





# *Law Society of Upper Canada*

## *1987 Annual Report*

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## *Introduction*

### *The Law Society of Upper Canada...*

was formed in Newark, now Niagara-on-the-Lake, in 1797 when 10 practitioners met and called themselves and five others to the Bar. Six Benchers were appointed, one of whom, Attorney General John White, became Treasurer, as the head of The Society is called, following the tradition of the English Inns of Court.

In 1822 The Society was incorporated so as to have power to hold lands and in 1828 it purchased 6.4 acres on what is now Queen Street at the head of York Street and built the nucleus of Osgoode Hall which has been extended many times over the years.

The first meeting of the Benchers took place in The Society's new premises on February 6, 1832. Osgoode Hall has been home to The Society ever since.

In 1846, The Society entered into an agreement with the Provincial Government to provide accomodation at Osgoode Hall for the Superior Courts of Law and Equity and the Provincial Government remained a tenant of The Law Society until 1874. In that year, The Society deeded to the government the areas of Osgoode Hall which now house the Supreme Court of Ontario.

### **THE LAW SOCIETY OF UPPER CANADA...**

is the governing body of Ontario's lawyers and is responsible for their education, licencing, supervision and discipline. The Society's affairs are conducted by 44 elected and appointed Benchers, 40 of whom are chosen by their colleagues during elections held every four years, four are appointed by the Lieutenant Governor-in-Council and there is a small number of ex-officio Benchers.

## *Treasurer's Message*

As the newly-elected Treasurer of The Law Society of Upper Canada, I am pleased to have this opportunity to review the activities of the past fiscal year's activities to June 30, 1987, and to look ahead to the future.

The following pages outline in some detail the work of the Society's Committees and provide as well financial statements and a list of Benchers and senior staff.

The fiscal year featured the election of Benchers from among the 19,500 members of the profession—an event which occurs every four years. Despite encouragement from the Society, unfortunately the percentage of eligible voters who cast ballots declined to 54% from 58% from the previous election of 1983. It is of interest and encouraging that the highest participation rate was among those called to the Bar within the last 5 years. The Benchers are implementing new programs to stimulate communication with the members which may, hopefully and desirably, improve the percentage of members participating in this important election in future years.

The Society also welcomed four new lay Benchers, who were appointed by the Lieutenant Governor in Council. They bring their varied backgrounds and experience to the deliberations of our Committees and Convocation to the benefit of the profession and the public.

Without the dedicated efforts of the elected and lay Benchers, a number of ex-officio Benchers and of the staff of the Society, none of the goals recorded in this Report would have been possible and the work of Convocation and its Standing and Special Committees would have been impossible.

At the senior staff level, Convocation has approved several changes which will occur during the 1987-88 fiscal year. Rendall Dick, the Under Treasurer, will retire on December 31, 1987 to be replaced by the current Secretary, Kenneth Jarvis. At the same time Richard Tinsley will assume the position of Secretary and Margaret Angevine will become Deputy Secretary. On June 30, 1988, Mr. Jarvis will retire and the post of Under Treasurer will be filled by Donald A. Crosbie, currently Deputy Minister of Energy.

Among the positive notes sounded during the year was the resolution of the prepaid legal insurance matter in a way which satisfies the Society that members of the CAW program have freedom of choice in their selection of a lawyer to help them.

With respect to the role of paralegals in Ontario's legal system, the Court of Appeal dismissed the Society's appeal in the POINTTS case. The Society decided not to appeal the Court's decision but in the absence of Government regulation of paralegals, it will continue to protect the public by prosecuting with vigor individuals engaging in the unauthorized practice of law. However, at the same time, the Society established a committee to study the question of paralegals for a second time and, in due course, a report will be produced setting forth the Society's position.

After many years of debate, the Society changed its rules respecting individual lawyer advertising effective January 1, 1987. Since that date, members have been allowed much greater freedom to inform members of the public of their services and, to date, the changes have not resulted in any significant problems.



While no progress has been made yet in the matter of establishing a national insurance program, Convocation learned during the year that a recent comparison of errors and omissions insurance coverage and premiums between Ontario and other jurisdictions in Canada and elsewhere—at both the mandatory and excess coverage levels—showed that Ontario's lawyers enjoy the best coverage at the lowest premiums of almost any jurisdiction in North America.

The Insurance Department was able to report during the fiscal year that there would be no increase in the base premiums paid by members during the 1987-88 year.

The Society's Compensation Fund, which makes payments to clients who have suffered a financial loss through the dishonesty of a member, increased the limit on the amount that will normally be paid out of the Fund in respect of any one former member from \$500,000 to \$1,000,000 effective in respect of funds advanced to a solicitor on or after July 1, 1987. Despite the increase, Convocation was able to reduce the individual member's Compensation Fund levy for 1987-88 from \$250 to \$225.

Due to a number of factors, Convocation announced that the Annual Fee for the 1987-88 year would be reduced from \$935 to \$918.

The Society's programs designed to provide the public with free access to general legal information (Dial-A-Law) and low-cost access to legal advice (Lawyer Referral Service) continued to help more members of the public during the year. As well, Convocation has decided that effective January, 1988, callers to the Society's Lawyer Referral Service will be given the names of lawyers willing to provide up to a half-hour consultation at no charge.

The Reports which follow in this Report provide additional insight into the Society's operations during the past year. They are, I believe, a true reflection of our profession's continuing commitment to providing competent, efficient and cost-effective legal services to the people of Ontario.



W. Dan Chilcott, Q.C.  
*Treasurer*

## *Election Of Benchers 1987*

In April 1987 eligible members of the profession cast ballots in the quadrennial election of benchers. One hundred candidates from across the province, including thirty-two incumbents, vied for the forty positions. After the 10,287 ballots had been counted, ten new benchers were elected to The Law Society's governing body. John Sopinka of Toronto garnered the most votes of any candidate, receiving a favourable response on 51.6% of the ballots. A large proportion of younger members cast ballots, which indicated a high level of awareness and interest. Indeed, the greatest response was from members called since 1981, with over 72% of them voting. The lowest turnout was of members with more than fifteen years experience, of whom only 46% voted. Overall, a gradual decline in participation, both in candidates nominated and ballots cast, continued the trend of recent elections of benchers.

## *Law Society Medal*

Five distinguished members of the Bar were honoured in May, 1987, with the award of the Law Society Medal. The honour, established by the Benchers in 1984, is granted to members of the Society who perform the ordinary tasks of a lawyer but with such diligence or effectiveness or so much to the benefit of the profession as a whole that they are deserving of recognition.

Nominations for the award are reviewed by The Law Society Medal Committee which is composed of the Chief Justice of Ontario, the President of the Canadian Bar Association — Ontario, the President of the Advocates Society, the Chairman of Ontario Law Deans, the Treasurer of the Society and four Benchers.

Those awarded the Law Society Medal were Robert Evans Barnes, George Edwin Beament, Frank Iacobucci, Donald Hector Lines Lamont, and Herbert Allan Borden Leal.

Second floor rotunda, Osgoode Hall



# Committee Reports

## ADMISSIONS COMMITTEE

*Chairman: Paul G. Philp, Q.C.*

### BRITISH SUBJECTS

The Law Society Act provides that to be called to the Bar in Ontario candidates must be either Canadian citizens or other British subjects. That provision has been amended by the legislature as of July 1st, 1989 to remove the British subject qualification. The Amendment further provides that members who are then British subjects but not Canadian citizens will automatically lose their membership in the Society and their right to practise law.

Members who may be affected by this amendment are asked to bring their circumstances to the Secretary's attention.

### CALLS AND ADMISSIONS

From July 1, 1986 to June 30, 1987 sixty-nine applications to transfer to practice in Ontario from other Canadian provinces were received as follows:

Alberta	18
British Columbia	13
Manitoba	8
New Brunswick	1
Newfoundland	3
Northwest Territories	1
Nova Scotia	6
Quebec	13
Saskatchewan	6

Under Regulation 4, which governs the transfer to practice in Ontario of members of other Canadian provinces, 36 applicants were called to the Bar and admitted as solicitors.

Under Regulation 5, which governs the admission of law teachers, 10 professors were called to the Bar and admitted as solicitors.

Under Regulation 6, which governs Occasional Court Appearances, 24 applicants were called to the Bar and admitted as solicitors.

### TRANSFER REGULATION

#### *Modification of Examination Procedures*

Effective March, 1988, Bar Admission Course Transfer Examinations will be offered to transfer applicants as an option to taking the usual Transfer Examinations or to those candidates who fail the usual Transfer Examinations. Candidates will receive Bar Admission Course materials and be examined in Real Estate and Landlord and Tenant, Civil Procedure, Family Law, Estate Planning, Creditors' and Debtors' Rights and Business Law.

