to minimize risks that could materially adversely affect the value or stature of the Company, to contribute to stable and sustainable returns, to identify risks that the Company can manage in order to increase earnings, and to provide transparency of the Company's risks through internal and external reporting. The Company's risk philosophy involves undertaking risks for appropriate return and accepting those risks that meet its objectives. The Company's risk management program is aligned with its long term vision and its culture supports an effective risk management program. The key components of the risk culture include acting with fairness, appreciating the impact of risk on all major stakeholders, embedding risk management into day to day business activities, fostering full and transparent communications, cooperation, and aligning of objectives and incentives. The Company's risk management activities are monitored by its risk committee and Board of Directors.

The risk exposure measures expressed below primarily include the sensitivity of the Company's profit or loss, and OCI as applicable, to the movement of various economic factors. These risk exposures include the sensitivity due to specific changes in market prices and interest rate levels projected using internal models as at a specific date, and are measured relative to a starting level reflecting the Company's assets and liabilities at that date and the actuarial factors, investment returns and investment activity the Company assumes in the future. The risk exposures measure the impact of changing one factor at a time and assume that all other factors remain unchanged. Actual results can differ materially from these estimates for a variety of reasons including the interaction among these factors when more than one changes, changes in actuarial and investment return and future investment activity assumptions, actual experience differing from the assumptions, changes in business mix, effective tax rates, and other market factors and general limitations of the Company's internal models.

a) Insurance risk

Insurance risk is the risk of loss due to actual experience differing from the experience assumed when a product was designed and priced with respect to claims, policyholder behaviour and expenses. The Company has identified pricing risk, concentration of risk and reserving risk as its most significant sources of insurance risks. The Company's underwriting objective is to develop business within its target market on a prudent and diversified basis and to achieve profitable operating results.

Pricing risk

Pricing risk arises when actual claims experience differs from the assumptions included in pricing calculations. Historically, the underwriting results of the property and casualty industry have fluctuated significantly due to the cyclicality of the insurance market. The market cycle is affected by the frequency and severity of claims, levels of capacity and demand, general economic conditions and price competition.

The Company focuses on profitable underwriting using a combination of experienced underwriting staff, pricing models and price adequacy monitoring tools. The Company prices its products taking into account numerous factors including claims frequency and severity trends, product line expense ratios, special risk factors associated with the product line, and the investment income earned on premiums held

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until the payment of claims and expenses. The Company's pricing is designed to ensure an appropriate return while also providing long-term rate stability. These factors are reviewed and adjusted periodically to ensure they reflect the current environment.

Concentration of risk

A concentration of risk represents the exposure to increased losses associated with an inadequately diversified portfolio of policy coverage. The Company has a reinsurance program to limit its exposure to catastrophic losses from any one event or set of events. The Company has approximately 99% of its business in Ontario (2012: 99%) and 95% in professional liability (2012: 95%), and consequently is exposed to trends, inflation, judicial changes and regulatory changes affecting these segments. The geographical diversity by location of the underlying insurance risk for the year ended December 31 is summarized below:

	2013			2012		
Gross written premium	**Ontario**	**All other provinces**	**Total**	Ontario	All other provinces	Total
Professional liability	$ 108,009	-	108,009	104,764	-	104,764
Title	5,257	295	5,552	5,635	277	5,912
Total	**$ 113,266**	**295**	**113,561**	**110,399**	**277**	**110,676**

Reserving risk

Reserving risk arises because actual claims experience can differ adversely from the assumptions included in setting reserves, in large part due to the length of time between the occurrence of a loss, the reporting of the loss to the insurer and the ultimate resolution of the claim. Claims provisions reflect expectations of the ultimate cost of resolution and administration of claims based on an assessment of facts and circumstances then known, a review of historical settlement patterns, estimates of trends in claims severity and frequency, legal theories of liability and other factors. Reserve changes associated with claims of prior periods are recognized in the current period, which could have a significant impact on current year profit or loss. In order to mitigate this risk the Company utilizes information systems in order to maintain claims data integrity, and the claims provision valuations are prepared by an internal actuary on a quarterly basis, and are reviewed separately by, and must be acceptable to, management of the Company every quarter and the external Appointed Actuary at mid-year and year-end.

Sensitivity analyses

Risks associated with property and casualty insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company considers that the provision for its unpaid claims and adjustment expenses recognized in the statement of financial position is adequate. However, actual experience will differ from the expected outcome. Among the Company's lines of business, the professional liability line of business has the largest provision for unpaid claims and adjustment expenses. Given this line of business and the actuarial methods utilized to estimate the related provision for unpaid claims and adjustment expenses, the reported claims count development factors and average claim severity selections are the most critical of the assumptions used. The following table provides the estimated increase (decrease) of the net provision for unpaid claims and adjustment expense and the after-tax net effect on equity if the reported claims count development factors were increased such that the estimate of unreported claims was 20% higher or the average claim severity selections were 1% higher. Other changes in assumptions are considered to be less material.

	December 31, 2013		December 31, 2012	
	Net provision for unpaid claims and adjustment expenses	**Equity**	Net provision for unpaid claims and adjustment expenses	Equity
Unreported claims +20%	4,904	(3,605)	2,239	(1,646)
Average claim severities +1%	4,843	(3,560)	4,534	(3,332)

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b) Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a borrower or counterparty to fulfill its payment obligation to the Company. Credit risks arise from investments in fixed income securities and preferred shares, and balances due from insureds and reinsurers.

Management monitors credit risk and any mitigating controls. The Company has established a credit review process where the credit quality of all exposures is continually monitored so that appropriate prompt action can be taken when there is a change which may have material impact.

Governance processes around investments include oversight by the Board of Directors' Investment Committee. The oversight includes reviews of the Company's third party investment managers, investment performance and adherence to the Company's investment policy. The Company's investment policy statement is reviewed at least on an annual basis and addresses various matters including investment objectives, risks and management. Guidelines and limits have been established in respect of asset classes, issuers of securities and the nature of securities to address matters such as quality and concentration of risks.

With respect to credit risk arising from balances due from reinsurers, the Company's exposure is measured to reflect both current exposure and potential future exposure to ceded liabilities. Reinsurance and insurance counterparties must also meet minimum risk rating criteria. The Company's Board of Directors has approved a reinsurance policy, which is monitored by the Company's Audit Committee.

The following table provides a credit risk profile of the Company's applicable investment assets and amounts recoverable from reinsurers.

	December 31, 2013						
	AAA	AA	A	BBB	BB and lower	Not rated	Carrying value
Cash and cash equivalents	$ 550	-	-	-	-	13,975	14,525
Fixed income securities	107,128	109,025	193,069	69,077	-	5,786	484,085
Investment income due and accrued	216	294	832	678	-	116	2,136
Due from reinsurers	-	-	276	-	7	26	309
Due from insureds	-	-	-	-	-	2,027	2,027
Reinsurers' share of provisions for unpaid claims and adjustment expenses	-	-	40,049	-	-	438	40,487
Other receivables	-	-	-	-	-	1,419	1,419
Other assets	$ -	-	-	-	-	2,758	2,758

	December 31, 2012						
	AAA	AA	A	BBB	BB and lower	Not rated	Carrying value
Cash and cash equivalents	$ 3,128	-	-	-	-	15,249	18,377
Fixed income securities	121,888	104,687	175,967	58,282	-	1,361	462,185
Investment income due and accrued	298	469	400	636	1	98	1,902
Due from reinsurers	-	-	2,626	-	7	250	2,883
Due from insureds	-	-	-	-	-	1,739	1,739
Reinsurers' share of provisions for unpaid claims and adjustment expenses	-	-	39,382	-	35	519	39,936
Other receivables	-	-	-	-	-	1,045	1,045
Other assets	$ -	-	-	-	-	1,707	1,707

Fixed income securities are rated using a composite of Moody's, Standard & Poor and Dominion Bond Rating Service ratings, and reinsurers are rated using A.M. Best. The balances in the above tables do not contain any amounts that are past due.

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c) Liquidity risk

Liquidity risk is the risk that the Company will not have enough funds available to meet all expected and unexpected cash outflow commitments as they fall due. Under stressed conditions, unexpected cash demands could arise primarily from a significant increase in the level of claim payment demands.

To manage its cash flow requirements, the Company has arranged diversified funding sources and maintains a significant portion of its invested assets in highly liquid securities such as cash and cash equivalents and government bonds (see note 5b). In addition, the Company has established counterparty exposure limits that aim to ensure that exposures are not so large that they may impact the ability to liquidate investments at their market value.

Claims liabilities account for the majority of the Company's liquidity risk. A significant portion of the investment portfolio is invested with the primary objective of matching the investment asset cash flows with the expected future payments on these claims liabilities. This portion, referred to as the cash-flow matched investment portfolio, consists of fixed income and preferred equity securities that are intended to address the liquidity and cash flow needs of the Company as claims are settled. The remainder of the Company's overall investment portfolio, the available-for-sale portfolio, backs equity and is invested in fixed income securities and equities with the objective of preserving capital and achieving an appropriate return consistent with the objectives of the Company.

The following tables summarize the carrying amounts of financial instruments and insurance assets and liabilities by contractual maturity or expected cash flow dates (the actual repricing dates may differ from contractual maturity because certain securities and debentures have the right to call or prepay obligations with or without call or prepayment penalties) as at:

	December 31, 2013				
	Within one year	One to five years	More than five years	No fixed maturity	Total
Assets					
Cash and cash equivalents	$ 14,525	-	-	-	14,525
Investments – designated as FVTPL	78,984	150,373	136,299	499	366,155
Investments – available-for-sale	635	85,374	32,420	90,455	208,884
Investment income due and accrued	2,136	-	-	-	2,136
Due from reinsurers	309	-	-	-	309
Due from insureds	2,027	-	-	-	2,027
Reinsurers' share of unpaid claims	10,347	18,989	5,952	5,199	40,487
Other receivable	1,419	-	-	-	1,419
Other assets	2,758	-	-	-	2,758
Total	**$ 113,140**	**254,736**	**174,671**	**96,153**	**638,700**
Liabilities					
Provision for unpaid claims	$ 98,586	215,468	70,553	63,305	447,912
Due to reinsurers	591	-	-	-	591
Due to insureds	66	-	-	-	66
Due to Law Society	3	-	-	-	3
Expenses due and accrued	1,526	-	-	-	1,526
Total	**$ 100,772**	**215,468**	**70,553**	**63,305**	**450,098**

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		December 31, 2012				
		Within one year	One to five years	More than five years	No fixed maturity	Total
Assets						
Cash and cash equivalents	$	18,377	-	-	-	18,377
Investments – designated as FVTPL		54,172	155,880	152,760	528	363,340
Investments – available-for-sale		2,309	67,189	29,875	70,462	169,835
Investment income due and accrued		1,902	-	-	-	1,902
Due from reinsurers		2,883	-	-	-	2,883
Due from insureds		1,739	-	-	-	1,739
Reinsurers' share of unpaid claims		10,623	19,358	6,086	3,869	39,936
Other receivable		1,045	-	-	-	1,045
Other assets		1,707	-	-	-	1,707
Total	**$**	**94,757**	**242,427**	**188,721**	**74,859**	**600,764**
Liabilities						
Provision for unpaid claims	$	98,783	217,339	69,199	48,008	433,329
Due to reinsurers		601	-	-	-	601
Due to insureds		206	-	-	-	206
Due to Law Society		2,565	-	-	-	2,565
Expenses due and accrued		1,634	-	-	-	1,634
Total	**$**	**103,789**	**217,339**	**69,199**	**48,008**	**438,335**

d) Market and interest rate risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate, foreign exchange rates, and equity prices. Due to the nature of the Company's business, invested assets and insurance liabilities as well as revenues and expenses are impacted by movements in capital markets, interest rates, and to a lesser extent, foreign currency exchange rates. Accordingly, the Company considers these risks together in managing its asset and liability positions and ensuring that risks are properly addressed. These risks are referred to collectively as market price and interest rate risk – the risk of loss resulting from movements in market price, interest rate, credit spreads and foreign currency rates.

Interest rate risk is the potential for financial loss arising from changes in interest rates. The Company is exposed to interest rate price risk on monetary financial assets and liabilities that have a fixed interest rate and is exposed to interest rate cash flow risk on monetary financial assets and liabilities with floating interest rates that are reset as market rates change.

For FVTPL assets and other financial assets supporting actuarial liabilities, the Company is exposed to interest rate risk when the cash flows from assets and the policy obligations they support are significantly mismatched, as this may result in the need to either sell assets to meet policy payments and expenses or reinvest excess asset cash flows under unfavourable interest environments. Bonds designated as available-for-sale generally do not support actuarial liabilities. Changes in fair value, other than foreign exchange rate gains and losses, of available-for-sale fixed income securities are recorded to OCI.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2013
Amounts stated in Canadian dollars (amounts in tables in thousands)

The following chart provides the estimated increase (decrease) on the Company's net investment income, net provision for unpaid claims and adjustment expenses, and after-tax OCI, after an immediate parallel increase or decrease of 1% in interest rates as at December 31 across the yield curve in all markets.

	December 31, 2013			December 31, 2012		
	Net investment income	Net provision for unpaid claims and adjustment expenses	After-tax OCI	Net investment income	Net provision for unpaid claims and adjustment expenses	After-tax OCI
Interest rates +1%	(10,780)	(11,686)	(3,003)	(11,273)	(10,567)	(2,036)
-1%	11,332	9,717	3,161	11,888	11,111	2,144

Market price and interest rate risk is managed through established policies and standards of practice that limit market price and interest rate risk exposure. Company-wide market price and interest rate risk limits are established and actual positions are monitored against limits. Target asset mixes, term profiles, and risk limits are updated regularly and communicated to portfolio managers. Actual asset positions are periodically rebalanced to within established limits.

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual equity securities. The Company's equities are designated as available-for-sale and generally do not support actuarial liabilities. The following chart provides the estimated increase (decrease) on the Company's after-tax OCI, assuming all other variables held constant, after an immediate 10% increase or decrease in equity prices as at December 31.

	2013	2012
	After-tax OCI	After-tax OCI
Equity prices +10%	6,648	5,179
-10%	(6,648)	(5,179)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates, in particular when an asset and liability mismatch exists in a different currency than the currency in which they are measured. As the Company does not hold significant liabilities in foreign currencies, the resulting currency risk is borne by the Company and forms part of its overall investment income. The table below details the effect of a 10% movement of the currency rate against the Canadian dollar as at December 31, with all other variables held constant.

	2013		2012	
Currency	Effect on profit (loss) before taxes (+/-)	Effect on OCI (+/-)	Effect on profit (loss) before taxes (+/-)	Effect on OCI (+/-)
US Dollar	344	2,600	49	1,674
Euro	1	1,204	-	987
Other	-	847	-	846
	345	**4,651**	**49**	**3,507**

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2013
Amounts stated in Canadian dollars (amounts in tables in thousands)

The Company also manages possible excessive concentration of risk. Excessive concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political and other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location. In order to avoid excessive concentrations of risk, the Company applies specific policies on maintaining a diversified portfolio. Identified risk concentrations are managed accordingly.

