

Agenda

Benchers

Date:	Friday, April 11, 2025
Time:	9:00 am – Call to Order
Location:	The Bencher Meeting is taking place as a hybrid meeting. If you would like to attend the meeting as a virtual attendee, please email BencherRelations@lsbc.org
Recording:	<i>The public portion of the meeting will be recorded.</i>

CONSENT AGENDA

Any Bencher may request that a consent agenda item be moved to the regular agenda by notifying the President and/or the Manager, Governance & Board Relations prior to the meeting.

1	Minutes of February 7, 2025 meeting (regular session)
2	Minutes of February 7, 2025 meeting (<i>in camera</i> session)

REPORTS

3	President's Report	15 min	Brook Greenberg, KC
4	CEO's Report	15 min	Gigi Chen-Kuo
5	Briefing by the Law Society's Member of the Federation Council	15 min	Brook Greenberg, KC

UPDATES

6	2024 Tribunal Annual Report and 2025 Planning	15 min	Herman Van Ommen, KC
7	National Discipline Standards Report: Implementation & Update	15 min	Tara McPhail
8	Practice Advisor Presentation	15 min	Claire Marchant

Agenda

DISCUSSION & DECISION			
9	Confidentiality Rule - Practice Advisors & Equity Advisor	10 min	Claire Marchant
10	Exploring Practice Fee Relief	30 min	Brook Greenberg, KC
11	Establishing the Alternative Discipline Process as a Permanent Regulatory Program	15 min	Tara McPhail
12	Financial Matters • Law Society's 2024 Audited Financial Statements and Financial Reports: Review and Approval • 2025 First Quarter Financial Report	15 min	Brook Greenberg, KC Jeanette McPhee
FOR INFORMATION			
13	News Article: Trump's disregard for rule of law highlights fight for independence in BC		

Law Society *of British Columbia*

Bencher Meeting: Minutes (Draft)

To: Benchers

Purpose: Approval (Consent Agenda)

Date: Friday, February 7, 2025

Present:

Brook Greenberg, KC, President	James A. S. Legh
Thomas L. Spraggs, 1st Vice-President	Benjamin D. Levine
Michael Welsh, KC, 2nd Vice-President	Dr. Jan Lindsay
Simran Bains	Jaspreet Singh Malik
Paul Barnett	Marcia McNeil
Aleem Bharmal, KC	Jay Michi
Tanya Chamberlain	Georges Rivard
Nikki L. Charlton	Michèle Ross
Jennifer Chow, KC	Gurminder Sandhu, KC
Christina J. Cook	Barbara Stanley, KC
Cheryl S. D'Sa, KC	James Struthers
Tim Delaney	Natasha Tony
Brian Dybwad	Kevin B. Westell
Katrina Harry, KC	Gaynor C. Yeung
Ravi R. Hira, KC	Jonathan Yuen
Sasha Hobbs	

Staff**present:**

Avalon Bourne
 Kim de Bruijn
 Barbara Buchanan, KC
 Gigi Chen-Kuo
 Sarah Conroy
 Jackie Drozdowski
 Su Forbes, KC
 Kerry Holt
 Jeffrey Hoskins, KC
 Alannah Korf
 Jane Ladesma
 Kaflin Lee
 Michael Lucas, KC
 Alison Luke
 Claire Marchant
 Tara McPhail
 Jeanette McPhee
 Cary Ann Moore

Michael Mulhern
 Doug Munro
 Mandana Namazi
 Sara Pavan
 Andrea Rayment
 Michelle Robertson
 Carrie Robinson
 Gregory Sexton
 Lesley Small
 Arrie Sturdivant
 Christine Tam
 Maddie Taylor
 Adam Whitcombe, KC
 Leanne Wood
 Carol Xu
 Charlene Yan
 Vinnie Yen

Guests:

Dom Bautista	Executive Director, Courts Center & Executive Director, Amici Curiae Friendship Society
Ian Burns	Digital Reporter, The Lawyer's Daily
Jeevyn Dhaliwal, KC	Life Bencher
Natasha Dookie	Chief Legal Counsel, BC College of Nurses & Midwives
Freya Kodar	Dean of Law, UVic
Eric C.H. Ledding	Representative, Canadian Bar Association, BC Branch
Jamie Maclaren, KC	Executive Director, Access Pro Bono Society of BC
Desmond MacMillan	Assistant Dean of Law, Thompson Rivers University
Mark Meredith	Treasurer and Board Member, Mediate BC
Shawn Mitchell	CEO, Trial Lawyers Association of BC
Caroline Nevin	CEO, Courthouse Libraries BC
Linda Russell	CEO, Continuing Legal Education Society of BC
Zak Vescera	Journalist, Investigative Journalism Foundation
Greame Wood	Legal Reporter, Glacier Media

Oath Of Office

1. Administer Oaths of Office

The Honourable Chief Justice Leonard S. Marchand administered oaths of office (in the form set out in Rule 1-3) to President Brook Greenberg, KC, First Vice-President Thomas L. Spraggs, and Second Vice-President Michael F. Welsh, KC and to newly elected Benchers Katrina Harry, KC and Marcia McNeil.

