

# The Law Society *of British Columbia*



## **The Law Society of British Columbia 2020 Fees and Budgets Report**

THE LAW SOCIETY OF BRITISH COLUMBIA  
2020 Fees and Budgets Report

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## **Law Society Overview**

### **General Fund - Law Society Operations**

#### **Overview**

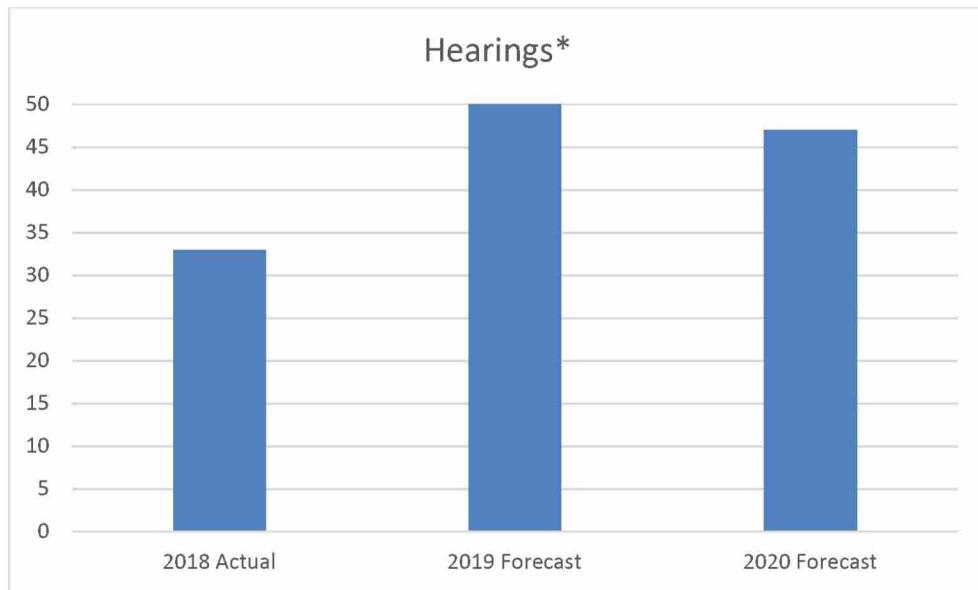
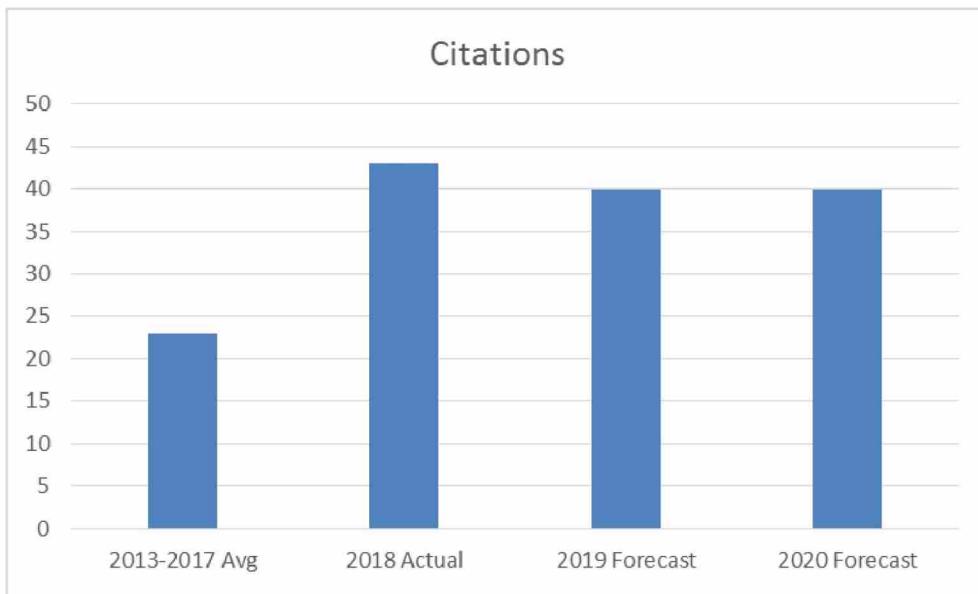
The Benchers will set the 2020 fees pursuant to the Legal Profession Act, following their review of the Finance and Audit Committee's recommendations at the September 27<sup>th</sup> Bencher meeting. The Finance and Audit Committee, with input and consultation from management, has based its recommendations on a thorough review of the Law Society's finances, statutory mandate and strategic plan.

The focus of this budget is to support the Law Society's strategic plan, and to deliver the core regulatory programs to ensure that the Law Society remains an effective professional regulatory body.

There are several themes reflected in the 2020 budget:

#### **1. Continuing to address the increased number of citations and serious files**

There will continue to be a focus on addressing the large number of citations authorized in 2018 and 2019, which is projected to continue into 2020. As can be seen in the charts below, in the five years prior to 2018, the average number of citations authorized each year was 23. In 2018, and projected for 2019 and 2020, the expected levels of citations will continue to be higher, with 43 authorized in 2018, and a similar number expected in 2019 and 2020. With the increased level of citations, the number of hearings is expected to increase to 50 in 2019 and is projected at 47 in 2020. To address this work more effectively, the 2020 budget includes the addition of three term employees, one lawyer and two paralegals. These additional staff are in lieu of the expected retainer of external counsel, at a similar cost but considered more effective. There is also a review of complaints, investigations and discipline processes in progress which should identify potential areas of change.

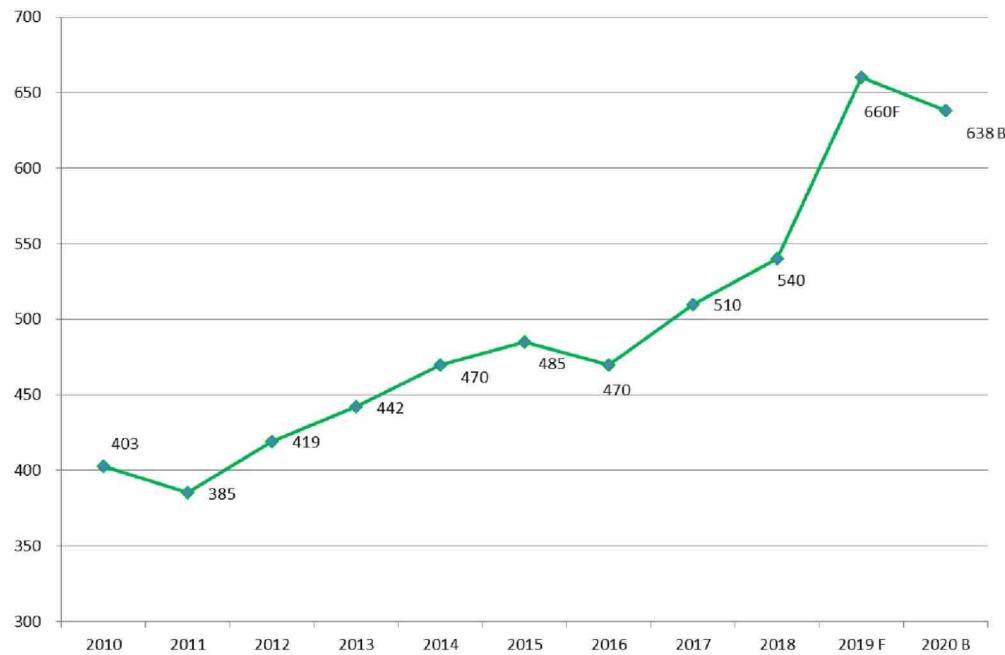


\*Hearings including facts & determination hearings, disciplinary actions, reviews, appeals and interim proceedings (not including credentials hearings).

## **2. Significant increase in PLTC students and NCA transfers**

In 2020, we are expecting 638 PLTC students, an increase of approximately 100 students over the general registration in recent years. This is primarily related to significant increases in NCA students. In order to best support this increase in students, an additional classroom has been added in Vancouver and more space is required in Surrey. With more classes, there will be additional instructor and part time staff administrative resources required, which is partially offset by reduced sessional instructors. In addition, there are costs relating to increased remediation

work. A chart showing the historical levels of PLTC students is shown below.



### **3. Continued focus on anti-money laundering initiatives**

All law societies across Canada are enhancing their anti-money laundering and terrorist financing (AMLT) monitoring and enforcement efforts. The Federation of Law Societies formed an Anti-Money Laundering and Terrorist Financing Working Group to review the model rules for no-cash, client ID and verification and the use of trust accounts. These efforts have led to the implementation of revised rules and an elevated focus on these matters. This has led to more investigations which, in turn, has increased the number of files and required resources in Investigations, Forensic Accounting, Trust Assurance, and Discipline. The 2020 budget includes additional professional development costs for continued training and certification through the Association of Certified Anti-Money Laundering Specialists for some staff.

### **4. Supporting Bencher strategic planning**

In order to best support Bencher strategic planning, policy and committee work, the 2020 budget includes an additional staff policy lawyer resource, as well as support for the continued rollout of the Mental Health Task Force initiatives. The budget also anticipates the development of Law Firm Regulation policies and an additional part-time FOI staff resource to assist in responding to public inquiries.

### **5. Improvement of technology and services to the public and lawyers**

There is a renewed focus on the public and lawyer services with an emphasis on information technology (IT) system improvements and two additional member services staff resources. The budget includes an IT staff resource to update the Law

Society Information System (LSS), as well as to increase online lawyer services through the member portal, and enhanced use of data analytics and artificial intelligence in our work. There will also be an additional finance staff resource to provide technology improvements and enhanced reporting, including electronic funds transfer, E-Billing, accounting system integration, reporting system changes and the use of credit cards for certain payments.

Additionally, there are plans to develop new online learning platforms to provide additional lawyer resources for courses, including practice management, practice refresher, trust accounting, and anti-money laundering.