The following tables summarize the carrying amounts of financial instruments by geographical location of the issuer, as at:

	December 31, 2013					
	Cash and cash equivalents	Fixed income securities	Equities	Investment income due and accrued	Total	% of total
Canada	$ 11,068	465,013	26,786	1,911	504,778	85.3%
USA	3,443	-	29,961	50	33,454	5.7%
France	-	-	9,155	-	9,155	1.5%
Australia	-	4,197	1,387	30	5,614	0.9%
Others	14	14,875	23,665	145	38,699	6.5%
Total	**$ 14,525**	**484,085**	**90,954**	**2,136**	**591,700**	**99.9%**

	December 31, 2012					
	Cash and cash equivalents	Fixed income securities	Equities	Investment income due and accrued	Total	% of total
Canada	$ 17,888	443,219	22,878	1,721	485,706	87.8%
USA	489	-	19,553	29	20,071	3.6%
France	-	-	6,137	-	6,137	1.1%
Australia	-	4,249	1,437	31	5,717	1.0%
Others	-	14,717	20,985	121	35,823	6.5%
Total	**$ 18,377**	**462,185**	**70,990**	**1,902**	**553,454**	**100.0%**

20. Contingent Liability

During 2012, three insurance companies providing a separate coverage to the insured in excess of the Company's primary professional liability policy have commenced independent but related legal actions against the Company, claiming total damages of $28,000,000 for alleged breaches of duty in the Company's handling of a claim. The Company believes that the actions lack merit and will vigorously defend its position. Accordingly, the Company has not recorded any related provision in its statement of financial position. Subsequent to the claims being brought forward, two claimants have agreed to drop their actions against the Company without costs. The amount of damages claimed by the remaining claimant is $14,000,000.

BOARD OF DIRECTORS

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Principal, Susan T. McGrath

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Board Vice-Chair
Chartered Professional Accountant

Kathleen A. Waters
President & CEO
LAWPRO

George D. Anderson, CM
Retired President and CEO
Insurance Bureau of Canada

Clare A. Brunetta
Principal
Clare A. Brunetta

Douglas F. Cutbush
Insurance Consultant
Arbitrator & Mediator

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Principal
Evans & Evans

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Associate Director,
Financial Services Program
Schulich School of Business

Malcolm L. Heins, LSM
Lawyer & Director

Rita Hoff
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Alan G. Silverstein*, B.A., LL.B., C.S.
Barrister & Solicitor
Law Office of Alan G. Silverstein

Andrew N. Smith
President
Natnook Inc.

John C. Thompson, FCPA, FCA
Chartered Accountant
Retired KPMG partner

* Bencher, Law Society of Upper Canada
CM denotes Member of the Order of Canada
FCA denotes Fellow Chartered Accountant

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Executive Vice-President
& Secretary

Steven W. Jorgensen
Chief Financial Officer

Daniel E. Pinnington
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Lisa Weinstein
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National Underwriting Policy
TitlePLUS

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Douglas F. Cutbush
Malcolm L. Heins
Kathleen A. Waters (A)

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Frederick W. Gorbet*
Douglas F. Cutbush
Malcolm L. Heins
Robert G.W. Lapper, Q.C. (A)
Andrew N. Smith
John C. Thompson

Conduct Review Committee
Frederick W. Gorbet*
Douglas F. Cutbush
Malcolm L. Heins
Andrew N. Smith
John C. Thompson

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George D. Anderson
Frederick W. Gorbet
Rita Hoff
Andrew N. Smith
John C. Thompson

* Committee Chair
(A) Affiliated Director within meaning of Ontario *Insurance Act*

CORPORATE GOVERNANCE

The Board of Directors, either directly or through its committees, bears responsibility for the stewardship of the Company. To discharge that responsibility, the Board supervises the management of the business and the affairs of the Company, including the oversight or monitoring of all significant aspects of the operation, so that the Company effectively and efficiently fulfills its mission, vision and values.

The Company's corporate governance processes, structures and information are designed to strengthen the ability of the Board to oversee management, and to enhance long-term policyholder value. Every director has a duty to guide the Company's affairs in a manner that achieves the Company's objectives.

The corporate governance processes and mandate are derived, in part, from the Ontario *Insurance Act* and regulatory "best practices."

Board independence

Demonstrable evidence of independence is at the heart of effective governance. Independence is normally a matter of a board demonstrating its ability to act independently of management when appropriate. Currently, only the chief executive officers of LAWPRO and the Law Society of Upper Canada are "affiliated" to the Company within the meaning of applicable legislation. A minority of directors are Benchers or employees of the Law Society of Upper Canada.

Board composition

Annually, the Board reviews its composition to determine whether or not the Board is optimally structured to ensure the achievement of the corporate strategy and business plan. Also important is a regular assessment of the skills, experience and independence of those on the Board.

Board responsibilities

The basic oversight responsibilities of the Board include:

- **Corporate performance oversight:** The Board ensures that corporate management continuously and effectively strives to meet the two opposing goals of minimizing premiums and achieving a satisfactory financial result, taking account of risk.
- **Appointment of CEO and related human resources issues:** The Board appoints the CEO and approves the CEO's objectives, assesses his or her performance and determines compensation of the CEO. As well, the Board approves key appointments reporting to the CEO, reviews key executive performance and approves compensation policy and succession plans.
- **Strategic direction and policy:** The Board reviews and approves management's proposed strategic direction and policy matters, and ensures that policies on key issues, including exposure to various risks, are in place, are appropriate and are reviewed to ensure compliance with same.
- **Budgeting and planning:** The Board approves the Company's proposed budgets and other performance goals, reviews performance against goals and recommends corrective actions.
- **Risk Management:** The Board monitors all categories of risk affecting the Company's operations, approves risk management strategies and assesses risk management performance.
- **Regulatory compliance and financial monitoring:** Through an independent audit committee, the Board requires and monitors regulatory compliance, appoints the auditor, oversees the audit process and reviews and approves financial reports. The Board also ensures that financial systems produce accurate and timely information, and that appropriate controls are in place.
- **Ensuring its own effectiveness:** The Board establishes committee structures that assist the effective operations of the Board, and enable a review and assessment of the Board's own performance.

Board committees

The members of the Board are assisted in fulfilling the responsibilities explained above through the following committees:

Audit Committee

The audit committee assists the Board in monitoring:

- the integrity of the Company's financial reporting process;
- the financial and solvency risks that the Company is exposed to;
- the controls for managing those risks; and
- the independence and performance of the Company's external auditor and actuary.

Conduct Review Committee

The conduct review committee oversees the Company's compliance with the related party provisions of the Ontario insurance legislation.

Executive Committee

The executive committee has the authority of the Board, subject to the limitations of law and those set forth in the Company's bylaws, to consider urgent matters that require action prior to the next Board meeting. Actions taken by the executive committee are reported to the full Board at the next meeting.

Governance Committee

The governance committee:

- assists the Board in its oversight role with respect to: a) the development of the Company's corporate governance policies, practices and processes; and b) the effectiveness of the Board and its committees;
- identifies individuals qualified and suitable to become Board members and recommends the director nominees to each annual meeting of the shareholder;
- assists the Board in its oversight role with respect to: a) the Company's human resources strategy, policies and programs; and b) all matters relating to proper deployment of human resources within the Company, with special focus on management succession, development and compensation;
- oversees procedures for resolving conflicts of interest, restricting the use of confidential information and dealing with customer complaints; and
- assists the Board in liaising with the shareholder.

Investment Committee

The investment committee:

- assists the Board and management in managing the invested assets of the Company;
- develops and monitors investment policies and guidelines;
- provides recommendations to the Board in connection with the hiring of external investment managers; and
- meets with and monitors the performance of external investment managers.

Risk Committee

The risk committee assists the Board in monitoring all risks (other than financial and solvency risks) to which the Company is subject and overseeing the development and implementation of appropriate risk management policies and programs.

This report is available on the LawPRO web site: lawpro.ca. To obtain additional copies of this report, please contact the Claims Prevention and Stakeholder Relations Department.
Pour obtenir une copie de ce rapport annuel, veuillez contacter le département de la prévention de réclamations et relations avec les intervenants.

LawPRO®
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250 Yonge Street, Suite 3101
P.O. Box 3, Toronto, Ontario
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TAB 10

The Law Society of Upper Canada | Barreau du Haut-Canada

Report to Convocation

April 24, 2014

Equity and Aboriginal Issues Committee/ Comité sur l'équité et les affaires autochtones

Committee Members
Howard Goldblatt, Chair
Julian Falconer, Vice-Chair
Susan Hare, Vice Chair
Raj Anand
Constance Backhouse
Mary Louise Dickson
Avvy Go
Michelle Haigh
Janet Minor
Judith Potter
Susan Richer
Paul Schabas
Baljit Sikand
Beth Symes

Purposes of Report: Decision and Information

Prepared by the Equity Initiatives Department
(Josée Bouchard – 416-947-3984)

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For Information

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COMMITTEE PROCESS

1. The Equity and Aboriginal Issues Committee/Comité sur l'équité et les affaires autochtones (the "Equity Committee") met on February 13, 2014. Committee members Howard Goldblatt, Chair, Julian Falconer, Vice-Chair, Susan Hare, Vice-Chair, Raj Anand, Constance Backhouse, Mary Louise Dickson, Avvy Go, Judith Potter and Beth Symes participated. Julie Lassonde, representative of the Association des juristes d'expression française de l'Ontario, and Sandra Yuko Nishikawa and Paul Saguil, representatives of the Equity Advisory Group, also participated. Staff members Sally Ashton, Josée Bouchard, Marisha Roman, Grant Wedge and Sheena Weir also attended.

2. The Equity Committee did not meet in March or April.

TAB 10.1

FOR DECISION

MOTION

3. **That Convocation approve the letters and public statements in the following cases:**

   a. **lawyer Gao Zhisheng – China – letters of intervention and public statement presented at TAB 10.1.1;**

   b. **lawyer and parliamentarian Karpal Singh – Malaysia - letters of intervention and public statement presented at TAB 10.1.2;**

   c. **Farshid Yadollahi – Iran - letters of intervention and public statement presented at TAB 10.1.3;**

   d. **lawyer Ramazan Demir – Turkey - letters of intervention and public statement presented at TAB 10.1.4;**

   e. **lawyer Thulani Rudolf Maseko – Swaziland - letters of intervention and public statement presented at TAB 10.1.5.**

MANDATE OF THE HUMAN RIGHTS MONITORING GROUP

4. The mandate of the Human Rights Monitoring Group is,

   a. to review information that comes to its attention about human rights violations that target members of the profession and the judiciary, here and abroad, as a result of the discharge of their legitimate professional duties;

   b. to determine if the matter is one that requires a response from the Law Society; and,

   c. to prepare a response for review and approval by Convocation.

5. The mandate further states that where Convocation's meeting schedule makes such a review and approval impractical, the Treasurer may review such responses in Convocation's place and take such steps, as he or she deems appropriate. In such

instances, the Human Rights Monitoring Group shall report on the matters at the next meeting of Convocation.

6. On September 20, 2007, Convocation expanded the mandate by adopting the following recommendation: That the Monitoring Group explore the possibility of developing a network of organizations, and work collaboratively with them, to address human rights violations against judges and lawyers.

CHINA – THE ONGOING DETENTION OF HUMAN RIGHTS LAWYER GAO ZHISHENG

SOURCES OF INFORMATION

7. The background information for this report was taken from the following sources:
   a. Lawyers for Lawyers;[1]
   b. The Law Society of England and Wales;[2]
   c. Lawyers' Rights Watch Canada;[3]
   d. The Epoch Times;[4]
   e. Amnesty International;[5] and,
   f. Front Line Defenders.[6]

1 In conformity with international law and the *Universal Declaration of Human Rights*, the *Basic Principles on the Role of Lawyers* and the *Declaration on Human Rights Defenders* of the United Nations, L4L has committed itself to enable lawyers to practice law in freedom and independence, always and everywhere, even when that does not suit the local government, bar association or establishment.

2 The Law Society of England and Wales represents solicitors from England and Wales. The Society was formed in 1825. In addition to accreditation, the Society provides services and support to practicing and training solicitors. It also participates in legislative reform.

3 Lawyers' Rights Watch Canada (LRWC) is a committee of Canadian lawyers who promote human rights and the rule of law by providing support internationally to human rights defenders in danger. LWRC promotes the implementation and enforcement of international standards designed to protect the independence and security of human rights defenders around the world. It began in 2000 and is run by volunteers and funded by sole membership fees and donations from individuals.

4 The Epoch Times is based in New York and offers both a print and online edition. Its print edition is sold or distributed free-of-charge in approximately 35 countries worldwide and provides reporting in English, French, Chinese, Spanish, German, Russian and nine other languages. The Epoch Times was founded in 2000 by a group of Chinese Americans in response to censorship inside China and initially offered in Chinese. In 2004 and English language version of the newspaper was launched.

5 Amnesty International is an impartial non-governmental organization that focuses on taking action to end human rights violations and support justice and dignity on a global level. Their work is based on research and on international human rights standards. It is a member organization with over 3 million members. Its reports are recognized as among the most accurate, unbiased and credible human rights reports in the world. It was started in London, England in 1961.

6 Front Line Defenders is the International Foundation for the Protection of Human Rights Defenders. Founded in Dublin in 2001, the goal of the organization is to protect human rights defenders at risk, people who work, non-violently, for any and all rights enshrined in the Universal Declaration of Human Rights.

BACKGROUND

8. Gao Zhisheng is a Nobel Peace Prize nominee and prominent human and civil rights lawyer in China.

9. Chinese authorities began harassing Gao Zhisheng in 2004 after he started defending Falun Gong practitioners. His work brought to light the severe persecution of Falun Gong practitioners in China. Gao Zhisheng began receiving strange phone calls and messages on his phone. During 2005, Gao Zhisheng's law licence was not renewed after he requested, through open letters to the Chinese government, an examination of the prosecution of followers of religious minorities such as the Falun Gong. In response, the Chinese government closed his law firm in November 2005 for one year. The government gave no valid reason for closing his practice.[7]

10. In December 2006, Gao Zhisheng was sentenced to three years in prison for "inciting to undermine the state". After international pressure, his sentence was converted into a five year suspended sentence and a five year deprivation of political rights and he was allowed to go home. Gao Zhisheng attempted to focus world attention on China's deteriorating human rights in an open letter to the American House of Representatives in September 2007. He stated he could not support China hosting the Olympic Games. Shortly after, he was taken away by plainclothes police officers, beaten unconscious and imprisoned for six weeks in an undisclosed location. In November 2007, he was placed under house arrest and denied any visitors, his bank account was frozen and his family was constantly harassed and intimidated by state security.[8]

11. While sources after 2007 agree on the events a precise and clear timeline regarding Gao Zhisheng's detentions and release dates are unclear. Gao Zhisheng was confirmed as missing for 14 months beginning in February 2009. Gao Zhisheng was briefly released in March 2010.[9]

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7 Lawyers' Rights Watch Canada (LRWC), (GAO ZHISHENG - human and civil rights lawyer" (March 25, 2012) online: http://www.lrwc.org/gao-zhisheng-human-and-civil-rights-lawyer/ ; L4L, "Lawyer still alive, although whereabouts and circumstances remain unknown" (June 18, 2011) online: http://www.advocatenvooradvocaten.nl/lawyers/gao-zhisheng/ .
8 *Ibid*.
9 Lawyers four Lawyers (L4L), "China: Gao Zhisheng", (January 12, 2013) online:

12. In late March 2010, Gao Zhisheng resurfaced and gave an interview where he described his ordeal and continued torture. Shortly after, on April 20, 2010, he was again taken into custody and detained. He was held for 20 months and had no contact with his lawyer or family members. However, in December 2011, the state run media reported that Gao Zhisheng was sent back to prison for violating the conditions of his suspended sentence.[10] The state media's report of Gao Zhisheng's return to prison while he was already in prison was possibly an effort to address any questions regarding his whereabouts.

