

THE LAW SOCIETY OF UPPER CANADA
BARREAU DU HAUT-CANADA

The Law Society of Upper Canada
exists to govern the legal profession
in the public interest

1997 ANNUAL REPORT



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

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INTRODUCTION

THE LAW SOCIETY OF UPPER CANADA

The Law Society of Upper Canada is the governing body of Ontario's legal profession. One of the oldest professional organizations in Canada, the Society was formed on July 17, 1797 and incorporated in 1822. The Society is responsible for the education, licensing, supervision and disciplining of the province's lawyers in order to ensure the public is provided with competent and professional legal services.

The Society's affairs are governed by forty-four governors known as benchers – forty of whom are elected by members of the legal profession every four years, and four (lay benchers) who are non-lawyers chosen from the general public and appointed by the Lieutenant Governor-in-Council.

THE MISSION STATEMENT
OF THE LAW SOCIETY OF UPPER CANADA

The Law Society of Upper Canada exists to govern the legal profession in the public interest by:

.....

ensuring that the people of Ontario are served by lawyers who meet high standards of learning, competence and professional conduct; and

.....

upholding the independence, integrity and honour of the legal profession; for the purpose of advancing the cause of justice and the rule of law.

MESSAGE FROM THE TREASURER



*We shall not cease from exploration
And the end of all our exploring
Will be to arrive where we started
And know the place for the first time.*

T.S. Eliot

It has now been nearly a year since I was granted the privilege to serve the profession as Treasurer, and the time has come for a moment of reflection about where we are and where we ought to be going.

For the Law Society and profession generally, 1997 was a productive, positive year – a year of great change. Of particular moment was the passage of a broad range of recommendations intended to eliminate discrimination and to achieve equity and diversity in the profession. Developed under the stewardship of the then Treasurer Susan Elliott (I was elected Treasurer in June of 1997) *the Bicentennial Report and Recommendations on Equity Issues* is essentially a blueprint for the realization of true equity and diversity. Virtually everyday, I have seen and marvelled at the extent and the significance of Ms. Elliott's work as Treasurer. Perhaps chief among those accomplishments was the meticulous development and implementation of a model of governance for Convocation aimed at enhancing the leadership role of benchers and at producing broader, more goals-oriented decisions. Ms. Elliott also spearheaded the Law Society's bicentennial celebrations and the many memorable initiatives which marked the Society's 200th anniversary in 1997.

The Law Society and the profession generally remain in good order. But while the Law Society must never lose sight of its obligation to govern the profession in the public interest as an effective, responsive regulator, we must also continue to do all we can to ensure that the profession mirrors the public it serves. We can do so by broadening access to the legal profession and engendering a diverse and multi-faceted bar, one reflecting the richness of cultures and beliefs in our communities.

A good example of how the Law Society has assisted and can continue to assist in fostering professional diversity is the student success centre at the Law Society, a relatively new initiative designed to identify

and eliminate barriers to students wishing to join the profession. The Centre is examining the impediments and challenges facing minority or disadvantaged groups. Ultimately, it will develop recommendations for broadening participation by all groups in the legal profession.

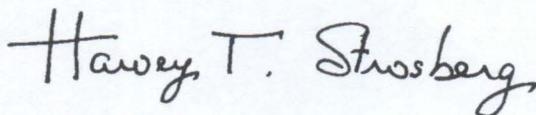
In 1997, benchers also moved to provide greater protection for members of the public who suffer financial loss because of lawyers' dishonesty. Changes to the Lawyers Fund for Client Compensation guidelines effectively filled a gap between where a lawyer's liability insurance leaves off and the Fund begins.

Much of the work culminating in a decision this past March to turn administration of legal aid over to another independent body was likewise undertaken in 1997. The Law Society has partnered with the provincial government for over three decades to provide legal aid to those in Ontario unable to afford legal services. But times change, and in recommending to the government that a new organization – one clearly defined by the Society – assume responsibility for the administration of legal aid, Convocation reasonably concluded that this was the best way to ensure access to justice for every Ontario resident.

Last year also marked the beginning of Convocation's government relations committee. With an overall mandate to foster and maintain a cooperative mutually beneficial relationship between the Law Society and the provincial government, the committee's work has until now focused specifically on the passage of a new *Law Society Act*. The committee's vital mission is ongoing.

The changes sought in this proposed new relationship with the government will give the Law Society the tools it needs to maintain the tradition of serving the public interest and to remain responsive to the needs and concerns of the people of Ontario and members of the profession. Convocation has made passage of the new *Law Society Act* a priority.

For more than two centuries the Law Society has been exemplary in legal professional self-regulation. It has done so by honouring and preserving its obligation to govern in the public interest, all the while being cognizant of the membership. The mission remains the same, the work goes on. The Law Society will not shrink from its responsibility to govern lawyers so as to ensure the people of Ontario that the lawyers of this province practice according to the highest standards. To this end, I hope and expect that the Law Society will now take an even more active role in setting policy regarding social issues. The maintenance of a healthy bar demands that the profession remain current with and relevant to the needs of the public it serves.



.....

HARVEY T. STROSBERG
TREASURER

MESSAGE FROM THE CEO



During 1997, the Law Society of Upper Canada continued its efforts to increase efficiency, lower costs and provide quality service to our members and the public.

Significant and meaningful work continued on Project 200, the Law Society's restructuring initiative. In 1997 the focus was on moving forward with implementation and the foundation was put in place for turning the vision and planning of Project 200 into practical reality. The substantial benefits of our restructuring will soon become obvious. In the near term members and the public will begin to experience faster, more effective service and ultimately a reduction in administrative costs, which will lead to lower membership fees.

In 1997 the number of complaints about lawyers again dropped, continuing an encouraging downward trend which began in 1992. We have reassigned resources so that we can move more quickly to deal with complaints, avoiding unnecessary member involvement, while providing faster solutions for the public.

In addition, significant work was done to modernize and streamline the forms and reporting requirements. Members are already experiencing the benefits of these changes. In recent years, lawyers were required to fill out six different forms for submission to the Law Society. Today members complete only two personalized forms – the member information form (MIF) and the private practitioners report (PPR).

As well, the option to file the MIF electronically is an international first. The regulatory world is now watching our innovations and beginning to borrow and learn from our ground breaking experience. We expect more and more members will choose to efile their forms as they become more familiar with electronic communications and as we expand the service. Planning is now underway to allow for efilings of the PPR.

FINANCIAL HIGHLIGHTS

General Fund

We are pleased to announce that the General Fund for the year ended December 31, 1997 recorded a surplus of \$557,000 – \$104,000 from the administrative operations, \$6,000 from the bar admission course, and \$447,000 from the legal aid levy.

Total revenues of \$51.5 million were \$1.1 million less than budgeted, mainly due to a lower-than-projected number of full-fee paying members in 1997. The decline in the number of full-fee paying members created a negative impact on revenues collected for the general fund, Lawyers Professional Indemnity Company (LPIC) capitalization levy, legal aid levy and the county libraries. During the year, this decline became apparent, and concerted and successful initiatives were put in place to offset the reduction by lowering costs by \$1.6 million, resulting in the surplus.

Increases to revenues were achieved in the Lawyer Referral Service and the Continuing Legal Education (CLE) programs. CLE revenue exceeded budget by \$159,000, resulting primarily from the offering of two very successful programs – TitlePlus and electronic registration. In addition, there were increases to investment income and recoveries of trustee costs, totalling \$146,000.