Chief Justice Marchand congratulated Mr. Greenberg, Mr. Spraggs, Mr. Welsh, Ms. Harry, and Ms. McNeil. He spoke about their service to the Law Society and the importance of this responsibility in supporting the administration of justice in BC by advancing the Law Society's mandate to protect and serve the public interest. He wished them all the best in discharging their important duties.

2. Indigenous Welcome

Chief Janice George, a member of the Squamish Nation, introduced herself to Benchers and welcomed them to the meeting and to the ancestral lands of the Squamish people. She spoke about the oath of office and the dedication to serving the people, as well as the importance of connecting to the land and the water and the gifts they bring.

3. Introduction of New Law Society Chief Executive Officer and Executive Director

President Brook Greenberg, KC welcomed and introduced Gigi Chen-Kuo, the Law Society's new Chief Executive Officer and Executive Director.

Consent Agenda

4. Minutes of November 29, 2024, meeting (regular session)

The minutes of the meeting held on November 29, 2024 were approved unanimously and by consent as circulated.

5. Minutes of November 29, 2024, meeting (*in camera* session)

The minutes of the *in camera* meeting held on November 29, 2024 were approved unanimously and by consent as circulated.

6. Terms of Reference Revisions: Access to Justice Advisory Committee

The following resolution was passed unanimously and by consent:

BE IT RESOLVED the Benchers adopt the amendment to the Access to Justice Advisory Committee’s Terms of Reference, by removing item 7 under “Duties and Responsibilities” which states:

“Meet with representatives of the Law Foundation annually to discuss the potential allocation of the access to justice funding the Law Society provides to the Law Foundation as delegated to the Committee by the Benchers.”

Reports

7. President’s Welcome and Report

Mr. Greenberg welcomed Benchers, staff, and guests to the first Bencher meeting of 2025.

He confirmed Brian Dybwad, KC would recuse himself for item 17a *in camera*, and that no other conflicts of interest had been declared.

Mr. Greenberg began his report by speaking about his plans and priorities for the year. He indicated that a number of priorities remain consistent, including the single legal regulator initiative, truth and reconciliation, and access to justice.

Mr. Greenberg then spoke about the Committee composition and mandate letters for 2025. He indicated that the Ethics and Lawyer Independence and Access to Justice advisory committees had been re-populated this year, and that while the intent in 2024 was to have these discussions at the Bencher table, this was disrupted by the *Legal Professions Act*, which took up a significant amount of Bencher time and focus. Mr. Greenberg further indicated that the advisory committees and task forces had been issued mandate letters, which were available on the Law Society website, and that the regulatory committees had not been issued mandate letters, as their mandates are already set.

Mr. Greenberg highlighted the mandate letter for the Access to Justice Advisory Committee, emphasising the importance of trying to ensure and increase access to justice. However, he also noted the role of the provincial government in addressing barriers to access to justice and expressed concerns about the provincial government’s lack of action in authorizing the Law Society to license other legal service providers and in not eliminating the tax on legal services, or dedicating the full amount of the tax collected on legal services to addressing barriers to access to justice. Mr. Greenberg expressed his concerns about the expectation that the Law Society take

full responsibility for solving access to justice problems without support from the provincial government.

Mr. Greenberg then provided an overview of the two new task forces that had been created: one focusing on bullying, harassment, and discrimination within the legal profession, and one focusing on discipline processes. Mr. Greenberg reviewed the mandates for both of these task forces, with the former investigating ways to address issues outside of the traditional discipline processes that are less adversarial and more likely to be utilized by those who have experienced bullying, harassment, or discrimination, and the latter reviewing the Law Society's current discipline processes and assessing what these processes should aim to do, how the Law Society can best satisfy those aims, and if more or better metrics could be identified and utilized.

Mr. Greenberg concluded his report by thanking a number of Benchers for chairing committees and representing the Law Society at welcoming ceremonies. He indicated that he was looking forward to working with everyone over the year ahead, and thanked Benchers for their service.