13. Gao Zhisheng was imprisoned in the Shaya County Prison in a remote part of the Xinjiang Uighur Autonomous Region in northwestern China. His brother asked for permission to visit him, but was denied by officials after traveling to the prison on January 10, 2012. Gao Zhisheng's wife, Geng He, was told by officials that he was undergoing a "three month period of education". On March 2012, his brother and father-in-law were permitted to visit and confirmed he was being held in the Shaya County Prison. Ten months later, on January 12, 2013, unidentified family members were permitted to visit Gao Zhisheng for a second time.[11]

14. Gao Zhisheng was scheduled for release on August 22, 2013, but has again disappeared. In February 2014, his wife, who lives with their children in the United States, testified in front of the United Nations Working Group on Enforced and Involuntary Disappearance. Geng He's submissions highlighted that they do not know if Gao Zhisheng is alive.[12]

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http://www.advocatenvooradvocaten.nl/actions/schrijfactie-3/; Lawyers' Rights Watch Canada (LRWC), (GAO ZHISHENG - human and civil rights lawyer" (March 25, 2012) online: http://www.lrwc.org/gao-zhisheng-human-and-civil-rights-lawyer/ ; L4L, "Lawyer still alive, although whereabouts and circumstances remain unknown" (June 18, 2011) online: http://www.advocatenvooradvocaten.nl/lawyers/gao-zhisheng/ .

10 Amnesty International, "Gao Zhisheng's Story" (November 23, 2012) online: http://www.amnesty.ca/get-involved/take-action-now/china-gao-zhisheng ; Law Society of England and Wales Lawyers for Lawyers programme – Intervention, (February 2014) online: http://international.lawsociety.org.uk/files/China,%20Gao%20Zhisheng.pdf.

11 Front Line Defenders, "China: Update – Gao Zhisheng's relatives denied permission to visit him" (January 11, 2012) online: http://www.frontlinedefenders.org/node/17023 ; Front Line Defenders, " China: Update – Family of Gao Zhisheng finally permitted a second visit" (January 21, 2013) online: http://www.frontlinedefenders.org/node/21334 ; Irene Luo, "Gao Zhisheng Allowed Family Visit in Report Prison" *The Epoch Times* (January 24, 2013) online: http://www.theepochtimes.com/n2/china-news/gao-zhisheng-allowed-family-visit-in-remote-prison-338368.html; Front Line Defenders, " China- Update" Gao Zhisheng's whereabouts confirmed and family members allowed to visit him in jail" (March 28, 2013) online: http://www.frontlinedefenders.org/node/17876

12 Jared Genser, "Demanding Justice for Gao Zhisheng" *Wall Street Journal* (February 27, 2014).

THE MONITORING GROUP'S CONSIDERATION

15. The Monitoring Group considered the following when making a decision about the case:
    a. There are no concerns about the quality of sources used for this report.
    b. The arrest, detention and conviction of lawyers as a result of their human rights work falls within the mandate of the Monitoring Group.
    c. The Law Society has intervened in China in the past where lawyers were being persecuted for representing clients accused of crimes against the state, terrorism and members of minority groups. Additional past interventions also include cases where lawyers were targeted for their human rights work and protesting. The Law Society intervened in Gao Zhisheng's case in 2006 and 2007.

MALAYSIA – CONVICTION OF LAWYER KARPAL SINGH FOR SEDITION

SOURCES OF INFORMATION

16. The background information for this report was taken from the following sources:
    a. Lawyers' Rights Watch Canada;
    b. International Federation of Human Rights;[13]
    c. MalaysianDigest.com;[14]
    d. International Commission of Jurists;[15]
    e. The Edge Malaysia;[16]
    f. South China Morning Post;[17]
    g. Channel News Asia;[18] and,
    h. The Malay Mail.[19]

13 The International Federation of Human Rights (FIDH) is an international non-governmental organization defending all civil, political, economic, social and cultural rights, set out in the Universal Declaration of Human Rights. Based in France, the FIDH is a non-partisan, non-religious, apolitical and non-profit organization.
14 The Malaysian Digest is focused on providing news in a nonpartisan manner and bridging the gap between thought and action.
15 The International Commission of Jurists (ICJ) was established in 1952 and is composed of 60 eminent judges and lawyers from all regions in the world. The ICJ promotes and protects human rights through the Rule of Law, but using its legal expertise to develop and strengthen national and international justice systems.
16 The Edge Malaysia was launched in 1994. It is a weekly publication focused on providing its readers with accurate and authoritative content business, real estate, technology, media and lifestyle sectors. ,
17 South China Morning Post is the first English language Hong Kong Newspaper. It was founded in 1903 and is owned by Kerry Media. Although there are suggestions that the Malaysian based owners are pro-Beijing, the newspaper has reported on commemorations of the Tiananmen Square Massacre has and run editorials criticizing China's one child policy.
18 Channel New Asia (CNA) is an English language Asia – Pacific news network owned by MediaCorp. It is based in Singapore. It began in 1999 as a regional broadcaster and was launched internationally in 2001. It is viewed in 24 territories across Asia.
19 The Malay Mail is an independent newspaper. The print edition of the Malay Mail was established in 1896 and is one of the

BACKGROUND

17. Karpal Singh, a 73 year old human rights lawyer, remarked that the removal of Mohammad Nizar and the Sultan of Perak's appointment of Datuk Seir Dr Zambry Abdul Kadir as the new Menteri Besar, chief executive of Perak's state government, could be questioned in court. The Sultan's appointment was related to the 2009 Constitutional Crisis which occurred after three Patyakn Rayat party members crossed the floor to sit as pro-Barisan Nasional independents. Karpal Singh was responding to media questions about the constitutional crisis on February 6, 2009. However, his comment was considered seditious and he was charged under Section 4 (1) (b) of the *Sedition Act*, 1948. If convicted under this section of the *Sedition Act*, he could receive a maximum jail term of three years or a fine of RM 5,000[20], or both. A jail sentence of more than one year or a fine of more than RM 2,500 would disqualify Karpal Singh from office.[21]

18. On June 2012, the High Court acquitted and discharged Karpal Singh. The prosecution appealed his acquittal. The Court of Appeal granted the appeal on January 20, 2012 and ordered a new trial. The High Court found Karpal Singh guilty of sedition on February 21, 2014. He was then sentenced on March 11, 2014 to pay a fine of RM 4,000. The effect of this sentence means that Karpal Singh could be disqualified and removed as a member of parliament for answering media questions. His legal counsel has filed a notice of appeal.[22]

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oldest newspapers in the country. The paper has started moving away from a print edition and offers its publication online in response to market demands and a change in its business model.

20 RM is the standard abbreviation for Malaysia's dollar called the ringgit or ringgit Malaysia.

21 ICJ, "Malaysia: High Court decision curtails lawyers' freedom of expression" (February 21, 2014) online: http://www.icj.org/malaysia-high-court-decision-curtails-lawyers-freedom-of-expression/ ; LRWC Action News "Malaysia" *LRWC Newsletter* (March 2, 2014) online: http://www.lrwc.org/lrwc-newsletter-february-2014-edition/ ;"March 11 New Date for Karpal Singh's Sentencing on Sedition Conviction" *Malaysiandigest.com* (February 24, 2014) online: http://devel.malaysiandigest.com/news/489815-march-11-new-date-for-karpal-singh-s-sentencing-on-sedition-conviction.html ; Bernama, "Court News: Karpal Singh 'guilty' of questioning Perak Sultan: sentencing March 7" *The Edge Malaysia* (February 21, 2014) online: http://www.theedgemalaysia.com/highlights/276734-court-news-karpal-singh-guilty-of-sedition-for-questioning-perak-sultan-sentencing-march-7.html ; FIDH, "Malaysia: Conviction of Karpal Singh a setback for the rule of law and freedom of expression" (February 21,2014) online: http://www.fidh.org/en/asia/malaysia/14754-malaysia-conviction-of-karpal-singh-a-setback-for-the-rule-of-law-and ; Boo Su-Lyn, "Karpal found guilty of sedition over Perak crisis remarks" *The Malay Mail.com* (February 21, 2014) online: http://www.themalaymailonline.com/malaysia/article/karpal-found-guilty-of-sedition-over-perak-crisis-remarks .

22 Malaysian opposition MP Karpal Singh fined for sedition" Channel News Asia (March 11, 2014) online: http://www.channelnewsasia.com/news/asiapacific/malaysian-opposition-mp/1028640.html ; Boo Su-Lyn, "Karpal found guilty

19. Karpal Singh has now resigned as the Democratic Action Party (DAP) Chairman following his conviction under Malaysia's *Sedition Act*.[23] He has decided not to apply to the Registrar of Societies for an exemption to continue as DAP Chairman.[24]

20. The use of Malaysia's *Sedition Act* by the government has been criticised. The *Sedition Act* was adopted by the British colonial government in 1948 as a means of dealing with threats from the "communist insurgency". After Malaysia became independent in 1957, the *Act* was not repealed, but was recognized under the constitution. In 1969 Malaysia declared a state of emergency and the *Act* was broadened to criminalize a broad range of expression. In the following year, Malaysia amended the constitution. The 1970 constitutional amendments removed the protection of Parliamentary privilege under the *Act*.[25]

21. Recently, the Malaysian government pledged to abolish the *Sedition Act*, but backtracked on reforming the law in light of growing criticism and opposition to the government. The government's use of the *Act* against groups or individuals opposing them is considered improper and arbitrary. As a result of prosecuting individuals for sedition, both political speech and free speech has been disproportionately impacted.[26]

THE MONITORING GROUP'S CONSIDERATION

22. The Monitoring Group considered the following when making a decision about the case:
    a. There are no concerns about the quality of sources used for this report.
    b. The arrest, detention and conviction of lawyers as a result of their human rights work falls within the mandate of the Monitoring Group.

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of sedition over Perak crisis remarks" *The Malay Mail.com* (February 21, 2014) online: http://www.themalaymailonline.com/malaysia/article/karpal-found-guilty-of-sedition-over-perak-crisis-remarks .

23"Karpal resigns as DAP chairman following sedition conviction" *The Malaysian Insider* (March 29, 2014) online :< http://www.themalaysianinsider.com/malaysia/article/karpal-resigns-as-dap-party-chairman>. The Malaysian Insider began on February 25, 2008. It covers the daily news, business, lifestyle, sports and entertainment.

24 *Ibid*.

25 Gail Davidson, Tami Frisen & Michael Jackson, Q.C., "Lawyers and The Rule of Law on Trial: Sedition in Malaysia An analysis of Malaysia's Sedition Act" (May 2000) LRWC *Portal* at pages 11-12.

26 Agence France-Presse, "Malaysian opposition leader Karpal Singh convicted of sedition for 'insult'" *South China Morning Post* (February 21, 2014) online: http://www.scmp.com/news/asia/article/1432827/malaysian-opposition-leader-karpal-singh-convicted-sedition-insult; Gail Davidson, Tami Frisen & Michael Jackson, Q.C., "Lawyers and The Rule of Law on Trial: Sedition in Malaysia An analysis of Malaysia's Sedition Act" (May 2000) LRWC *Portal* at pages 38-39.

c. The Law Society has intervened in Malaysia in the past where lawyers were being persecuted for representing clients accused of crimes against the state, terrorism and members of minority groups. Additional past interventions also include cases where lawyers were targeted for their human rights work and protesting.

IRAN –THE ONGOING DETENTION AND LACK OF MEDICAL TREATMENT FOR FARSHID YADOOLLAHI AND IMPRISONED HUMAN RIGHTS LAWYERS

SOURCES OF INFORMATION

23. The background information for this report was taken from the following sources:

a. Lawyers for Lawyers;

b. International Federation for Human Rights;

c. Lawyers Rights Watch Canada;

d. Iran Daily Brief;[27]

e. Amnesty International;

f. Human Rights Activists News Agency:[28]

g. International Campaign for Human Rights in Iran;[29]and,

h. The Observatory for the Protection of Human Rights Defenders.[30]

BACKGROUND

24. Farshid Yadollahi is a human rights lawyer who is known for representing Dervishes and is also a member of the administration of the Majzooban.org, a community news website for Gonabadi Sufis. His arrest is related to his successful representation of Dervishes, who are Sufi Muslims and choose to live in poverty. They are a religious minority in

27 Iran Daily Brief captures the most up-to-date internal and external political activity in Iran. It focuses on international affairs, military affairs, economic issues, human rights issues and domestic concerns. It compiles and republishes both official state sponsored and unofficial Iranian media reports in English.

28 Human Rights Activists News Agency (HRANA) is

29 The International Campaign for Human Rights in Iran (ICHRI) was founded in 2008 and is an independent, non-partisan human rights non-profit 501 (c) 3 organization based in New York that actively works in Latin America, the United States and Europe. The ICHRI's team consists of trained lawyers, researchers and journalists. The ICHRI supports the struggle for human rights in Iran. They cooperates with major human rights organizations such as Human Rights Watch, Amnesty International and the Committee to Protect Journalists.

30 The Observatory for the Protection of Human Rights Defenders is a joint International Federation of Human Rights (FIDH) and World Organization Against Torture (OMCT) program created in 1997. This unique collaboration is based on the complementarily approach of each organization and is based on their respective non-governmental organization (NGO) networks. One of the main objectives is to focus the international community's attention on cases of harassment and repression of human rights defenders.

Iran. He is currently serving seven and a half years in prison based on his representation of religious minorities.

25. Although sources vary regarding the exact date of Farshid Yadollahi's arrest, it is confirmed that he was arrested in late 2011 for "propagating lies and creating public anxiety." His arrest followed a complaint that he and another lawyer filed against Iranian intelligence services for unlawful behaviour. Dervishes are often prosecuted and labelled as a threat to national security. Farshid Yadollahi, along with four other lawyers, and over 60 Sufis were arrested en mass. His arrest is seen as part of an ongoing campaign by Iranian authorities to harass lawyers representing Dervishes.[31]

26. Until recently, Farshid Yadollahi was serving his sentence in Iran's Evin prison. In March, he was illegally transferred from the Evin prison to the Rajai-Shahr prison, west of Tehran. This transfer is considered to be an additional punishment. Prisoners in Rajai-Shahr prison have reported heavy-handed harassment. The illegal transfer of Farshid Yadollahi and the lack of medical treatment for imprisoned human rights lawyers, like him, along with other prisoners of conscience have prompted protests. In early March Iranian protestors called for access to medical treatment for imprisoned human rights defenders. Over 300 male and 26 female Gonabadi Dervishes were beaten and arrested on March 8th and 9th while protesting. They were later released.[32]

27. The lack of medical treatment for imprisoned human rights lawyers is receiving increased attention in Iran. Several prisoners of conscience detained in Evin prison wrote an open letter to the head of the Iranian Judiciary to draw attention to the lack of medical treatment and facilities for sick prisoners. In the letter, the prisoners state that politically

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3131 HRANA, "Heavy sentences for 7 arrested Dervishes" (July 14, 2013) online: https://hra-news.org/en/heavy-sentences-for-7-dervishes#more-7526 ; L4L, "Iran: Pressure on lawyers increases again" (February 3, 2011) online: http://www.advocatenvooradvocaten.nl/2841/iran-pressure-on-lawyers-increases-again/ ; LWRC and L4L, "Iran: Safety and Independence of Lawyers & Access to Legal Representation Report" (March 15, 2014) online: http://www.lrwc.org/iran-safety-and-independence-of-lawyers-access-to-legal-representation-report/ ;
ICHRI, "Female Dervish Arrested to Pressure Her Son" (September 20, 2011) online: http://www.iranhumanrights.org/2011/09/dervish_nouri/

32 FIDH, "Iran: Harassment and arbitrary detention of human rights defenders continue: (March 10, 2014) online: http://www.fidh.org/en/asia/iran/14892-iran-harassment-and-arbitrary-detention-of-human-rights-defenders-continue ; ICHRI, "Protesting Dervishes Beaten and Detained" (March 11, 2014) online: http://www.iranhumanrights.org/2014/03/dervishes-beaten-detained/

motivated judicial interference by Judge Salavati was responsible for the lack of access to medical treatment. In July 2013, Judge Salavati ordered that Farshid Yadollahi not be transported outside the Evin Prison for much needed dental treatment. The judge also placed a condition on Dervish community members being transferred outside of the prison for medical treatment which includes that they wear their prisoner uniforms and remain shackled.[33]

28. Prisoners of conscience have been denied medical treatment for medical issues such as heart conditions, breathing problems, and kidney and spinal conditions. On November 4, 2013, these prisoners along with Farshid Yadollahi, in an open letter to the international community, reported that prisoners are further harassed by authorities when attempting to access medical treatment. They also stated that the prisoners' medical problems have been brought about by ill treatment in prison and the lack of proper medical care.[34]

THE MONITORING GROUP'S CONSIDERATION

29. The Monitoring Group considered the following when making a decision about the case:
    a. There are no concerns about the quality of sources used for this report.
    b. The arrest, detention and conviction of lawyers as a result of their human rights work falls within the mandate of the Monitoring Group. The Law Society has intervened in Iran in the past where lawyers were being persecuted for representing client**s** accused of crimes against the state, terrorism and members of minority groups. Additional past interventions also include cases where lawyers were targeted for their human rights work and protesting.