### **Other Budget Assumptions**

- Projected 2.5% growth in lawyers, to 12,846 practicing lawyers
- Credentials and member services fees similar to historical levels
- Market based staff compensation and benefits adjustments
- IME external counsel fee budget converted to 0.7 lawyer
- IER lawyer increase of 0.2 FTE
- Increase the graduate studies scholarship to \$20,000 to match other award levels
- Increased IME transcriptions and mirror imaging with more serious files of \$33,000
- Virtual Desktop Infrastructure implementation average maintenance costs to improve flexibility of \$40,000, offset by an average annual reduction in capital expenditures of \$10,000
- Bi-annual information technology system security testing of \$50,000
- Reduction of \$275,000 in regulation external counsel fees, relating mainly to legal defence files
- Decreases in consulting and external counsel costs in Corporate Services of \$23,000
- Implementation of E-Billing reduces mailing and printing costs by \$26,000

### **Budget Risks**

**Lawyer Numbers** – The revenue received from the practice fee and other credentials and membership fees serves to offset 80% of the budgeted costs. As such, a significant short-term reduction in lawyers could result in a need to draw on net assets. To mitigate this risk, we closely track lawyer numbers and monitor the demographics of our lawyer base to anticipate any potential reductions in our lawyer numbers. We also apply an estimate of lawyer numbers based on historical lawyer growth.

**Inflation** – Staff salaries and benefits comprise approximately 75% of the total expense budget, so rising inflation and related salary market levels may put pressure on compensation costs. Rising inflation may also cause an increase in other operating expenses.

**External Counsel Fees** – External counsel fees represent a significant portion of the overall budget. While these costs are analyzed, managed and tracked rigorously, they can also be unpredictable in nature. These costs are typically driven by three factors, conflicts, work load, and the requirement of special skills. The complexity of new cases cannot be anticipated, which can have an impact on costs and demand.

The additional costs relating to law firm regulation, AML efforts, identifying misuse of trust accounts and addressing the shortfall of resources in discipline are mainly external counsel fees. These amounts, in some cases are quite large and they have been estimated using a number of assumptions about the number of files, timing, and the costs per file. The actual costs incurred could vary from what has been estimated.

**Staff Vacancy Savings** – In order to anticipate vacancies in staff positions during the year, and reduce practice fee requirements, a staff vacancy savings budget is estimated each year based on historical trends. The amount of staff vacancy savings depends on the total amount of staff vacancies in any given year. If there are lower vacancies than estimated in the vacancy budget, operating savings will be overestimated, resulting in budget pressure.

**Electronic Filing Revenues and Trust Administration Fees** – These fees correlate very closely with the number of real estate unit sales in BC. These fee budgets have been set based on the forecasts of the Real Estate Associations and actual results could vary from these forecasts. The status of electronic filing revenue after 2020 remains to be determined.

## **2020 Operating Revenue Summary**

General Fund revenues are projected to be \$29.3 million, \$2.0 million (7.4%) over the 2019 budget, due to higher lawyer numbers, higher PLTC student numbers, and significant D&O Liability insurance recoveries expected in the year, as well as an increase in the practice fee of \$29.93 (1.6%) to provide for a balanced budget. The budgeted revenue is based on estimates of 12,846 full-time equivalent practicing lawyers and 638 PLTC students. Other revenues are projected at similar levels to 2019.

## **2020 Operating Expense Summary**

General Fund operational expenses, before reserve spending, are also projected to be \$29.3 million. This equates to a 2.8% increase in expenses over 2019.

## **General Fund Net Assets**

As noted in the 2019 budget materials, some funding for the 2019 budget was to come from the use of reserves. This reserve spending was initially budgeted as \$1.215 million and was comprised of:

1. Discipline external counsel fees for a total cost of \$1.835 million in 2019, of which \$1.115 million was to be funded through reserve.
2. Additional resources to develop policies for law firm regulation with estimated costs of \$100,000.

It is expected that only \$820,000 of the \$1.115 million for reserve discipline spending will be required in 2019 and the \$100,000 for law firm regulation policies will be deferred until 2020.

Additional revenue is also expected to be collected in 2019, along with anticipated savings in expenses. The projected unrestricted net assets are outlined in the table below:

<b><u>2019</u></b>	
Opening Balance- as per 2018 audited financial statements	\$ <b>5,623,000</b>
2019 forecasted additional revenue- as per May financial report	\$ 830,000
2019 forecasted expense savings (not including reserve spending savings) - as per May financial report	\$ 600,000
2019 forecasted discipline reserve spending - \$1.12million Bencher approved	\$ (820,000)
<b>Projected 2019 Reserve Closing Balance</b>	<b>\$ 6,233,000</b>
<b><u>2020</u></b>	
Law Firm Regulation- Bencher approved in 2019	\$ (100,000)
2020 Budget expected to be break even	\$ -
	\$ (100,000)
<b>Projected 2020 Reserve Closing Balance</b>	<b>\$ 6,133,000</b>

Appendix A contains the General Fund operating budget.

## Capital Plan

The Law Society maintains a rolling 10 year capital plan to ensure that capital funding is available for capital projects required to maintain the 839/845 Cambie building and to provide capital for operational requirements, including computer hardware and software, furniture and workspace improvements. In addition, the capital plan funds the annual \$500,000 debt service payment on the 839/845 Cambie building loan from LIF.

The annual capital allocation levy is included in the annual practice fee, and remains at \$176 per lawyer. In the 2020 capital plan, \$1.5 million is budgeted for capital projects (Appendix C). Projects include base building maintenance, including future window and cladding repairs, post tension work and atrium repairs. In addition, the operational capital includes replacing computer hardware and software, furniture, and renovation of office workspaces.

## 2020 Practice Fee

Taking all of the above into account, \$1,903.99 of the 2020 annual practice fee funds the Law Society operations and capital plan, an increase of \$29.93 (1.6%) over 2019.

### The Law Society of BC

#### 2020 Fee Recommendation

	Funding (in 000's)				Per Lawyer			
	2020	2019	Change (\$)	Change (%)	2020	2019	Change (\$)	Change (%)
Law Society Operating Expenses	\$ 29,295	\$ 28,484	811	2.8%	\$ 1,903.99	\$ 1,874.06	\$ 29.93	1.6%
Federation of Law Societies*	361	348	13	3.7%	28.12	28.12		
CanLII*	539	486	53	10.9%	41.94	39.24		
CLBC*	2,615	2,539	76	3.0%	203.57	205.00		
The Advocate**	347	332	15	4.4%	22.26	21.75		
LAP*	792	792	-	0.0%	61.69	64.00		
Pro bono/Access (CPI Increase)*	354	347	7	2.1%	27.56	28.00		
Annual Practice Fee					\$ 2,289.12	\$ 2,260.17	\$ 28.95	1.3%

\*2020 full fee paying equivalent members projected at 12,846□

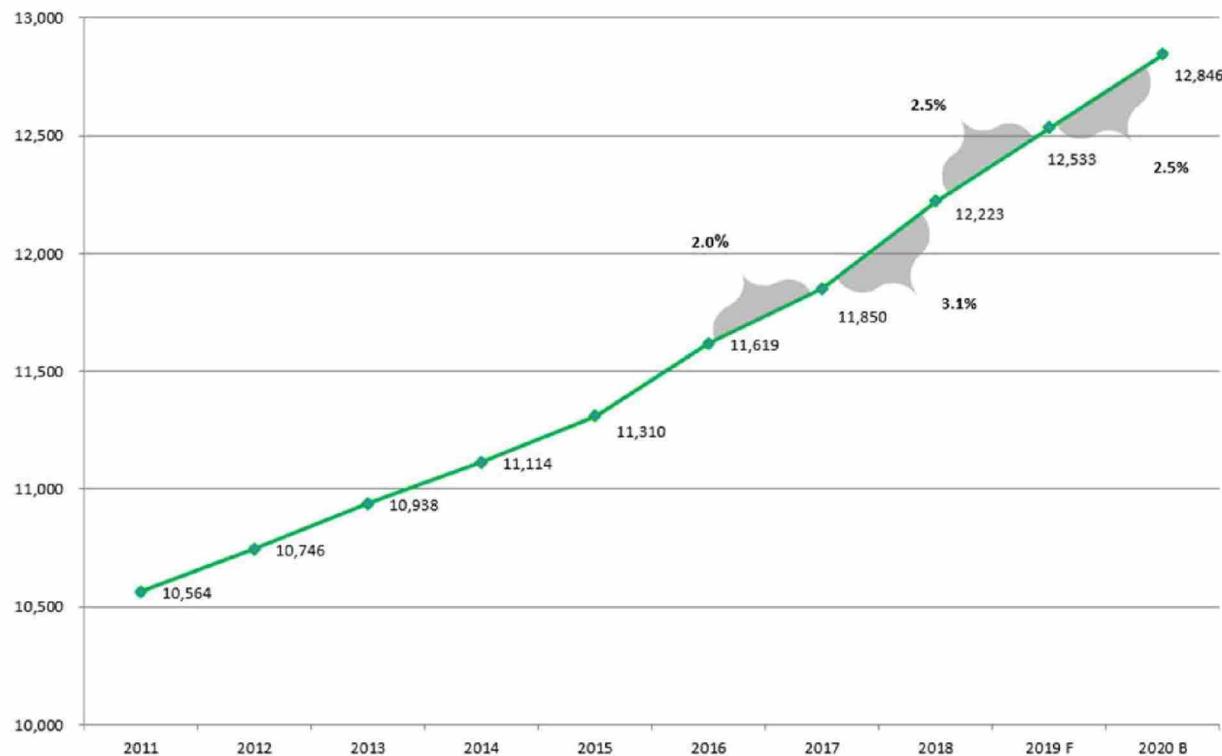
\*\*2020 practicing, non-practicing and retired members projected at 15,583□

## 2020 Operating Revenue

Total revenues, excluding the capital allocation levy, are budgeted at \$29.3 million, an increase of \$2.0 million (7.4%) over the 2019 budget (Appendix A).

**Practice fee revenues** are budgeted at \$22.8 million, a 5.4% increase over the 2019 budget due to the projected growth in the number of practicing lawyers and a modest increase in the annual practice fee. Based on the average growth in lawyers over the last few years, budgeted full-time equivalent practicing lawyers is projected to increase to 12,846 lawyers, 2.5% over the 2019 practicing lawyer projection. Other categories of membership are assumed to remain consistent with previous years.

### Practicing Lawyer Projection



**PLTC revenues** are budgeted at \$1.9 million, based on 638 students, slightly less than the 2019 forecast of 660 students and about 100 students higher than the 2019 budget of 540.

**Electronic filing revenues** are budgeted at \$700,000, a decrease of \$140,000 from the 2019 budget, in line with downward trends in the real estate market.