8. CEO's Report

Ms. Chen-Kuo began her report by speaking about the importance of the work of the Law Society and what a privilege it was to be joining an organization dedicated to serving the public interest. She thanked Mr. Greenberg and staff for welcoming her into the role. She spoke about the Law Society's foundation of excellence, and that her focus as the new CEO and Executive Director would be to infuse customer service orientation, innovation, and responsiveness further into the culture.

Ms. Chen-Kuo informed Benchers that a tentative agreement had been reached with the Professional Employees Association (PEA), subject to ratification by the Benchers and by the PEA. She indicated that further information regarding this matter would be provided *in camera*.

Ms. Chen-Kuo indicated that communications would be forthcoming to the profession regarding the implementation of multi-factor identification within the Member Portal.

Ms. Chen-Kuo updated Benchers on the recent changes to the technology and AV in the Bencher Room, noting that today's meeting was the first meeting with the new set-up, and Ms. Chen-Kuo indicated that feedback from Benchers would be welcomed following the meeting. She thanked all those involved in the project.

Ms. Chen-Kuo concluded her report by acknowledging Michael Lucas, KC, General Counsel and Senior Policy Counsel, as it was his 30th anniversary with Law Society.

9. Briefing by the Law Society's Member of the Federation Council

Mr. Greenberg provided a brief overview of the written report he provided for Benchers' information, which included an overview of the December 2024 Federation of Law Societies of

Canada (Federation) meeting. He indicated that the next Federation Council meeting would take place on March 4, 2025.

Benchers discussed the work of the Federation's Indigenous Advisory Council, with some Benchers raising the issue of exploitative legal fee structures for Indigenous clients, and whether or not this matter is being considered by the Federation. Mr. Greenberg advised that he would inquire about this matter at the upcoming Federation meeting and report back to Benchers.

Update

10. Lawyers Indemnity Fund: The Journey to the Present

Ms. Chen-Kuo introduced this item and Su Forbes, KC, Chief Operating Officer, Lawyers Indemnity Fund, who provided the presentation.

Ms. Forbes presented on the history of the establishment of the Lawyers Indemnity Fund (LIF), including the various iterations of the program, historical challenges, and the origins of LIF. She provided an overview of LIF, including its program structure and rebrand, cost efficiencies and advantages, and cyber insurance program, as well as some of LIF's challenges and mitigation strategies. She concluded her presentation with an overview of the LIF team and structure, feedback from the profession regarding the program, and future plans, particularly in regard to the single legal regulator initiative.

Benchers engaged in discussions regarding Ms. Forbes' presentation with a focus on how claims with ethical breaches or discipline aspects are handled in terms of reporting, types of claims and coverage caps, the cyber insurance program, the implications of the single legal regulator on LIF, and the overall number of payments provided as a result of claims. Ms. Forbes provided some additional information regarding the overall trend of the number of payments increasing, and she advised the increase was trending at a reasonable level.

Discussion

11. Trust Review Task Force Final Report

Mr. Greenberg introduced the item and provided some background regarding the establishment of the Trust Review Task Force and the development of its final report and recommendations. He also thanked the Task Force members and staff for their work. He informed Benchers that the report would be for discussion only at the current meeting, with a decision to come at a subsequent meeting. Mr. Greenberg provided a broad overview of the report, including background, purpose, and the Task Force's process. He also spoke about the Cullen Commission, and how the Task Force was created to address the recommendations arising from

the Cullen Commission regarding rule amendments and to assess the current trust accounting rules against the objectives of those rules, and assess any concerns expressed about the rules and their enforcement. Mr. Greenberg then reviewed each of the recommendations within the Task Force's report in conjunction with the related recommendations from the Cullen Commission report.

Benchers engaged in discussions regarding the Trust Review Task Force's final report and recommendations with a focus on the need for training and guidelines for the profession not only in regard to money laundering prevention, but also in regard to managing trust accounts and cash transactions. Benchers also discussed self-reporting and the mandatory reporting provisions in the *Code of Professional Conduct for British Columbia*, as well as the need to clarify when disbursements are incurred, as contemplated in Recommendation 23. Mr. Greenberg advised that these matters could be incorporated into the training, and that further consideration would be given to Recommendation 23.

Benchers discussed whether or not additional consultation from the profession should be sought due to the nature of the recommendations and how they could impact standards, education, and overall practice. Mr. Greenberg advised that a consultation period had taken place prior to the development of the recommendations, but further thought would be given as to an additional consultation period regarding the recommendations themselves.