33 FIDH, "Iran: Grave Concern over lack of access to medical care for prisoners of conscience" (March 6, 2014) online: http://www.fidh.org/en/asia/iran/14863-iran-grave-concern-over-lack-of-access-to-medical-care-for-sick-prisoners ; Iran Daily Brief, "Prisoner prevented from receiving medical treatment (July 18, 2013) online: http://www.irandailybrief.com/2013/07/18/prisoner-prevented-from-receiving-medical-treatment/

34 ICHRI, "Protesting Dervishes Beaten and Detained" (March 11, 2014) online: http://www.iranhumanrights.org/2014/03/dervishes-beaten-detained/ ; Amnesty International, "Focus Iran: From Evin Prison-Ward 350" (November 4, 2013) online: http://www.amnesty.org.uk/blogs/focus-iran/evin-prison-ward-350

TURKEY – ARREST AND PROSECUTION OF LAWYER RAMAZAN DEMIR

SOURCES OF INFORMATION

30. The background information for this report was taken from the following sources:

a. Lawyers for Lawyers;

b. Lawyers Rights Watch Canada;

c. The Guardian;[35]

d. World Organization Against Torture;[36] and,

e. International Federation for Human Rights.

BACKGROUND

31. Lawyer Ramazan Demir was arrested and charged with "insulting or (...) offending the dignity of a public authority in the performance of his duties" under section 125 of Turkey's *Criminal Code*. If convicted, Ramazan Demir could face up to two years in prison. [37]

32. The charges and his arrest stem from his defence of journalists during the Koma Civakên Kurdistan (KCK) trials. In 2012, 44 journalists were arrested on terrorist charges and accused of backing the illegal pan-Kurdish umbrella group KCK. Human rights groups consider the prosecution of these journalists to be part of the government's efforts to curb free speech in Turkey.[38] Ramazan Demir was representing some of the journalists and lawyers arrested and involved in the KCK trials.

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35 The Guardian is a national daily newspaper in Britain. It was founded in 1821. It is an international media company with a reputation for breaking international stores such as revealing the existence of the PRISM surveillance program which was leaked by Edward Snowden.

36 World Organization Against Torture (OMCT) was created in 1985 to fight torture, summary executions, enforced disappearances and all other cruel, inhuman or degrading treatment. Its focus is the protection and promotion of human rights. It is an international non-governmental organization based in Geneva with 311 affiliated organizations within its network. The OMCT enjoys a consultative status with the following institutions: ECOSOC (United Nations), the International Labour Organization, the African Commission on Human and Peoples' Rights, the Organisation International de la Francophone, and the Council of Europe.

37 L4L, "Turkey: Ramazan Demir is facing prosecution" (November 28, 2013) online: http://www.advocatenvooradvocaten.nl/8565/turkey-ramazan-demir-is-facing-prosecution/

38 FIDH, " Turkey: Ongoing judicial harassment against Mr. Ramazan Demir" (November 20, 2013) online: http://www.fidh.org/en/europe/turkey/14271-turkey-ongoing-judicial-harassment-against-mr-ramazan-demir ; Constanze Letsch, "Turkey puts 44 journalists on trial for terrorism and backing pro-Kurd group" (September 11, 2012) online: http://www.theguardian.com/world/2012/sep/10/turkey-journalists-trial-terrorism-kurd; LWRC, "Turkey: Lawyer Daces criminal Charges for Words Spoken in Court" (November 28. 2013) online: http://www.lrwc.org/turkey-lawyer-faces-criminal-charges-for-words-spoken-in-court-letter/ ; L4L, "Turkey: Ramazan Demir is facing prosecution" (November 28, 2013) online:

33. During his clients' hearing in Silivri on November 16, 2012, Ramazan Demir rebutted the prosecutor's allegation that the journalists on trial were not independent journalists. He challenged the capacity of the prosecutor to determine that the journalists were conducting activities that were not "normal" or "independent" journalistic activities and requested the court to call and hear expert testimony on the subject.[39] Six months later, on May 13, 2012, the Special Prosecutor of the 15th Serious Crimes Court filed a complaint against Ramazan Demir regarding his submissions. On September 9, 2013, the Special Prosecutor was authorized by the Ministry of Justice to file an indictment against Ramazan Demir under s. 125 Turkey's *Criminal Code*.[40]

34. On November 7, 2013 the Istanbul Bar Association initiated a disciplinary proceeding under Article 141 of the *Internal Rules on Attorneyship* following the filing of the complaint by the Special Prosecutor. If found guilty of misconduct, Ramazan Demir may receive an official warning, a fine, a suspension or revocation. There is no information regarding the status of his disciplinary proceeding.[41]

35. In addition to defending journalists, Ramazan Demir is known for mobilizing support in favour of lawyers prosecuted in two mass anti-terrorism trials. Human rights groups view Ramazan Demir's case as an example of ongoing judicial harassment of lawyers. They anticipate that similar charges and arrests against other defence lawyers involved in the KCK trials will be forthcoming.[42]

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http://www.advocatenvooradvocaten.nl/8565/turkey-ramazan-demir-is-facing-prosecution/

39 *Ibid* at note 7.

40 OMCT, "Turkey: Ongoing Judicial harassment against Mr. Ramazan Demir" (November 20, 2013) online: http://www.noodls.com/view/7E2FB9354CA738369540810A3F2001715F9714F6?5313xxx1385037109 ; L4L, "Turkey: Ramazan Demir is facing prosecution" (November 28, 2013) online: http://www.advocatenvooradvocaten.nl/8565/turkey-ramazan-demir-is-facing-prosecution/

41 *Ibid* at note 9.

42 OMCT, "Turkey: Ongoing Judicial harassment against Mr. Ramazan Demir" (November 20, 2013) online: http://www.noodls.com/view/7E2FB9354CA738369540810A3F2001715F9714F6?5313xxx1385037109

THE MONITORING GROUP'S CONSIDERATION

36. The Monitoring Group considered the following when making a decision about the case:
    a. There are no concerns about the quality of sources used for this report.
    b. The arrest, detention and conviction of lawyers as a result of their human rights work falls within the mandate of the Monitoring Group. The Law Society has intervened in Turkey in the past where lawyers were being persecuted for representing clients accused of crimes against the state, terrorism and members of minority groups. Additional past interventions also include cases where lawyers were targeted for their human rights work and protesting.

ARREST AND DETENTION OF THULANI RUDOLF MASEKO - SWAZILAND

SOURCES OF INFORMATION

37. The background information for this report was taken from the following sources:
    a. The Observatory for the Protection of Human Rights Defenders;
    b. Times of Swaziland;[43]
    c. Business Day BDlive;[44] and,
    d. SDADC Lawyers' Association.[45]

BACKGROUND FOR INTERVENTION

38. Thulani Rudolf Maseko is a human rights lawyer in Swaziland. He is also a senior member of Lawyers for Human Rights in Swaziland and the Southern Africa Human Rights Defenders Network. Additionally, Thulani Rudolf Maseko is a columnist for *The Nation*, which is an independent magazine in Swaziland that critiques Swaziland's monarchy. On March 17, 2014, he was arrested on charges of "scandalizing the

43 Times of Swaziland was established in 1968 and is the leading print newspaper in Swaziland with a print circulation of over 300,000. The Times of Swaziland is also an independent publisher of Swaziland local news.
44 Business Day is a national daily print and online newspaper in South Africa. It was launched in May 1985 and covers all major national and international news, with a specific focus on the South African economy and business sector. It is based in Johannesburg and is published by BDFM Publishers, which is the parent group of the Financial Mail magazine and Business Day TV. BDFM Publishers is owned by the Times Media Group. BDlive is the digital identity of the newspaper.
45 The SADC Lawyers' Associations (SADCLA) is a representative body of lawyers, law societies and bar associations in the 15 member SADC region. Formed in 1999 at an inaugural meeting of lawyers in the SADC Region that was held in Maputo, Mozambique, the mission of the Association is to uphold and defend the rule of law without fear or favour.

judiciary" and "contempt of court" following the publication of articles criticizing the judicial system.[46] The charges arose from articles he wrote for *The Nation* in February and March 2014. Thulani Rudolf Maseko and Bheki Makhubu, Editor-in Chief of *The Nation*, questioned the circumstances surrounding the arrest of government vehicle inspector, Bhanstshana Vincent Gwebu.

39. Bhanstshana Vincent Gwebu was arrested and charged with contempt of court after he arrested High Court Judge Esther Ota's driver. The vehicle inspector spent nine days in the Sidwashini Correctional facility before he was allowed bail.[47] His case is pending before the High Court. Both Thulani Rudolf Maseko and Bheki Makhubu raised questions regarding his arrest. They also criticized Swaziland's judicial system for its lack of impartiality.[48]

40. On March 18, 2014 Thulani Rudolf Maseko was expected to appear in open court. However, neither Thulani Rudolf Maseko nor Bheki Makhubu appeared in open court. Instead, a private hearing was held in Chief Justice Roamodibedi's chambers.[49] Both men were remanded into custody until their bail hearing on March 25, 2014. While in police custody, Thulani Rudolf Maseko was denied access to legal counsel and his request that the indictment proceedings be held in open court was also denied.[50]

41. On March 26, 2014, High Court Judge Mpendulo Simelane dismissed Thulani Rudolf Maseko's application that he be released on his own recognizance and be duly served with a summons to appear before the court. Thulani Rudolf Maseko's lawyer argued that

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46 The Observatory for the Protection of Human Rights Defenders, *New Release*, SWZ 001/0314/OBS 023 "Swaziland: Arbitrary detention and judicial harassment of Mr. Thulani Rudolf Maseko and Mr. Bheki Makhubu" (March 21, 2014) online: <http://www.fidh.org/en/africa/Swatziland/15002-swaziland-arbitrary-detention-and-judicial-harassment-of-mr-thulani-rudolf >.
47 Mbongiseni Ndzimandze, "Lawyer Thulani Maseko Arrested" *Times of Swaziland* (March 18, 2014) online: <http://www.times.co.sz/news/96105-lawyer-thulani-maseko-arrested.html >.
48 SADCLA, *News Release*, "The SADC Lawyers' Association (SADCLA) Condemns the Arrests of Thulani Rudolf Maseko and Bheki Makehubu" (March 19, 2014) online: <http://www.sadcla.org/sites/default/files/Press%20Statement%20-%2019.3.2014%20Maseko-Makhubu%20Arrest.pdf> ; The Observatory for the Protection of Human Rights Defenders, *New Release*, SWZ 001/0314/OBS 023 "Swaziland: Arbitrary detention and judicial harassment of Mr. Thulani Rudolf Maseko and Mr. Bheki Makhubu" (March 21, 2014) online: < http://www.fidh.org/en/africa/Swatziland/15002-swaziland-arbitrary-detention-and-judicial-harassment-of-mr-thulani-rudolf >.
49 *Supra* at note 6.
50 Evan Pickworth, "Swaziland editor, lawyer jailed" *BDlive* (March 23, 2014) online: <http://www.bdlive.co.za/africa/africannews/2014/03/23/swaziland-editor-lawyer-jailed >.

the High Court of Swaziland is not a remand court and that the Criminal Procedure and Evidence Act is clear that all remands must be made by a magistrate. The High Court disagreed and remanded Thulani Rudolf Maseko into custody. Over 200 people, including international lawyers and representatives of the human rights organizations, were present and observing the court proceedings.[51]

42. The Observatory for the Protection of Human Rights Defenders reports that Thulani Rudolf Maseko has now been released.[52] According to the Observatory, "[o]n April 6, 2014, High Court Judge Mumcy Dlamini set aside the warrant of arrest that was issued by Chief Justice Michael Ramodibedi against the two human rights defenders and the charges."

THE MONITORING GROUP'S CONSIDERATION

43. The Monitoring Group considered the following when making a decision about the case:
    a. There are no concerns about the quality of sources used for this report.
    b. The arrest, detention and conviction of lawyers as a result of their human rights work falls within the mandate of the Monitoring Group. The Law Society has not intervened in Swaziland in the past.

LETTERS RECEIVED IN RESPONSE TO INTERVENTIONS

44. The Law Society has recently received three letters in response to its interventions. They are presented at **TABS 10.1.6, 10.1.7 and 10.1.8**.

51 Mbongiseni Ndzimandze, "More days in jail for Bheki, Thulani" Times of Swaziland (March 26, 2014) online: <http://www.times.co.sz/news/96231-more-days-in-jail-for-bheki-thulani.html >.
52 The Observatory for the Protection of Human Rights Defenders, *New Release*, SWZ 001/0314/OBS 023.2"Swaziland: Release of Messrs. Thulani Rudolf Maseko and Bheki Makhubu" (April 7, 2014) online :< http://www.omct.org/human-rights-defenders/urgent-interventions/swaziland/2014/04/d22625/>. The Observatory for the Protection of Human Rights Defenders is a joint International Federation of Human Rights (FIDH) and World Organization Against Torture (OMCT) program created in 1997. This unique collaboration is based on the complementarily approach of each organization and is based on their respective non-governmental organization (NGO) networks. One of the main objectives is to focus the international community's attention on cases of harassment and repression of human rights defenders.

TAB 10.1.1

Proposed Letters of Intervention and Public Statement
Gao Zhisheng — China

[DATE]

President Xi Jinping
President of the People's Republic of China
Zhongnanhai, Xichengqu
Beijing, People's Republic of China

Your Excellency:

Re: ongoing detention of Gao Zhisheng

I write on behalf of the Law Society of Upper Canada* to voice our grave concern over the ongoing detention of Gao Zhisheng, human rights lawyer and former Nobel Peace Prize nominee. When serious issues of apparent injustice to lawyers and the judiciary come to our attention, we speak out.

The Law Society of Upper Canada raises this intervention for the third time[1], highlighting its deep concerns about the ongoing detention and whereabouts of Gao Zhisheng. In our initial communication to Prime Minister Wen Jiabao in 2006, we drew attention to the incommunicado detention of Gao Zhisheng. We also expressed our concern over reports that the operation of Gao Zhisheng's Shengzhi Law Office was suspended for one year by the Beijing Municipal Bureau of Justice and that his licence to practise law was revoked. Additionally, we raised concerns regarding reports that Gao Zhisheng was subjected to continuous surveillance and other forms of harassment and intimidation by authorities.

In our May 2007 letter to President Hu Jintao, we requested that Gao Zhisheng be allowed to travel to the United States to receive the Courageous Advocacy Award by the American Board of Trial Advocates. We also expressed our concern regarding the arrest, dentition and ill treatment of Gao Zhisheng.

Since our previous communications, Gao Zhisheng was sentenced to three years in prison in December 2006. This sentence was converted to a five year suspended sentence and he was allowed to return home. In September 2007, he was taken away by police officers and imprisoned for six weeks before being returned home.

After 2007, Gao Zhisheng was confirmed missing for 14 months beginning in February 2009. He was briefly released in March 2010. On April 20, 2010, Gao Zhisheng was taken into custody for 20 months and was not allowed contact with either his lawyer or his family. In December 2011, it was reported that he had been sent back to prison. During his imprisonment in the Shaya County Prison, he was only allowed two visits from his family members. The first visit was in March 2012 and the second visit was in January 2013.