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## COMPENSATION FUND COMMITTEE

Chairman: Hugh Guthrie, Q.C.

For another year new claims received were down from the high volume of claims experienced in the early 1980's. Claims received in the fiscal year ending June 30, 1987, were \$5.6 million. This is \$500,000 more than the previous year but still less than half the total of claims received in the 1981-1982 fiscal year.

The balance in the Compensation Fund as of June 30, 1987 was \$18,089,290, up \$4.2 million from the previous year and about \$15 million more than was in the Compensation Fund in 1982. Because of the Fund's healthy financial position, Convocation adopted the Committee's recommendation to reduce the annual Compensation Fund levy to \$225 from \$250.

Grants in the 1986-1987 fiscal year totalled \$1,469,749, down \$780,615 from the previous year.

The Compensation Fund Committee reviewed the limits set in 1979, namely the per claimant limit of \$50,000 and the per solicitor limit of \$500,000. It was decided the per claimant limit of \$50,000 should remain. However because there have been occasions where total claims made against one solicitor have exceeded \$2 million it was decided the per solicitor limit should be increased to \$1 million. The full effect of this doubling of the per solicitor limit will not be immediate as it only applies to cases where the funds are advanced to the dishonest solicitor on or after July 1, 1987.

Losses continue to arise almost exclusively in situations where the solicitor has agreed to invest a client's monies. Invariably the client has shown no interest in the particular investment, relying entirely on the integrity of the solicitor and thereby making it very easy for a dishonest solicitor to obtain funds. To help prevent this, the Compensation Fund Committee prepared an article of a consumer education nature encouraging clients to insist on being properly advised about their proposed investment and to assess the risks before turning over the funds.

## COUNTY AND DISTRICT LIAISON COMMITTEE

Chairman: James B. Chadwick, Q.C.

The Committee continued in 1986-87 to ensure that the County and District Law Associations through their executives are kept aware of the issues and solutions to problems under consideration by the Society.

The Committee meets on a regular basis with the executive of the County and District Law Associations' Presidents Committee and, twice a year, there are plenary sessions with representatives of the County and District Law Associations.

As a result of the work of the Committee local law associations are able to make the Benchers aware of their concerns. In addition, representatives of the law associations have assisted some of the Society's standing and special committees.

## DISCIPLINE COMMITTEE

Chairman: A. Burke Doran, Q.C.

During the 1986-1987 fiscal year, 105 complaints were issued by the Society against members alleging professional misconduct or conduct unbecoming a barrister and solicitor. A total of 96 days of discipline hearings were held.

In addition to the matters disposed of in Committee, 29 discipline matters were dealt with by Convocation at 8 special Convocations resulting in the following dispositions:

Disbarments	9
Permitted to Resign	9
Suspended	5
Reprimanded in Convocation	6

Comparable statistics showing results for the preceding five years are as follows:

	1987	1986	1985	1984	1983	1982
Disbarments	9	11	8	21	14	25
Permitted to Resign	9	6	5	15	11	11
Suspended	5	6	4	3	7	3
Reprimanded in Convocation	6	9	9	6	10	11
	29	32	26	45	42	50

The first disbarment arising out of the Society's intensive investigation into "The Trust Companies Affair" occurred during the 1986-87 year and it is expected that a significant number of lawyers will be disciplined before the investigation is concluded.

### COMPLAINTS

The Society receives numerous complaints during the course of the year about the conduct of members. Of these, many can be resolved immediately while others require more attention. During the past year, some 3,000 complaints resulted in the opening of a file by the Society and preliminary investigation. In almost every case, there was no misconduct on the part of the member which warranted disciplinary proceedings by the Society.

In many instances however, the discipline staff are instrumental in resolving minor problems between solicitors and clients and in providing clients with a more realistic idea of what they should and can expect from their lawyers.

Complainants who are not satisfied with the disposition of their complaints by the discipline staff may have the decision reviewed by one of the Complaints Commissioners. In the past year 39 complaints were reviewed and of these, only two were referred back to the discipline staff for further investigation.

This year, new procedures were implemented to ensure that complaints are responded to promptly and effectively by the staff. As well, a liaison has been established with both the Office of the Ombudsman and the Ministry of the Attorney-General to encourage the exchange of information with these bodies in appropriate circumstances to facilitate the handling of complaints. Finally, the Society commissioned the design of the computer software to record and monitor the handling of complaints. This program is now operational and will generate valuable statistics in addition to its file management capability.

## FINANCE COMMITTEE

*Chairman: John D. Ground, Q.C.*

The Financial Statements reflect the results for the Society's three main funds to June 30, 1987. The General Fund encompasses administrative and professional purposes including the Bar Admission Course and Continuing Legal Education operations. The Errors and Omissions and Compensation Funds show the results of those two specific services provided by the Society as outlined in greater detail below.

### GENERAL FUND

The General Fund shows an excess of revenue over expenditures of \$251,064 compared to \$433,408 for the previous year. A large portion of this surplus was generated by better than expected results from the Society's expanded Continuing Education Programmes which generated a surplus of \$100,966 compared to a deficit of \$12,843 last year.

The balance of the surplus this year resulted from better than expected return on investments and cost savings in several departments partly offset by increased costs in the Secretariat, Discipline and Audit departments. Increased demands on these areas both from members of the profession and increased services to the public in matters of complaints review and referral services have forced the Society to rent additional space at our 204 Richmond Street offices. Additional costs of approximately \$100,000 for rent and relocation are included in these figures.

The annual fees for 1986-87 were \$935, of which approximately one half or \$477.50, went into the General Fund. This reflects an increase of only 14% in the four years since 1983-84. The Annual Fee was not increased for the 1987-88 fiscal year. Below is a schedule outlining the fees and levies.

	1983-84	1984-85	1985-86	1986-87	1987-88
Annual fee	\$418.00	\$448.00	\$460.00	\$477.50	\$478.00
County & District Libraries	—	15.00	25.00	32.50	40.00
Compensation Fund	275.00	275.00	275.00	250.00	225.00
T O T A L	\$693.00	\$738.00	\$760.00	\$760.00	\$743.00
Legal Aid	—	—	—	175.00	175.00
T O T A L	\$693.00	\$738.00	\$760.00	\$935.00	\$918.00

### ERRORS AND OMISSIONS INSURANCE FUND

While showing an excess of revenue over expense for the year of \$6,047,022 compared to \$3,423,052 last year, reserves for outstanding claims are not reflected. Note 5 to the financial statements explains that the possible liability of the fund has increased from \$26,484,000 to \$34,938,000. The Director of Insurance in negotiating this policy has been faced with a higher "stop-loss" limit this year and it appears that the upward pressure will continue for the foreseeable future. The "stop-loss" is the limit of aggregate claims paid at which the insurer becomes liable.

In 1985-86 that limit was \$12,250,000, in 1986-87 it was \$20,000,000 and in 1987-88 it is \$22,000,000. In other words, the Society must bear the first \$22,000,000 in claims payments over the life of the 1987-88 fund.

It is for these reasons that the net surplus in the fund of \$42,464,284 less reserves of \$34,938,000 is being retained to "capitalize" the fund.

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## COMPENSATION FUND

The excess of revenue over expenses for the year is \$4,237,685 compared to \$3,383,276 last year leaving a surplus in the fund at June 30, 1987 of \$18,099,290. As with the Errors & Omissions Insurance Fund this is a cash position with no provision for outstanding claim liabilities. Grant applications on hand at the year-end total \$13,792,320. The trend of the last two years has continued as the Compensation Fund Committee has been able to expedite the handling of claims so that applications have come down from a peak, of \$25,958,000 in 1985 to \$18,612,000 in 1986.

The Society maintains a conservative financial approach to the Compensation Fund since potential claims against the Fund cannot be projected accurately. Many claims involve real estate matters, and, accordingly, limits on the fund have been raised to \$1,000,000 per solicitor. It is felt that the increased value of the surplus in the fund will allow the Society to meet any unforeseen increase in claims upon it. The levy last year was \$250 and for 1987-88 it has been reduced to \$225. The Committee will continue to monitor the experience of the fund through the next fiscal year.

## LEGAL AID COMMITTEE

*Chairman: Lee K. Ferrier, Q.C.*

## GENERAL

Once more, the number of people helped by the Ontario Legal Aid Plan rose above the half-million mark for the third time in its 20-year history.

In 1986-87 (ending March 31, 1987), a total of 127,739 individuals applied for a legal aid certificate — an increase of 12,739 or 11% over the same period in 1985-86. Of the number who applied, 98,870 (or 77.4%) were issued a legal aid certificate—an increase of 8,136 over the previous year.