Benchers also discussed the implementation of the recommendations should they be accepted by Benchers and the timeline for implementation. Mr. Lucas advised that should the recommendations be accepted and approved by Benchers, they would be referred back to staff to operationalize and draft rules as needed for Bencher review and approval.

Benchers discussed Recommendation 38, which would contemplate a policy change so that TAF would apply to all client matters with a trust transaction, without exemptions. Jeanette McPhee, Chief Financial Officer & Senior Director of Trust Regulation, clarified that this recommendation would envision a one-time application per client matter, so TAF would only be applied once per file.

Benchers discussed the recommendations related to maintaining a general account and how this would apply for those who are engaged primarily in pro bono or low bono work, or other types of services with a low payment threshold. Mr. Lucas advised that the general principle of the recommendations was that if services are being provided for a fee, both a trust account and general account should be in place, but that further consideration would be given to this matter to address the concerns raised by Benchers.

Benchers also discussed the recommendation related to increasing the fees and assessments for late filing of a trust report, with some Benchers of the view that further information regarding the number of lawyers who are not filing in time would be helpful. Mr. Greenberg advised that these

matters would likely be referred to the Finance and Audit Committee for review, before coming back to Benchers for consideration, so there would be the opportunity to address any concerns.

Mr. Greenberg thanked everyone for their suggestions and input, which would be taken under consideration and further discussed with the Executive Committee, prior to the report coming back to Benchers for approval at a subsequent meeting.

For Information

12. Indigenous Engagement in Regulatory Matters Annual Report and Implementation Update

Ms. Chen-Kuo updated Benchers regarding plans to replace the Senior Advisor, Indigenous Engagement position with a Director, Indigenous Initiatives position, which would continue to report to the CEO and Executive Director. Ms. Chen-Kuo indicated that this role would continue to deliver on the implementation of truth and reconciliation initiatives. She further indicated that all existing as well as new employees of the Law Society would be required to take the Indigenous Intercultural Course.

Benchers discussed the importance of cultural safety for Indigenous staff at the Law Society, and Ms. Chen-Kuo indicated that this was a priority for her.

13. External Appointment: Continuing Legal Education Society of British Columbia

There was no discussion on this item.

14. Minute of Approval: Reappointment of Tribunal Chair

There was no discussion on this item.

15. 2025 Schedule of Bencher and Executive Committee Meetings

There was no discussion on this item.

16. 2026 Schedule of Bencher and Executive Committee Meetings

There was no discussion on this item.

The Benchers then commenced the *in camera* portion of the meeting.

AB
2025-04-03

Law Society

of British Columbia

CEO Report

To: Benchers

Purpose: Report

From: Gigi Chen-Kuo

Date: April 11, 2025

1. Introduction

As I reach the three-month mark in the role of CEO and Executive Director, I continue to be impressed by the deep expertise and dedication of Benchers and staff in furthering the broad public interest mandate of the Law Society. We have a robust regulatory framework and thorough oversight processes in place to ensure that the public is well served by legal professionals.

All organizations operate within an ever-changing environment which presents new challenges and opportunities to be explored. In the coming months, I will be working with the Senior Leadership Team to identify further opportunities to pursue new and innovative ways to advance our public interest mandate, foster a responsive and accountable culture, and strengthen organizational decision-making and resilience in times of change. Work to support the transition to a Single Legal Regulator will also continue to progress and be a focus for the team.

Last month, I had the honour of attending my first call ceremony as CEO and Executive Director, in the Vancouver Law Courts building. It brought back memories of my call ceremony in the Great Hall, back in 1991. It struck me that the Barristers and Solicitors' Oath, which includes the requirement to uphold the rule of law and the rights and freedoms of all persons, continues to be as relevant as ever.

2. Rule of Law

The Law Society has long been vigilant about the importance of the rule of law - ensuring that the law applies equally to everyone and that no one (including government) is above the law - and the preservation of an independent legal profession in Canada. This remains all the more important as we watch with concern what is happening in the United States, where there have been calls for the impeachment of judges who have rendered decisions the government does not agree with, and sanctions against lawyers and law firms based on whom they have chosen to represent in the past.

While these alarming events have not taken place in Canada, there are nevertheless concerns about incursions on the independence of lawyers on this side of the border. For example, our Law Society is challenging the constitutional validity of the BC *Legal Professions Act* on the basis that it is contrary to the principle of an independent bar. The Federation of Law Societies of Canada is challenging provisions of the *Income Tax Act* that would give the Canada Revenue Agency the power to compel a lawyer to disclose client information that may otherwise be privileged or confidential.