**Other revenues**, which include credentials and incorporation fees, fines, penalties and cost recoveries, and interest income are budgeted at \$2.5 million, about \$600,000

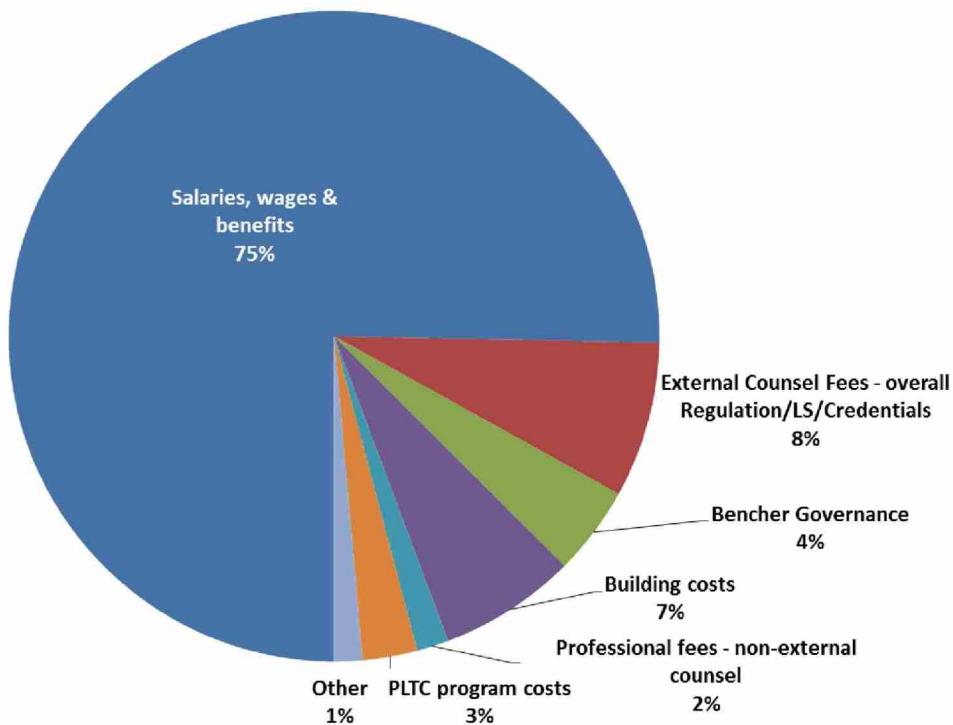
higher than 2019, primarily due to large D&O insurance recoveries expected in 2020 and a small increase in interest income related to additional cash on hand.

**Building revenue and recoveries** are budgeted at \$1.4 million in 2020. The Law Society owns the 839/845 Cambie building, and occupies the majority of space, and the space that is not occupied by the Law Society is leased out to external tenants. In 2020, external lease revenues are budgeted at \$849,000. Also included in lease revenues is an inter-fund market rent allocation of \$526,000 charged by the General Fund for space occupied at 845 Cambie by the Lawyers Insurance Fund and the Trust Assurance Program.

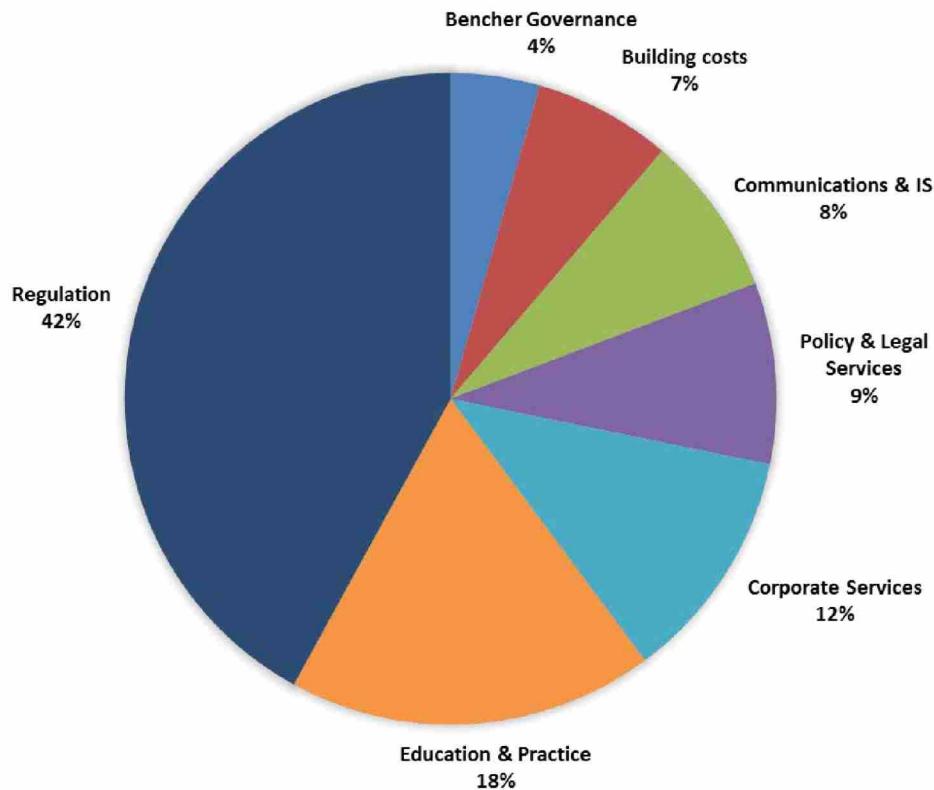
## 2020 Operating Expenses

The majority of operating expenses (75%) are related to staffing costs to provide the programs and services to both the public and lawyers. External counsel fees have decreased to 8% of overall spending, which is consistent with external counsel fee spending levels prior to the increase in 2019 from reserve spending.

The chart below provides information on the type of operating expenses within the General Fund.



The operating costs by department, as a percentage of the 2020 budget are:



## Departmental Summaries

### **Bencher Governance and Board Relations**

The Bencher Governance and Board Relations area includes the costs of the Bencher and committee meetings, including travel and meeting costs, which are required to govern the Law Society, board relations, events and the costs of any new initiatives related to the Bencher Strategic Plan. In addition, this includes the Board Relations and Events department that coordinates and organizes the Bencher and Executive meetings, coordinates external appointments, and plans and provides administrative and logistical support for the annual general meeting and Bencher elections.

The 2020 Bencher Governance and Board Relations operating expense budget is \$1.3 million, an increase of \$25,000 (2%) from the 2019 budget.

## Corporate Services

The departments that are included in Corporate Services are: General Administration, Office of the CEO, Finance, Human Resources, and Records Management.

**General Administration** includes the Office of the CEO. General administration also includes the Operations department which provides general administrative services, such as reception and office services, and office renovation services.

**Finance** provides oversight over all the financial affairs of the Law Society, including financial reporting, operating and capital budgeting, audit, payroll and benefits administration, cash and investment management, and internal controls.

**Human Resources** develops and maintains the human resource policies and procedures, and provides services related to recruiting, compensation, performance management, employee and labor relations, and training.

**Records Management** is responsible for the records management, library and archives program, including the oversight of the electronic document management system.

The 2020 Corporate Services operating expense budget is \$3.4 million, \$186,000 (5.8%) higher than the 2019 budget, with increases relating to market based compensation adjustments, an additional finance staff resource, partially offset by savings in Human Resources consulting costs.

## Education & Practice

The departments included in Education and Practice are: Member Services, Credentials, PLTC and Education, Practice Standards and Practice Advice.

**Member Services** provides services to lawyers, including lawyer status changes, fee billings, unclaimed trust funds, Juricert registration, and the Call Ceremonies. This department also administers the annual continuing professional development program for all lawyers and the law student admission program.

**Credentials** ensures new and transferring lawyers are properly qualified to practice law in BC by preparing and assessing applicants for call and admission to the Law Society, and licensing them to practice.

**PLTC & Education** helps articled students make the transition from law school to legal practice. Taught by experienced lawyers, PLTC uses case files and model transactions that replicate as closely as possible what students will experience during articles and when practicing. Successful completion of the intensive, 10-week course is one of the conditions law school graduates must meet to practice law in British Columbia.

**Practice Standards** is a remedial program that assists lawyers who have difficulty in meeting core competencies and who exhibit practice concerns, which may include

issues of client management, office management, personal matters, and substantive law. The Practice Standards department conducts practice reviews of lawyers whose competence is in question, and recommends and monitors remedial programs.

**Practice Advice** helps lawyers serve the public effectively by providing advice and assistance on ethical, practice and office management issues.

The total 2020 Education & Practice operating expense budget is \$5.3 million, an increase of \$410,000 (8.4%) from the 2019 budget. Much of the increase relates to market based compensation adjustments and additional costs related to the increase in PLTC students. In addition, movement to a new online learning platform is planned, along with the development of course content for practice management, practice refresher, anti-money laundering and trust accounting.

## Communications and Information Services

**Communications** is responsible for all lawyer, government and public relations and provides strategic communication advice to all areas of the Law Society. The department also manages and maintains the Law Society website, electronic communications and produces our regular publications such as the Bencher Bulletin, the E-Brief and the Annual Review.

**Information Services** is responsible for all technical services relating to computer business systems and databases, networks, websites and data storage and communication technology.

The 2020 Communications and Information Services operating expense budget is \$2.3 million, an increase of \$250,000 (12.0%). This increase is primarily related to market based compensation adjustments, increases in maintenance costs relating the implementation of Virtual Desktop Infrastructure (VDI) and bi-annual security testing of the information technology systems.

## Policy & Legal Services

Policy & Legal Services includes policy, legal services, external litigation and interventions, ethics, tribunal and legislation, information and privacy, and unauthorized practice.

**Policy and Legal Services** assists the Law Society with policy development, legal research and legislative drafting, and monitoring developments involving professional regulation, independence of the Bar and Judiciary, access to justice, and equity and diversity in the legal profession, and provides advice for ethical consideration and supports the Ethics Committee. In addition, includes external counsel fees providing services for legal defence cases and interventions on behalf of the Law Society.

**Tribunals and Legislation** supports the work of Law Society hearing and review tribunals and drafts new rules and proposed amendments to the *Legal Profession Act*.

**Information & Privacy** handles requests made of the Law Society and maintains compliance of the Law Society data and training under the Freedom of Information and Protection of Privacy Act (FOIPPA).

**Unauthorized Practice (UAP)** investigates complaints of unauthorized practice of law by unregulated, uninsured non-lawyers.

The 2020 Policy and Legal Services operating expense budget is \$2.6 million, an increase of \$105,000 (4.2%) from the 2019 budget. This is primarily due to an additional policy staff lawyer resource, a part time staff resource in Information & Privacy and market based compensation adjustments. These increases are partially offset by an expected decrease in the external counsel fees for the Law Society's legal defence.