1 The Law Society of Upper Canada raised concerns dated October 30, 2006 and May 25, 2007.

Since January 2013, Gao Zhisheng has not been seen by either his lawyer or his family. We are concerned about reports that during his time in detention, Gao Zhisheng may have been, and continues to be, subjected to ill treatment by authorities. We also worry that neither his family members nor his lawyer have seen or heard from him in over one year.

The Law Society is deeply concerned about situations where lawyers are targeted in the legitimate exercise of their duties. International human rights instruments, including the *Universal Declaration of Human Rights* and the *International Covenant on Civil and Political Rights* state that respect for human rights is essential to advancing the rule of law. Article 16 of the *United Nations Basic Principles on the Role of Lawyers* states "governments shall ensure that lawyers are able to perform all of their professional functions without intimidation, hindrance, harassment or improper interference; are able to travel and to consult with their clients freely; and shall not suffer, or be threatened with, prosecution or administrative, economic or other sanctions for any action taken in accordance with recognized professional duties, standards and ethics". Article 18 states "lawyers shall not be identified with their clients or their clients' causes as a result of discharging their functions".

The Law Society urges the government of China to,

a. guarantee all the procedural rights that should be accorded to Gao Zhisheng and other human rights defenders in China;
b. guarantee in all circumstances the physical and psychological integrity of Gao Zhisheng;
c. put an end to all acts of harassment against Gao Zhisheng and other human rights defenders in China;
d. ensure that all lawyers can carry out their peaceful and legitimate activities without fear of physical violence or other human rights violations; and
e. ensure in all circumstances respect for human rights and fundamental freedoms in accordance with international human rights standards and international instruments.

Yours very truly,

Thomas G. Conway
Treasurer

**The Law Society of Upper Canada is the governing body for 46,200 lawyers and 6,200 paralegals in the Province of Ontario, Canada. The Treasurer is the head of the Law Society.*

The mandate of the Law Society is to govern the legal profession in the public interest by upholding the independence, integrity and honour of the legal profession for the purpose of advancing the cause of justice and the rule of law.

Proposed Public Statement

The Law Society of Upper Canada Expresses Grave Concerns about the Ongoing Detention and Whereabouts of Chinese Human Rights Lawyer Gao Zhisheng

Toronto — The Law Society of Upper Canada is gravely concerned about the ongoing detention and whereabouts of Gao Zhisheng.

Gao Zhisheng is a Nobel Peace Prize nominee and a prominent human and civil rights lawyer in China. He is known for representing the human rights interests of religious minorities, including Falun Gong practitioners. During 2005, Gao Zhisheng's law licence was not renewed after he requested, through open letters to the Chinese government, an examination of the prosecution of followers of religious minorities such as the Falun Gong. In response, the Chinese government closed his law firm in November 2005 for one year. The government gave no valid reason for closing his practice.

In December 2006, Gao Zhisheng was sentenced to three years in prison for "inciting to undermine the state". After international pressure, his sentence was converted into a five year suspended sentence. Gao Zhisheng then attempted to focus world attention on China's deteriorating human rights in an open letter to the American House of Representatives. In his letter, he stated that he could not support China hosting the Olympic Games. Shortly after, he was taken away by police officers, beaten unconscious and imprisoned for six weeks. In November 2007, Gao Zhisheng was placed under house arrest and denied any visitors, his bank account was frozen and his family was constantly harassed and intimidated by state security. After 2007, Gao Zhisheng went missing for 14 months beginning in February 2009.. It was later revealed he had been placed in detention.

In late March 2010, Gao Zhisheng gave an interview where he described his ordeal and torture. Shortly after, on April 20, 2010, he was again taken into custody and detained. He was held for 20 months and had no contact with his lawyer or family members. In December 2011, state media reported that Gao Zhisheng would be sent back to prison for violating the conditions of his suspended sentence. He was imprisoned in the Shaya County Prison in a remote part of the Xinjiang Uighur Autonomous Region in northwestern China. His family members have only seen him twice, in 2012 and once again in 2013. Gao Zhisheng was scheduled for release on August 22, 2013, but he has again disappeared.

To date, the Law Society has written two letters of intervention to China regarding the harassment, treatment and detention of Gao Zhisheng.

The Law Society is deeply concerned about situations where lawyers who work for the protection and respect of human rights are themselves targeted for exercising their freedoms and rights under international law. International human rights instruments, including the *Universal Declaration of Human Rights* and the *International Covenant on Civil and Political Rights* state that respect for human rights is essential to advancing the rule of law. Article 16 of the *United Nations Basic Principles on the Role of Lawyers* states "governments shall ensure that lawyers are able to perform all of their professional functions without intimidation, hindrance, harassment or improper interference; are able to travel and to consult with their clients freely; and shall not suffer, or be threatened with, prosecution or administrative, economic or other sanctions for any action taken in accordance with recognized professional duties, standards and

ethics". Article 18 states "lawyers shall not be identified with their clients or their clients' causes as a result of discharging their functions".

The Law Society urges the government of China to,

a. guarantee all the procedural rights that should be accorded to Gao Zhisheng and other human rights defenders in China;
b. guarantee in all circumstances the physical and psychological integrity of Gao Zhisheng;
c. put an end to all acts of harassment against Gao Zhisheng and other human rights defenders in China;
d. ensure that all lawyers can carry out their peaceful and legitimate activities without fear of physical violence or other human rights violations; and
e. ensure in all circumstances respect for human rights and fundamental freedoms in accordance with international human rights standards and international instruments.

The Law Society of Upper Canada is the governing body for 46,200 lawyers and 6,200 paralegals in the Province of Ontario, Canada, and the Treasurer is the head of the Law Society. The mandate of the Law Society is to govern the legal profession in the public interest by upholding the independence, integrity and honour of the legal profession for the purpose of advancing the cause of justice and the rule of law.

The Law Society urges the legal community to intervene in support of members of the legal profession in their effort to advance the respect of human rights and to promote the rule of law.

Mr. Wang Junfeng
President, All China Lawyers Association
5th Floor Qinglan Mansion
No 24 Dongi Shitiao
Dongsheng District
Beijing 100007, People's Republic of China

Dear President Junfeng,

Re: ongoing detention of human rights lawyer Gao Zhisheng

The Law Society of Upper Canada is the governing body for more than 46,200 lawyers and 6,200 paralegals in the province of Ontario, Canada. The Law Society is committed to preserving the rule of law and to the maintenance of an independent Bar. Due to this commitment, the Law Society established a Human Rights Monitoring Group ("Monitoring Group"). The Monitoring Group has a mandate to review information of human rights violations targeting, as a result of the discharge of their legitimate professional duties, members of the legal profession and the judiciary, in Canada and abroad. The Monitoring Group reviews such information and determines if a response is required of the Law Society.

I write to inform you that on the advice of the Monitoring Group, the Law Society of Upper Canada sent the attached letter to the Chinese government expressing our deep concerns over the ongoing detention of Gao Zhisheng and the lack of information regarding his current whereabouts.

In view of the fact that your organization represents the interests of lawyers in China, we would value the opportunity to communicate with you in regard to what problems, if any, lawyers may be experiencing in China.

If you are willing and able to do so, we would be very interested in hearing from you concerning the situation noted in the attached letter. In particular, if we have any of the facts in the case wrong, it would assist us in our work to know that. Also, if you are in contact with Gao Zhisheng's family members, please forward a copy of the attached letter to them.

Please forward any further correspondence to the attention of Josée Bouchard, Equity Advisor, The Law Society of Upper Canada, 130 Queen St. West, Toronto, Ontario, Canada, M5H 2N6 or to jbouchar@lsuc.on.ca.

I thank you for your time and consideration.

Sincerely,

Paul Schabas
Chair, Human Rights Monitoring Group

Mr. Albert Ho Chun-yan
Chairman, China Human Rights Lawyers Concern Group
3/F, 6 Portland Street, Yaumatei
Kowloon, Hong Kong
People's Republic of China

Dear Chairman Ho Chun-yan,

Re: ongoing detention of human rights lawyer Gao Zhisheng

The Law Society of Upper Canada is the governing body for more than 46,200 lawyers and 6,200 paralegals in the province of Ontario, Canada. The Law Society is committed to preserving the rule of law and to the maintenance of an independent Bar. Due to this commitment, the Law Society established a Human Rights Monitoring Group ("Monitoring Group"). The Monitoring Group has a mandate to review information of human rights violations targeting, as a result of the discharge of their legitimate professional duties, members of the legal profession and the judiciary, in Canada and abroad. The Monitoring Group reviews such information and determines if a response is required of the Law Society.

I write to inform you that on the advice of the Monitoring Group, the Law Society of Upper Canada sent the attached letter to the Chinese government expressing our deep concerns over the ongoing detention of Gao Zhisheng and the lack of information regarding his current whereabouts.

In view of the fact that your organization advocates for the protection of human rights lawyers and legal rights defenders in China, we would value the opportunity to communicate with you in regard to what problems, if any, lawyers may be experiencing in China.

If you are willing and able to do so, we would be very interested in hearing from you concerning the situation noted in the attached letter. In particular, if we have any of the facts in the case wrong, it would assist us in our work to know that. Also, if you are in contact with Gao Zhisheng's family members, please forward a copy of the attached letter to them.

Please forward any further correspondence to the attention of Josée Bouchard, Equity Advisor, Law Society of Upper Canada, 130 Queen St. West, Toronto, Ontario, Canada, M5H 2N6 or to jbouchar@lsuc.on.ca.

I thank you for your time and consideration.

Sincerely,

Paul Schabas
Chair, Human Rights Monitoring Group

TAB 10.1.2

Proposed Letters of Intervention and Public Statement
Karpal Singh — Malaysia

[DATE]

Prime Minister Datuk Seri Najib Tun Razak
Prime Minister's Department
Federal Government Administration Centre
Bangunan Perdana Putra
62502 Putrajaya
Malaysia

Dear Prime Minister Najib Razak:

Re: conviction of Karpal Singh for sedition

I write on behalf of the Law Society of Upper Canada* to voice our grave concern over the conviction of human rights lawyer and parliamentarian Karpal Singh, for sedition. When serious issues of apparent injustice to lawyers and the judiciary come to our attention, we speak out.

According to reliable reports, Karpal Singh, a prominent human rights lawyer and parliamentarian, was arrested, tried and convicted for sedition based on his response to media questions during a February 6, 2009 press conference. On June 11, 2010, the High Court acquitted and discharged Karpal Singh. However, the prosecution appealed his acquittal and the Court of Appeal ordered a new trial. This February he was found guilty of sedition.

On March 11, 2014, Karpal Singh was sentenced to pay a fine of RM 4,000. This means that Karpal Singh could be disqualified and removed as a member of parliament for answering media questions. Karpal Singh has now resigned as the Democratic Action Party (DAP) Chairman following his conviction under Malaysia's *Sedition Act*. He has decided not to apply to the Registrar of Societies for an exemption to continue as DAP Chairman.

There is an impact to both political speech and free speech when lawyers and lawmakers, who are commenting on events while discharging their duties, are convicted of sedition. Karpal Singh was responding to the media in his role as both a lawyer and a lawmaker.

The Law Society is deeply concerned about situations where lawyers are targeted in the legitimate exercise of their duties. Article 16 of the *United Nations Basic Principles on the Role of Lawyers* states "governments shall ensure that lawyers are able to perform all of their professional functions without intimidation, hindrance, harassment or improper interference; are able to travel and to consult with their clients freely; and shall not suffer, or be threatened with, prosecution or administrative, economic or other sanctions for any action taken in accordance with recognized professional duties, standards and ethics". Article 18 states "lawyers shall not be identified with their clients or their clients' causes as a result of discharging their functions".

The Law Society urges the government of Malaysia to,

a. guarantee all the procedural rights that should be accorded to Karpal Singh and other human rights defenders in Malaysia;
b. guarantee in all circumstances the physical and psychological integrity of Karpal Singh;
c. put an end to all acts of harassment against Karpal Singh and other human rights defenders in Malaysia;
d. ensure that all lawyers can carry out their peaceful and legitimate activities without fear of physical violence or other human rights violations; and
e. ensure in all circumstances respect for human rights and fundamental freedoms in accordance with international human rights standards and international instruments.

Yours very truly,

Thomas G. Conway
Treasurer

**The Law Society of Upper Canada is the governing body for 46,200 lawyers and 6,200 paralegals in the Province of Ontario, Canada. The Treasurer is the head of the Law Society.*

The mandate of the Law Society is to govern the legal profession in the public interest by upholding the independence, integrity and honour of the legal profession for the purpose of advancing the cause of justice and the rule of law.

Cc.: Mr. Tan Sri Hasmy Agam
Chairman of the National Human Rights Commission of Malaysia (SUHAKAM)
Tingkat 29, Menara Tun Razak
Jalan Raja Laut, 50350
Kuala Lumpur, Malaysia

Malaysian Ambassador in Canada
Diplomatic Missions High Commission for Malaysia
60 Boteler Street
Ottawa, Ontario
K1N 8Y7

Proposed Public Statement

The Law Society of Upper Canada Expresses Concern about the Conviction of Karpal Singh by Malaysian Authorities

Toronto — The Law Society of Upper Canada is gravely concerned over the conviction of human rights lawyer and parliamentarian Karpal Singh, for sedition. He was arrested, tried and convicted for sedition based on his response to media questions during a February 6, 2009 press conference.

During the press conference, Karpal Singh remarked that the removal of Mohammad Nizar and the Sultan of Perak's appointment of Datuk Sier Dr. Zambry Abdul Kadir as the new Menteri Besar, chief executive of Perak's state government, could be questioned in court. His comment was considered seditious and he was charged under Section 4 (1) (b) of Malaysia's *Sedition Act, 1948*.

On June 11, 2010, the High Court acquitted and discharged Karpal Singh. However, the prosecution appealed his acquittal and the Court of Appeal ordered a new trial. The High Court found Karpal Singh guilty of sedition on February 21, 2014. He was then sentenced on March 11, 2014 to pay a fine of RM 4,000. The effect of this sentence means Karpal Singh could be disqualified and removed as a member of parliament for answering media questions.

Karpal Singh has now resigned as the Democratic Action Party (DAP) Chairman following his conviction under Malaysia's *Sedition Act*. He has decided not to apply to the Registrar of Societies for an exemption to continue as DAP Chairman.

There is an impact to both political speech and free speech when lawyers and lawmakers who are commenting on events while discharging their duties are convicted for sedition. The Malaysian government's use of the *Sedition Act* against groups and individuals is considered both improper and arbitrary. Individual freedom of expression has been disproportionately affected by the government's use of the Act. Karpal Singh was responding to the media in his role as both a lawyer and a lawmaker.

The Law Society is deeply concerned about situations where lawyers are targeted in the legitimate exercise of their duties. Article 16 of the *United Nations Basic Principles on the Role of Lawyers* states "governments shall ensure that lawyers are able to perform all of their professional functions without intimidation, hindrance, harassment or improper interference; are able to travel and to consult with their clients freely; and shall not suffer, or be threatened with, prosecution or administrative, economic or other sanctions for any action taken in accordance with recognized professional duties, standards and ethics". Article 18 states "lawyers shall not be identified with their clients or their clients' causes as a result of discharging their functions".

The Law Society urges the government of Malaysia to,

a. guarantee all the procedural rights that should be accorded to Karpal Singh and other human rights defenders in Malaysia;

b. guarantee in all circumstances the physical and psychological integrity of Karpal Singh;
c. put an end to all acts of harassment against Karpal Singh and other human rights defenders in Malaysia;
d. ensure that all lawyers can carry out their peaceful and legitimate activities without fear of physical violence or other human rights violations; and
e. ensure in all circumstances respect for human rights and fundamental freedoms in accordance with international human rights standards and international instruments.