For the rule of law to be maintained, we need an independent bar - where lawyers are able to represent any client, without fear of threat or sanction. We support those in the United States

who are facing a severe threat to both the rule of law and an independent bar, and we will remain vigilant in Canada to ensure that the principles are not eroded here.

3. Benchers Updates

Since the last Benchers meeting, there have been a few changes at the Benchers table. The Benchers appointed current Benchers Katrina Harry, KC to the transitional board established by the *Legal Professions Act* to fill the vacancy created by Justice Lindsay LeBlanc's appointment to the Supreme Court of BC. In addition, on March 3, 2025 the provincial government announced the appointment of the then Law Society Benchers Brian Dybwad to the Provincial Court, to take effect on March 21, 2025. We extend our congratulations to Judge Dybwad on his appointment and thank him for his meaningful contributions to the Law Society during his time as a Benchers and as one of the Law Society appointees to the transitional board.

The Law Society Benchers will shortly be considering a new appointment to the transitional board, and the process for holding a by-election in the County of Nanaimo to fill the vacancy created by Judge Dybwad's appointment is now underway. Nominations of candidates for election remaining open until 4:30pm on Thursday, May 1, 2025 and voting will take place from May 7 to 4:30pm on May 14, with votes being counted on May 15, 2025. More information is available on the [Law Society website](#).

This year's Benchers retreat will take place at the end of May. Planning is well underway for this annual event. First Vice-President Thomas Spraggs has confirmed that the focus of the Benchers retreat is on the principles of purpose-driven governance and how these can be applied by the Law Society in its role as an independent regulator.

4. Single Legal Regulator Update

The most recent meeting of the transitional board and the transitional Indigenous council took place on March 19, 2025. Guests were able to observe the meeting remotely for the first time, and I attended a portion of the meeting along with others. The transitional board considered policy reports from the advisory committee regarding issues related to custodianships, unauthorized practice, and practice advice. The next meeting is scheduled for April 16, 2025.

A [new transition website](#) has also been created where announcements, progress and documents (including agendas and approved meeting minutes) will be shared.

5. External Meetings and Events

At the end of February, Access to Justice BC (“A2JBC”) held a strategic planning session which was hosted on our premises. The role of A2JBC is to be a convenor and catalyst for action by the participating justice sector organizations. At this session, we talked about governance, current top priorities, and future focus areas for A2JBC.

In February, First Vice-President Thomas L. Spraggs, Benchers Christina Cook, Benchers Katrina Harry, KC and I attended the Indigenous Law Students Association’s annual gala at the Bill Reid Gallery of Northwest Coast Art. The event was an opportunity to fundraise for the Indigenous Law Students’ Award and celebrate outstanding individuals who demonstrate unwavering commitment to advancing legal services for Indigenous peoples by bestowing the Courage in Law Awards.

In March, I had the opportunity to attend the spring Federation of Law Societies of Canada meetings in Ottawa, which consisted of a strategic planning session on the first day and a Federation Council meeting on the second day. It was a valuable opportunity for me to meet our Law Society and Federation colleagues throughout Canada, and be introduced to all of the important work that is taking place at both a national and provincial level. Further details regarding the content of the meetings can be found in President Greenberg’s written report.

In May, the Law Society is hosting the Federation’s Discipline Administrators Conference in Vancouver. The Discipline Administrators Conference is held approximately every 18 months for representatives from each Law Society engaged in investigations and discipline work. Tara McPhail, our Chief Legal Officer, is organizing the conference and there will be a number of interesting presentations including from Dr. Maura Grossman from the University of Waterloo, our own Indigenous Navigator, and other Law Society representative and private practice lawyers.

6. 2025 BC’s Top Employers and Internal Updates

The Law Society is proud to be recognized as one of BC’s Top Employers for the fourth year in a row. This recognition underscores the commitment, integrity and excellent work of our talented staff and our commitment to a positive and inclusive work culture. We are also passionate about employee development and wellness, and are proud to offer comprehensive benefits and supports to our employees, including flexible work arrangements, compassionate care and other leaves, maternity and parental top-up program, and mental health and wellness benefits.

As a leader who believes in the power of collaborative decision-making, I strive to build an executive table where we can share our unique perspectives, openly debate important issues, and reach consensus. To this end, the executive Senior Leadership team has been meeting on a bi-

weekly basis to discuss key organizational issues that cut across departmental boundaries, such as preparation for the transition to a Single Legal Regulator, an Information Technology roadmap, workplace policies, and compensation and benefits. The Senior Leadership Team meets with all directors and managers each month to share information and discuss emerging issues.