Lawyers Fund for Client Compensation

Reporting for the Lawyers Fund for Client Compensation in the financial statements for the year ended December 31, 1997 has been changed from previous years. Prior to 1997, no provision was made in the financial statements for unpaid grants. During 1997, a fundamental change in how the Fund should be managed was adopted by Convocation. Actuarial valuations were obtained and, based on them, Convocation adopted a new funding formula for the Fund. As a result, the Fund has changed its accounting policy for grants, effective January 1, 1996 from a cash to an accrual basis. This change has the effect of increasing the liabilities of the Fund at December 31, 1997 by \$11.238 million while reducing the fund balance by the same amount.

The Compensation Fund deficit for the year ended December 31, 1997 is \$1.855 million versus a deficit of \$4.520 million for the prior year – a favourable change of \$2.665 million. The deficit arose as the result of the experience loss, as calculated by the actuary, and associated costs being greater than the revenue gen-

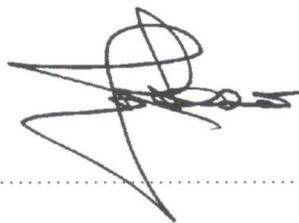
erated through levies and investment income. The 1997 Fund levy continued at \$1 per member or \$24,000 for the year, resulting in a reduced fund balance on which to earn investment income. Investment income earned during the year was \$1.620 million, down by \$316,000 from the prior year.

LPIC

The news from the Errors & Omissions Insurance Fund is positive. At December 31, 1997, the combined deficit was reduced to \$11.1 million, down by \$67.2 million from a year earlier. Since 1994, the deficit has been reduced by \$142.1 million and is expected to be fully retired by the various surcharges levied in 1998 (transaction, volume, and claims-history) which are payable in 1998 and early 1999. LPIC's annual report, available under separate cover, provides additional details of the insurance operation.

LOOKING AHEAD

In 1998 and beyond the Law Society will continue to focus on streamlining its operations, incorporating the latest and most effective technologies, and adopting the best practices in customer service methodologies. Our goal will remain to serve the public interest and that of our members in the most effective and cost-efficient manner possible.

A handwritten signature in black ink, appearing to read 'JOHN SASO', is positioned above a horizontal dotted line.

JOHN SASO
CHIEF EXECUTIVE OFFICER

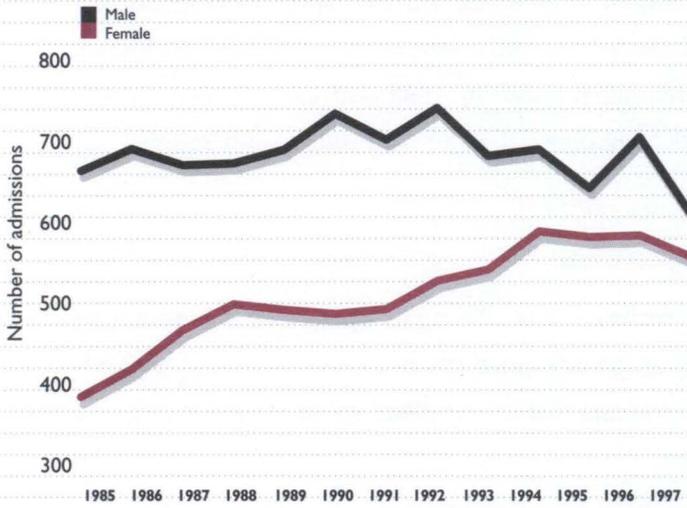
THE ONTARIO LEGAL PROFESSION

STATISTICS AT A GLANCE

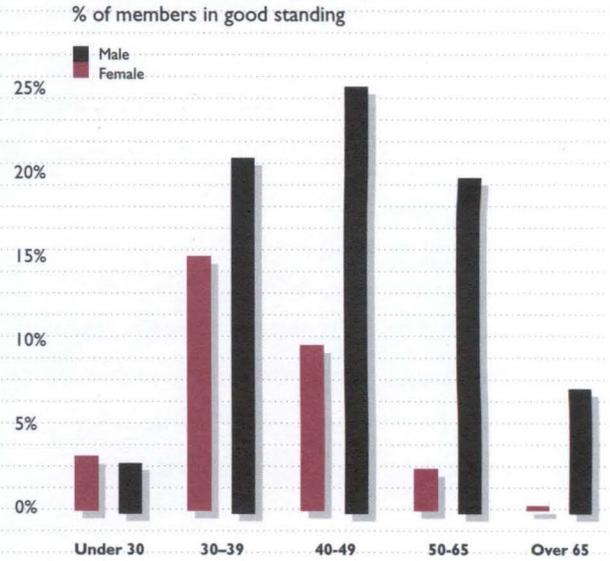
Membership Statistics

The information presented here is based on Law Society data at December 31, 1997

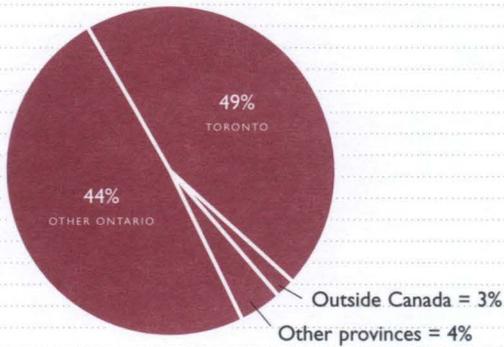
Admissions by sex (1985-1997)



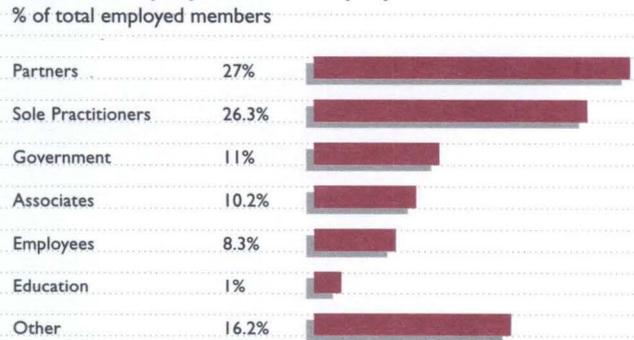
Membership by age range and sex



Geographical distribution of members



Membership by area of employment



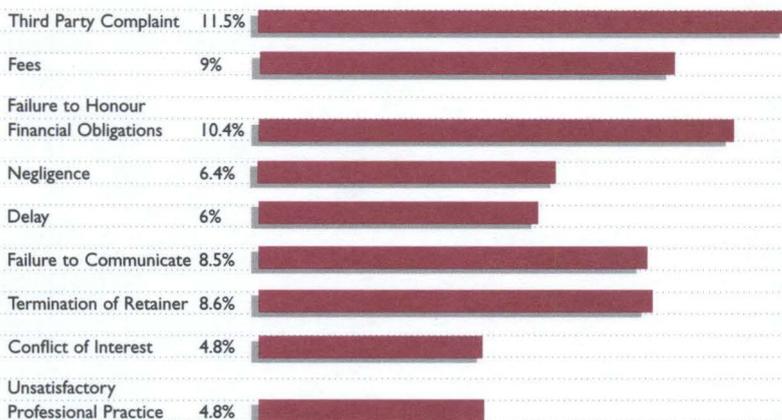
Size of Law Firm:

sole practitioners	5,280	73.2%
2-10 lawyers	1,784	24.8%
11-25 lawyers	101	1.4%
26-50 lawyers	24	0.3%
51+ lawyers	23	0.3%