The Law Society of Upper Canada is the governing body for 46,200 lawyers and 6,200 paralegals in the Province of Ontario, Canada, and the Treasurer is the head of the Law Society. The mandate of the Law Society is to govern the legal profession in the public interest by upholding the independence, integrity and honour of the legal profession for the purpose of advancing the cause of justice and the rule of law.

The Law Society urges the legal community to intervene in support of members of the legal profession in their effort to advance the respect of human rights and to promote the rule of law.

Mr. Mark Stephens
President, Commonwealth Lawyers Association
Institute of Commonwealth Studies
17 Russell Square
London
WC1B 5DR, UK

Dear President Stephens,

Re: conviction of Karpal Singh for sedition

The Law Society of Upper Canada is the governing body for more than 46,200 lawyers and 6,200 paralegals in the province of Ontario, Canada. The Law Society is committed to preserving the rule of law and to the maintenance of an independent Bar. Due to this commitment, the Law Society established a Human Rights Monitoring Group ("Monitoring Group"). The Monitoring Group has a mandate to review information of human rights violations targeting, as a result of the discharge of their legitimate professional duties, members of the legal profession and the judiciary, in Canada and abroad. The Monitoring Group reviews such information and determines if a response is required of the Law Society.

I write to inform you that on the advice of the Monitoring Group, the Law Society of Upper Canada sent the attached letter to the government of Malaysia expressing our deep concerns about the conviction of human rights lawyer and parliamentarian Karpal Singh, for sedition.

In view of the fact that your organization represents the interests of lawyers throughout the Commonwealth, we would value the opportunity to communicate with you in regard to what problems, if any, lawyers or members of the judiciary may be experiencing in Malaysia. If you are willing and able to do so, we would be very interested in hearing from you concerning the situation noted in the attached letter. In particular, if we have any of the facts in the case wrong, it would assist us in our work to know that.

Please forward any further correspondence to the attention of Josée Bouchard, Equity Advisor, The Law Society of Upper Canada, 130 Queen St. West, Toronto, Ontario, Canada, M5H 2N6 or to jbouchar@lsuc.on.ca.

I thank you for your time and consideration.

Sincerely,

Paul Schabas
Chair, Human Rights Monitoring Group

Mr. Christopher Leong
President, Malaysian Bar
Bar Council
15 Leboh Pasar Besar
Kuala Lumpur, Malaysia
50050

Dear President Leong,

Re: conviction of Karpal Singh for sedition

The Law Society of Upper Canada is the governing body for more than 46,200 lawyers and 6,200 paralegals in the province of Ontario, Canada. The Law Society is committed to preserving the rule of law and to the maintenance of an independent Bar. Due to this commitment, the Law Society established a Human Rights Monitoring Group ("Monitoring Group"). The Monitoring Group has a mandate to review information of human rights violations targeting, as a result of the discharge of their legitimate professional duties, members of the legal profession and the judiciary, in Canada and abroad. The Monitoring Group reviews such information and determines if a response is required of the Law Society.

I write to inform you that on the advice of the Monitoring Group, the Law Society of Upper Canada sent the attached letter to the government of Malaysia expressing our deep concerns about the conviction of human rights lawyer and parliamentarian Karpal Singh, for sedition.

In view of the fact that your organization is an independent Bar whose aim is to uphold the rule of law and the cause of justice and to protect the interests of the legal profession and the public, we would value the opportunity to communicate with you in regard to what problems, if any, lawyers or members of the judiciary may be experiencing in Malaysia. If you are willing and able to do so, we would be very interested in hearing from you concerning the situation noted in the attached letter. In particular, if we have any of the facts in the case wrong, it would assist us in our work to know that.

Please forward any further correspondence to the attention of Josée Bouchard, Equity Advisor, The Law Society of Upper Canada, 130 Queen St. West, Toronto, Ontario, Canada, M5H 2N6 or to jbouchar@lsuc.on.ca.

I thank you for your time and consideration.

Sincerely,

Paul Schabas
Chair, Human Rights Monitoring Group

TAB 10.1.3

Proposed Letters of Intervention and Public Statement
Farshid Yadollahi — Iran

President Hassan Rouhani
Office of the President
Palestine Avenue
Azerbaijan Intersection
Tehran, Islamic Republic of Iran

Your Excellency:

Re: ongoing detention and lack of medical treatment for Farshid Yadollahi and imprisoned human rights lawyers

I write on behalf of the Law Society of Upper Canada* to voice our grave concern over the ongoing detention and lack of medical treatment for Farshid Yadollahi and other imprisoned human rights lawyers. When serious issues of apparent injustice to lawyers and the judiciary come to our attention, we speak out.

Farshid Yadollahi is a human rights lawyer who is well known for representing religious minorities in Iran. In late 2011, he was arrested for "propagating lies and creating public anxiety" after successfully representing Gonabadi Sufi clients. His arrest followed the filing of a complaint against Iranian intelligence services for unlawful behaviour, which was a legitimate exercise of his duties as a lawyer. Until recently, Farshid Yadollahi was serving his sentence in the Evin Prison. It is reported that he has been illegally transferred from Evin Prison to Rajai-Shahr Prison, west of Tehran.

In addition to Farshid Yadollahi's transfer to Rajai-Shahr prisons, it has come to our attention that human rights lawyers imprisoned in the Evin and Rajai-Shahr prisons are not receiving appropriate medical treatment and the prisons lack the facilities required for sick prisoners. We are concerned that imprisoned lawyers seeking medical treatment are being judicially blocked from receiving treatment by Justice Salavati. They are not receiving medical treatment for issues such as heart conditions, breathing problems, dental issues and kidney and spinal conditions.

It is also reported that imprisoned lawyers who attempt to access proper medical care are further harassed by authorities. Many of these lawyers' medical problems have been brought about by ill treatment and the lack of access to proper medical care in prison. If imprisoned lawyers who are connected to the Dervish community are allowed to access medical treatment, then they are expected to remain shackled and in their prisoner uniforms.

The Law Society is deeply concerned about situations where lawyers are targeted in the legitimate exercise of their duties. International human rights instruments, including the *Universal Declaration of Human Rights* and the *International Covenant on Civil and Political*

Rights state that respect for human rights is essential to advancing the rule of law. Article 16 of the *United Nations Basic Principles on the Role of Lawyers* states "governments shall ensure that lawyers are able to perform all of their professional functions without intimidation, hindrance, harassment or improper interference; are able to travel and to consult with their clients freely; and shall not suffer, or be threatened with, prosecution or administrative, economic or other sanctions for any action taken in accordance with recognized professional duties, standards and ethics". Article 18 states "lawyers shall not be identified with their clients or their clients' causes as a result of discharging their functions".

The Law Society urges the government of Iran to,

a. guarantee all the procedural rights that should be accorded to Farshid Yadollahi and other human rights defenders in Iran;
b. guarantee in all circumstances proper medical care and the physical and psychological integrity of Farshid Yadollahi and other human rights defenders;
c. put an end to all acts of harassment against Farshid Yadollahi and other human rights defenders in Iran;
d. ensure that all Iranian lawyers can carry out their peaceful and legitimate activities without fear of physical violence or other human rights violations; and
e. ensure in all circumstances respect for human rights and fundamental freedoms in accordance with international human rights standards and international instruments.

Yours very truly,

Thomas G. Conway
Treasurer

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Cc:

Mr. Mostafa Pourmohammadi
Minister of Justice
Department of Justice
Tehran, Islamic Republic of Iran

Proposed Public Statement

The Law Society of Upper Canada Expresses Grave Concerns about the Ongoing Detention and Lack of Medical Treatment for Farshid Yadollahi and Iranian Human Rights Lawyers

Toronto — The Law Society of Upper Canada is gravely concerned about the ongoing detention and lack of medical attention for Farshid Yadollahi and imprisoned human rights lawyers in Iran.

Farshid Yadollahi is a human rights lawyer who is well known for representing religious minorities in Iran. In late 2011, he was arrested for "propagating lies and creating public anxiety" after successfully representing Dervish clients, who are Sufi Muslims and choose to live in poverty. Farshid Yadollahi, along with four other lawyers, and over 60 Sufis, were arrested en mass. His arrest followed the filing of a complaint against Iranian intelligence services for unlawful behaviour, which was a legitimate exercise of his duties as a lawyer. His arrest is seen as part of an ongoing campaign by Iranian authorities to harass lawyers representing religious minorities such as Gonabadi Dervishes.

Until recently, Farshid Yadollahi was serving his sentence in the Evin Prison. It is reported that he has been illegally transferred from Evin Prison to Rajai-Shahr Prison, west of Tehran. The illegal transfer of Farshid Yadollahi and the lack of medical treatment for imprisoned human rights lawyers, like him, along with other prisoners of conscience prompted a protest in early March.

There is growing concern over the lack of medical treatment for human rights lawyers imprisoned in Iran's Evin and Rajai-Shahr prisons. Prisoners are not receiving proper medical treatment and the prisons lack the facilities required for sick prisoners. Imprisoned lawyers seeking medical treatment are also being judicially blocked from receiving treatment by Justice Salavati. They are not receiving medical treatment for issues such as heart conditions, breathing problems, dental issues and kidney and spinal conditions.

Imprisoned lawyers who attempt to access proper medical care are further harassed by authorities. Many of these lawyers' medical problems have been brought about by ill treatment and the lack of access to proper medical care in prison. If imprisoned lawyers who are connected to the Dervish community are allowed to access medical treatment, then they are expected to remain shackled and in their prisoner uniforms.

The Law Society is deeply concerned about situations where lawyers who work for the protection and respect of human rights are themselves targeted for exercising their freedoms and rights under international law. International human rights instruments, including the *Universal Declaration of Human Rights* and the *International Covenant on Civil and Political Rights* state that respect for human rights is essential to advancing the rule of law. Article 16 of the *United Nations Basic Principles on the Role of Lawyers* states "governments shall ensure that lawyers are able to perform all of their professional functions without intimidation, hindrance, harassment or improper interference; are able to travel and to consult with their clients freely; and shall not suffer, or be threatened with, prosecution or administrative, economic or other

sanctions for any action taken in accordance with recognized professional duties, standards and ethics". Article 18 states "lawyers shall not be identified with their clients or their clients' causes as a result of discharging their functions".

The Law Society urges the government of Iran to,

a. guarantee all the procedural rights that should be accorded to Farshid Yadollahi and other human rights defenders in Iran;
b. guarantee in all circumstances proper medical care and the physical and psychological integrity of Farshid Yadollahi and other human rights defenders;
c. put an end to all acts of harassment against Farshid Yadollahi and other human rights defenders in Iran;
d. ensure that all Iranian lawyers can carry out their peaceful and legitimate activities without fear of physical violence or other human rights violations; and
e. ensure in all circumstances respect for human rights and fundamental freedoms in accordance with international human rights standards and international instruments.

The Law Society of Upper Canada is the governing body for 46,200 lawyers and 6,200 paralegals in the Province of Ontario, Canada, and the Treasurer is the head of the Law Society. The mandate of the Law Society is to govern the legal profession in the public interest by upholding the independence, integrity and honour of the legal profession for the purpose of advancing the cause of justice and the rule of law.

The Law Society urges the legal community to intervene in support of members of the legal profession in their effort to advance the respect of human rights and to promote the rule of law.

Mr. Bahman Keshavarz
Chairman, Iranian Bar Associations Union
No. 3, Zagros Street
Argentina Square
Tehran, Iran
15149

Dear Chairman Keshavarz:

Re: ongoing detention and lack of medical treatment for Farshid Yadollahi and imprisoned human rights lawyers in Iran

The Law Society of Upper Canada is the governing body for more than 46,200 lawyers and 6,200 paralegals in the province of Ontario, Canada. The Law Society is committed to preserving the rule of law and to the maintenance of an independent Bar. Due to this commitment, the Law Society established a Human Rights Monitoring Group ("Monitoring Group"). The Monitoring Group has a mandate to review information of human rights violations targeting, as a result of the discharge of their legitimate professional duties, members of the legal profession and the judiciary, in Canada and abroad. The Monitoring Group reviews such information and determines if a response is required of the Law Society.

I write to inform you that on the advice of the Monitoring Group, the Law Society of Upper Canada has sent the attached letter to the Iranian government expressing our deep concerns over the ongoing detention and lack of medical treatment for Farshid Yadollahi and other imprisoned human rights lawyers.

In view of the fact that your organization represents the interests of lawyers and Bar Associations in Iran, we would value the opportunity to communicate with you in regard to what problems, if any, lawyers may be experiencing in Iran.

If you are willing and able to do so, we would be very interested in hearing from you concerning the situation noted in the attached letter. In particular, if we have any of the facts in the case wrong, it would assist us in our work to know that.

Please forward any further correspondence to the attention of Josée Bouchard, Equity Advisor, The Law Society of Upper Canada, 130 Queen St. West, Toronto, Ontario, Canada, M5H 2N6 or to jbouchar@lsuc.on.ca.

I thank you for your time and consideration.

Sincerely,

Paul Schabas
Chair, Human Rights Monitoring Group

TAB 10.1.4

Proposed Letters of Intervention and Public Statement
Ramazan Demir — Turkey

Prime Minister Recep Tayyip Erdoğan
Office of the Prime Minister
Bakanlıklar, P.K. 06573
Ankara, Turkey

Dear Prime Minister Erdoğan:

Re: arrest and prosecution of Ramazan Demir

I write on behalf of the Law Society of Upper Canada* to voice our grave concern over the arrest and prosecution of Ramazan Demir. When serious issues of apparent injustice to lawyers and the judiciary come to our attention, we speak out.

Ramazan Demir is a lawyer known for his participation as defence counsel in the Koma Civakên Kurdistan (KCK) trials. During his clients' hearing in Silivri on November 16, 2012, Ramazan Demir rebutted the allegation of the prosecutor that the journalists on trial were not independent journalists. He challenged the capacity of the prosecutor to determine that the journalists were conducting activities that were not "normal" or "independent" journalistic activities and requested that the court call and hear expert testimony on the subject.

Six months later, on May 13, 2012, the Special Prosecutor of the 15th Serious Crimes Court filed a complaint against Ramazan Demir regarding his submissions to the court. On September 9, 2013, the Special Prosecutor was authorized by the Ministry of Justice to file an indictment against Ramazan Demir charging him with "insulting or (...) offending the dignity of a public authority in the performance of his duties" under s. 125 Turkey's *Criminal Code*.

Lawyers must be allowed to make statements and submissions that they deem to be relevant for the defence of their clients. In particular, they are entitled to, and should be able to challenge the charges that their clients are facing without having to worry that their advocacy might have negative consequences for themselves.

The Law Society is deeply concerned about situations where lawyers are targeted in the legitimate exercise of their duties. International human rights instruments, including the *Universal Declaration of Human Rights* and the *International Covenant on Civil and Political Rights* state that respect for human rights is essential to advancing the rule of law. Article 16 of the *United Nations Basic Principles on the Role of Lawyers* states "governments shall ensure that lawyers are able to perform all of their professional functions without intimidation, hindrance, harassment or improper interference; are able to travel and to consult with their clients freely; and shall not suffer, or be threatened with, prosecution or administrative, economic or other sanctions for any action taken in accordance with recognized professional duties, standards and

ethics". Article 18 states "lawyers shall not be identified with their clients or their clients' causes as a result of discharging their functions."

The Law Society urges the government of Turkey to,

a. guarantee all the procedural rights that should be accorded to Ramazan Demir and other human rights defenders in Turkey;
b. guarantee in all circumstances the physical and psychological integrity of Ramazan Demir;
c. put an end to all acts of harassment against Ramazan Demir and other human rights defenders in Turkey;
d. ensure that all Turkish lawyers can carry out their peaceful and legitimate activities without fear of physical violence or other human rights violations; and
e. ensure in all circumstances respect for human rights and fundamental freedoms in accordance with international human rights standards and international instruments.