## **Regulation**

There are four areas that are included in Regulation: Professional Conduct, Discipline, Forensic Accounting and Custodianships.

**Professional Conduct** includes the Intake and Early Resolution and the Investigations, Monitoring and Enforcement groups, which investigate complaints about lawyers' conduct and recommend disciplinary action where appropriate.

**Discipline** manages the conduct meeting and conduct review processes, represents the Law Society at discipline hearings and provides legal advice on investigations.

**Forensic Accounting** provides forensic investigation services to support the regulatory process.

**Custodianships** provides for the arrangement of locum agreements or custodians to manage and, where appropriate, wind-up legal practices when lawyers cannot continue to practice due to illness, death, or disciplinary actions.

The 2020 Regulation operating expense budget is \$12.3 million, a decrease of \$222,000 (-1.8%) from the 2019 budget. This decrease is related to the reduction in Discipline external counsel fee spending from 2019 levels. This decrease is offset by increases related to market based compensation adjustments and a 0.2 FTE staff lawyer increase in the Intake and Early Resolution department.

It should be noted that three term Discipline staff resources have been added to assist with citations and hearings, offset by a corresponding decrease in external counsel fee budgets. Additionally, there is a 0.7 FTE staff lawyer increase in the Investigations department, offset by a corresponding decrease in external counsel fee budgets.

## Building Costs

The Law Society owns the 839/845 Cambie Street building and occupies 80% of the available space. The cost of occupying and maintaining the building is partially offset by lease revenues from tenants, which are recorded in the revenue section.

The property management department provides services in relation to tenant relations, leasing, building maintenance and preservation, fire and safety, energy management, and minor and major capital project management.

The 2019 building operating expense budget is \$2.0 million, an increase of \$56,000 (2.9%) over the 2019 budget for building maintenance projects. This increase is offset by increased building revenue and recoveries.

## **External Organization Funding**

The Law Society collects a number of fees for external programs, which are included in the annual practice fee.

**Federation of Law Societies** – The Federation is expected to remain the same as the 2019 fee of \$28.12 per lawyer. The Federation of Law Societies of Canada provides a national voice for provincial and territorial law societies on important national and international issues.

**CanLII** – The CanLII fee is expected to be \$41.94 per lawyer. CanLII is a not-for-profit organization initiated by the Federation of Law Societies of Canada. CanLII's goal is to make primary sources of Canadian Law accessible for free on its website at [www.canlii.org](http://www.canlii.org). All provincial and territorial law societies have committed to provide funding to CanLII.

**Courthouse Libraries of B.C. (CLBC)** – With the support from the Law Society of British Columbia, the Law Foundation of British Columbia, and the Ministry of Attorney General, CLBC provides lawyers and the public in BC with access to legal information, as well as training and support in accessing and using legal information. Through its information services, curation of print and digital collections, website content and training, the library provides practice support for lawyers and access to justice support to the public across the province, through its 30 physical locations. The Law Society's 2020 funding is set at \$2.62 million versus \$2.54 million in 2019, a 3% increase. This will equate to a \$203.57 per lawyer contribution.

**The Advocate** – The Advocate is funded at \$347,000 for 2020, which will draw down some of the Advocate net asset reserves, equal to per lawyer funding of \$22.26. The Advocate publication is distributed bi-monthly to all BC lawyers.

**Lawyer's Assistance Program (LAP)** – LAP provides confidential outreach, education, support and referrals to lawyers and other members of British Columbia's legal community. LAP has requested funding of \$792,440 which is consistent with 2019 funding. The contribution per lawyer will be \$61.69.

**Pro bono and access to justice funding** – The Finance and Audit Committee recommended the contribution to pro bono and access to legal services funding be increased by the CPI index starting in 2019. This funding is sent to the Law Foundation for distribution. With the CPI increase of 2%, the funding amount for 2020 is \$353,736.

## **Trust Assurance Program and Fee**

The goal of the Trust Assurance program is to ensure that law firms comply with the rules regarding proper handling of clients' trust funds and trust accounting records. This is achieved by conducting trust accounting compliance audits at law firms, reviewing annual trust reports, and providing lawyer advice and resources. The compliance audit program ensures that all firms are audited at least once within a six year cycle.

The Trust Administration Fee (TAF) is currently set at \$15 per transaction, and will remain the same for 2020. Assuming a projected decrease in real estate transactions in 2019, with a modest increase in 2020, the 2020 TAF revenue is budgeted at \$3.7 million, a 9% decrease over the 2019 budget of \$4.0 million.

The Trust Assurance operating expense budget is \$3.6 million, an increase of \$230,000 (6.8%) from the 2019 budget. Increases are primarily related to market based compensation adjustments, and additional professional development costs related to AML training and certification through the Association of Certified Anti-Money Laundering Specialists.

Initiatives that continue into the 2020 year include, 1) re-auditing high risk firms, 2) audit real estate and wills & estate firms every 4 years, 3) develop and deliver webinars and trust accounting courses, 4) promote new firm visits, 5) update trust accounting materials, 6) use data analytics to improve effectiveness and efficiencies. Efficiencies will be gained through designing condensed audit programs for low risk audits, and data analytics will reduce audit time and allow more audits per auditor.

The TAF reserve at December 31, 2018 was \$3.0 million. The Benchers recommend the TAF reserve be 6 months of operating expenses, with any excess transferred to Part B insurance funding. During 2019, \$1.16 million will be transferred to Part B insurance funding. The level of TAF reserve will continue to be monitored by the Finance and Audit Committee.

### **TAF Projections**

	TAF		Total	Total	Net	Transfer to	Net Asset	
	Matters	Rate					Income/ (Deficit)	LIF
2018 Actuals	269,889	\$ 15	\$ 4,048,339	\$ 2,625,990	\$ 1,422,349	\$ (1,780,000)	\$ 2,955,000	
2019 Projections	233,994	\$ 15	\$ 3,509,910	\$ 3,364,332	\$ 145,578	\$ (1,160,000)	\$ 1,940,578	
2020 Budget	245,694	\$ 15	\$ 3,679,840	\$ 3,593,993	\$ 85,847	\$ (140,000)	\$ 1,886,425	

## **Special Compensation Fund**

The Special Compensation Fund was maintained pursuant to Section 31 of the Legal Profession Act, was financed by lawyer' annual assessments, and claims were recorded net of recoveries when they had been approved for payment. Since 2004, the Lawyers Insurance Fund has been providing coverage for dishonest appropriation of funds by lawyers.

During 2012, the Legal Profession Amendment Act, 2012 repealed section 31 of the Legal Profession Act. In addition, Section 23 of the Legal Profession Act was amended to remove the requirement that practicing lawyers pay the Special Compensation Fund assessment, which meant that, effective 2013 and onwards, there is no fee assessed for the Special Compensation Fund.

Section 50 of the Legal Profession Amendment Act, 2012 provides for the transfer of unused reserves that remain within the Special Compensation Fund to the Lawyers Insurance Fund for the purposes of the insurance program. During 2017, \$1 million of the unused reserves were transferred, with no additional transfers since that time. Work is continuing on the production of documents for past files. The remaining Special Compensation Fund net assets are expected to be sufficient for the remaining work.

## Lawyers Insurance Fund

### Overview

The goal of the Lawyers Insurance Fund (LIF) is to maintain a professional liability insurance program for BC lawyers that provides reasonable limits of coverage for the protection of both lawyers and their clients and exceptional service, at a reasonable cost to lawyers. This is within an overarching objective of maintaining a financially stable program over the long term, in the interest of the public and the profession.

A number of factors influence the financial stability of our insurance program, and we will review each below. Overall, with the exception of a spike in the severity of Trust Protection claims under Part B and an increase in case reserves under Part A, 2018 was a year of moderation, which unfolded with no concerns.

### Frequency and Severity of Claims

#### Part A:

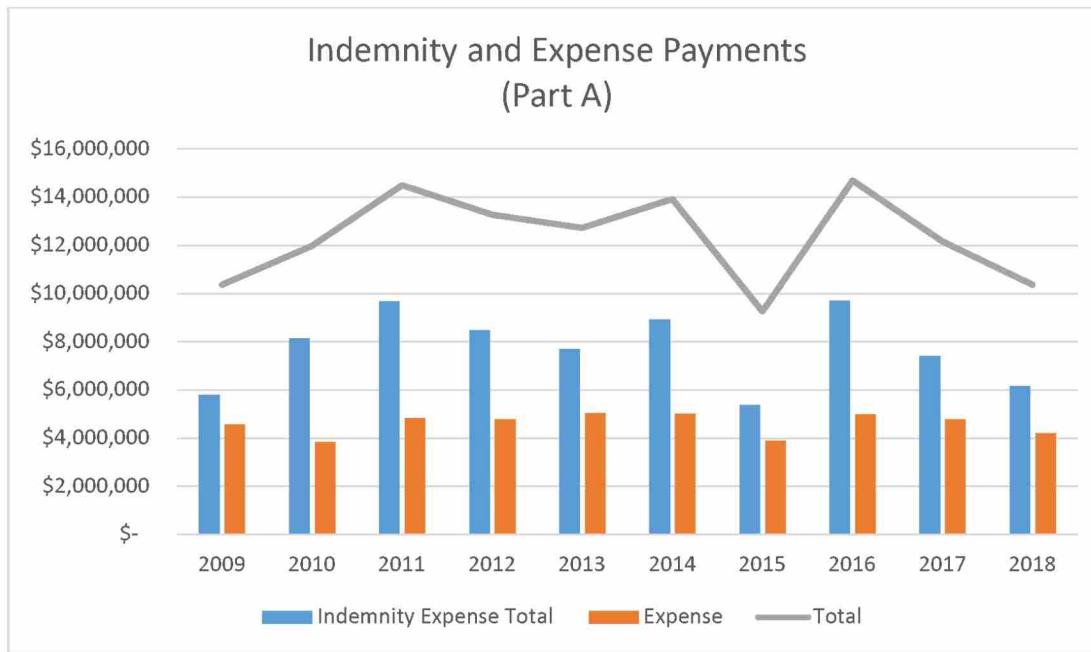
The first factor is the total incidence of claims and potential claims, or “reports” under Part A. The number of reports has risen slightly in the past year; however, frequency is consistent with recent levels. In the 5 year period from 2004 to and including 2008, the average number of reports annually was 945. The 4 years that followed, 2009 to 2012, reflected the impact of the recession on claims and generated an annual average of 1,032 reports. In 2013, the number of reports fell to 978, and in 2014, increased to 1,014. From 2015 to 2017, the number of reports again increased to an average of 1,107 and in 2018, the number of reports grew to its highest ever: 1141. For 2019, projecting to the end of the year, we expect the number of reports to be consistent with 2018.