A total of 319,534 individuals received summary legal advice and/or representation through the Plan's Duty Counsel Program across the Province compared with 281,821 last year — an increase of 13.4%.

The Plan intends to establish a pilot project in the Kitchener-Waterloo region to test the "Green Form" system of improved access to legal services. The program will allow qualifying individuals to obtain up to 4 hours of advice from a participating local lawyer. The individual will not have to attend at the local Legal Aid area office and the qualifying procedures, although still designed to ensure that basic financial qualifications are met, will be simplified.

The test period in the Kitchener-Waterloo region, which takes in urban, suburban and rural communities, will help the Plan determine if this approach to delivering summary legal advice reduces administrative costs and makes legal help more available to Ontario's citizens.

## TARIFF

In October, 1986, after negotiations between the Society and the Ministry of the Attorney General, legislation was passed (retroactive to July 1, 1986) granting an increase to fees paid to lawyers acting for qualifying legal aid clients. The Legislation reduced the statutory reduction on all fees paid from 25% to 5%, which increased the level of fees paid by about one-third. In return, the Society agreed to meet half of the administrative costs of the Plan through a levy of \$175 on each member of the profession and through the 5% statutory reduction noted above.

The increases reflect the recommendations of an independent Factfinder's Report which called for a series of staged increases to the Tariff. To date, two of the stages have been implemented.

## CLINIC FUNDING COMMITTEE

*Chairman: Thomas G. Bastedo, Q.C.*

The role of the independent community legal clinics within the Ontario Legal Aid Plan continued to develop during the last fiscal year.

The Clinic Funding Committee has responsibility under the Regulation for funding, and policy affecting community clinics. In accordance with the Regulation, and the clinic certificate signed on behalf of the Plan and by each clinic, community clinics are administered by Boards of Directors elected by, and representative of, the communities served by the clinics. The Boards must establish financial eligibility guidelines and case priorities for the work of the clinic, and are financially accountable to the Clinic Funding Committee.

The members of clinic Boards of Directors have continued in 1986-87 to provide many hours of volunteer time to clinic work, thereby contributing much to the successful operation of community legal clinics.

The funds allocated for clinic funding increased from \$11.4 million in 1985-86 to \$13.6 million in 1986-87.

Since 1976 when 13 existing clinics were first funded by the Ontario Legal Aid Plan, the number of clinics has increased to 59 across the entire province. In 1986-87 the Clinic Funding Committee approved funds to establish six new clinics. The new clinics funded were: Brant County Community Legal Clinic, Willowdale Community Legal Services, Windsor/Essex Bilingual Legal Clinic, Community Legal Assistance Sarnia, South Ottawa Community Legal Services, and Metro Chinese and Southeast Asian Legal Clinic.

The Committee also approved the allocation of 18 additional staff positions to existing clinics to assist them in better serving their communities.

Clinic legal services continue to be provided by both lawyers and community legal workers. A number of clinics provide a wide range of general legal assistance and representation in such administrative law areas as workers' compensation, unemployment insurance, welfare, pensions, immigration, and employment rights; clinics also assist with landlord/tenant disputes, debtor/creditor problems and family matters, such as juvenile and child welfare problems. The Clinic Funding Committee has also continued funding clinics which offer specialized legal services, including such matters as parole and sentencing (Queen's Correctional Law Project), environmental law (the Canadian Environmental Law Association), law for the handicapped (the Advocacy Resource Centre the Handicapped), children's law (Justice for Children), seniors' law (Advocacy Centre for the Elderly), workers' compensation (Injured Workers' Consultants and Industrial Accident Victims Group of Ontario), landlord/tenant problems (Metro Tenants Legal Services, Landlord's Self Help Centre, and Tenant Hotline), and public legal education of clinics provide services to special communities, including the Spanish-speaking community in Toronto, the Chinese-speaking community in Toronto, and native communities in Kenora, Sioux Lookout, Thunder Bay District, and Moosonee/Moose Factory and James Bay coast.

In addition, the case-related services, clinics have continued in 1986-87 to fulfill their special mandate under the Regulation "to encourage access" to legal services and to provide services "designed to promote legal welfare" of their communities. Many clinics initiated community legal education and preventive law activities during the fiscal year, assisted with significant law reform proposals, and engaged in widespread efforts to create better access to the legal aid system and legal services. The Committee also allocated special funds to 15 clinics for particular legal education and outreach projects, many designed to improve access to legal services by the disabled.

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## COMMUNITY LEGAL CLINICS — 1986 STATISTICS

Files opened	25,350	
Summary Advice	104,373	
Referrals:		
To private bar	11,369	
To Legal Aid Plan	10,354	
To other	25,560	47,483
		177,206
Public Legal Education Sessions	1,287	
Legal Education Publications	303	
Briefs/Submissions to public bodies	452	

## ADMINISTRATION

Hugh Guthrie, Q.C., Vice-Chairman, and a member of the Committee since 1982, resigned and was replaced by Philip Epstein, Q.C.

Berta Zaccardi, a member of the Committee since 1982, was replaced in March, 1987 by Mrs. Dorothy O'Connell.

Other members of the Committee continued to provide funds in 1986-87 to assist clinic staff in maintaining high-quality legal services. Funds were provided to the Southwest Regional Association of Clinics, and the Eastern Regional Association, for regular staff training sessions throughout the year, and to northern clinics for several specific training programs.

The Committee also provided funds to expand the Legal Aid Plan's Research Facility to begin providing legal research in clinic areas of practice, this year.

The Committee continued to fund the Ontario Association of Legal Clinics in 1986-87, to provide specific services to clinics, including Board training and development, information-sharing and the production of a Newsletter. The Association's consultive role in policy development continued. Funds were also provided to the Association to conduct training sessions for Board members on management skills.

The Committee also continued its policy of direct consultation with clinics in meetings with clinic representatives throughout the year.

The Committee approved funding in 1986-87 to continue acquisition of word processing-computer equipment in clinics. The equipment, now installed in the majority of clinics, allows clinics to increase productivity and supports case management, client statistics, and Board information systems.

The Clinic Funding Regulation recognizes the complementary aspects of clinic services in relation to the traditional fee-for-service program of the Ontario Legal Aid Plan. The two branches of the Plan continue to work together to ensure that necessary legal services are readily available to low-income citizens of the province.

### *Student Legal Aid Societies*

The 1986-87 fiscal year continued the multi-outlet approach taken by the Plan in the delivery of legal services to those in need. As part of that approach, the six University-based Student Legal Aid Societies made a substantial contribution.

The Societies provide assistance to members of the public with respect to a variety of legal problems through the services of law students working under the supervision of faculty members. Several Societies maintain a public legal education component as part of their delivery mechanism and this facet continued to play a part in helping to educate the public about their legal rights and obligations. The Student Legal Aid Societies are located at the following Universities:

- (a) University of Windsor
- (b) University of Western Ontario
- (c) University of Toronto
- (d) York University — Osgoode Hall
- (e) Queen's University
- (f) University of Ottawa

During the past fiscal year, the Plan increased its funding to the Societies from \$607,777 in 1985-86 to \$719,302, an increase of \$111,525 or 18%.

## LEGAL EDUCATION COMMITTEE

*Chairman: Roger Yachetti, Q.C.*

### BAR ADMISSION COURSE

The teaching term of the 28th Bar Admission Course ended on February 27, 1987. A total of 1,090 students (including 15 transfer candidates) participated in the Course. All these students successfully completed the Course (13 students wrote a total of 27 supplemental examinations and 55 students wrote 75 special examinations). Seven students have yet to complete the articling requirements. A total of 1,058 candidates were called to the Bar at the Special Convocations held in April, 1987.

There are 1,136 students enrolled in the 29th Bar Admission Course, with 1,144 (8 of these enrolled in another session of the Bar Admission Course) entering the teaching term (820 at Toronto, 210 at Ottawa and 114 at London).

During the past year the skills component of the Course was expanded to include an Advocacy option, skills exercises added to the subject area courses, and a computer skills course. Work is underway on refining the computer-taught Basic Evidence course. Course leaders successfully added a professional-ethical component to each course in order to present such issues in the practice context in which they arise.

The Regional Director at Ottawa continues to expand the French language seminars and material translation for students at Ottawa who wish to participate in the French language programs. In the past year, student participation has nearly doubled, including English speaking students who wish to improve their French language skills.