Gigi Chen-Kuo

Chief Executive Officer/Executive Director



Briefing by the Law Society's Member of the Federation Council

To: Benchers

Purpose: Report

From: Brook Greenberg, KC
Law Society Representative on the Federation Council

Date: April 11, 2025

Purpose

1. This memorandum is intended to provide a summary of the Federation's March 2025 Meetings in Ottawa, which included:
 - a. a strategic planning session held on March 3, 2025; and
 - b. a Federation Council meeting held on March 4, 2025.

The Strategic Planning Session

2. As previously reported, the Federation is in the final year of its current strategic plan. Consequently, the spring conference meeting was dedicated to a strategic planning session.
3. The meeting opened with a welcoming ceremony led by Algonquin Elder Annie Smith Saint-Georges.
4. The planning session was facilitated by Allan Fineblit, KC, who is currently the Chair of Legal Aid Manitoba, and is the former CEO of the Law Society of Manitoba.
5. The meeting included the Federation Council members, as well as the Law Societies' Presidents and CEOs.
6. Given that this was the first session with respect to the new strategic plan, the discussion was broad and exploratory in regard to the Federation's potential priorities.
7. In summary, the key takeaways from the discussion were as follows.
8. There was significant consensus that the Federation's strategic priorities should include:
 - a. A governance review of the Federation's structure and processes with the goals of improving:
 - i. Law Societies' engagement with the Federation; and
 - ii. effective decision making that includes the Law Societies' elected leaders and CEOs, as well as the Federation Council members.
 - b. Continued focus on completing the competency-based assessment updates for the National Committee on Accreditation.
 - c. Continued focus on advancing the Federation's and Law Societies' work to prevent money laundering.
9. Other strategic priorities with significant support included:
 - a. the Federation continuing to be a proactive advocate for independence of the legal professions in Canada; and
 - b. the Federation continuing to be an effective vehicle in respect of government relations at the national level.

10. Next steps in the strategic planning process involve the Federation Executive working with Allan Fineblit, KC to develop a draft strategic plan in advance of the June Council meeting for circulation to, and feedback from, the Law Societies.

The Federation Council Meeting

11. The Federation Council met in-person on March 4, 2025.
12. In addition to the Federation Council members, Wina Sioui participated in the meeting as a representative of the Indigenous Advisory Council (the “IAC”).

Updates from Select Jurisdictions

13. Council received updates on various matters from British Columbia, Nova Scotia, and Alberta.
14. In particular, I provided an update, *in camera*, with respect to the Single Legal Regulator litigation, transition, and related matters.
15. The Council member from Nova Scotia provided an update with respect to the Ruck Report, which addressed systemic discrimination within the Nova Scotia Barristers’ Society (the “NSBS”) and the legal profession more generally.
16. The NSBS has accepted the Report’s 21 recommendations, and is now working on implementing those recommendations. To that end, the NSBS has created an Implementation Task Force.
17. The Council member from Nova Scotia also reported on the introduction in Nova Scotia of Bill 36, intended to remove barriers to Canadian trade and professional mobility in Nova Scotia.
18. The Bill included a provision that professional licensees who are licensed in a reciprocating jurisdiction would be treated as automatically and fully licensed in Nova Scotia. The provision was drafted without consultation with the NSBS.
19. After inquiry to the Nova Scotia government, the NSBS was advised that the drafters were unaware of the national mobility agreement, which already governs the ability for Canadian lawyers to practice for up to 100 days in other Canadian jurisdictions.
20. The NSBS issued a letter outlining the potential unintended consequences of Bill 36 with respect to the national mobility agreement and independent regulation. The matter remains an open one.
21. The Council member from Alberta provided an update, *in camera*, with respect to the Alberta Government’s “review” of professional regulatory bodies.

Strategic Planning

22. Both as a standalone matter, and in reports relating to the Federation's current strategic priorities, Council added to the discussion held the previous day relating to setting strategic priorities going forward.
23. In particular, the Council recognized that it will be important to continue the Federation's work to address both truth and reconciliation, and mental health and substance use issues.
24. There was also an acknowledgment that while strategic planning must be based on broad and thorough consultation, responsibility for the strategic plan ultimately rests with the Council.
25. Council determined that it would like to have a draft strategic plan to consider at its next meeting to be held in June 2025.