This increase is moderated in the report frequencies (number of reports divided by the number of insured lawyers) for the year-to-date (June 30) compared with the past 8 years:

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
13.3%	14.0%	12.5%	12.0%	12.3%	13.4%	12.8%	12.9%	12.5%	12.3% (projected)

The second factor is the amount paid to defend and resolve claims. As depicted in the graph below, the severity (the dollar value) of claim payments on a *calendar* year basis has varied within a relatively small margin – with the notable exception of a dip in payments seen in the 2015 results. In the 5 year period from 2004 to 2008, the average annual payments were \$10M. The 6 years that followed, 2009 to 2014, generated average annual payments of \$12.8M. Due largely to the timing of payments, 2015 was unusually low at \$9.3M and the average in 2016-17 increased to \$13.4M; however, 2018 saw a decrease in payments at \$10.4M. Projected to year-end, total payments

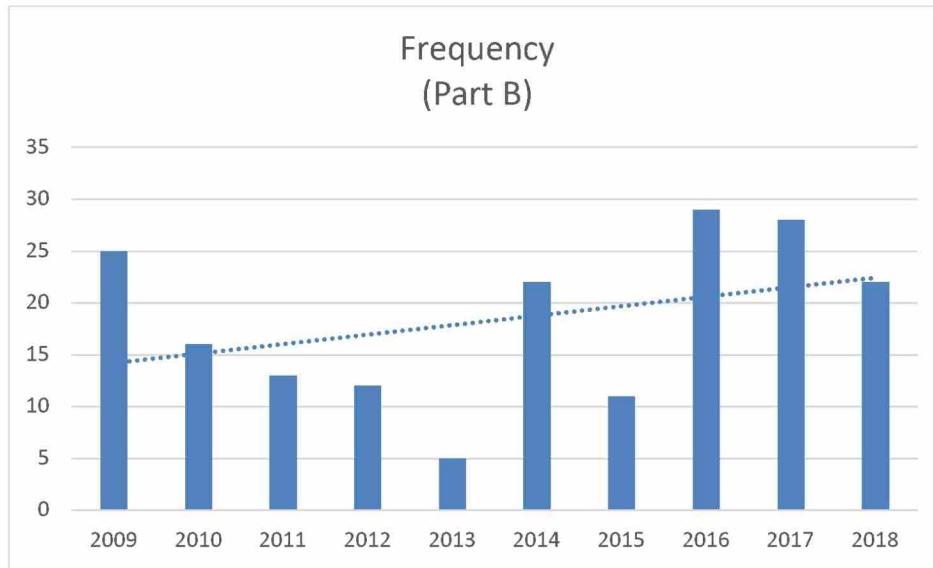
are expected to be consistent with 2018, but it is too early to predict this with any reliability.



That said, on a claim year basis, the total incurred of \$35M (total reserves and payments) for the claims reported in 2018, exceeds any previous year. This is likely primarily due to conservative reserving practices, but it may also signal a more severe claim year. Time will tell, and we will monitor payments as the claims develop.

#### Part B:

Because of the small number of trust protection claims under Part B of the policy, the year-over-year experience is more volatile. The graph below clearly depicts this volatility. 2018 closed out the year with 22 reports, 16% more than the annual average of 19. We've received 14 reports so far in 2019, which is above the average and slightly ahead of 2018.



As to severity, in 2016 and 2017, total payments were \$94,000 and \$45,000, respectively; however, as anticipated, Part B claims cost the fund significantly more last year, due primarily to a number of larger payments in respect of one disbarred lawyer. A total of \$1.5M was paid, far exceeding the annual average of \$83,000. We expect to pay the balance of these claims this year and along with others, estimate paying \$200,000 on claims, again exceeding the average but by a smaller margin.

## Future Practice Risks

The third factor is the risk of increased future claims.

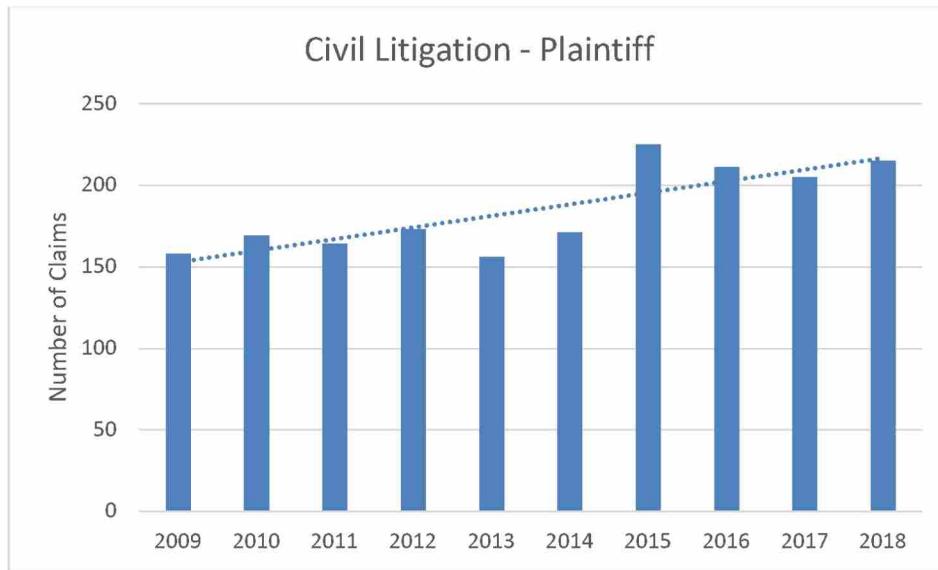
The expanded coverage under Part C for trust shortages caused by certain social engineering scams came into effect as of January 1, 2017. It was expected to give rise to increased claims, and the experience at this early stage is in line with projections. When the expanded coverage was introduced, we predicted an average of 2 claims per year. In 2017, we received 2 covered claims under Part C, and 1 claim in 2018. To date, these claims have resulted in payments totaling \$487,500. There have been no claims reported under Part C so far in 2019.

In the real estate area, REDMA claims now account for \$5.5M of payments and a projected further exposure of \$800,000. Fortunately, the number of reports and payments has abated in recent years. On other fronts, the BC government's move to levy a tax on foreign purchases of Vancouver real estate has, to date, given rise to 14 claims against lawyers, with a total incurred (reserves and payments) of \$1.4M (up from 9 claims and \$1M a year ago). In addition, the provincial government's anti-money laundering property-transparency measures introduced in September 2018 and in January 2019 (but not yet in force) may result in new claims. We expect our extensive risk management efforts in this area, however, to moderate the impact of these new initiatives on claims.

More broadly, as illustrated in the graph below, the overall frequency of reports arising from commercial and residential real estate practice, combined, has remained relatively consistent since the end of the impact of the recession in 2012. The de-escalation of real estate values in British Columbia reduces the severity risk of these claims, although a sharp market correction would lead to more claims against lawyers. To date, we have not seen a significant shift, either way, in the severity of these claims, but we continue to monitor this risk.

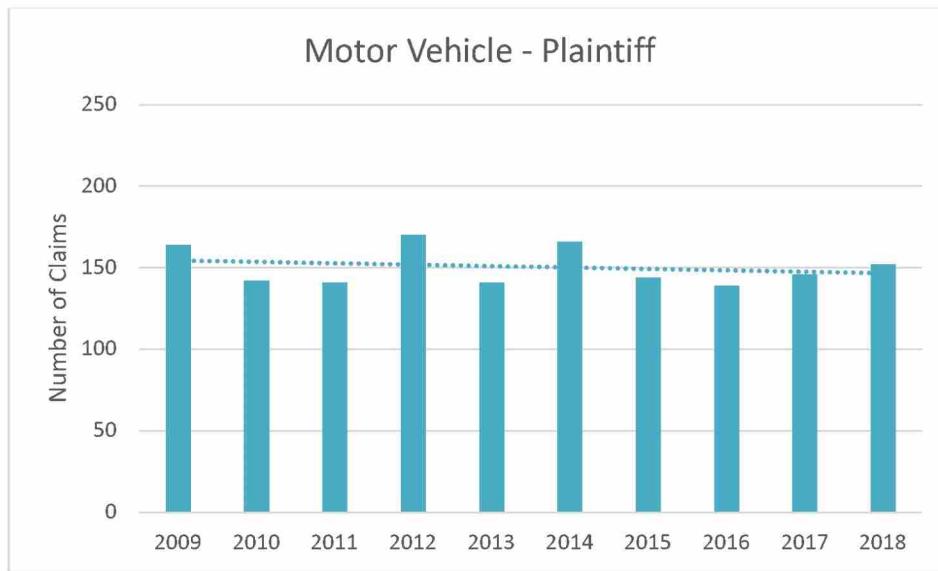


On the other hand, civil litigation on the plaintiff side continues to be a significant and growing cause of claims and potential claims – as demonstrated by the graph below. These claims comprise almost 20% of reports across all practice areas.