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## CONTINUING LEGAL EDUCATION

During the fiscal year, 71 Continuing Legal Education programs were presented on a total of 179 occasions to over 12,000 registrants throughout the province. The programs were available in Toronto, Ottawa, London, Collingwood, Elliot Lake, Hamilton, Kenora, Kingston, Kitchener-Waterloo, North Bay, Orillia, Owen Sound, Peterborough, Sault Ste. Marie, St. Catharines, Thunder Bay, Timmins, and Windsor.

The Law Society also administered jointly sponsored programs with the Canadian Bar Association — Ontario on “Pay Equity”, and “Representing Children”. The 1987 Law Society Special Lectures dealt with “Insurance Law”.

John E. Claydon, Deputy Director, C.L.E. left the Law Society during the fiscal year. Shortly after the year end, the position was filled by Joel Kohm.

## BURSARIES

The Law Society gratefully acknowledges donations from the following individuals and groups which have created bursaries in the Bar Admission Course.

The Maxwell A. Levy, Q.C. Memorial Bursary — established by his wife, Fanny, and his son, Robert, in 1982.

The C.E. Woolcombe, Q.C. Memorial Bursary — established in 1983 by the firm Day, Wilson, Campbell.

The Lawyers’ Club Bursary — established in 1983 by the Lawyers’ Club.

The Murray L. Keyfetz, Q.C. Memorial Bursary — established in 1987 by his wife, Margaret, and his daughter, Lynda.

The Class of 1951 Bursary — established by the Osgoode Hall Class of 1951.

## LEGISLATION AND RULES COMMITTEE

*Chairman: J. James Wardlaw, Q.C.*

The Legislation and Rules Committee is responsible for drafting amendments to the Law Society Act, Regulations and Rules, and for reporting to Convocation upon legislation and related matters.

During the fiscal year, the Committee drafted a number of amendments, including new Rules constituting the Complaints Review Committee and the Professional Standards Committee as a Committee of Convocation.

## LIBRARIES AND REPORTING COMMITTEE

*Chairman: Samuel Lerner, Q.C.*

The Libraries and Reporting Committee continued to strive for improvements in the delivery of library and information services to the legal profession in Ontario. The Committee, in cooperation with Ontario’s County Law Associations, has been involved in extensive studies of funding and administration of County and District Law Libraries. The Committee looks forward to the completion of two major projects: one to upgrade the Great Library’s Book Collection, and the other to revamp the library’s system of cataloguing and classifying textbooks. The latter is a joint project with County Law Libraries thanks to financial support from the Law Foundation of Ontario.

Regarding the County Law Libraries, the need for increased funding and the appropriate sources for such funding remains a concern for the Society, the Law Associations and The Law Foundation of Ontario. In, May, 1987, Convocation authorized an increase in the County Library levy from \$32.50 to \$40 to cover the increased cost of basic operations for County Law Libraries. This will result in increased funding of approximately \$3,000 per county for 1988, in addition to the \$25,500 per county being received in 1987. The extra funding is primarily to cover the increases in the cost of basic subscriptions.

Under the new program for funding basic County Library operations, an amount of \$3,000 per year was earmarked for basic texts. The selection of the basic textbooks to be sent to all Counties was entrusted to a committee of 5 lawyers with extensive experience in County Library operations. The Committee is representative of the different sizes of associations and the main regions of the province. The Law Society's Chief Librarian acts as Chairman of their meetings.

The members are:

*Michael Neville Ottawa*

*Donald Mackenzie Brampton*

*Michael Hennessy Sudbury*

*Mark Shields St. Thomas*

*Duncan Fraser, Q.C. Brockville*

As a result of the money provided by the County Library levy over the past 3 years, the counties have been able to upgrade their book collections, substantially, particularly current textbooks and CLE materials. The Law Society's CLE materials continue to be sent to all 47 County Libraries immediately after release and free of charge.

Many County Presidents and others have expressed their appreciation to the Society for its improved level of support, while continuing to hope that financial support from The Law Foundation of Ontario (deemed crucial by both the Society and the County Law Associations) will be maintained, and perhaps expanded, in the future.

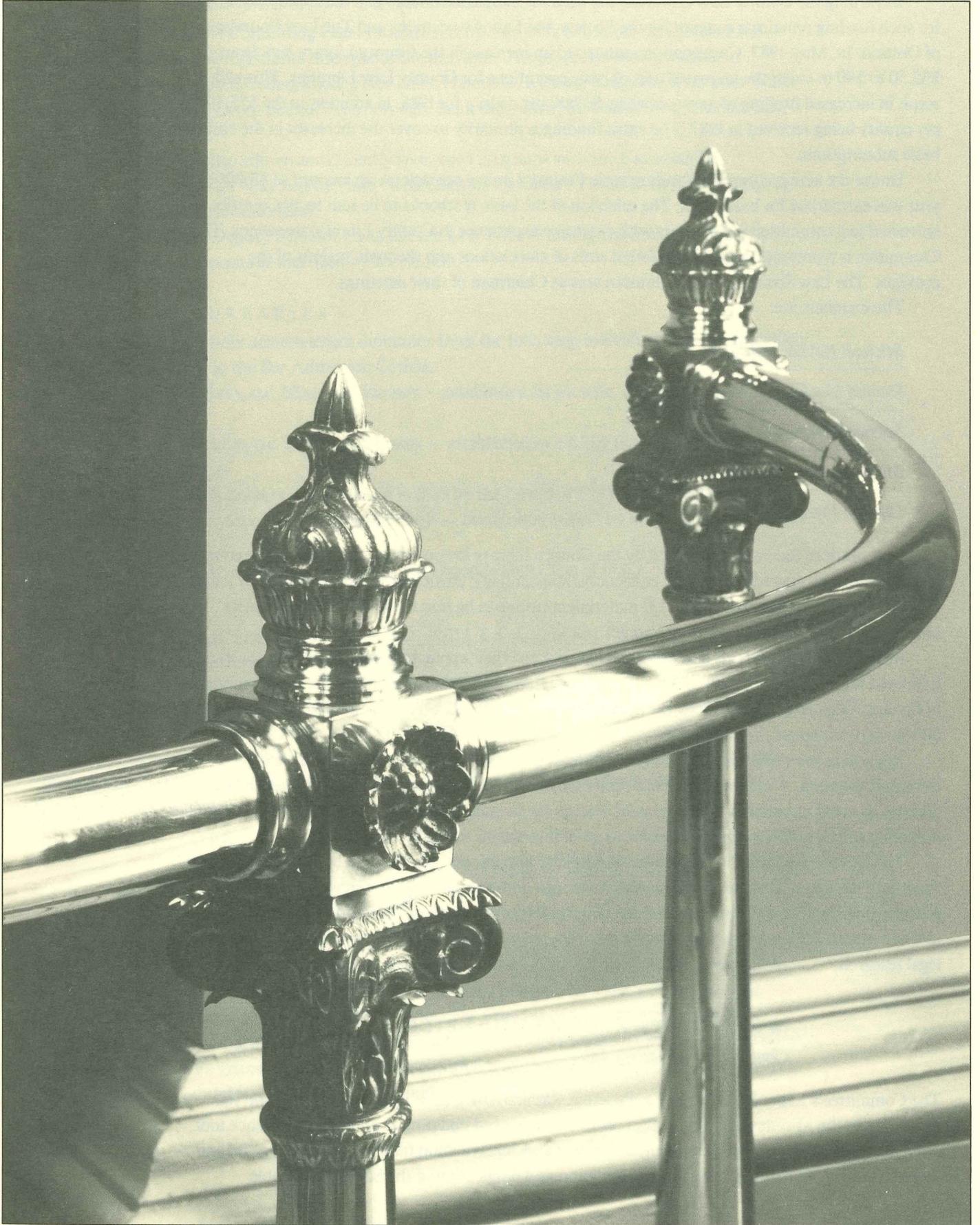
Regarding law reporting, the Society continues to press for improvements in the area of electronic research. A subcommittee has been dealing with QL Systems and law publishers in an attempt to avoid unnecessary duplication of reasons for judgment on the retrieval system. QL Systems is making software enhancements to address several problems raised by the Society.

The Ontario Reports Plus database remains very popular and recently has been established as a "practice" database. This means that lawyers can sign onto the database at a substantially reduced rate and practise their retrieval skills on the Ontario Reports. For those members who wish to "leave it to the experts," Search-Law continues to provide convenient access to the benefits of electronic legal research.

## MUNIMENTS AND MEMORABILIA COMMITTEE

*Chairman: Reginae M. Tait*

The Committee's Records and Archives Program was active in a number of areas during the year. The index to the Minutes of Convocation project commenced updating as an on-line reference tool. All records of enduring value, including committee and departmental files, are being organized and described to permit ready access. The transcription and publication of the Society's valuable



collection of William Osgoode papers was completed. A number of significant acquisitions were made in the course of the year including nineteenth century court transcripts and a large collection of Osgoode Hall plans.