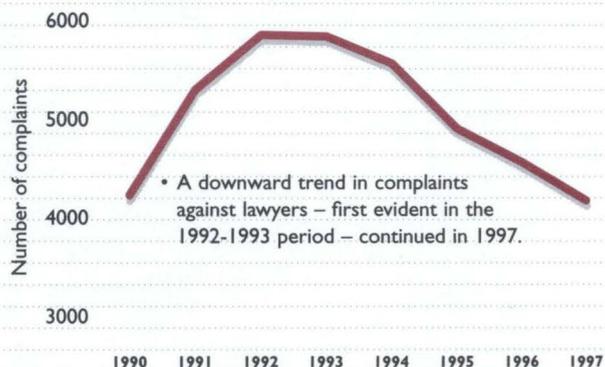
- Total employed members = 23,126
- Other category includes corporate and non-profit sectors

Complaints Statistics

Complaints received by type 1997



Complaints received by the Law Society

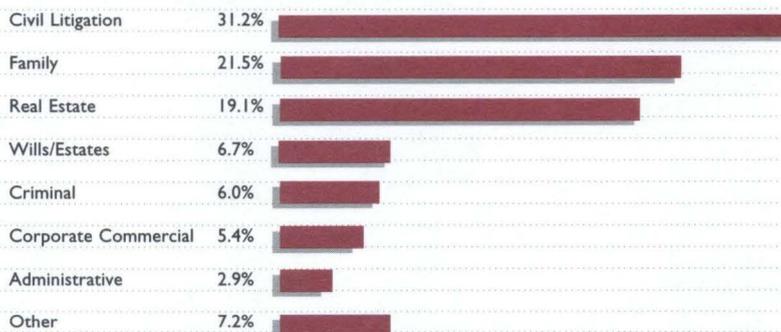


1997 Discipline

Number of lawyers:

reprimanded in Committee	57
reprimanded in Convocation	12
suspended	50
disbarred	15
permitted to resign	7

Complaints received by area of law 1997



FINANCIAL STATEMENTS

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Financial Statements and Notes

GENERAL FUND
AUDITORS' REPORT

TO THE MEMBERS OF THE LAW SOCIETY OF UPPER CANADA

We have audited the balance sheet of The Law Society of Upper Canada - General Fund as at December 31, 1997, and the related statements of revenues and expenses, fund balance and changes in financial position for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as at December 31, 1997, and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles.



Chartered Accountants

Toronto, Canada
March 13, 1998

GENERAL FUND
BALANCE SHEET

Stated in thousands of dollars

As at December 31

	1997	1996
ASSETS		
Cash and short-term investments	3,447	3,819
Accounts receivable	2,358	3,046
Inventory	191	182
Prepaid expenses and deferred charges	263	334
Capital assets (note 3)	17,960	18,917
Total Assets	24,219	26,298
LIABILITIES AND FUND BALANCE		
Accounts payable and accrued liabilities	3,412	4,575
Legal Aid Plan accrual (note 4)	3,915	4,509
Deferred revenue	730	1,730
Levy waiver fund	247	126
Total liabilities	8,304	10,940
FUND BALANCE		
General operations	14,623	14,513
Legal Aid (note 4)	1,292	845
Total Fund Balance	15,915	15,358
Total Liabilities and Fund Balance	24,219	26,298

See accompanying notes

On behalf of Convocation

Harvey T. Strosberg

Treasurer

[Signature]

Chair of Finance and Audit Committee

GENERAL FUND
STATEMENT OF REVENUES AND EXPENSES

Stated in thousands of dollars

Year ended December 31

	1997		1996
	Actual	Budget	Actual
		(UNAUDITED)	
REVENUES			
Membership fees (note 5)	18,252	18,396	18,414
Lawyers' Professional Indemnity Company Capitalization levy (note 6)	13,863	14,284	11,141
Legal Aid levy (note 4)	6,228	6,332	6,195
Bar admission course	5,638	5,643	5,861
County library fees	2,053	2,715	2,487
Library	1,770	1,788	1,697
Continuing legal education	1,583	1,424	1,566
Communications	535	579	287
Catering	480	530	388
Investment income	448	380	374
Miscellaneous	358	193	237
Search law	270	330	303
Rental and event	60	24	189
Total revenues	51,538	52,618	49,139
PROGRAM EXPENSES			
Regulatory	8,814	9,137	8,871
Legal Aid assessable administration (note 4)	5,781	6,332	6,000
Bar admission course	5,632	5,455	5,709
Library services	3,393	3,670	3,580
County library levy grants	2,053	2,715	2,487
Finance and administration	1,642	1,650	1,571
Communications	1,620	1,733	1,583
Continuing legal education	1,504	1,403	1,559
Facilities	1,480	1,401	1,720
Information systems	830	948	947
Human resources	565	578	251
Admissions and certification	177	210	212
Total program expenses	33,491	35,232	34,490
OTHER EXPENSES			
Amount invested in and remitted to Lawyers'			
Professional Indemnity Company (note 6)	13,863	14,284	11,141
General administration and restructuring	3,627	3,102	4,532
Total other expenses	17,490	17,386	15,673
Total expenses	50,981	52,618	50,163
NET SURPLUS (DEFICIT)	557	—	(1,024)

See accompanying notes

GENERAL FUND
STATEMENT OF FUND BALANCE

Stated in thousands of dollars

As at December 31

	1997			1996
	General Operations	Legal Aid (note 4)	Total	
Fund Balance, beginning of year (as restated, note 4)	14,513	845	15,358	16,382
Net surplus (deficit) for the year	110	447	557	(1,024)
Fund Balance, end of year (as restated, note 4)	14,623	1,292	15,915	15,358

See accompanying notes

GENERAL FUND
STATEMENT OF CHANGES IN FINANCIAL POSITION

Stated in thousands of dollars

Year ended December 31

	1997	1996
OPERATING ACTIVITIES		
Net surplus (deficit)	557	(1,024)
Lawyers' Professional Indemnity Company Capitalization levy	13,863	11,141
Item not affecting cash:		
Amortization	1,481	1,384
Other operating sources (uses) of cash:		
Accounts receivable	688	8,195
Inventory	(9)	17
Prepaid expenses and deferred charges	71	303
Accounts payable and accrued liabilities	(1,163)	475
Legal Aid Plan accrual	(594)	3,000
Deferred Lawyers' Professional Indemnity Company Capitalization levy	-	(3,926)
Deferred revenue	(1,000)	(14,367)
Levy waiver fund	121	83
Total operating activities	14,015	5,281
INVESTING ACTIVITIES		
Investment in Lawyers' Professional Indemnity Company (note 6)	(13,863)	(11,141)
Capital asset additions	(524)	(1,007)
Total investing activities	(14,387)	(12,148)
Net decrease in cash and short-term investments during the year	(372)	(6,867)
Cash and short-term investments, beginning of year	3,819	10,686
Cash and short-term investments, end of year	3,447	3,819

See accompanying notes

GENERAL FUND

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 1997

(Stated in whole dollars except where indicated)

NOTE 1

DESCRIPTION OF FUND

The Law Society of Upper Canada (the "Society") was founded in 1797 and was incorporated in 1822 with the enactment of the Law Society Act. The Society exists to govern the legal profession in the public interest. This is achieved by ensuring that the people of Ontario are served by lawyers who meet high standards of learning, competence and professional conduct and 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 Society is not subject to income or capital taxes because it is a not-for-profit corporation.