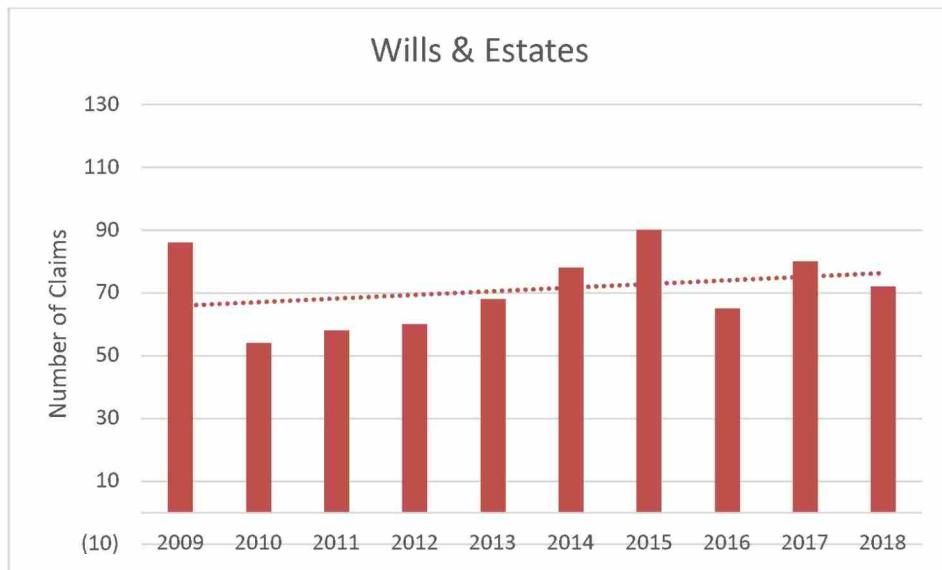


Motor Vehicle practice on the plaintiff's side is another area where we may see increased risk. The government's initiative to fold all actions for Part 7 benefits (scope

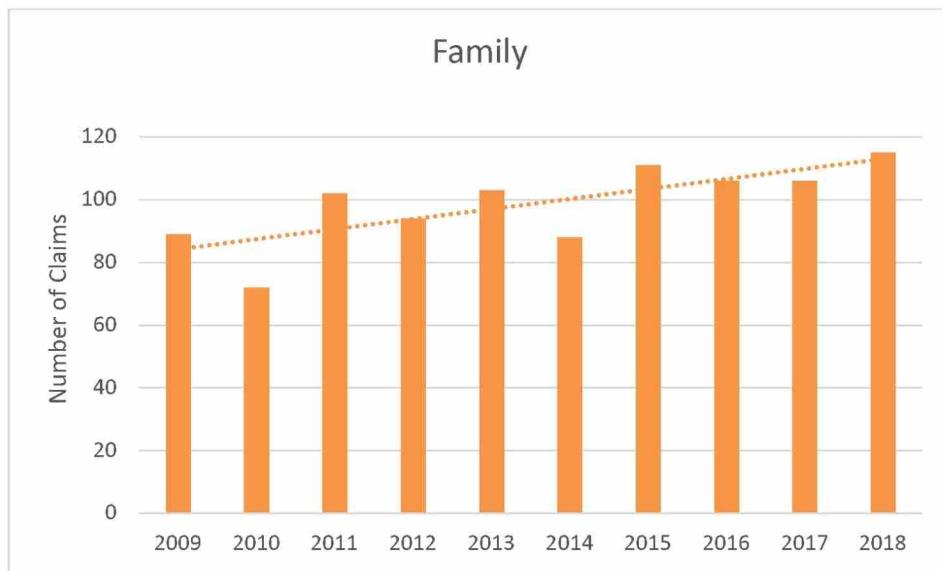
now significantly expanded) and “minor injury” claims into the exclusive jurisdiction of the Civil Resolution Tribunal as of April 1, 2019 may catch some lawyers off-guard. Claims will arise from lawyers starting actions in the wrong venue, or failing to send section 103 notices to ICBC to suspend the running of the limitation period for Part 7 benefit actions. We expect additional and larger claims – but in limited numbers – as our risk management notices and advice to lawyers have been frequent and timely. Although it is too early to see claims (see graph below), we are watching this area closely for signs of an uptick in frequency.

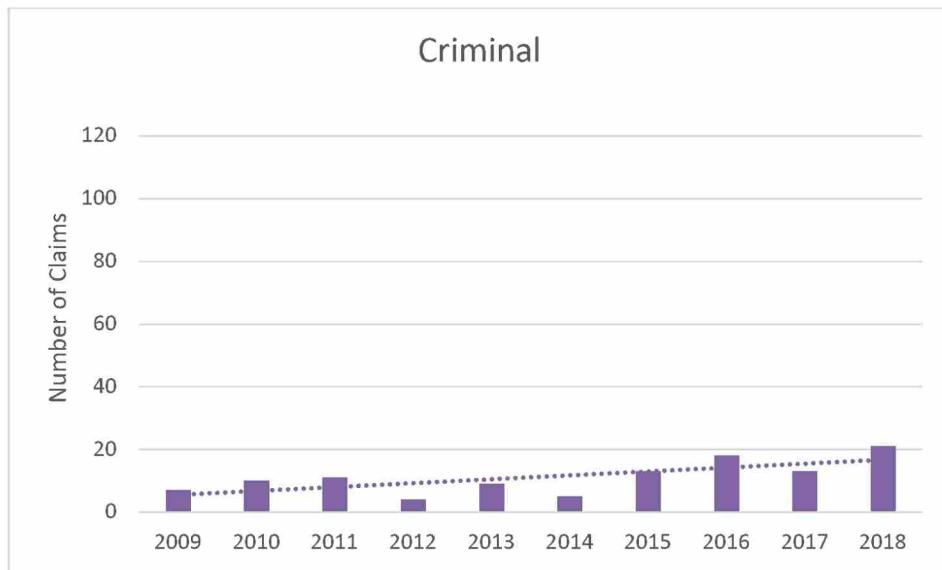


The *Wills, Estates and Succession Act* and probate rules came into effect in March, 2014. They remain likely to give rise to claims against lawyers for failing to adequately satisfy themselves and document that the will reflects the testator’s true intentions, free from undue influence. On the other hand, the opportunity to repair faulty wills has expanded under *WESA*, reducing the cost of claims against lawyers for drafting and execution errors. The graph below illustrates that claims related to wills and estates that might have been expected given our aging demographic have not increased over the 10-year period. Nonetheless, we foresee the wills and estates practice area generating increasing numbers of future claims as the population ages and passes on significant wealth to beneficiaries.



Two practice areas whose numbers have grown over the last 10 years are family and criminal. Both generate relatively few reports (see graphs below) and modest indemnity payments.





Apart from the risks noted above, we are not aware of significant new insured areas of exposure for lawyers.

## Investment Returns

The fourth factor is the return on investments available to fund the insurance program. The 2018 return on LIF long-term investments – at -0.25% – was below the benchmark return of -0.16%. We are budgeting returns of 5.2% for 2019, based on actuarial projections.

## Net Assets

The LIF net assets as at December 31, 2018 were \$76.9M, including \$17.5M set aside for trust protection claims under Part B. The unrestricted net asset position of the fund at year-end was therefore \$59.4M, down \$7.3M from the previous year at \$66.7M.

## Minimum Capital (Net Asset) Requirements

In addition to the investment return, there is a need to maintain a certain amount of the fund for contingencies and adverse developments. Applying the Minimum Capital Test (MCT) – an industry-wide solvency benchmark for insurers – the Fund's actuary analyzed LIF's future risks relative to its net assets and advised on an appropriate level of capital funding. His view was that as of year-end 2018, LIF's MCT ratio was 222%, and the program was appropriately funded based on an internal target capital ratio of 199%, at a minimum.

## **Revenue**

As noted in Appendix D, the total LIF assessment revenues for 2020 are budgeted at \$16M, which is based on 8,160 full-time and 1,171 part-time insured lawyers. Investment income is budgeted at \$9.1M, based on an estimated investment return of 5.2%.

## **Expenses**

Operating expenses, excluding the provision for claim payments, are budgeted for 2020 at \$8.7M, an increase of \$237,000 (2.7%) over the 2019 budget (Appendix D). The increase is due to an increased contribution to the administrative costs of the General Fund, funding for a short-term contract position, and market-based salary adjustments.

## **Other Assets**

Based on the Trust Assurance reserve policy, we transferred \$1.78M from Trust Assurance to LIF in 2018. In 2019 we expect to transfer \$1.16M.

## **Recommendation for 2020**

The annual insurance fee increased to \$1,800 last year after having been set at \$1,750 for the previous seven years. It remained at \$1,800 in 2019. Taking all factors into account, the insurance fee will remain at \$1,800 (full-time) and \$900 (part-time) for 2020.

## **Annual Practice Fee and Insurance Assessment**

The 2020 Law Society Budget results in an annual practice fee of \$2,289.12 and an insurance assessment of \$1,800. This is a \$28.95 (0.7%) increase over the 2019 annual mandatory fees.

The components of the 2020 mandatory fees for insured, practicing lawyers are as follows:

**The Law Society of BC  
2020 Fee Recommendation**

	Funding (in 000's)				Per Lawyer			
	2020	2019	Change (\$)	Change (%)	2020	2019	Change (\$)	Change (%)
Law Society Operating Expenses	\$ 29,295	\$ 28,484	811	2.8%	\$ 1,903.99	\$ 1,874.06	\$ 29.93	1.6%
Federation of Law Societies*	361	348	13	3.7%	28.12	28.12		
CanLII*	539	486	53	10.9%	41.94	39.24		
CLBC*	2,615	2,539	76	3.0%	203.57	205.00		
The Advocate**	347	332	15	4.4%	22.26	21.75		
LAP*	792	792	-	0.0%	61.69	64.00		
Pro bono/Access (CPI Increase)*	354	347	7	2.1%	27.56	28.00		
Annual Practice Fee					\$ 2,289.12	\$ 2,260.17	\$ 28.95	1.3%
Insurance Assessment					\$ 1,800.00	\$ 1,800.00	-	0.0%
Total Mandatory Fee					\$ 4,089.12	\$ 4,060.17	\$ 28.95	0.7%

\*2020 full fee paying equivalent members projected at 12,846□

\*\*2020 practicing, non-practicing and retired members projected at 15,583□

## APPENDIX A – GENERAL FUND – Operating Budget

**THE LAW SOCIETY OF BRITISH COLUMBIA**  
**OPERATING BUDGET (excluding capital/depreciation)**  
**For the Year ended December 31, 2020**  
**GENERAL FUND SUMMARY**