As well as undertaking research relating to Society programs assistance was provided to a number of external research projects including the centennial history of Osgoode Hall Law School. There has been a marked increase in the number of external requests for information from members of the profession, academics, and the general public.

Work on the second series of stained glass windows to be installed in Convocation Hall was completed during the year. The windows, representing The Law Society Of Upper Canada and the Inns of Court, were dedicated in the Fall of 1987. The artist, Christopher Wallis, will complete the project in 1989. The cost of \$300,000 is being financed entirely through donations from five individual lawyers, three law firms, the Advocates' Society and the County of York Law Association.

The Law Society of Upper Canada Museum was completed and is now open to members of the profession and the public. The Museum contains a permanent exhibition illustrating the development of the legal profession in Ontario from its origins to the present day. A variety of documents, artifacts and rare books are on exhibit.

## PRACTICE AND INSURANCE COMMITTEE

*Chairman: Patrick G. Furlong, Q.C.*

One of the main priorities of the Committee over the past year has been the investigation of the possibility of establishing a national professional liability program for the legal profession at both the mandatory and excess levels. This examination is being undertaken with the other governing bodies in Canada through the Federation of Law Societies.

An actuarial firm was hired by the Federation of Law Societies to carry out a study. It reported that a national program was feasible and recommended that the vehicle for a national program be an insurance reciprocal.

The Committee had some concerns and retained another firm of actuaries. As a result of the second opinion and other concerns the Committee had about the operation of a national program — particularly in the area of claims handling — it recommended that the Society not enter into a national program at this time. This recommendation was adopted by Convocation.

One factor in the decision to remain with our current program was that in a period when many professional organizations were faced with rapidly escalating premiums or a withdrawal of coverage, the Society's policy was renewed with only a minor increase in the premium which was absorbed by the Fund. This was due in a large part to the confidence our insurer had in the way the Society was managing its Errors and Omissions program.

The Committee will continue to monitor developments in this area.

A series of Loss Prevention Seminars has been developed in conjunction with the Legal Education Department. Attendance at one of the seminars will result in a 10% decrease in a member's insurance levy.

Financial details of the insurance program are to be found in the financial statements appended to the Annual Report.

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## PRACTICE ADVISORY SERVICE

The Service responded to requests for guidance or assistance from about 3,150 members during the fiscal year. This total includes 320 visits with lawyers either in their offices or at the Advisory Service office to discuss at length various law office management concerns, about 1,830 telephone calls regarding specific office management procedures and almost 1,000 calls for guidance in dealing with specific client matters.

The staff of the Service consists of three lawyers (although it functioned with two lawyers for much of the year), a systems assistant knowledgeable about law office management systems and three experienced legal secretaries.

Significant contributions were made during the fiscal year to Bar Admission Courses on Risk Management and The Business of the Practice of Law, The Society's Professional Standards Committee and other programs to benefit the legal profession. The Service has also assisted County and District Law Associations with Loss Prevention Programs centred around video tapes produced by the Errors and Omissions Department on various legal topics.

## PROFESSIONAL CONDUCT COMMITTEE

*Chairman: W. Dan Chilcott, Q.C.*

The new Rules of Professional Conduct that were passed by Convocation on January 30, 1987, were sent to every lawyer in Ontario at the beginning of May. The rules are an editorial revision of the prior Rules of Professional Conduct. They do, however, contain new rules on the following subjects: "Making Legal Services Available and Advertising" (Rule 12), "Lawyers in their Public Appearances and Public Statements" (Rule 21), "Interprovincial Law Firms" (Rule 22), "Lawyers in Mortgage Transactions" (Rule 23), "The Duty of the Lawyer as an Articling Principal and the Duty of the Articling Student" (Rule 24), "Lawyers as Mediators" (Rule 25) and "Medical-Legal Reports" (Rule 26).

A Law Society Manual is now in preparation for distribution on a limited basis to the profession in early 1988. It will be in binder form and contain among other things the Law Society Act, the Regulations and Rules made pursuant to the Act, the Barristers Act, the Solicitors Act, material on insurance and loss prevention, legal education, discipline, the audit process and professional conduct rulings. The existing Professional Conduct Handbook can be fitted into the manual by simply removing its cover. Persons who do not receive the manual through the distribution process can purchase a copy from Law Society Publications (947-3381).

## PROFESSIONAL STANDARDS COMMITTEE

*Chairman: James M. Spence, Q.C.*

The Professional Standards Committee met for the first time in September, 1986, and its first year has proved to be both interesting and demanding.

In the course of formulating its procedures and policies for dealing with individual members, the Committee has had to consider a number of fundamental issues such as solicitor-client privilege, confidentiality and the relationship between this Committee and the Discipline Committee. The Committee has made significant progress in resolving some of these issues and is confident that as it gains experience the others will be addressed.

The Committee also reviewed the practices of several solicitors and made informal recommendations for improvements. It is too early to tell whether these recommendations have been fully implemented but the Committee is continuing to monitor those practices in order to assess the effectiveness of the program.

In the coming year the Committee plans to review, with the assistance of selected practitioners, the practices of a number of members and make recommendations for remedial programs where appropriate.

## PUBLIC INFORMATION COMMITTEE

*Chairman: James J. Carthy, Q.C.*

### DIAL - A - LAW

The Society's Dial-A-Law continues to receive about 500 calls a day from members of the public seeking general legal information. The program consists of about 125 pre-recorded tapes covering such major areas of law as Criminal and Family Law, Immigration, Small Claims Court, Employment Law, Consumer Law, Wills and Estates and Real Estate.

By far the most-requested of the tapes are those dealing with Family Law. A recently-introduced tape on the steps clients may take if in their view their lawyer's bill is excessive is also popular.

The program continues to be widely promoted, especially through the media, yellow pages advertisements and the distribution of brochures listing all available tapes.

### LAWYER REFERRAL SERVICE

The Lawyer Referral Service now handles about 360 calls a day (almost 90,000 a year) and it has been demonstrated that increased usage of the Dial-A-Law program leads to increased calls to the Referral Service. (Each Dial-A-Law tape outlines the benefits of using the Referral Service through which a caller-client can see a lawyer for up to one-half hour for only \$20).

In June, 1987, Convocation approved in principle a recommendation of the Public Information Committee to increase substantially the informational advertising related to the Dial-A-Law and Referral programs. At the same time, Convocation approved the elimination of the \$20 half-hour client fee for the initial interview.

The changes, scheduled to come into effect in early 1988, will allow the Society to advertise to the public that it has available free legal information (Dial-A-Law) and free access to legal advice (telephone or in-office, through the Referral program).

### SHOWS & EXHIBITIONS

The Society, in co-operation with the Ontario Legal Aid Plan, continued and expanded its presence at various home shows and exhibitions in Ontario. These shows, using the Society's portable information booth, draw on volunteer lawyers from the communities involved and show the public that the profession is accessible to them at no charge. Individuals visiting the booth are encouraged to pick up copies of the Society's pamphlets and other legal information.

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## PAMPHLETS & YELLOW PAGES

The series of pamphlets produced by the Society were widely distributed during the period covered by this Report through law offices, legal aid offices and clinics, direct mail, MP and MPP offices, community information centres and other outlets.

As well, the Society continued its advertisement in each of the 115 Yellow Pages directories distributed across the province. Each advertisement contains general information on Legal Aid, the Lawyer Referral Service and legal fees.

In some metropolitan areas, the separate Dial-A-law advertisement now lists the tape numbers and names of the most-requested tapes. This has helped to speed the ability of operators to handle calls and has provided the public with additional information.

## MEDIA INQUIRIES, NEWSUPDATE & REPORTS

The Information Department continues its publication of a monthly "Newsupdate" which is circulated to Benchers and to senior staff of the Society and the Legal Aid Plan. This enables them to remain up-to-date with respect to media stories and concerns.

As well, the Department maintains a liaison with members of the media to provide basic information about the Society and the Plan and, when appropriate, issues news releases and arranges for news conferences.

The Department is also responsible for publishing the Society's Summary of Proceedings before Convocation, this Annual Report and the Annual Report of the Legal Aid Plan which will be bilingual this year.

## RESEARCH AND PLANNING COMMITTEE

*Chairman: Allan Rock, Q.C.*

This Committee was made a Standing Committee of Convocation in May, 1986. Broadly speaking, its mandate is to engage in continuous research, so as to keep abreast of the literature concerning matters that may affect the legal profession and to monitor changes in other jurisdictions and continuously assess conditions here so as to anticipate and plan for future developments and issues. In short, its purpose is to develop an informed and forward looking perspective from which to provide Convocation with a sound basis on which to decide the Society's direction and policies in the coming years.