International Activity Plan

26. There was significant discussion with respect to the Federation's International Activity Plan, particularly in light of the strategic planning session the previous day, which included debate about the relative value of international outreach.
27. As a result, rather than approve the International Activity Plan for 2025-2026 as was initially proposed, the Council voted instead to approve the elements of the 2025 International Activity Plan for which commitments had already been made, and to examine the elements of the 2025 plan in terms of a cost-benefit analysis for which commitments had not yet been made.
28. Consideration of elements of the International Activity Plan for 2026 were deferred, pending the outcome of the strategic planning process.

Budget and Law Society Levy Approvals

29. Council approved the following resolutions:
 - a. the budget for the Federation's general operations for 2025-2026 be approved as presented;
 - b. the implementation of the 2025-2026 Federation budget is subject to approval by the Federation's member law societies of the membership levy as presented;
 - c. the budget for the operations of the National Committee on Accreditation for 2025-2026 be approved as presented;
 - d. the honorarium for the President of the Federation be increased from \$75,000 to \$100,000 for the current year and going forward; and
 - e. allocation of the Federation's reserves for 2025-2026 be approved as presented.
30. The Law Society of British Columbia's share of the general levy referenced in the resolution summarized in paragraph 29(b) is \$471,446.31.

Other Updates

- 31. Additionally, Council received reports from its committees, as well as CanLII and Lexum.
- 32. Some of the more significant updates are summarized below.

The IAC

- 33. Wina Sioui spoke about the Federation and its truth and reconciliation initiatives. She described the Federation as “a good ally”, and stated that the initiatives and projects that had been undertaken by the Federation were concrete illustrations of that.
- 34. While she acknowledged that progress had been made, Wina Sioui noted that there was still much to do, and that we must ensure that the changes that have occurred are “sustainable”.
- 35. The IAC met virtually on February 25, 2025. At that meeting, the IAC proposed adding the Federation President to the IAC, to act as a liaison between the IAC and Council. That proposal was approved by Council as part of the Consent Agenda.
- 36. Also at the IAC meeting, the IAC received updates on the work being done by the Standing Committee on the Model Code with respect to the amendments intended to address TRC Call to Action 27.
- 37. Council heard from those who had attended the symposium held on January 30 and 31, 2025, with respect to “The Continuum of Legal Education in Truth and Reconciliation”, about which I have previously reported to the Benchers.
- 38. The consensus was that the symposium was very beneficial, was well planned and attended, and had received highly positive feedback.
- 39. There was discussion as to whether to make the symposium an annual event. It is intended that the Joint Working Group of the Federation and the Canadian Council of Law Deans consider that question, with input from the IAC, and report back to Council.

The NCA Assessment Modernization Committee (the “NCAAMC”)

- 40. As previously reported, the Federation engaged CPLED to develop assessment tools to be used as part of a future competency-based assessment system for the NCA.
- 41. The NCAAMC has been consulting with CPLED in respect of the assessment tools, and was set to meet again later in March to continue that work.

Money Laundering Prevention

- 42. Because Parliament was prorogued, the expected review of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* has not proceeded.
- 43. Consequently, the Standing Committee on Anti-Money Laundering and Terrorist Financing

(the “**AMLTF Committee**”) has focused its efforts on preparing for the Financial Action Task Force (“**FATF**”) peer review process.

44. The FATF process involves three components:

- a. Assessment of technical compliance. The AMLTF Committee is currently preparing submissions with respect to this assessment.
- b. Assessment of effectiveness. The AMLTF Committee will prepare submissions with respect to the implementation and effectiveness of the Law Societies’ money laundering prevention efforts, and has been gathering data from the larger Law Societies to prepare these submissions.
- c. Onsite evaluation. Evaluators from FATF are expected to be present, primarily in Ottawa, for most of November to conduct a detailed assessment of FINTRAC and the Law Societies’ money laundering prevention processes.

Standing Committee on Mental Health and Wellness

- 45. In accordance with its work plan, the Standing Committee on Mental Health and Wellness has completed its review of both Phase I and Phase II of the National Wellness Study report, as well as the recommendations made by the researchers.
- 46. The Standing Committee is now preparing a recommendation report to Council with respect to the various recommendations contained in the National Wellness Study report. The report to Council is intended to identify those recommendations which the Standing Committee considers are within the Federation’s mandate, are feasible, and are worth pursuing.
- 47. The Standing Committee intends to deliver the report for Council’s consideration either at the June 2025 Council meeting, or if more time is required, at the October 2025 Council meeting.