	2020 Budget	2019 Budget	2019 Forecast	2018 Actual	2020B vs 2019B Variance	2020B vs 2019F Variance
<b>GENERAL FUND REVENUES</b>						
Practice fees	22,833,314	21,673,114	21,928,114	19,850,606		
PLTC and enrolment fees	1,874,050	1,554,000	1,869,000	1,538,561		
Electronic filing revenue	700,000	841,000	841,000	832,643		
Interest income	582,500	512,100	572,100	653,876		
Credentials and membership services	678,425	696,880	696,880	627,587		
Fines & penalties	315,000	275,000	275,000	266,454		
Program cost recoveries	162,300	93,500	93,500	181,825		
Subscriptions	-	61,000	61,000	34,484		
Insurance recoveries	580,000	60,000	285,000	372,642		
Other cost recoveries	10,000	10,000	10,000	152,590		
Other revenue	181,600	187,970	162,970	192,461		
Building revenue and recoveries	1,377,963	1,304,565	1,304,565	1,261,051		
<b>TOTAL GENERAL FUND REVENUES</b>	<b>29,295,152</b>	<b>27,269,129</b>	<b>28,099,129</b>	<b>25,964,780</b>	<b>2,026,023</b>	<b>7.4%</b>
<b>GENERAL FUND EXPENSES</b>						
Benchers Governance and Events	1,294,915	1,269,531	1,252,531	1,317,856		
Corporate Services	3,399,414	3,213,333	3,159,333	2,969,348		
Education & Practice	5,318,022	4,907,990	5,071,990	4,039,284		
Communications and Information Services	2,340,253	2,090,120	2,082,120	1,988,222		
Policy and Legal Services	2,634,992	2,529,907	2,311,907	2,126,568		
Regulation	12,308,120	12,529,771	11,762,771	9,769,667		
Building costs	1,999,437	1,943,477	1,943,477	1,861,018		
<b>TOTAL GENERAL FUND EXPENSES</b>	<b>29,295,152</b>	<b>28,484,129</b>	<b>27,584,129</b>	<b>24,071,963</b>	<b>811,023</b>	<b>2.8%</b>
<b>GENERAL FUND NET CONTRIBUTION</b>	<b>-</b>	<b>(1,215,000)</b>	<b>515,000</b>	<b>1,892,817</b>	<b>1,215,000</b>	<b>(515,000)</b>
<b>Trust Assurance Program</b>						
Trust Administration Fee Revenue	3,679,840	4,041,687	3,509,910	4,048,339		
Trust Administration Department	3,593,993	3,364,332	3,364,332	2,625,990		
<b>Net Trust Assurance Program</b>	<b>85,847</b>	<b>677,355</b>	<b>145,578</b>	<b>1,422,349</b>	<b>(591,508)</b>	<b>(59,731)</b>
<b>TOTAL NET GENERAL FUND &amp; TAP CONTRIBUTION</b>	<b>85,847</b>	<b>(537,645)</b>	<b>660,578</b>	<b>3,315,166</b>	<b>623,492</b>	<b>(574,731)</b>

## APPENDIX B – GENERAL FUND – Revenues and Expenses

	2020 Budget	2019 Budget	2018 Actual	2020 v 2019 Budget Var	2020 v 2018 Actual Var
<b>GENERAL FUND REVENUES</b>					
<b>Fee and Assessment Revenues</b>					
Practice Fees	22,833,314	21,673,114	19,850,606	1,160,200	2,982,707
PLTC Fees	1,874,050	1,554,000	1,538,561	320,050	335,489
Other Credential Fees	481,925	482,730	456,325	(805)	25,600
GLA LLP, FLC and Law Corp Fees	126,500	127,450	98,750	(950)	27,750
Auth./Certs of Standing	70,000	86,700	72,512	(16,700)	(2,512)
LTA E-filing	700,000	841,000	832,643	(141,000)	(132,643)
Interest Income	582,500	512,100	653,876	70,400	(71,376)
Other Income	1,600	7,000	21,721	(5,400)	(20,121)
Grant (LF) Income	180,000	180,970	170,741	(970)	9,259
<b>Fines, Penalties and Recoveries</b>					
Trust Reporting Penalties	55,000	35,000	65,403	20,000	(10,403)
Professional Development Reporting Penalties	110,000	90,000	100,700	20,000	9,300
Discipline and Citation Fines and Recoveries	150,000	150,000	100,351	-	49,649
Program Cost Recoveries	162,300	93,500	181,825	68,800	(19,525)
Insurance Recoveries	580,000	60,000	372,642	520,000	207,358
Other Cost Recoveries	10,000	71,000	187,074	(61,000)	(177,074)
<b>Building Revenue &amp; Recoveries</b>					
LIF and Trust Administration Program	526,368	526,365	503,101	3	23,267
Outside Tenants including Recoveries	783,338	711,800	679,002	71,538	104,336
Other	68,257	66,400	78,947	1,857	(10,690)
<b>TOTAL GENERAL FUND REVENUES</b>	<b>29,295,152</b>	<b>27,269,129</b>	<b>25,964,780</b>	<b>2,026,023</b>	<b>3,330,371</b>
<b>PROGRAM AREA EXPENSES</b>					
<b>Bencher and Governance Committees</b>					
Benchers Meetings	256,350	289,350	234,071	(33,000)	22,279
Office of the President	240,440	305,500	233,092	(65,060)	7,348
Benchers Retreat	132,200	125,000	149,558	7,200	(17,358)
Life Benchers Dinner	35,500	35,500	30,161	-	5,339
Certificate Luncheon	12,050	10,500	10,715	1,550	1,335
LS Award/Bench & Bar Dinner	6,650	3,825	6,072	2,825	578
Federation of Law Societies Mtgs	145,683	126,341	131,961	19,341	13,722
General Meetings	82,050	75,550	93,566	6,500	(11,516)
QC Reception	9,700	8,000	7,359	1,700	2,341
Welcome / Farewell Dinner	16,500	16,000	16,101	500	399
Volunteer Recognition	14,500	13,000	1,445	1,500	13,055
Gold Medal Award	6,700	2,100	6,019	4,600	681
2019 2nd AGM	-	-	116,354	-	(116,354)
Executive Committee	23,700	24,000	16,855	(300)	6,845
Finance & Audit Committee	4,200	9,200	3,026	(5,000)	1,174
Equity & Diversity Advisory Committee	5,000	5,000	678	-	4,322
Access to Legal Services Advisory Committee	5,000	5,000	5,621	-	(621)
Rule of Law & Lawyer Independence Advisory Committee	6,500	6,500	8,837	-	(2,337)
Acts and Rules Committee	3,600	3,600	7,727	-	(4,127)
Governance Committee	5,000	5,000	297	-	4,703
Law Firm Regulation Task Force	2,000	2,000	591	-	1,409
Legal Aid Task Force	5,000	5,000	29,535	-	(24,535)
Truth and Reconciliation Steering Committee	10,000	10,000	6,492	-	3,508
Recruitment and Nominating Advisory Committee	-	3,000	2,340	(3,000)	(2,340)
Mental Health Task Force	5,000	5,000	3,980	-	1,020
Rule of Law and Lawyer Independence Lecture	10,000	15,000	9,307	(5,000)	693
Legal Aid Advisory Committee - Public Event	-	15,000	6,364	(15,000)	(6,364)
Futures Task Force	10,000	-	-	10,000	10,000
Bencher Contingency	75,000	17,500	-	57,500	75,000
Total Benchers and Governance Committees	1,128,323	1,141,466	1,138,122	(13,144)	(9,799)
Board Relations and Events	500,850	477,621	502,328	23,229	(1,478)
Interfund Cost Recovery	(319,650)	(334,507)	(322,594)	14,857	2,944
Staff Vacancies	(14,608)	(15,049)	-	441	(14,608)
<b>Total Bencher Governance and Events</b>	<b>1,294,915</b>	<b>1,269,531</b>	<b>1,317,856</b>	<b>25,384</b>	<b>(22,941)</b>

	2020 Budget	2019 Budget	2018 Actual	2020 v 2019 Budget Var	2020 v 2018 Actual Var
<b>Corporate Services</b>					
General Office	1,533,327	1,505,825	1,355,366	27,502	177,961
Records Management	338,791	313,065	319,373	25,726	19,418
Finance Department	1,342,728	1,182,338	1,094,188	160,390	248,540
Human Resources	834,312	871,147	737,421	(36,835)	96,891
Staff Vacancies	(79,698)	(86,255)	-	6,557	(79,698)
Interfund Recovery	(570,047)	(572,787)	(537,000)	2,740	(33,047)
<b>Total Corporate Services</b>	<b>3,399,414</b>	<b>3,213,333</b>	<b>2,969,348</b>	<b>186,081</b>	<b>430,066</b>
<b>Education and Practice</b>					
Licencing and Admissions	1,873,577	1,630,207	1,368,636	243,370	504,941
PLTC and Education	2,811,718	2,561,895	2,016,427	249,823	795,290
Practice Standards	688,308	770,456	585,249	(82,148)	103,059
Practice Advice and Loss Prevention	87,032	81,890	68,973	5,142	18,059
Staff Vacancies	(142,612)	(136,458)	-	(6,154)	(142,612)
<b>Total Education and Practice</b>	<b>5,318,022</b>	<b>4,907,990</b>	<b>4,039,284</b>	<b>410,032</b>	<b>1,278,738</b>
<b>Communications and Information Services</b>					
Communications	735,106	735,124	733,317	(18)	1,789
Information Services	2,035,456	1,779,034	1,580,343	256,422	455,113
Staff Vacancies	(61,026)	(62,432)	-	1,406	(61,026)
Interfund Cost Recovery	(369,283)	(361,606)	(325,438)	(7,677)	(43,845)
<b>Total Communications and Information Services</b>	<b>2,340,253</b>	<b>2,090,120</b>	<b>1,988,222</b>	<b>250,133</b>	<b>352,031</b>
<b>Policy and Legal Services</b>					
Policy & Legal Services Department	1,486,414	1,302,303	1,194,934	184,111	291,480
Tribunal & Legislative Counsel	402,244	357,162	325,545	45,082	76,699
Legal Defence	250,200	400,000	224,952	(149,800)	25,248
Interventions - Files	25,000	48,000	24,141	(23,000)	859
Information & Privacy	227,519	167,743	153,753	59,776	73,766
Tribunal Costs	226,000	223,500	147,873	2,500	78,127
Ethics Committee	5,000	5,000	4,503	(0)	497
Unauthorized Practice	372,490	371,865	300,906	625	71,584
Staff Vacancies	(71,369)	(68,485)	-	(2,884)	(71,369)
Interfund Cost Recovery	(288,506)	(277,181)	(250,039)	(11,325)	(38,467)
<b>Total Policy and Legal Services</b>	<b>2,634,992</b>	<b>2,529,907</b>	<b>2,126,568</b>	<b>105,085</b>	<b>508,424</b>
<b>Regulation</b>					
Office of the CLO	857,844	874,422	572,791	(16,578)	285,053
Intake & Early Assessment	2,135,399	2,025,641	1,853,958	109,758	281,441
Discipline	2,826,423	3,449,011	1,785,168	(622,588)	1,041,255
Forensic Accounting (including Files)	1,272,259	1,274,584	719,125	(2,325)	553,134
Investigations, Monitoring & Enforcement	3,406,770	3,157,082	3,214,453	249,688	192,317
Custodianships	1,840,111	1,780,352	1,624,173	59,759	215,939
Staff Vacancies	(30,687)	(31,321)	-	634	(30,687)
<b>Total Regulation</b>	<b>12,308,120</b>	<b>12,529,771</b>	<b>9,769,667</b>	<b>(221,651)</b>	<b>2,538,452</b>
<b>Building Occupancy Costs</b>					
Property Taxes	513,822	538,836	515,747	(25,014)	(1,925)
Financing Costs	29,700	29,700	45,839	-	(16,139)
Building Costs	1,455,915	1,374,941	1,299,433	80,974	156,483
<b>Total Building Occupancy Costs</b>	<b>1,999,437</b>	<b>1,943,477</b>	<b>1,861,018</b>	<b>55,960</b>	<b>138,419</b>
<b>TOTAL PROGRAM EXPENSES</b>	<b>29,295,152</b>	<b>28,484,129</b>	<b>24,071,963</b>	<b>811,023</b>	<b>5,223,189</b>
<b>GENERAL FUND CONTRIBUTION before TAP</b>	<b>(0)</b>	<b>(1,215,000)</b>	<b>1,892,817</b>	<b>1,215,000</b>	<b>(1,892,818)</b>
<b>Trust Administration Program</b>					
Trust Administration Fee Revenue	3,679,840	4,041,687	4,048,339	(361,847)	(368,499)
Total Trust Assurance Program Expenses	3,593,993	3,364,332	2,625,990	229,661	968,003
<b>Net Trust Assurance Program</b>	<b>85,847</b>	<b>677,355</b>	<b>1,422,349</b>	<b>(591,508)</b>	<b>(1,336,501)</b>
<b>TOTAL GENERAL FUND CONTRIBUTION</b>	<b>85,847</b>	<b>(537,645)</b>	<b>3,315,166</b>	<b>623,492</b>	<b>(3,229,319)</b>