These financial statements represent the General Fund of the Society, comprising the assets, liabilities, fund balance, revenues and expenses of the various operations of the Society.

Separate financial statements have been prepared for the following related entities:

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 extent of the Society's responsibility for funding the activities of the Legal Aid Plan is set out in Note 4 to these financial statements. The Society reports annually to the Attorney General of Ontario on the accounts and financial transactions of the Legal Aid Fund. The financial statements of the Legal Aid Fund are subject to audit by the Provincial Auditor.

Lawyers Fund for Client Compensation

The Society maintains the Lawyers Fund for Client Compensation 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 any member in connection with such member's law practice or in connection with any trust of which the member was or is a trustee. The Lawyers Fund for Client Compensation is financed by members' annual assessments and investment income.

Errors & Omissions Insurance Fund and Lawyers' Professional Indemnity Company

The Society provides professional liability insurance to the legal profession through the Errors and Omissions Insurance Fund (the "E&O Fund") and the Lawyers' Professional Indemnity Company ("LPIC"). The E&O Fund was originally set up in the Society's accounts to record insurance claims and expenses and related levies and their investment. Prior to July 1, 1990 the Errors and Omissions Insurance program was underwritten by various insurance carriers. LPIC took over underwriting the program commencing July 1, 1990. LPIC is a wholly owned subsidiary of the Society that was incorporated in 1990 and licensed as an insurer in Ontario and Newfoundland. Combined financial statements are prepared for the E&O Fund and LPIC.

GENERAL FUND

NOTES TO FINANCIAL STATEMENTS

Law Society Foundation

The Law Society Foundation was incorporated by Letters Patent in October 1962. The Law Society Foundation is a registered charity under the terms of the Income Tax Act and, as such, is exempt from income taxes. The objects of the Law Society Foundation are to foster, encourage and promote legal education in Ontario, provide financial assistance to law students 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 and to maintain a collection of gifts of books and other written material for use by educational institutions in Canada.

The Law Foundation of Ontario

The Law Foundation of Ontario was created to receive interest accruing on monies held in lawyers' mixed trust accounts and to establish and maintain a fund to be used for the purposes of legal education and legal research, legal aid and the establishment, maintenance and operation of law libraries. During 1997 the Law Foundation of Ontario contributed to the Society \$1,181,000 (1996 - \$1,367,000) for the operation of the bar admission course and \$655,000 (1996 - \$649,000) for library programs.

NOTE 2

SIGNIFICANT ACCOUNTING POLICIES

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 Society's investment policy. Short-term investments are stated at the lower of cost and market value.

Inventory

Inventory is valued at the lower of cost and net realizable value.

Capital assets

Land, buildings, major building improvements, furniture and equipment are presented at cost net of accumulated amortization and grants. Amortization is charged to expense on a straight-line basis over the estimated useful lives of the assets commencing in the year following acquisition as follows:

Buildings	30 years
Building improvements	3 to 10 years
Furniture and equipment	3 to 5 years

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.

Deferred revenue

Deferred revenue relates to funds received for specific future programmes.

GENERAL FUND
NOTES TO FINANCIAL STATEMENTS

Volunteer services

The work of the Society is dependent on the voluntary services of the elected Benchers and other members of the profession. These services are received gratuitously, therefore, no value has been included in these financial statements.

NOTE 3
CAPITAL ASSETS

As at December 31, 1997	Accumulated		
	Cost	Amortization	Net
	\$000's	\$000's	\$000's
Land and buildings	27,946	12,513	15,433
Building improvements	1,964	882	1,082
Furniture and equipment	4,526	3,081	1,445
	34,436	16,476	17,960

As at December 31, 1996	Accumulated		
	Cost	Amortization	Net
	\$000's	\$000's	\$000's
Land and buildings	27,946	11,976	15,970
Building improvements	1,860	651	1,209
Furniture and equipment	4,106	2,368	1,738
	33,912	14,995	18,917

NOTE 4
LEGAL AID LEVY

Pursuant to section 26 of the Legal Aid Act, the Society shall contribute to the Legal Aid Fund such a percentage of the total assessable administrative expenses as is set out in the Regulation, currently set at 50%. The 50% contribution required by the Regulation may itself be reduced by up to 50% by the application of funds arising from the reduction of fees payable to solicitors in accordance with the Regulation.

In order to fund this contribution to the Legal Aid Fund, the Society assesses its members a levy based upon projections received from the Legal Aid Plan. Any excess amounts collected are set aside for future use in reducing Legal Aid levies to the members in accordance with the Regulations pursuant to the Legal Aid Act.

The Legal Aid Plan accrual as at January 1, 1996 has been restated to adjust for an under accrual of the estimated liability in the amount of \$1,509,000. The Legal Aid Fund Balance has been reduced by the same amount. This adjustment had no effect on the Statement of Revenues and Expenses for the year ended December 31, 1996.

GENERAL FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 5

MEMBERSHIP FEES AND LEVIES

The membership fees and levies comprise six components, being the general membership fee, county library levy, Legal Aid levy, Errors and Omissions Levy Waiver Fund, Lawyers Fund for Client Compensation levy and LPIC capitalization levy. Membership fees and levies are recorded when billed. The Errors and Omissions Levy Waiver Fund is collected and accumulated in a special purpose fund and reported on the Balance Sheet under the Liabilities and Fund Balance section. The amounts collected for the Lawyers Fund for Client Compensation are treated as flow through amounts and have no impact on the General Fund.

The General Fund recovers certain costs from the Lawyers Fund for Client Compensation for administrative expenses. These recoveries are treated as offsetting administrative expenses of the General Fund. The total amount recovered during the year was \$1,023,000 (1996 - \$1,023,000).

NOTE 6

LAWYERS' PROFESSIONAL INDEMNITY COMPANY CAPITALIZATION

In October 1994, Convocation approved the Report to Convocation of the Insurance Task Force and the Insurance Committee. As part of that report, it was approved that a portion of the general membership fee (\$600 per member annually) would be collected to provide for capital in LPIC over a four year period. The total amount billed, invested in and paid to LPIC for the year ended December 31, 1997 is \$13,863,000 (1996 - \$11,141,000), bringing the total invested to \$34,504,000 as at December 31, 1997 (1996 - \$20,641,000).

In 1997, LPIC reported to Convocation that, based on its financial results, LPIC is now fully capitalized. Convocation approved the Society's 1998 budget eliminating the capitalization levy.

NOTE 7

ENDOWMENT FUNDS

The Society administers endowment funds in the amount of \$463,000 (1996 - \$461,000). At the end of the year, the funds consisted of investments of which \$240,000 (1996 - \$240,000) was capital and the balance of \$223,000 (1996 - \$221,000) was unexpended cumulative income. In accordance with the terms of the endowments, the Society awards prizes, bursaries and gifts. During the year, \$9,680 (1996 - \$23,500) was paid in respect of these awards.

GENERAL FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 8

PENSION PLAN

The Society maintains a defined contribution plan for all eligible employees. The plan covers employees of the Society, the Lawyers Fund for Client Compensation, the Legal Aid Plan and LPIC. The Society matches its employees' contributions to the plan.

The Society's pension expense (excluding the Lawyers Fund for Client Compensation, Legal Aid and LPIC) for the year ended December 31, 1997 amounted to \$530,573 (1996 - \$501,890).