The Composition of the Committee reflects a wide spectrum of views. In addition to 11 Bencher members, the Committee includes 4 persons who are not Benchers, one of whom is not a lawyer. Detailed analysis of policy issues is often carried out by smaller subcommittees assisted as needed by professional research staff. Their reports are then submitted to the Committee which may then make recommendations to Convocation.

The Committee has a number of research projects now and will report its findings and recommendations to Convocation in the coming months. Some of these are:

1. The Effective and Affordable delivery of Legal Services;
2. Multi-Disciplinary Law Firms;
3. Demographics of the Legal Profession; and
4. Discipline Offenders: A Sociological Profile.

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## UNAUTHORIZED PRACTICE COMMITTEE

*Chairman: Clayton Ruby, Esq.*

The Committee presented a Submission to the Attorney General on October 3, 1986 on the provision of legal services by unsupervised persons. That Submission, which is summarized in the 1986 Annual Report, set out the Society's position to the effect that there are certain services which can be provided adequately to the public by non-lawyers provided that an appropriate mechanism is put in place to ensure that those persons are properly qualified and regulated.

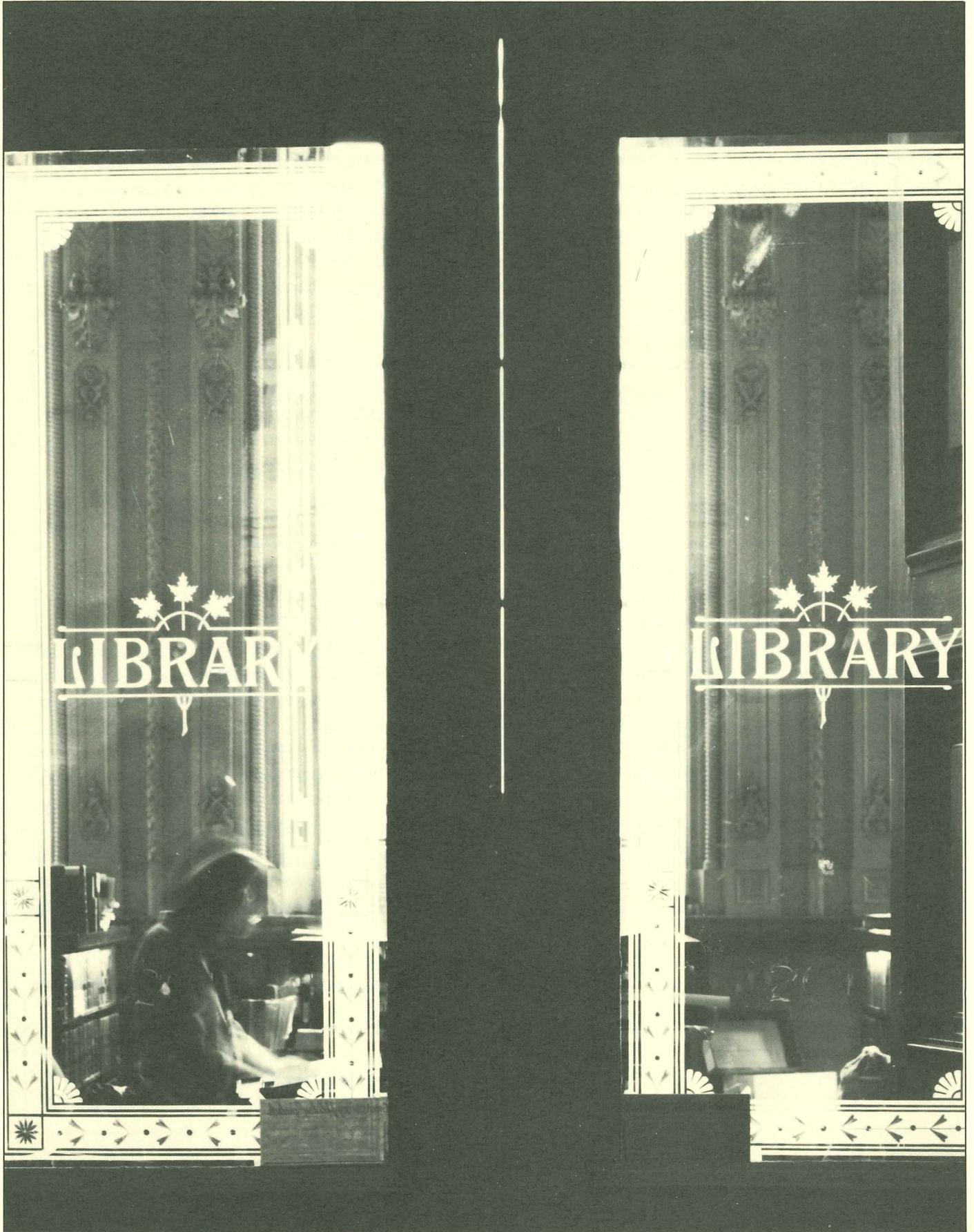
Legislation which would impose regulation on the activities of certain non-lawyers was passed unanimously on second reading in the legislature in June, 1986. The Legislation would allow non-lawyers to give advice and act in Highway Traffic, Landlord and Tenant, Small Claims Court and Immigration matters. It would provide qualification and regulation of those persons under the supervision of The Law Society. However, while the regulatory body would be affiliated with the Society, it would be controlled by a majority of non-lawyers.

Bill 42 received widespread criticism from many groups including the Canadian Bar Association-Ontario, the County and District Law Associations, the Institute of Law Clerks and representatives of community colleges as well as from the Society itself. The Bill was reviewed by the Justice Committee of the Legislature in May and June, 1987, at which time such criticism was put forward. The Bill was not referred back to the Legislature for third reading and the matter was deferred until the fall of 1987.

A major decision having an effect on non-lawyers was issued by the Ontario Court of Appeal in February, 1986, in the Lawrie Case. That decision, since reported at 59 O.R. (2nd) 161, permits non-lawyers to act for the public in any proceeding where the governing statute provides representation by an agent. That decision covers all of the activities dealt with by Bill 42. As well, it includes activities in many other areas such as Summary Conviction Criminal matters and hearings before most administrative tribunals. The present result of the Lawrie decision is that any individual in Ontario is able to act in such matters without training, supervision or regulation. The Law Society is actively seeking Legislation which would define the range of permissible activities of non-lawyers as well as impose appropriate regulation and safeguards for the public.

The Committee increased its efforts in prosecuting persons who act outside the scope of the permissible activities allowed by the Lawrie decision. Thirteen prosecutions were commenced during the fiscal year resulting in three convictions with ten cases still ongoing. Convocation has increased its allocation of resources to the Committee so that the number of prosecutions and injunction applications against non-lawyers can be further increased.

Main doorway, Great Library



*Financial Statements*

June 30, 1987

AUDITORS' REPORT

TO THE MEMBERS OF THE LAW SOCIETY OF UPPER CANADA:

We have examined the balance sheet of The Law Society of Upper Canada as at June 30, 1987 and the General Fund statements of revenue and expenses and operating surplus, the General Fund statement of changes in financial position and the Errors and Omissions Insurance Fund and Compensation Fund statements of revenue and expenses and balance of fund for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the funds as at June 30, 1987 and the results of operations of the funds and the changes in financial position of the General Fund for the year then ended in accordance with accounting principles described in note 1 which were applied on a basis consistent with that of the preceding year.

Toronto Canada,  
August 17, 1987.