Yours very truly,

Thomas G. Conway
Treasurer

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Cc:

Mr. Başbakan Yardımcıları, Deputy Prime Minister
Responsible for Human Rights and Counter Terrorism
Bakanlıklar
Ankara, Turkey

Mr. Sadullah Ergin, Minister of Justice
Ministry of Justice
Adalet Bakanligi, 06659
Ankara, Turkey

Proposed Public Statement

The Law Society of Upper Canada Expresses Grave Concerns about the Arrest and Prosecution of Ramazan Demir in Turkey

Toronto — The Law Society of Upper Canada is gravely concerned about the arrest and prosecution of Ramazan Demir, a lawyer in Turkey who is well-known for his defence of journalists and other lawyers in the Koma Civakên Kurdistan trials.

Ramazan Demir was arrested and charged with "insulting or (...) offending the dignity of a public authority in the performance of his duties" under section 125 of Turkey's *Criminal Code*. If convicted, Ramazan Demir could face up to two years in prison.

The charges and his arrest stem from his defence of journalists during the Koma Civakên Kurdistan (KCK) trials. In 2012, 44 journalists were arrested on terrorist charges and accused of backing the illegal pan-Kurdish umbrella group KCK. Human rights groups consider the prosecution of these journalists to be part of the government's efforts to curb free speech in Turkey.

During his clients' hearing in Silivri on November 16, 2012, Ramazan Demir rebutted the prosecutor's allegation that the journalists on trial were not independent journalists. He challenged the capacity of the prosecutor to determine that the journalists were conducting activities that were not "normal" or "independent" journalistic activities and requested that the court call and hear expert testimony on the subject.

Six months later, on May 13, 2012, the Special Prosecutor of the 15th Serious Crimes Court filed a complaint against Ramazan Demir regarding his submissions to the court. On September 9, 2013, the Special Prosecutor was authorized by the Ministry of Justice to file an indictment against Ramazan Demir.

Lawyers must be allowed to make statements and submissions that they deem to be relevant for the defence of their clients. In particular, they are entitled to, and should be able to challenge the charges that their clients are facing without having to worry that their advocacy might have negative consequences for themselves.

The Law Society is deeply concerned about situations where lawyers who work for the protection and respect of human rights are themselves targeted for exercising their freedoms and rights under international law. International human rights instruments, including the *Universal Declaration of Human Rights* and the *International Covenant on Civil and Political Rights* state that respect for human rights is essential to advancing the rule of law. Article 16 of the *United Nations Basic Principles on the Role of Lawyers* states "governments shall ensure that lawyers are able to perform all of their professional functions without intimidation, hindrance, harassment or improper interference; are able to travel and to consult with their clients freely; and shall not suffer, or be threatened with, prosecution or administrative, economic or other sanctions for any action taken in accordance with recognized professional duties, standards and

ethics". Article 18 states that "lawyers shall not be identified with their clients or their clients' causes as a result of discharging their functions".

The Law Society urges the government of Turkey to,

a. guarantee all the procedural rights that should be accorded to Ramazan Demir and other human rights defenders in Turkey;
b. guarantee in all circumstances the physical and psychological integrity of Ramazan Demir;
c. put an end to all acts of harassment against Ramazan Demir and other human rights defenders in Turkey;
d. ensure that all Turkish lawyers can carry out their peaceful and legitimate activities without fear of physical violence or other human rights violations; and
e. ensure in all circumstances respect for human rights and fundamental freedoms in accordance with international human rights standards and international instruments.

The Law Society of Upper Canada is the governing body for 46,200 lawyers and 6,200 paralegals in the Province of Ontario, Canada, and the Treasurer is the head of the Law Society. The mandate of the Law Society is to govern the legal profession in the public interest by upholding the independence, integrity and honour of the legal profession for the purpose of advancing the cause of justice and the rule of law.

The Law Society urges the legal community to intervene in support of members of the legal profession in their effort to advance the respect of human rights and to promote the rule of law.

Mr. Phon van den Biesen
President, Lawyers for Lawyers
P .O. Box 7113
1007 JC Amsterdam
The Netherlands

Dear President van den Biesen,

Re: arrest and prosecution of Ramazan Demir

The Law Society of Upper Canada is the governing body for more than 46,200 lawyers and 6,200 paralegals in the province of Ontario, Canada. The Law Society is committed to preserving the rule of law and to the maintenance of an independent Bar. Due to this commitment, the Law Society established a Human Rights Monitoring Group ("Monitoring Group"). The Monitoring Group has a mandate to review information of human rights violations targeting, as a result of the discharge of their legitimate professional duties, members of the legal profession and the judiciary, in Canada and abroad. The Monitoring Group reviews such information and determines if a response is required of the Law Society.

I write to inform you that on the advice of the Monitoring Group, the Law Society of Upper Canada sent the attached letter to the Turkish government expressing our deep concerns over the arrest and prosecution of Ramazan Demir.

In view of the fact that your organization advocates on behalf of lawyers around the world, we would value the opportunity to communicate with you in regard to what problems, if any, lawyers may be experiencing in Turkey.

If you are willing and able to do so, we would be very interested in hearing from you concerning the situation noted in the attached letter. In particular, if we have any of the facts in the case wrong, it would assist us in our work to know that.

Please forward any further correspondence to the attention of Josée Bouchard, Equity Advisor, The Law Society of Upper Canada, 130 Queen St. West, Toronto, Ontario, Canada, M5H 2N6 or to jbouchar@lsuc.on.ca.

I thank you for your time and consideration.

Sincerely,

Paul Schabas
Chair, Human Rights Monitoring Group

TAB 10.1.5

Proposed Letters of Intervention and Public Statement

[DATE]

King Mswati III
King of Swaziland, Head of State
and Chief of Arm Forces
Royal Palace
Mbabane, Swaziland

Your Excellency:

Re: arrest and detention of Thulani Rudolf Maseko

I write on behalf of the Law Society of Upper Canada* to voice our grave concern over the arrest and detention of human rights lawyer Thulani Rudolf Maseko. When serious issues of apparent injustice to lawyers and the judiciary come to our attention, we speak out.

On March 17, 2014, Thulani Rudolf Maseko, a human rights lawyer, was arrested on charges of "scandalizing the judiciary" and "contempt of court" following the publication of articles criticizing the judicial system.

Thulani Rudolf Maseko was expected to appear in open court for indictment proceedings on March 18, 2014. Instead, he appeared in a private hearing that was held in Chief Justice Ramodibedi's chambers. Following this private hearing, he was remanded into custody until his bail hearing on March 25, 2014.

On March 26, 2014, High Court Judge Mpendulo Simelane dismissed Thulani Rudolf Maseko's application requesting that he be released on his own recognizance and be duly served with a summons to appear before the court. His lawyer argued that the High Court of Swaziland is not a remand court and that the *Criminal Procedure and Evidence Act* is clear that all remands must be made by a magistrate. However, the High Court remanded Thulani Rudolf Maseko into custody.

Recent reports indicate that Thulani Rudolf Maseko has now been released. On April 6, 2014, High Court Judge Mumcy Dlamini set aside the charges and warrant of arrest and that was issued by Chief Justice Michael Ramodibedi against Thulani Rudolf Maseko.

We are concerned that when Thulani Rudolf Maseko was taken into police custody, he was denied access to legal counsel. Equally concerning is that the indictment proceeding, which is usually held in open court was, was held in closed proceedings in the chambers of Chief Justice Ramodibedi.

The Law Society is deeply concerned about situations where lawyers are targeted in the legitimate exercise of their duties. International human rights instruments, including the *Universal Declaration of Human Rights* and the *International Covenant on Civil and Political*

Rights state that respect for human rights is essential to advancing the rule of law. Article 16 of the *United Nations Basic Principles on the Role of Lawyers* states "governments shall ensure that lawyers are able to perform all of their professional functions without intimidation, hindrance, harassment or improper interference; are able to travel and to consult with their clients freely; and shall not suffer, or be threatened with, prosecution or administrative, economic or other sanctions for any action taken in accordance with recognized professional duties, standards and ethics." Article 18 states "lawyers shall not be identified with their clients or their clients' causes as a result of discharging their functions."

The Law Society urges the government of Swaziland to:

a. guarantee all the procedural rights that should be accorded to Thulani Rudolf Maseko and other human rights defenders in Swaziland;
b. guarantee in all circumstances the physical and psychological integrity of Thulani Rudolf Maseko;
c. put an end to all acts of harassment against Thulani Rudolf Maseko and other human rights defenders in Swaziland;
d. ensure that all lawyers can carry out their peaceful and legitimate activities without fear of physical violence or other human rights violations; and
e. ensure in all circumstances respect for human rights and fundamental freedoms in accordance with international human rights standards and international instruments.

Yours very truly,

Thomas G. Conway
Treasurer

**The Law Society of Upper Canada is the governing body for 46,200 lawyers and 6,200 paralegals in the Province of Ontario, Canada. The Treasurer is the head of the Law Society.*

The mandate of the Law Society is to govern the legal profession in the public interest by upholding the independence, integrity and honour of the legal profession for the purpose of advancing the cause of justice and the rule of law.

Cc:
Prime Minister Barnabas Sibusiso Dlamini
Office of the Prime Minister
Cabinet Offices, Hospital Hill
P.O. Box 395
Mbabane, Swaziland

Mr. Majahenkhaba Dlamini
Attorney General
P.O. Box 578
Mbabane, Swaziland

Proposed Public Statement

The Law Society of Upper Canada Expresses Grave Concerns about the Arrest and Detention of Human Rights Lawyer Thulani Rudolf Maseko in Swaziland

Toronto — The Law Society of Upper Canada is gravely concerned about the arrest and detention of Thulani Rudolf Maseko in Swaziland.

On March 17, 2014, Thulani Rudolf Maseko, a human rights lawyer, was arrested on charges of "scandalizing the judiciary" and "contempt of court" following the publication of articles criticizing the judicial system. The charges arose from articles he wrote for *The Nation* in February and March 2014.

The articles raised concerns regarding the arrest of government vehicle inspector Bhantshana Vincent Gwebu who was arrested by authorities after he arrested High Court Judge Esther Ota's driver. The articles also raised the issue of the lack of impartiality of Swaziland's judicial system.

Thulani Rudolf Maseko was expected to appear in open court for indictment proceedings on March 18, 2014. Instead, he appeared at a private hearing held in Chief Justice Ramodibedi's chambers. Following this private hearing, he was remanded into custody until his bail hearing on March 25, 2014.

On March 26, 2014, High Court Judge Mpendulo Simelane dismissed Thulani Rudolf Maseko's application requesting that he be released on his own recognizance and be duly served with a summons to appear before the court. His lawyer argued that the High Court of Swaziland is not a remand court and that the *Criminal Procedure and Evidence Act* is clear that all remands must be made by a magistrate. However, the High Court remanded Thulani Rudolf Maseko into custody.

Recent reports indicate that Thulani Rudolf Maseko has now been released. On April 6, 2014, High Court Judge Mumcy Dlamini set aside the charges and warrant of arrest and that was issued by Chief Justice Michael Ramodibedi against Thulani Rudolf Maseko.

The Law Society is deeply concerned about situations where lawyers who work for the protection and respect of human rights are themselves targeted for exercising their freedoms and rights under international law. International human rights instruments, including the *Universal Declaration of Human Rights* and the *International Covenant on Civil and Political Rights* state that respect for human rights is essential to advancing the rule of law. Article 16 of the *United Nations Basic Principles on the Role of Lawyers* states "governments shall ensure that lawyers are able to perform all of their professional functions without intimidation, hindrance, harassment or improper interference; are able to travel and to consult with their clients freely; and shall not suffer, or be threatened with, prosecution or administrative, economic or other sanctions for any action taken in accordance with recognized professional duties, standards and ethics." Article 18 states "lawyers shall not be identified with their clients or their clients' causes as a result of discharging their functions."

The Law Society urges the government of Swaziland to:

a. guarantee all the procedural rights that should be accorded to Thulani Rudolf Maseko and other human rights defenders in Swaziland;
b. guarantee in all circumstances the physical and psychological integrity of Thulani Rudolf Maseko;
c. put an end to all acts of harassment against Thulani Rudolf Maseko and other human rights defenders in Swaziland;
d. ensure that all lawyers can carry out their peaceful and legitimate activities without fear of physical violence or other human rights violations; and
e. ensure in all circumstances respect for human rights and fundamental freedoms in accordance with international human rights standards and international instruments.

The Law Society of Upper Canada is the governing body for 46,200 lawyers and 6,200 paralegals in the Province of Ontario, Canada, and the Treasurer is the head of the Law Society. The mandate of the Law Society is to govern the legal profession in the public interest by upholding the independence, integrity and honour of the legal profession for the purpose of advancing the cause of justice and the rule of law.

The Law Society urges the legal community to intervene in support of members of the legal profession in their effort to advance the respect of human rights and to promote the rule of law.

[DATE]

Ms. Kondwa Sakala-Chibiya
President, SADC Lawyers' Association
304 Brooks Street
Menlo Park, Pretoria
South Africa 0102

Dear President Sakala-Chibiya,

Re: arrest and detention of Thulani Rudolf Maseko

The Law Society of Upper Canada is the governing body for more than 46,200 lawyers and 6,200 paralegals in the province of Ontario, Canada. The Law Society is committed to preserving the rule of law and to the maintenance of an independent Bar. Due to this commitment, the Law Society established a Human Rights Monitoring Group ("Monitoring Group"). The Monitoring Group has a mandate to review information of human rights violations targeting, as a result of the discharge of their legitimate professional duties, members of the legal profession and the judiciary, in Canada and abroad. The Monitoring Group reviews such information and determines if a response is required of the Law Society.

I write to inform you that on the advice of the Monitoring Group, the Law Society of Upper Canada sent the attached letter to King Mswati III of Swaziland expressing our deep concerns about the arrest and detention of human rights lawyer Thulani Rudolf Maseko for sedition and subversive activities.

In view of the fact that your organization represents the interests of lawyers and law societies throughout the Southern Africa, we would value the opportunity to communicate with you in regard to what problems, if any, lawyers or members of the judiciary may be experiencing in Swaziland.

If you are willing and able to do so, we would be very interested in hearing from you concerning the situation noted in the attached letter. In particular, if we have any of the facts in the case wrong, it would assist us in our work to know that.

Please forward any further correspondence to the attention of Josée Bouchard, Equity Advisor, The Law Society of Upper Canada, 130 Queen St. West, Toronto, Ontario, Canada, M5H 2N6 or to jbouchar@lsuc.on.ca.

I thank you for your time and consideration.

Sincerely,

Paul Schabas
Chair, Human Rights Monitoring Group

[DATE]

Mr. Mark Stephens
President, Commonwealth Lawyers Association
Institute of Commonwealth Studies
17 Russell Square
London
WC1B 5DR, UK

Dear President Stephens,

Re: arrest and detention of Thulani Rudolf Maseko

The Law Society of Upper Canada is the governing body for more than 46,200 lawyers and 6,200 paralegals in the province of Ontario, Canada. The Law Society is committed to preserving the rule of law and to the maintenance of an independent Bar. Due to this commitment, the Law Society established a Human Rights Monitoring Group ("Monitoring Group"). The Monitoring Group has a mandate to review information of human rights violations targeting, as a result of the discharge of their legitimate professional duties, members of the legal profession and the judiciary, in Canada and abroad. The Monitoring Group reviews such information and determines if a response is required of the Law Society.

I write to inform you that on the advice of the Monitoring Group, the Law Society of Upper Canada sent the attached letter to King Mswati III of Swaziland expressing our deep concerns about the arrest and detention of human rights lawyer Thulani Rudolf Maseko for sedition and subversive activities.