NOTE 9

COMMITMENTS

Operating leases

The Society is committed to monthly lease payments for property and computer facilities under leases having various terms up to August 2002. Aggregate monthly lease payments over the next four years and in total are as follows:

Year	\$000's
1998	342
1999	351
2000	359
2001	246
2002	138
Total	1,436

NOTE 10

CONTINGENT LIABILITIES

At December 31, 1997, there were three claims against the Society that have arisen as the result of an alleged copyright infringement. At this point in time, the amount of monetary relief claimed is not specified and is not presently ascertainable. It is not possible, therefore, to assess the extent of the exposure of the General Fund to liability for damages or other monetary relief.

NOTE 11

COMPARATIVE FINANCIAL STATEMENTS

The comparative figures were audited by another firm of chartered accountants who issued an unqualified opinion dated March 25, 1997.

In addition to the restatement described in Note 4, certain amounts in the comparative financial statements have been reclassified to conform to the current year's presentation.

LAWYERS FUND FOR CLIENT COMPENSATION

AUDITORS' REPORT

TO THE MEMBERS OF THE LAW SOCIETY OF UPPER CANADA

We have audited the balance sheet of The Law Society of Upper Canada - Lawyers Fund for Client Compensation as at December 31, 1997, and the related statements of revenues and expenses and fund balance and changes in financial position for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as at December 31, 1997, and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles.



Chartered Accountants

Toronto, Canada

March 13, 1998

LAWYERS FUND FOR CLIENT COMPENSATION

BALANCE SHEET

Stated in thousands of dollars

As at December 31

	1997	1996
ASSETS		
Cash and short-term investments	2,289	4,793
Interest and other receivables	387	522
Portfolio investments, at amortized cost (market value - \$18,377; 1996 - \$20,708)	17,497	19,375
Capital assets, net of accumulated amortization of \$74 (1996 - \$45)	20	49
Total Assets	20,193	24,739
LIABILITIES AND FUND BALANCE		
Accounts payable and accrued liabilities	18	373
Due to the Law Society of Upper Canada General Fund	12	222
Reserve for unpaid grants	11,238	13,364
Total liabilities	11,268	13,959
FUND BALANCE	8,925	10,780
Total Liabilities and Fund Balance	20,193	24,739

See accompanying notes

On Behalf of Convocation

Harvey T. Strosberg
Treasurer

[Signature]
Chair of Finance and Audit Committee

LAWYERS FUND FOR CLIENT COMPENSATION
STATEMENT OF REVENUES AND EXPENSES AND FUND BALANCE

Stated in thousands of dollars

Year ended December 31

	1997	1996
REVENUES		
Investment income	1,620	1,936
Annual levy	24	26
Total revenues	1,644	1,962
EXPENSES		
Grants		
Grants paid	4,533	3,260
(Decrease) Increase to reserve for unpaid grants	(2,126)	2,147
Recoveries	(403)	(412)
Provision for unpaid grants	2,004	4,995
Administrative	1,082	1,053
Salaries and benefits	331	317
Counsel fees	40	38
Other	29	43
Referees and reporters fees	13	36
Total expenses	3,499	6,482
Deficit	(1,855)	(4,520)
Fund balance, beginning of year	10,780	15,300
Fund balance, end of year	8,925	10,780

See accompanying notes

LAWYERS FUND FOR CLIENT COMPENSATION
STATEMENT OF CHANGES IN FINANCIAL POSITION

Stated in thousands of dollars

Year ended December 31

	1997	1996
OPERATING ACTIVITIES		
Deficit	(1,855)	(4,520)
Items not affecting cash:		
Amortization	29	36
Provision for unpaid grants	2,004	4,995
Other operating sources (uses) of cash:		
Accounts receivable	135	125
Recoveries	403	412
Accounts payable and accrued liabilities	(355)	292
Due to the Law Society of Upper Canada General Fund	(210)	148
Grants paid	(4,533)	(3,260)
Total operating activities	(4,382)	(1,772)
INVESTING ACTIVITIES		
Capital asset additions	-	(6)
FINANCING ACTIVITIES		
Portfolio investments	1,878	1,455
Net decrease in cash and short-term investments during the year	(2,504)	(323)
Cash and short-term investments, beginning of year	4,793	5,116
Cash and short-term investments, end of year	2,289	4,793

See accompanying notes

LAWYERS FUND FOR CLIENT COMPENSATION

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 1997

(Stated in whole dollars except where indicated)

NOTE 1

DESCRIPTION OF FUND

The Lawyers Fund for Client Compensation (the "Fund") is maintained by The Law Society of Upper Canada (the "Society") 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 any member in connection with such member's law practice or in connection with any trust of which the member was or is a trustee. The fund is financed by members' annual assessments and investment income.

The Fund is not subject to income or capital taxes because it is a fund of the Society, a not-for-profit corporation.

Certain services are provided by the General Fund of the Society to the Fund. The cost of these services is included in administrative expenses. The charges for the year amount to \$1,023,000 (1996 - \$1,023,000).

NOTE 2

SIGNIFICANT ACCOUNTING POLICIES

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 Society's investment policy. Short-term investments are stated at the lower of cost and market value.

Portfolio investments

Portfolio investments are recorded at cost, net of amortization of premiums and discounts. Investments consist of government and corporate bonds.

Capital assets

Capital assets comprise computer software and equipment which are presented at cost net of accumulated amortization. Amortization is charged to expense on a straight-line basis over 5 years, the estimated useful lives of the assets.

Grants

Pursuant to section 51(5) of the Law Society Act, the payment of grants from the Fund is at the discretion of Convocation. Grants paid are subject to a \$100,000 limit per applicant. A reserve for unpaid grants is recorded as a liability on the balance sheet. This reserve represents an estimate of the present value of grants to be paid for unprocessed claims and the associated administrative costs, as determined by an actuary.

The related grant expense represents grant payments during the year plus the current year experience gain/loss of the reserve for unpaid grants net of current year recoveries.

LAWYERS FUND FOR CLIENT COMPENSATION

NOTES TO FINANCIAL STATEMENTS

NOTE 3

CHANGE IN ACCOUNTING POLICY

Prior to 1997, no provision had been made in the financial statements for unpaid grants. During 1997, a fundamental change with respect to how the Fund should be managed was adopted by Convocation. Actuarial valuations were obtained and, based on this information, Convocation adopted a new funding formula for the Fund. As a result, the Fund has changed its accounting policy for grants, effective January 1, 1996, from a cash to an accrual basis. This change in accounting policy has given the effect of increasing the liabilities of the Fund at December 31, 1997 by \$11,238,000 (1996 - \$13,364,000). In addition, grant expense for the year ended December 31, 1997 was reduced by \$2,126,000 (1996 - increased by \$2,147,000).

NOTE 4

MEASUREMENT UNCERTAINTY

The valuation of unpaid grants anticipates the combined outcomes of events that are yet to occur. There is uncertainty inherent in any such estimations and therefore a limitation upon the accuracy of these valuations. Future loss emergence may deviate from these estimates. No provision has been made for otherwise unforeseen changes to the legal or economic environment in which claims are settled, nor for causes of loss which are not already reflected in the historical data. Management believes that the techniques employed and assumptions made are appropriate and the conclusions reached are reasonable given the information currently available. Estimates of unpaid grants are reviewed at least annually by an actuary and, as adjustments become necessary, they are reflected in current operations.

NOTE 5

COMPARATIVE FINANCIAL STATEMENTS

The comparative figures were audited by another firm of chartered accountants who issued an unqualified opinion dated March 25, 1997.