## APPENDIX C – CAPITAL PLAN

	<b>2020</b>	<b>2019</b>
Computer hardware – Monitors and Desktop computers/VDI	\$274,000	\$270,000
Computer software – VDI Software and Server Upgrades	\$179,000	\$146,000
Computer upgrades – DM Sysystem	\$88,000	\$48,000
Equipment, furniture and fixtures replacement	\$200,000	\$288,000
Building projects – Building cladding and window repairs PT Strand/Atrium	\$770,000	\$814,000
<b>Total</b>	<b>\$1,511,000</b>	<b>\$1,566,000</b>

<b>LAW SOCIETY CAPITAL SUMMARY</b>												
<b>2020 10-Year Capital Plan</b>												
	<b>Carry Fwd</b>	<b>TOTAL</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
<b>INFORMATION TECHNOLOGY</b>												
Computer Hardware	384,220	2,555,860	273,790	127,940	322,640	221,140	360,350	250,000	250,000	250,000	250,000	250,000
Computer Software	268,991	1,504,000	179,000	244,000	196,000	105,000	150,000	150,000	120,000	120,000	120,000	120,000
System Upgrades	65,280	800,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Phone System	8,000	121,000	8,000	8,000	8,000	49,000	8,000	8,000	8,000	8,000	8,000	8,000
<b>Subtotal</b>	<b>726,491</b>	<b>4,980,860</b>	<b>540,790</b>	<b>459,940</b>	<b>606,640</b>	<b>455,140</b>	<b>598,350</b>	<b>488,000</b>	<b>458,000</b>	<b>458,000</b>	<b>458,000</b>	<b>458,000</b>
<b>OPERATIONS</b>												
Equipment, Furniture & Fixtures	449,341	1,613,000	200,000	208,000	139,000	139,000	139,000	188,000	150,000	150,000	150,000	150,000
<b>Subtotal</b>	<b>1,175,832</b>	<b>6,593,860</b>	<b>740,790</b>	<b>667,940</b>	<b>745,640</b>	<b>594,140</b>	<b>737,350</b>	<b>676,000</b>	<b>608,000</b>	<b>608,000</b>	<b>608,000</b>	<b>608,000</b>
<b>845 BUILDING</b>												
Base Building/ Improvements	1,064,150	7,121,183	420,000	801,000	717,481	540,000	420,000	1,170,000	670,000	470,000	420,000	1,492,702
LSBC Renovations	609,000	4,087,000	350,000	245,000	400,000	550,000	350,000	641,000	501,000	350,000	350,000	350,000
<b>Subtotal</b>	<b>1,673,150</b>	<b>11,208,183</b>	<b>770,000</b>	<b>1,046,000</b>	<b>1,117,481</b>	<b>1,090,000</b>	<b>770,000</b>	<b>1,811,000</b>	<b>1,171,000</b>	<b>820,000</b>	<b>770,000</b>	<b>1,842,702</b>
<b>TOTAL CAPITAL PLAN</b>	<b>2,848,982</b>	<b>17,802,043</b>	<b>1,510,790</b>	<b>1,713,940</b>	<b>1,863,121</b>	<b>1,684,140</b>	<b>1,507,350</b>	<b>2,487,000</b>	<b>1,779,000</b>	<b>1,428,000</b>	<b>1,378,000</b>	<b>2,450,702</b>
Cumulative funded C/F	2,166,663		1,023,489	1,273,652	1,015,565	720,004	728,438	939,050	195,782	186,670	555,106	1,000,488
Current Year Capital Collected	2,205,808		2,260,953	1,955,853	1,667,560	1,692,574	1,717,962	1,743,732	1,769,888	1,796,436	1,823,383	1,850,733
Total Capital Fee Available	4,372,471		3,284,442	3,229,505	2,683,125	2,412,578	2,446,400	2,682,782	1,965,670	1,983,106	2,378,488	2,851,221
Building loan repayment	(500,000)		(500,000)	(500,000)	(100,000)	-	-	-	-	-	-	-
Capital expenditures as above	(2,848,982)		(1,510,790)	(1,713,940)	(1,863,121)	(1,684,140)	(1,507,350)	(2,487,000)	(1,779,000)	(1,428,000)	(1,378,000)	(2,450,702)
Cumulative Funding	1,023,489		1,273,652	1,015,565	720,004	728,438	939,050	195,782	186,670	555,106	1,000,488	400,519

## **APPENDIX D – LAWYERS INSURANCE FUND**

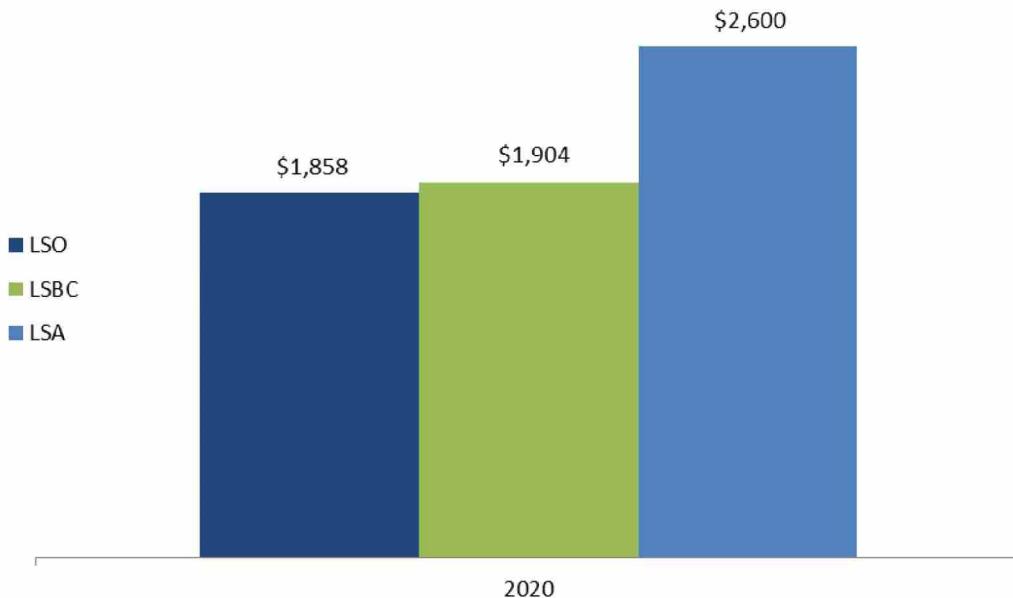
**THE LAW SOCIETY OF BRITISH COLUMBIA**  
**Laywers Insurance Fund**  
**For the year ended December 31, 2020**  
**CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE**

	2020 Budget	2019 Budget	Variance	%
<b>REVENUE</b>				
Annual Assessment	16,021,096	16,070,679		
Investment Income	9,089,849	8,633,600		
Other Income	65,000	60,000		
<b>TOTAL REVENUE</b>	<b>25,175,945</b>	<b>24,764,279</b>	<b>411,666</b>	<b>1.7%</b>
<b>INSURANCE EXPENSE</b>				
Actuaries, consultants and investment management fees	943,024	930,455		
Allocated office rent	323,829	323,829		
Contribution to program and administrative costs of General Fund	1,469,544	1,381,566		
Insurance	453,169	466,228		
Office and Legal	1,020,438	989,429		
Premium taxes	8,120	10,216		
Provision for settlement of claims	17,790,000	17,198,000		
Provision for ULAЕ				
Salaries, wages and benefits	3,621,587	3,477,864		
	<b>25,629,710</b>	<b>24,777,587</b>	<b>852,123</b>	<b>3.4%</b>
<b>LOSS PREVENTION EXPENSE</b>				
Contribution to co-sponsored program costs of General Fund	881,820	905,254		
<b>TOTAL EXPENSE</b>	<b>26,511,530</b>	<b>25,682,841</b>	<b>828,689</b>	<b>3%</b>
<b>Net Contribution</b>	<b>(1,335,585)</b>	<b>(918,562)</b>	<b>(417,023)</b>	

## **APPENDIX E – PRACTICE FEE COMPARISON**

### Other Law Societies' Practice Fees

- 2020 LSBC practice fee compared to 2019 LSA practice fees
- 2020 LSUC fee based a projected 2% increase over 2019 (projection not yet available)



\*Fees do not include external funding, if applicable, but include capital funding

## **APPENDIX F – MANDATORY FEE COMPARISON**

### Mandatory Fee Comparison - 2020 (Full Time Practicing Insured Lawyers)

- 2020 LSBC insurance fee compared to 2020 projections or 2019 insurance fee of other Law Societies, increased by 2%