In view of the fact that your organization represents the interests of lawyers throughout the Commonwealth, we would value the opportunity to communicate with you in regard to what problems, if any, lawyers or members of the judiciary may be experiencing in Swaziland.

If you are willing and able to do so, we would be very interested in hearing from you concerning the situation noted in the attached letter. In particular, if we have any of the facts in the case wrong, it would assist us in our work to know that.

Please forward any further correspondence to the attention of Josée Bouchard, Equity Advisor, The Law Society of Upper Canada, 130 Queen St. West, Toronto, Ontario, Canada, M5H 2N6 or to jbouchar@lsuc.on.ca.

I thank you for your time and consideration.

Sincerely,

Paul Schabas
Chair, Human Rights Monitoring Group

[DATE]

Mr. Titus Mlangeni
President, Law Society of Swaziland
3rd Floor, Liqhaga Building
Nkoseluheaza Street
Manzini
Swaziland

Dear President Mlangeni,

Re: arrest and detention of Thulani Rudolf Maseko

The Law Society of Upper Canada is the governing body for more than 46,200 lawyers and 6,200 paralegals in the province of Ontario, Canada. The Law Society is committed to preserving the rule of law and to the maintenance of an independent Bar. Due to this commitment, the Law Society established a Human Rights Monitoring Group ("Monitoring Group"). The Monitoring Group has a mandate to review information of human rights violations targeting, as a result of the discharge of their legitimate professional duties, members of the legal profession and the judiciary, in Canada and abroad. The Monitoring Group reviews such information and determines if a response is required of the Law Society.

I write to inform you that on the advice of the Monitoring Group, the Law Society of Upper Canada sent the attached letter to King Mswati III of Swaziland expressing our deep concerns about the arrest and detention of human rights lawyer Thulani Rudolf Maseko for sedition and subversive activities.

In view of the fact that your organization represents the interests of lawyers throughout Swaziland, we would value the opportunity to communicate with you in regard to what problems, if any, lawyers or members of the judiciary may be experiencing in Swaziland.

If you are willing and able to do so, we would be very interested in hearing from you concerning the situation noted in the attached letter. In particular, if we have any of the facts in the case wrong, it would assist us in our work to know that.

Please forward any further correspondence to the attention of Josée Bouchard, Equity Advisor, The Law Society of Upper Canada, 130 Queen St. West, Toronto, Ontario, Canada, M5H 2N6 or to jbouchar@lsuc.on.ca.

I thank you for your time and consideration.

Sincerely,

Paul Schabas
Chair, Human Rights Monitoring Group

From the President

The Law Society

Mr Paul Schabas
Chair, Human Rights Monitoring Group
The Law Society of Upper Canada
Osgoode Hall
130 Queen Street West
Toronto, Ontario
CANADA
M5H 2N6

17 March 2014

Dear Mr Schabas

Thank you for your letter of 4 March and for bringing to my attention the issues raised regarding the security of lawyers both in Uganda and Nigeria which is of grave concern to us at the Law Society of England and Wales.

The Law Society represents more than 166,000 solicitors in England and Wales. It's concerns include upholding the independence of the legal profession, the rule of law and human rights throughout the world.

It is deeply worrying to hear that lawyers in both Nigeria and Uganda are being targeted due to carrying out their legitimate working with persons in the LGBT communities. As you rightly point out the UN basic principles on the Role of Lawyers clearly sets out that governments should ensure that lawyers are able to perform their professional duty free from 'intimidation, hindrance, harassment or improper interference' and that in doing so lawyers should not be 'identified with their clients or their clients' causes are a result of discharging their functions'.

It is therefore of great concern that the situation you describe is unfolding – unfortunately we are unable to shed any more light on the situation but will be keeping a close eye on developments. The Law Society places a great value in supporting our fellow lawyers around the globe and would welcome discussions with yourselves on ways we can collaborate to highlight the issues that are threatening lawyers in both Nigeria and Uganda.

Yours sincerely

Nicholas Fluck
President

Direct Line: 020 7320 5603
Direct Fax: 020 7320 5759
nicholas.fluck@lawsociety.org.uk

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113 Chancery Lane London WC2A 1PL Dx 56 Lon/Chancery Ln
t: 020 7242 1222 f: 020 7831 0344 www.lawsociety.org.uk

Ursel Phillips Fellows Hopkinson LLP
JUSTICE AT WORK

Susan Ursel
Direct Dial: 416-969-3515
E-mail: sursel@upfhlaw.ca

March 10, 2014

Thomas G. Conway
Treasurer
Law Society of Upper Canada
Osgoode Hall
130 Queen Street West
Toronto, Ontario
M5H 2N6

Dear Mr. Conway:

Re: Law Society Statements regarding Lawyers in Uganda and Nigeria

I am writing to thank you for the swift support the Law Society of Upper Canada has shown the LGBT community and their lawyers in Uganda and Nigeria at this moment of acute need.

The Public Statement of the Law Society and the Society's letters to the Ugandan and Nigerian Authorities are much appreciated by me personally, my colleagues in Uganda and Nigeria, and everyone affected by this untenable situation. It is leadership like yours that makes me proud to be a member of our Law Society. I have forwarded the statement to our Ugandan colleagues and know that they are profoundly appreciative of your efforts.

With the signing of the Anti-Homosexuality Bill into law by President Museveni, the lives of thousands of LGBT citizens in Uganda have been thrown into uncertainty and danger. Similarly, the enactment of the Same Sex Marriage (Prohibition) Act in Nigeria has directly resulted in violence against the LGBT community there. It is absolutely vital that voices around the world be raised in support of them and against this violation of LGBT human rights.

It is particularly essential that support be shown for those members of our profession in Uganda who have taken on the task of constitutionally challenging this law. I am advised by my legal colleagues there that they anticipate filing the challenge in court tomorrow, March 11, 2014. They will know by the Law Society's actions that they are supported by their fellow professionals in Ontario as they undertake the most important work of lawyers- defending the human rights of all, even under the most difficult of circumstances.

And we should not be mistaken about how difficult legal work in Uganda has become. This challenged law has created the criminal offence of "promoting homosexuality"- arguably making it criminal to even raise alternative views of the rights of LGBT citizens in civil discourse. Almost certainly, the legal arguments raised against this law could be called "promotion" under the law in Uganda as it stands. Yet our fellow professionals have taken on the work of challenging the law in one of the finest demonstrations of the ethos of our profession.

It is a demonstration of the true leadership of our profession generally and the Law Society in particular that yours is a clear voice heard taking action against this human tragedy.

Thank you to the Law Society for your leadership and caring.

Yours truly,

Ursel Philips Fellows Hopkinson LLP

Susan Ursel
SU/js

c.c. Josee Bouchard
Paul Schabas

8 April 2014

Josée Bouchard
Equity Advisor
Law Society of Upper Canada
130 Queen Street West
Toronto, Ontario, Canada M5H 2N6

Dear Ms Bouchard,

Nauru

Thank you for your letter of 4 March 2014. Australia is also watching the situation in Nauru with great concern.

As you may be aware, the situation has developed further with the recent resignation of the Chief Justice of Nauru's Supreme Court, the Hon Geoffrey Eames AM QC.

Nauru has now announced its intention to appoint future judges on two-year contracts.

Developments in Nauru have been criticised publicly in the Australian and New Zealand media. The ABA has publicly set out its concerns in radio interviews and in the press.

We appreciate your interest in this rule of law matter, although we note that much of this is happening in the shadow of an ongoing issue about the off-shore processing of asylum seekers on Nauru and elsewhere, which is being undertaken on behalf of the Australian government.

Please do not hesitate to contact me.

Yours sincerely,

Mark Livesey

Mark Livesey QC
President

c/- Basement, Selborne Chambers, 174 Phillip Street, Sydney NSW 2000 / DX 1204 Sydney
ABN 12 205 148 843

TAB 10.2

PUBLIC EDUCATION EQUALITY AND RULE OF LAW SERIES CALENDAR 2014

For a list of upcoming events, please consult http://www.lawsocietygazette.ca/events/

HOLOCAUST REMEMBRANCE DAY
Date : April 28, 2014
Donald Lamont Learning Centre (5:00 p.m. – 6:15 p.m.)
Convocation Hall (6:15 p.m. – 7:30 p.m.)

Keynote: The Honourable Justice Rosalie Abella – Supreme Court Justice

8th ANNUAL DIVERSE CAREERS FOR WOMEN IN LAW
Date: May 1, 2014
Convocation Hall (5:30 p.m. – 8:30 p.m.)

Panelists: TBC

ASIAN AND SOUTH ASIAN HERITAGE MONTH
Date : May 22, 2014
Donald Lamont Learning Centre (4:00 p.m. – 6:00 p.m.)
Convocation Hall (6:00 p.m. – 8:00 p.m.)

Content: TBC

JUSTICIA SYMPOSIUM 2014
Date: May 28, 2014
Donald Lamont Learning Centre (11:30 a.m. – 4:45 p.m.)
Convocation Hall (5:00 p.m. – 7:00 p.m.)

"Train the Trainers" session (lunch provided): 11:30 a.m. – 12:50 p.m.
Introduction: 1:00 p.m. – 1:15 p.m.
Workshops: 1:25 p.m. – 4:05 p.m.
Panel Discussion: 4:15 p.m. – 4:45 p.m.
Reception and Keynote: 5:00 p.m. – 7:00 p.m.

ACCESS AWARENESS FORUM
Date: June 4, 2014
Donald Lamont Learning Centre (4:00 p.m. – 8:00 p.m.)

Keynote: TBC
Panel discussion: Theories and models of disability in law and practice
Panelists: TBC

PRIDE WEEK - June 17, 2014
Donald Lamont Learning Centre (5:30 p.m. – 7:30 p.m.)
Convocation Hall (7:30 p.m. – 9:30 p.m.)

Keynote: Ann-Marie MacDonald – Host CBC's Doc Zone, author and actress
Screening: Documentary – How We Got Gay
Moderated panel discussion: Ann-Marie MacDonald, Marc de Guerre (director of the documentary) and LGBT lawyers.

NATIONAL ABORIGINAL HISTORY MONTH - June 19, 2014
Donald Lamont Learning Centre (4:00 p.m. – 6:00 p.m.)
Convocation Hall (6:00 p.m. – 8:00 p.m.)

The Law Society of Upper Canada | Barreau du Haut-Canada

TAB 11
Report to Convocation
April 24, 2014

Access to Justice Committee

Access to Justice Committee

Marion Boyd (Co-Chair)
Cathy Corsetti (Co-Chair)
Adriana Doyle (Vice-Chair)
Michael Lerner (Vice-Chair)
Mary Louise Dickson
Robert Evans
Avvy Go
Michelle Haigh
Susan Hare
George Hunter
Virginia MacLean
Susan McGrath
Janet Minor
Barbara Murchie
Jack Rabinovitch
Susan Richer
Baljit Sikand

Purpose of Report: Information

Prepared by the Equity Initiatives Department
(Marisha Roman, Aboriginal Initiatives and Policy Counsel – 416-947-3989)

COMMITTEE PROCESS

1. The Access to Justice Committee (the "Committee") held its regular meeting on April 9, 2014. Committee members Marion Boyd (Co-Chair), Cathy Corsetti (Co-Chair), Adriana Doyle (Vice-Chair), Michael Lerner (Vice-Chair), Mary Louise Dickson, Robert Evans, Avvy Go, Michelle Haigh, Susan Hare, Virginia MacLean (telephone), Susan McGrath, Janet Minor, Susan Richer and Baljit Sikand participated. Howard Goldblatt (Chair), Julian Falconer (Vice-Chair), Raj Anand (telephone) and Judith Potter attended as members of the Equity and Aboriginal Issues Committee. Marian Lippa and Brian Lawrie attended as members of the Paralegal Standing Committee. Staff members Julia Bass, Denise McCourtie, Marisha Roman, and Grant Wedge attended.

2. The Committee received an update from staff on the status of the public legal information guide as well as the Legal Information for Everyone/ Information juridiques accessible à tous (LIFE/IJAT) projects.

FOR INFORMATION

UPDATE - NEXT STEPS FOR THE ACTION GROUP ON ACCESS TO JUSTICE (TAG) AND DEVELOPMENT OF THE LAW SOCIETY'S ACCESS TO JUSTICE STRATEGY

BACKGROUND

3. At its February 27, 2014 meeting, Convocation approved the final report of the Treasurer's Advisory Group on Access to Justice prepared by the members of the initiative's working group.

4. Grant Wedge, Executive Director of the Policy, Equity and Public Affairs division of the Law Society, will oversee the development of the implementation plan for the recommendations of the Treasurer's Advisory Group, now renamed The Action Group on Access to Justice (TAG), including the development of the Law Society's access to justice strategy.

UPDATE

5. At its April 9th meeting, Grant Wedge presented an update for members of the Access to Justice Committee's consideration. Members of the Equity and Aboriginal Issues Committee were also invited to attend. This update outlined a framework proposal and identified next steps for the engagement of internal and external stakeholders in the TAG implementation process.

6. The internal process proposed facilitated workshops for members of the Access to Justice and Equity and Aboriginal Issues committees and other interested benchers beginning in May. The goal of the workshops will be the identification of a strategic access to justice policy position for the Law Society.

7. The external process proposed the continuation of consultation with external stakeholders. The consultation will continue to inform the Law Society as it develops its external strategic plan and will facilitate the updating and expansion

of the directory of Ontario access to justice initiatives and resources, originally prepared for the TAG Symposium in October 2013.

8. As part of this consultation process, the Law Society is hosting two events. On April 22, the Law Society is hosting a reception for the Juries Review Implementation Committee. This committee was created as a result of the recommendations from the report, "*First Nations Representation on Ontario Juries*", prepared by Justice Iacobucci and released in February 2013. On June 3, the Law Society is hosting an event with TAG stakeholders where plans for the next phase for the implementation of the external strategy for TAG will be announced.

9. The members of both committees supported the framework and proposed implementation plan. Updates will be provided to Convocation as this matter progresses.

The Law Society of Upper Canada | Barreau du Haut-Canada

TAB 12

Report to Convocation
April 24th, 2014

Paralegal Standing Committee

Committee Members
Cathy Corsetti, Chair
Susan McGrath, Vice-Chair
Marion Boyd
Robert Burd
Ross Earnshaw
Robert Evans
Michelle Haigh
Jacqueline Horvat
Brian Lawrie
Marian Lippa
Dow Marmur
Malcolm M. Mercer
Jan Richardson

Purpose of Report: Information

Prepared by the Policy Secretariat
Julia Bass 416 947 5228

Committee Process

1. The Committee met on April 9th, 2014. Committee members present were Cathy Corsetti (Chair), Susan McGrath (Vice-Chair), Robert Burd (by telephone), Ross Earnshaw, Robert Evans, Michelle Haigh, Jacqueline Horvat, Brian Lawrie, Marian Lippa, Malcolm Mercer, and Jan Richardson. Staff members attending were Jim Varro, Sophia Sperdakos, Margaret Drent and Julia Bass.

FOR INFORMATION

PARALEGAL STANDING COMMITTEE CHAIR

2. Sections 130.1 to 130.13 of By-law 3 provide for the annual election of the Chair of the Paralegal Standing Committee. The By-Law requires the election of the Chair to be the first item of business at the meeting one year from the last Committee Chair election, or, in a year in which the paralegal members of the Committee are elected, the first meeting of the Committee following that election. Since the paralegal election was held on March 31st 2014, the election of the Chair was required to be the first item of business at the meeting in April 2014.

3. In accordance with section 130.4 of the by-law, the Director of Policy, Jim Varro, was appointed Elections Officer by the CEO, Robert Lapper. Mr Varro attended the meeting to preside over the election.

4. The By-law further requires that the person elected be appointed Chair.

5. Since there was only one nomination for the position, Ms Cathy Corsetti, Ms Corsetti was declared elected and was therefore re-appointed Chair of the Committee for a further one year term.