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

ERRORS AND OMISSIONS INSURANCE FUND

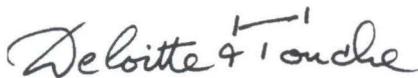
AUDITORS' REPORT

TO THE MEMBERS OF THE LAW SOCIETY OF UPPER CANADA

We have audited the combined balance sheet of The Law Society of Upper Canada - Errors and Omissions Insurance Fund as at December 31, 1997 and the combined statements of revenue and expenses and balance of deficit, and of changes in financial position for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.



Chartered Accountants

Toronto, Ontario

January 30, 1998

ERRORS AND OMISSIONS INSURANCE FUND

ACTUARY'S REPORT

For Combined Financial Statements at 31 December 1997

ROLE OF THE VALUATION ACTUARY

The valuation actuary is appointed by the Audit Committee of the Lawyers' Professional Indemnity Company in their capacity as managers of the Law Society of Upper Canada Errors and Omissions Insurance Fund. With respect to the preparation of these combined financial statements, the actuary is required to carry out a valuation of the claims liabilities and to report thereon to the Audit Committee, and through them to the membership of the Law Society. The valuation is carried out in accordance with accepted actuarial practice, except as specifically disclosed to the contrary, and regulatory requirements. The scope of the valuation encompasses the claims liabilities, that is the provision for unpaid claims and adjustment expenses on claims incurred and reported prior to 31 December 1997, the date of these combined financial statements.

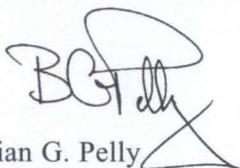
In performing the valuation of the liabilities for these future events, which are by their very nature inherently variable, the actuary makes assumptions as to future rates of claims severity, inflation, reinsurance recoveries, expenses and other matters, taking into consideration the circumstances of the Errors and Omissions Insurance Fund, the Lawyers' Professional Indemnity 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 actuary also makes use of management information provided by the Law Society and the Lawyers' Professional Indemnity Company, and uses the work of the auditor with respect to the verification of the underlying data used in the valuation.

VALUATION ACTUARY'S REPORT

I have valued the claims liabilities arising on the errors and omissions insurance coverage arranged by the Law Society of Upper Canada for its Errors and Omissions Insurance Fund combined balance sheet as at 31 December 1997, and their changes in its combined statement of revenue and expenses and balance of deficit for the year then ended, in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods, except as described in the following paragraph.

In accepted actuarial practice, it is the actuary's responsibility to assess the recoverability of claims under reinsurance contracts. As referenced in Note 4 to the combined financial statements, the claims data provided for this valuation may not be consistent with the ultimate resolution of ongoing discussions with regard to coverage for the period 1 July 1982 to 30 June 1989 between the Law Society of Upper Canada and American Home Assurance Company, the insurer above the policy deductible throughout this period. With the express understanding of the management and Audit Committee of the Lawyers' Professional Indemnity Company and the external auditor, this valuation uses the historical data as provided, without any explicit provision or adjustment for this potential issue.

In my opinion, the amount of the claims liabilities makes appropriate provision for all such obligations, except as noted in the previous paragraph and the financial statements fairly present the results of the valuation.



Brian G. Pelly
Fellow, Canadian Institute of Actuaries

Don Mills, Ontario
January 30, 1998

ERRORS AND OMISSIONS INSURANCE FUND

COMBINED BALANCE SHEET

Stated in thousands of dollars

As at December 31

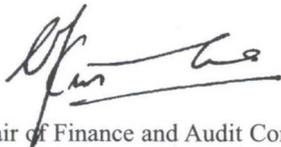
	1997	1996
ASSETS		
Investments (market value \$176,548; 1996-\$113,971) (note 5)	175,359	110,526
Cash and short-term investments	9,762	21,223
Investment income due and accrued	2,135	1,782
Accounts receivable	5,893	4,213
Reinsurers' share of provision for unpaid claims and adjustment expenses (note 7)	139,271	124,727
Total assets	332,420	262,471
LIABILITIES AND BALANCE OF DEFICIT		
Provision for unpaid claims and adjustment expenses (notes 4 and 7)	332,152	325,194
Accounts payable and accrued liabilities	11,527	11,846
Income taxes payable/(recoverable)	(150)	3,714
Balance of deficit (notes 3 and 6)	(11,109)	(78,283)
Total liabilities and balance of deficit	332,420	262,471

See accompanying notes

On behalf of Convocation:



Treasurer



Chair of Finance and Audit Committee

ERRORS AND OMISSIONS INSURANCE FUND

COMBINED STATEMENT OF REVENUE AND EXPENSES AND BALANCE OF DEFICIT

Stated in thousands of dollars

Year Ended December 31

	1997	1996
REVENUE		
Members' levies (note 8)	123,516	112,244
Reinsurance commissions	7,950	6,556
Investment income	10,703	8,722
Other revenue	2,108	1,862
Total revenue	144,277	129,384
EXPENSES		
Net claims and adjustment expenses (notes 4 and 7)	32,230	42,948
Reinsurance premiums	44,013	43,982
General expenses	6,705	5,953
Premium taxes	2,600	2,602
Provision for income taxes	5,418	4,972
Total expenses	90,966	100,457
Excess of revenue over expenses	53,311	28,927
Balance of deficit, beginning of year	(78,283)	(118,351)
Capital contributed by General Fund	13,863	11,141
Balance of deficit, end of year (notes 3, 6 and 7)	(11,109)	(78,283)

See accompanying notes

ERRORS AND OMISSIONS INSURANCE FUND

COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION

Stated in thousands of dollars

Year Ended December 31

	1997	1996
OPERATING ACTIVITIES		
Excess of revenue over expenses	53,311	28,927
Other operating sources (uses) of cash:		
Provision for unpaid claims and adjustment expenses	6,958	843
Income taxes	(3,864)	1,646
Accounts receivable	(1,680)	4,063
Recoverable from reinsurer	(14,544)	(20,039)
Due to/from the General Fund	-	(263)
Accounts payable and accrued liabilities	(319)	(3,937)
Investment income due and accrued	(353)	(131)
Total funds provided by operating activities	39,509	11,109
FINANCING ACTIVITIES		
Purchases of investments, net	(64,833)	(5,862)
Capital contributed by General Fund	13,863	11,141
Net change in cash and short-term investments	(11,461)	16,388
Cash and short-term investments, beginning of year	21,223	4,835
Cash and short-term investments, end of year	9,762	21,223

See accompanying notes

ERRORS AND OMISSIONS INSURANCE FUND
NOTES TO COMBINED FINANCIAL STATEMENTS

For the year ended December 31, 1997

NOTE 1

THE INSURANCE PROGRAM AND ITS RISK RETENTION AND REINSURANCE STRUCTURE

The combined financial statements of the Errors and Omissions Insurance Fund account for the net results of the professional liability insurance program of the Law Society of Upper Canada ("the Society"). The program requires practicing members to pay annual levies to fund the anticipated costs of professional liability claims made in each annual policy period. Indemnification of members is subject to the terms of the insurance policy, including financial limits per claim and aggregate limits per member in each policy period.

These financial statements combine the results of operations and the financial positions of:

- the Errors and Omissions Insurance Fund of the Society, the fund originally set up in the Society's accounts to record insurance claims and expenses and related levies and their investment; and
- Lawyers' Professional Indemnity Company ("LPIC"), a wholly owned subsidiary of the Society that was incorporated in 1990 and licensed as an insurer in Ontario and Newfoundland.