Chartered Accountants

*Balance Sheet**Assets**June 30, 1987*

GENERAL FUND	1987	1986
<i>Current—</i>		
Short-term investments, at lower of cost and market (approximate market value 1987 — \$6,033,000; 1986 — \$3,986,000)	\$ 6,028,643	\$ 3,976,380
Accounts receivable (note 2)	751,726	401,591
Inventory	179,045	123,620
Prepaid Expenses	74,489	60,266
<b>TOTAL CURRENT ASSETS</b>	<b>7,033,903</b>	<b>4,561,857</b>
Fixed, at cost—		
Land, building, furnishings and major alterations (note 4)	7,549,994	7,409,514
	<b>14,583,897</b>	<b>11,971,371</b>
<b>ERRORS AND OMISSIONS INSURANCE FUND (Note 5)</b>		
Cash	319,956	(180,873)
Short-term investments, at lower of cost and market (approximate market value 1987 — \$10,613,000; 1986 — \$10,834,000)	10,611,109	10,771,345
Deductible portion of claims due from members	408,533	584,619
Interest and other receivables	1,072,985	844,161
Portfolio investments, at amortized cost (market 1987 — \$32,774,000; 1986 — \$26,987,000)	32,168,771	26,014,183
	<b>44,581,354</b>	<b>38,033,435</b>
<b>COMPENSATION FUND (Note 6)</b>		
Cash	43,383	108,084
Short-term investments, at lower of cost and market (approximate market value 1987 — \$3,781,000; 1986 — \$2,296,000)	3,773,568	2,288,135
Interest and other receivables	239,463	413,496
Portfolio investments, at amortized cost (market 1987 — \$13,968,000; 1986 — 11,081,000)	14,032,876	11,118,052
	<b>18,089,290</b>	<b>13,927,767</b>
	<b>\$77,254,541</b>	<b>\$63,932,573</b>

*Approved by Convocation:**Treasurer**Chairman of Finance Committee*

## Liabilities and Balances of Funds

GENERAL FUND	1987	1986
<i>Current—</i>		
Bank indebtedness	\$ 476,597	\$ 209,675
Accounts payable and accrued liabilities	1,181,009	1,361,346
Deferred revenue (note 3)	125,000	-
Accrued legal aid fee (note 10)	1,649,876	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,432,482</b>	<b>1,571,021</b>
Balance of fund—		
Operating Surplus	1,797,700	1,546,636
Reserve for major capital expenditures (note 4)	1,803,721	1,444,200
Equity in fixed assets	7,549,994	7,409,514
<b>TOTAL BALANCE OF FUND</b>	<b>11,151,415</b>	<b>10,400,350</b>
	<b>14,583,897</b>	<b>11,971,371</b>
<b>ERRORS AND OMISSIONS INSURANCE FUND</b>		
Accounts payable and accrued liabilities	776,466	630,682
Deferred revenue (note 5)	1,340,604	985,491
Balance of fund (note 5)	42,464,284	36,417,262
	<b>44,581,354</b>	<b>38,033,435</b>
<b>COMPENSATION FUND</b>		
Accounts payable		76,162
Balance of fund (note 6)	18,089,290	13,851,605
	<b>18,089,290</b>	<b>13,927,767</b>
	<b>\$77,254,541</b>	<b>63,932,573</b>

(See accompanying notes to financial statements)

*General Fund**Statement of Revenue and Expenses and Surplus*

REVENUE:	Total		Administrative, professional, library and reporting	
	1987	1986	1987	1986
Annual fees	\$ 8,515,050	\$ 7,749,527	\$ 8,515,050	\$7,749,527
County libraries—fees	569,908	418,225	569,908	418,225
—grant	500,000	500,000	500,000	500,000
Call fees	236,690	226,094	236,690	226,094
Admission fees	126,271	122,558	126,271	122,558
Investment income	398,086	387,543	398,086	387,543
Ontario report royalty	29,942	25,011	29,942	25,011
Library sundry	109,376	90,160	109,376	90,160
Library search law	195,498	173,514	195,498	173,514
Miscellaneous	110,646	151,319	110,646	151,319
Catering	147,920		147,920	
Bar admission—fees	1,340,424	1,231,907		
—grants	1,294,574	1,298,265		
Continuing legal education	1,884,912	1,609,205		
<b>TOTAL REVENUE</b>	<b>15,459,297</b>	<b>13,983,328</b>	<b>10,939,387</b>	<b>9,843,951</b>
EXPENSES: Secretariat	1,536,922	1,322,229	1,536,922	1,322,229
Finance and administration	1,294,799	1,326,181	1,294,799	1,326,181
Discipline	1,039,446	879,792	1,039,446	879,792
Audit	1,161,637	988,987	1,161,637	988,987
Public information	633,008	560,375	633,008	560,375
Professional conduct	183,210	107,650	183,210	107,650
Admissions	9,544	5,548	9,544	5,548
Catering	149,320		149,320	
County & district	28,788		28,788	
Muniments and memorabilia	59,864	19,753	59,864	19,753
Unauthorized practice	82,091	35,614	82,091	35,614
Libraries and reporting	2,090,062	1,884,398	2,090,062	1,884,398
County & district library grants	500,000	500,000	500,000	500,000
Library search law	237,077	187,203	237,077	187,203
Building and grounds	1,283,521	1,079,970	1,283,521	1,079,970
Bar admission course	2,634,998	2,530,172		
Continuing legal education	1,783,946	1,622,048		
<b>TOTAL EXPENSES</b>	<b>14,708,233</b>	<b>13,049,920</b>	<b>10,289,289</b>	<b>8,897,700</b>
Excess (deficiency) of revenue over expenses before provision for major capital expenditures	751,064	933,408	650,098	946,251
Provision for major capital expenditures	500,000	500,000	500,000	500,000
Excess (deficiency) of revenue over expenses for the year	\$ 251,064	\$ 433,408	\$ 150,098	\$ 446,251

STATEMENT OF OPERATING SURPLUS	1987	1986
Balance of operating surplus, beginning of year	\$ 1,546,636	\$ 1,113,228
Excess of revenue over expenses for the year	251,064	433,408
Balance of operating surplus, end of year	\$ 1,797,700	\$ 1,546,636



*General Fund**Statement of Changes in Financial Position**for the year ended June 30, 1987*CASH AND SHORT-TERM INVESTMENTS PROVIDED BY  
(USED IN) OPERATING ACTIVITIES:

	1987	1986
Excess of revenue over expenses for the year	\$ 251,064	\$ 433,408
Add charge not involving an outlay of cash and short-term investments— Provision for major capital expenditures	500,000	500,000
<i>Other operating sources</i>		
Accounts receivable	(350,135)	67,755
Inventory	(55,425)	(11,556)
Prepaid expenses	(14,223)	(5,852)
Accounts payable and accrued liabilities	(180,337)	513,454
Deferred revenue	125,000	
Accrued legal aid fee	1,649,876	
	<u>1,925,820</u>	<u>1,497,209</u>

CASH AND SHORT-TERM INVESTMENTS USED IN  
INVESTING ACTIVITIES:

Fixed asset additions	(140,479)	
Net increase in cash and short-term investments during the year	1,785,341	1,497,209
Cash and short-term investments, beginning of year	3,766,705	2,269,496
Cash and short-term investments, end of year	<u>\$ 5,552,046</u>	<u>\$ 3,766,705</u>

## CASH AND SHORT-TERM INVESTMENTS REPRESENTED BY:

Short-term investments	\$ 6,028,643	\$ 3,976,380
Bank indebtedness	(476,597)	(209,675)
	<u>\$ 5,552,046</u>	<u>\$ 3,766,705</u>

*(See accompanying notes to financial statements)*

*Errors and Omissions Insurance Fund*      *Statements of Revenue and Expenses and Balance of Fund*

*for the year ended June 30, 1987*

STATEMENT OF REVENUE AND EXPENSES

REVENUE:	1987	1986
Members' levy (note 5)	\$ 14,450,869	\$ 10,973,336
Investment income	4,078,624	3,833,650
	<u>18,529,493</u>	<u>14,806,986</u>
EXPENSES:		
Claims and defence payments, less recoveries	8,514,908	7,696,194
Insurance premium	1,922,000	1,859,826
Adjusters' fees	466,851	397,031
Legal fees	90,969	148,621
Salaries	552,340	502,958
Administration	359,946	202,249
Brokerage fees	80,000	80,000
Rent	127,061	121,609
Practice advisory services	368,396	375,446
	<u>12,482,471</u>	<u>11,383,934</u>
Excess of revenue over expenses for the year	\$ 6,047,022	\$ 3,423,052

STATEMENT OF BALANCE OF FUND

Balance of fund, beginning of year	\$ 36,417,262	\$ 32,994,210
Excess of revenue over expenses for the year	6,047,022	3,423,052
Balance of fund held for future claims and expenses, end of year (note 5)	<u>\$ 42,464,284</u>	<u>\$ 36,417,262</u>

(See accompanying notes to financial statements)

## *Compensation Fund Statements of Revenue and Expenses and Balance of Fund*

*for the year ended June 30, 1987*

### STATEMENT OF REVENUE AND EXPENSES

REVENUE:	1987	1986
Annual levy	\$ 4,470,341	\$ 4,631,530
Investment income	1,359,210	1,179,654
	<u>5,829,551</u>	<u>5,811,184</u>
EXPENSES:		
Grants paid, less recoveries	1,307,944	2,146,952
Counsel fees, referee fees and administrative costs	63,090	60,551
Salaries and benefits	185,251	202,241
Reporters and sundries	28,002	10,764
Computer project	7,579	7,400
	<u>1,591,866</u>	<u>2,427,908</u>
Excess of revenue over expenses for the year	\$ 4,237,685	\$ 3,383,276