The risk retention and reinsurance structures employed through these two entities are described in the following paragraphs.

Prior to July 1, 1990, the Society's Errors and Omissions Insurance Program was underwritten by various insurance carriers subject to a policy deductible. LPIC took over the underwriting of the program commencing July 1, 1990. The Society maintained financial responsibility for the policy deductible through to December 31, 1994. The policy deductible was a combination of a group deductible and the individual member deductible. For the periods noted below, the combined policy deductibles were as follows:

July 1982 to June 1986	\$ 100,000 per occurrence
July 1986 to June 1988	\$ 150,000 per occurrence
July 1988 to June 1990	\$ 250,000 per occurrence
July 1990 to December 1991	\$ 200,000 per occurrence
January 1992 to December 1994	\$ 250,000 per occurrence

The Society arranged Stop Loss reinsurance that limited the aggregate exposure to group deductibles. The Stop Loss limits were as follows:

July 1982 to June 1983	\$ 8,605,894
July 1983 to June 1984	\$ 8,903,588
July 1984 to June 1985	\$10,000,000
July 1985 to June 1986	\$12,250,000
July 1986 to June 1987	\$20,000,000
July 1987 to June 1988	\$22,000,000
July 1988 to June 1989	\$27,000,000

ERRORS AND OMISSIONS INSURANCE FUND
NOTES TO COMBINED FINANCIAL STATEMENTS

The Society was not able to arrange Stop Loss reinsurance on its group deductible after the policy period ending June 1989. As a result, the full financial risk of the deductible rested with the Society, from July of 1989 through the policy period ended December 1994.

LPIC also had a net retention over the policy's group deductible as follows:

- July 1, 1990 to December 31, 1991: LPIC is liable for \$50,000 of all individual losses in excess of \$200,000;
- January 1, 1992 to December 31, 1992: LPIC is liable for an aggregate of \$2,500,000 from individual losses incurred in excess of \$250,000 plus a further 10% of all losses above \$250,000 once the initial \$2,500,000 limit has been reached; and
- January 1, 1993 to December 31, 1994: LPIC is liable in each policy year for an aggregate of \$4,000,000 if incurred losses are above or exceed \$250,000 plus a further 10% of all losses in excess of \$250,000 once the initial \$4,000,000 limit has been reached.

It was decided, effective January 1, 1995, to eliminate the self-insured group deductible. Commencing January 1, 1995, 100% of the risk over the individual member deductible is insured within LPIC. LPIC in turn reinsures 50% of its risk retention to third party Canadian licensed reinsurers. The policy limits for the period January 1, 1997 through December 31, 1997 are \$1,000,000 per claim and \$2,000,000 per member in aggregate.

NOTE 2

SIGNIFICANT ACCOUNTING POLICIES

These combined financial statements have been prepared in accordance with generally accepted accounting principles. The most significant accounting policies are as follows:

Members' Levies

Members' levies are recorded when billed with the exception of those based on volume or transactions. These latter two levies, first introduced in 1995, are recorded on a cash basis based on members' filings.

Investments

Investments in debt securities are recorded at amortized cost. Premiums and discounts from par value are amortized on a straight-line basis over the term to maturity. Investments in common or preferred shares are carried at cost. Gains and losses on investments are included in investment income when realized.

Claims related balances

a) Provision for unpaid claims and adjustment expenses

The insurance program covers claims made against insureds in the policy period.

The provision is determined using case-basis evaluations plus an amount for future development and delayed reporting and it is an estimation of the ultimate net cost of all insurance claims to December 31, 1997. The estimates are regularly reviewed and updated and any resulting adjustments are included in current income.

The provision for unpaid claims is presented net of a discount that reflects an estimation of the investment income that will be earned on funds until they are paid out in settlement of claims. Accordingly, the provision as recorded represents fair value. The estimation of the discount is based on anticipated investment rates of return and experience with payout patterns on similar types of claims.

ERRORS AND OMISSIONS INSURANCE FUND
NOTES TO COMBINED FINANCIAL STATEMENTS

b) Reinsurers' share of provisions for unpaid claims and adjustment expenses

Expected reinsurance recoveries on unpaid claims and adjustment expenses, are recognized as assets at the same time and using principles consistent with the Society's method for establishing the related liability.

c) Members' Deductibles

The insurance policy calls for insured members to pay deductibles ranging from Nil up to \$25,000. Expected deductible recoveries on paid and unpaid claims, are recognized net of any required provision for uncollectible accounts, using principles consistent with the Fund's method for establishing the related claims liability.

Income taxes

Income taxes are recorded on the tax allocation basis, whereby income taxes are recorded in the period in which transactions affect income, regardless of when such transactions are recognized for income tax purposes.

NOTE 3

THE DEFICIT AND THE VIABILITY OF ONGOING OPERATIONS

The insurance program funds each year's expected costs with members' levies. For various prior years, levies have proven inadequate and accordingly, the program has a deficit. That deficit is being funded by supplemental levies, over a four year period, pursuant to a plan approved by Convocation in October 1994.

The deficit of \$11,109,000 represents the estimated amount that, if fully funded as at December 31, 1997, would allow the program to realize all its assets and discharge all its obligations without any net gain or loss. Because the program intends to maintain LPIC as the insurer, and thus must maintain LPIC's capital and surplus and because the deficit is being funded over four years, the actual amounts that must be collected over the remainder of that four year period totals approximately \$59,000,000.

These financial statements have been prepared on the going concern basis of accounting on the assumption that the Society will continue to eliminate the deficit in the Errors and Omissions Insurance Fund over the remainder of the four year period; thereby allowing the Society to realize assets and discharge liabilities in the normal course of operations.

The future financial well-being of the program and its continuance could be affected by adverse changes in the frequency or severity of professional liability claims, if such adverse changes were of a magnitude that could not readily be funded by members.

Management of the program believes that the modified insurance program, commenced in late 1994, significantly reduces the potential for such adverse developments occurring.

NOTE 4

MEASUREMENT UNCERTAINTY

The settlement of professional liability claims involves processes, the outcome of which is inherently uncertain. Consequently, the estimation of the ultimate settlement costs of claims made to date, that underlies the provision for unpaid claims and adjustment expenses, involves measurement uncertainty. The amounts are necessarily based on estimates of future trends in claim severity and other factors, which could vary as the claims are settled. Ultimate costs

ERRORS AND OMISSIONS INSURANCE FUND

NOTES TO COMBINED FINANCIAL STATEMENTS

incurred will inevitably vary from current estimates, to some extent. Although it is not possible to measure the degree of variability inherent in such estimates, management believes that the provision for unpaid claims and adjustment expenses is adequate. Estimates are reviewed at least annually by an actuary and, as adjustments to these liabilities become necessary, they are reflected in current operations.

Further, the nature of the insurance coverage, the risk retention and reinsurance structure and various management practices, including claims handling and settlement practices, were modified, commencing in late 1994, by the new management of the program. These modifications were designed to better control the level and incidence of costs incurred by the program. However, the effects of these modifications cannot be precisely measured so soon after their implementation.

There is also measurement uncertainty inherent in the estimation of reinsurance recoveries and members' deductible recoveries. Management is satisfied that appropriate provisions have been made for potentially unrecoverable amounts and believes that any remaining exposure will prove immaterial to these financial statements.

The Society is engaged in litigation with the reinsurer of the program during the 1982-1989 period surrounding an issue of allocation of certain costs of defense and investigation. The ultimate amount claimed in the dispute is not determinable at this time as it is largely dependent on future claims settlements. Management believes its own interpretation to be consistent with the contract between the parties as well as established insurance practice and that it has established appropriate reserves for any potential exposure.

NOTE 5

INVESTMENT INFORMATION

The Fund holds a diversified portfolio consisting of securities with investment grades of "A" or better.

Estimated fair values and unrealized gains and losses

The book values, estimated fair values and unrealized gains on investments as at December 31 were as follows:

(000's)	1997			1996		
	Book value	Estimated fair value	Yield %	Book value	Estimated fair value	Yield %
Debt Securities	169,962	171,264	4.88	107,765	110,861	4.5
Common Shares	5,397	5,284		2,761	3,110	
	175,359	176,548		110,526	113,971	

The estimated fair values of debt securities and common shares are based on quoted market values.

Liquidity and interest rate risk

The maturity profile of debt securities as at December 31, 1997 is as follows:

(000's)	Within	1 to 3	Over	Book
	1 Year	Years	3 Years	Value
Debt securities	34,421	79,936	55,605	169,962
Percent of total	20%	47%	33%	

Common shares have no specific maturities.

ERRORS AND OMISSIONS INSURANCE FUND
NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 6

RESTRICTED ASSETS

Included in the combined accounts of the Fund, are approximately \$293.0 million of LPIC assets. These assets are subject to the regulations of the Ontario Insurance Act and are not available to satisfy other obligations of the Fund.

NOTE 7

CLAIMS AND ADJUSTMENT EXPENSES

Reinsurance Ceded

To limit losses through the spreading of risks, the Society cedes reinsurance to other insurers.

Net claims and adjustment expenses presented in the statement of revenue and expenses are net of reinsurance ceded in the amounts of \$34,634,000 (1996 - \$28,305,000).

In the event that a reinsurer is unable to meet obligations assumed under reinsurance agreements, the Society is liable for such amounts.

NOTE 8

MEMBERS' LEVIES

Members' levies for the 1997 year include annual base levies of \$5,150 per member, unchanged from 1996. Additional levies are charged based on a member's claims history, status, and member filings on transactions and volume of billings. In 1997, additional levies totalled \$39,650,000.

NOTE 9

COMMITMENTS

The Fund is committed to monthly lease payments under an agreement in effect until January 31, 2002. Annual lease payments in each of the next four years are \$601,000.

The Society has guaranteed loans, made by lending institutions, to members, which totalled \$100,000 (1996 - \$250,000). These arose prior to 1995. The loans were made to finance members' deductibles in respect of claims paid by the program.

NOTE 10

TAXATION

The Errors and Omissions Insurance Fund is not subject to income or capital taxes because it is a fund of a not-for-profit corporation. LPIC is subject to taxes.

CONVOCATION MEMBERSHIP

CHANGES IN THE MEMBERSHIP OF CONVOCATION

ELECTION

Harvey T. Strosberg, Q.C. was elected Treasurer of The Law Society of Upper Canada on June 27, 1997.

APPOINTMENTS

Denise E. Bellamy was appointed to the Ontario Court (General Division) on April 15, 1997.

NEW BENCHERS

Niels Ortved was elected bencher on January 24, 1997 to fill the vacancy resulting from the appointment to the bench of Stephen T. Goudge, Q.C.

William Carter was elected bencher on April 25, 1997 to fill the vacancy resulting from the appointment to the bench of Denise E. Bellamy.

Robert Martin was elected bencher on September 26, 1997 to fill the vacancy created by the election of Treasurer.

The Rt. Hon. Brian Dickson was made an honorary bencher of the Law Society on December 13, 1997.

DEATHS

Stuart Thom, Q.C, ex-officio bencher and a past Treasurer passed away on December 5, 1997, and P. B.C. Pepper, Q.C., LSM, ex-officio bencher passed away on September 3, 1997.

BENCHERS OF THE LAW SOCIETY OF UPPER CANADA

<i>Treasurer</i>	Abraham Feinstein, Q.C.	Richmond C.E. Wilson, Q.C.	The Hon. Howard
Harvey T. Strosberg, Q.C.	Neil Finkelstein	Bradley H. Wright	G. Hampton, M.P.P.
	Gary L. Gottlieb, Q.C.		The Hon. Charles A.
<i>Elected Benchers</i>	Jane Harvey	<i>Appointed Benchers</i>	Harnick, Q.C.
Robert B. Aaron	Professor Vern Krishna, Q.C.	Nora Angeles	Robert Kemp-Welch, Q.C.
W. Michael Adams	Gavin A. MacKenzie	Abdul Ali Chahbar	Paul Lamek, Q.C.
Robert P. Armstrong, Q.C.	Ronald D. Manes	Shirley O'Connor	Donald H.L. Lamont, Q.C., LSM
Nancy L. Backhouse	Frank N. Marrocco, Q.C.	Hope Sealy	The Hon. Allan
Larry A. Banack	Robert Martin		Lawrence, P.C., Q.C.
Gordon Z. Bobesich	W.A. Derry Millar	<i>Ex-Officio Benchers</i>	Laura L. Legge, Q.C.
Thomas J.P. Carey	Daniel J. Murphy, Q.C.	The Hon. John D. Arnup, Q.C.	Samuel Lerner, Q.C.
Kim A. Carpenter-Gunn	Ross W. Murray, Q.C.	F.M. Cass, Q.C.	The Hon. G. Arthur Martin, Q.C.
William D.T. Carter	Niels Ortved	Ronald W. Cass, Q.C.	Brendan O'Brien, Q.C.
Thomas E. Cole	Helene B. Puccini	John T. Clement, Q.C.	The Hon. Alan W. Pope, Q.C.
Paul D. Copeland	Heather J. Ross	Austin M. Cooper, Q.C.	The Hon. Allan M.
Eleanore A. Cronk	Clayton C. Ruby	E. Susan Elliott	Rock, P.C., Q.C.
Marshall A. Crowe	Harriet E. Sachs	G.H.T. Farquharson, Q.C.	Arthur R.A. Scace, Q.C.
Carole Curtis	David W. Scott, Q.C.	Patrick G. Furlong, Q.C., LSM	Ian G. Scott, Q.C.
Elvio L. DelZotto, Q.C.	Tamara K. Stomp	Edwin A. Goodman, Q.C.	Nathan Strauss, Q.C.
Mary A. Eberts, LSM	Gerald A. Swaye, Q.C.	The Hon. Herbert E.	J. James Wardlaw, Q.C., LSM
Philip M. Epstein, Q.C.	Robert C. Topp	Gray, Q.C.	Roger D. Yachetti, Q.C.

Honorary Benchers

Her Majesty Queen Elizabeth, The Queen Mother
The Right Honourable Margaret Thatcher
The Honourable Lincoln M. Alexander, Q.C.

His Royal Highness Prince Charles, Prince of Wales
Kenneth P. Jarvis, Q.C., RCA
The Right Honourable Brian Dickson

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ANNUAL GENERAL MEETING, 1998

WEDNESDAY, MAY 14, 1998

MAIN LECTURE HALL
OSGOODE HALL, TORONTO

ORDER OF BUSINESS

Minutes of the previous annual general meeting

Report of the work of the Society and the committees of the Society and Convocation

Presentation of the audited financial statements

Matters of professional interest that are directly related to the work of the Society

Motions (no motions were submitted by members of the profession)

NOTES

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