### STATEMENT OF BALANCE OF FUND

Balance of fund, beginning of year	\$ 13,851,605	\$ 10,468,329
Excess of revenue over expenses for the year	4,237,685	3,383,276
Balance of fund, end of year (note 6)	<u>\$ 18,089,290</u>	<u>\$ 13,851,605</u>

*(See accompanying notes to financial statements)*

*Notes to Financial Statements**June 30, 1987*1. ACCOUNTING POLICIES

- (a) The Society uses fund accounting wherein the general fund is used to account for the various operations of the Society, the compensation fund is used to account for compensation grants and the errors and omissions insurance fund is used to account for insurance claims (partly self-insured) and costs of administration and adjusters.
- (b) The Society follows the accrual basis of accounting under which all revenue is allocated to the year to which it is deemed to be applicable. Operating expenses include amounts for goods or services which have been received or rendered within the fiscal year. Grants, claims and related expenses under the compensation fund and the errors and omissions insurance fund are recorded in the accounts when approved for payment.
- (c) Short-term investments are stated at the lower of cost and market value.
- (d) Portfolio investments for the compensation fund and errors and omissions insurance fund are recorded at cost and adjusted for amortization of premiums and discounts. Any premium or discount from the par value is amortized over the term to maturity.
- (e) Land, building, furnishings and major alterations are stated at cost. No depreciation is recorded in the accounts in respect of these assets. However, an annual provision for major capital expenditures is made. Minor capital expenditures are expensed in the year of acquisition.
- (f) Income earned on fund investments remains within the specific fund for which the investments are held.
- (g) Inventory of Continuing Education publications and printing materials is valued at the lower of cost and net realizable value.
- (h) Administration expenses include only those salary and other expenses not allocated directly to specific activities.

2. THE LAW FOUNDATION OF ONTARIO—*Bar Admission Course Grant*

During the year the Society obtained a grant from The Law Foundation of Ontario to cover the actual operating deficit of the Bar Admission Course up to a maximum of \$600,000 (1986 - \$570,000) after taking into account the receipt of the annual grant from the Province of Ontario. The actual deficit and grant was \$500,574 (1986 - \$535,265) of which \$208,897 (1986 - \$380,520) was received during the year. The balance of \$291,677 (1986 - \$154,745) was billed after June 30, 1987, and is included in accounts receivable.

3. THE LAW FOUNDATION OF ONTARIO—*County and District Library Grants*

The Society also received \$625,000 from The Law Foundation of Ontario and on behalf of county and district libraries of which \$500,000 was disbursed on account of costs of administration and the purchase of books. The balance of \$125,000 is shown as deferred revenue at June 30, 1987 and will be disbursed in the following year.

#### 4. RESERVE FOR MAJOR CAPITAL EXPENDITURES

The Society makes an annual provision for major capital expenditures. As expenditures are made, the accumulated provision is reduced and equity in fixed assets is increased by a corresponding amount. The building and equipment of the Society are valued for insurance purposes at an estimated replacement cost of \$49,654,000.

Details of the account are as follows:

	1987	1986
Reserve, beginning of year	\$ 1,444,200	\$ 944,200
Less amount expended during the year	(140,479)	
Provision for major capital expenditures	500,000	500,000
Reserve, end of year	\$ 1,803,721	\$ 1,444,200

#### 5. ERRORS AND OMISSIONS INSURANCE FUND

- (a) The Society's current errors and omissions insurance plan insures members for claims against errors discovered from calendar 1977 onwards with losses being covered on the following basis:

	1987	1983 through 1986	1981 and 1982	1980	1979 (and prior)
<i>Borne by—</i>					
Member first	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Errors and omissions insurance fund next	145,000	95,000	95,000	30,000	30,000
Insurer next	450,000	400,00	150,000	215,000	65,000
Total coverage per occurrence	\$600,000	\$500,000	\$250,000	\$250,000	\$100,000

- (b) A separate fund is set up each year to provide for claims reported to the Society during that year. The maximum fund loss experience for any year is limited by a stop loss agreement with the insurer. The following table indicates the fund's maximum exposure based on reserves for outstanding claims as at June 30, 1987:

Fund term	Stop Loss limit (000's)	The Society's portion of claims paid (000's)	Reserve for out- standing claims (000's)	Covered by stop loss agreement (000's)	1987 Possible liability of fund (000's)	1986 Possible liability of fund (000's)
<i>July 1 —</i> June 30, 1987	\$20,000	\$ 836	\$14,671		\$14,671	
<i>July 1 —</i> June 30, 1986	12,250	2,919	10,262	\$ 931	9,331	\$11,282
<i>July 1 —</i> June 30, 1985	10,000	5,330	6,466	1,796	4,670	6,953
<i>July 1 —</i> June 30, 1984	8,500	6,110	4,172	1,782	2,390	4,146
<i>July 1 —</i> June 30, 1983	8,500	5,471	3,168	139	3,029	4,064
<i>Jan. 1 —</i> June 30, 1982	3,600	3,659	2,213	2,272		
Prior	14,702	13,855	2,469	1,622	847	39
				\$ 8,542	\$ 34,938	\$ 26,484

The fund is also responsible for further claims and future expenses such as legal fees, adjusters' fees, provision for unrecoverable claims from members, and administration costs on claims arising since 1977.

- (c) Members may obtain bank loans to enable them to repay their liability for the deductible portion of the claims paid. The society has guaranteed these loans. Loans outstanding at June 30, 1987 amount to \$107,725 (1986 - \$126,388).
- (d) Deferred revenue arises from a contingency provision in the E&O levy and deductibles where favourable experience rebates will be applied against payment of future levies.

#### 6. COMPENSATION FUND

Convocation may make grants from the compensation fund in order to relieve or mitigate loss sustained by any person arising mainly from dishonesty on the part of the member of the Society. Annual levies for this fund vary from year to year to reflect the anticipated grants. At the year end claim applications of approximately \$13,792,320 (1986 - \$18,612,000) had been received. Grants will be based on discretionary limits approved by convocation. Strict application of the current limits indicate the maximum grants under the program would aggregate \$4,838,426.

#### 7. ENDOWMENT FUNDS

The Society administers endowment funds from which prizes, bursaries and gifts are made annually from the income earned. At the year end, there were cash, investments and interest and other receivables of \$372,887 (1986 - \$358,053) of which \$236,240 was capital while the balance of \$136,647 (1986 - \$121,813) was unexpended income. Prizes, bursaries and gifts of \$17,826 (1986 - \$14,402) were paid during the year.

#### 8. PENSION PLAN

The annual pension expense for 1987 amounted to \$240,000 compared to \$219,500 in 1986. Based on an actuarial valuation at January 1, 1987, the plan does not have an unfunded liability

#### 9. LEASE COMMITMENTS

The Society is committed to making monthly lease payments for property and computer facilities at various maturity dates up to July, 1992. The approximate commitments for the next five years and in total are as follows:

	1988	1989	1990	1991	1992	Total
<i>Bar Admission—</i>						
London	\$ 90,100	\$ 90,100	\$ 90,100	\$ 90,100	\$ 88,900	\$ 449,300
Ottawa	125,800	130,800	135,000	145,000	145,000	681,600
<i>204 Richmond Street West—</i>						
Toronto	307,800	307,800	282,100			897,700
Computer equipment	96,500	96,500	96,500	96,500	56,300	442,300
	\$ 620,200	\$ 625,200	\$ 603,700	\$ 331,600	\$ 290,200	\$2,470,900

#### 10. LEGAL AID FUND

The Society is empowered to administer the Legal Aid Plan and to maintain the Legal Aid Fund in accordance with the Legal Aid Act. The Society reports annually to the Attorney General on the accounts and financial transactions of the Fund which are subject to audit by the Provincial Auditor, and are not included in these financial statements. Annual fees this year included an amount of \$175 per member as the Society's contribution to the administration of the Legal Aid Plan. The accrued legal aid fee represents the balance of funds collected from members after having paid the statutory contribution of \$1,559,035 which is 12-1/2% of the "assessable administrative costs" of the Legal Aid Plan for the fiscal year ended March 31, 1987. This amount will be applied against the Society's ongoing commitment in 1988 and successive years on the basis that the contribution will increase from 12-1/2% in 1987 to 25% in 1988 and 50% thereafter. The Legal Aid Committee set a fee of \$175 with a view to maintaining it at a set level for at least three years.

#### 11. RECLASSIFICATION

Certain of the 1986 figures have been regrouped to conform to the presentation adopted in the current year.



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*at June 30, 1987*

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at June 30, 1987

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