Standing Committee on the Model Code of Professional Conduct (the “Model Code Committee”)

- 48. The Model Code Committee received a great deal of feedback with respect to the draft amendments intended to address TRC Call to Action 27.
- 49. The Committee’s plan is to incorporate the feedback into a revised set of draft amendments, which will then be the subject of a second round of consultation. The anticipated timeline for the second round of consultation is in the fall of 2025.
- 50. The Model Code Committee will soon issue a report with respect to draft amendments to the mandatory reporting provisions of the Model Code. The changes include efforts to remove stigmatizing language and effects in relation to mental health and substance use issues from these provisions. These changes are based in part on work the Law Society of BC has

previously completed in this regard.

51. There was significant discussion, and a majority view though not a consensus of the Model Code Committee, that there should not be a mandatory duty to report instances of discrimination and harassment. The basis for the majority view was that such mandatory provisions may take agency away from and potentially further harm, place at additional risk, or retraumatize those who had experienced discrimination or harassment.
52. The Model Code Committee expects this aspect of its report will be the subject of substantial feedback in the consultation process. Those who share the majority view underscored that they understand the concerns of those who believe there should be a mandatory reporting obligation in order to provide a zero-tolerance approach to discrimination and harassment.

53. [REDACTED]

54. [REDACTED]

55. [REDACTED]

CanLII and Lexum Reports

56. CanLII and Lexum provided thorough and substantive updates to the Council.
57. First, the Chair of the Board of CanLII, Professor Adam Dodek, spoke about the troubling and ever-increasing attacks on the rule of law and independence of the legal professions throughout the world.
58. He noted that CanLII is a crucial part of the critical infrastructure that supports the rule of law in Canada.
59. CanLII is the only national repository of law accessible to each and every Canadian.
60. He concluded that the best way CanLII can help resist attacks on the rule of law is to continue to improve and expand its services.
61. The President and CEO of CanLII, Francis Barragan, reported that in 2024 CanLII had 23 million visits to its site, and had 800,000 unique visitors per month.
62. The litigation in respect of the acquisition and use of CanLII's proprietary data is ongoing.

63. With respect to the Federation and CanLII's shared focus on truth and reconciliation, CanLII continues to consult on and increase the scope and quantity of content related to indigenous law and legal orders.
64. The President of Lexum, Ivan Mokanov, reported that the generative AI search tool project has advanced to the point where there is a working prototype. The prototype is being tested and improved. The initial feedback from testers was positive.
65. Lexum is optimistic it may be able to release a version as early as summer of 2025. The initial version of the search tool will likely have less functionality than some commercially available generative AI search tools, but will still provide users with significantly expanded capabilities.
66. Council engaged with the CanLII and Lexum representatives in respect of their reports, including:
 - a. praising and congratulating CanLII and Lexum for their commitment to the rule of law, access to justice, and innovation in providing access to legal information;
 - b. suggesting ways to spread both the good news stories about CanLII and Lexum, and to make clear that these services are funded and provided by the Law Societies of Canada as independent regulators, which in turn are committed to access to justice, the rule of law, and an independent bar and judiciary; and
 - c. discussing how to disabuse people of the incorrect perception that CanLII is "for lawyers", rather than for the Canadian public more generally.

Next Meeting

67. The next meeting of the Federation Council will be held in Ottawa on June 9, 2025.



National Discipline Standards Report: Implementation and Update

To: Benchers

Purpose: Update

From: Staff

Date: April 11, 2025

Background

1. The National Discipline Standards were developed as a Federation of Law Societies of Canada (the “Federation”) initiative to create uniformly high standards for all stages of the processing of complaints and disciplinary matters. The Benchers approved the adoption and implementation of the National Discipline Standards (“NDS”) at their meeting on June 13, 2014. The standards were officially implemented across all Canadian law societies as of January 2, 2015. Eight new standards were added in 2024 covering anti-money laundering and terrorist financing (AMLTF).
2. The standards address many aspects of our regulatory processes including: timeliness, public participation, transparency, accessibility, training of adjudicators, and investigators and AMLTF compliance. They are aspirational.
3. Standard 24¹ requires us to report to Benchers annually. This memorandum constitutes that report.

2023 Implementation Report

4. The Law Society’s 2023 NDS progress report was provided to the Benchers at their meeting in March 2024. We also reported our progress to the Federation’s National Discipline Standards Standing Committee, which we do annually. The Federation then collates, into an Implementation Report, the annual NDS data that it receives from all of the Canadian law societies. The Implementation Report provides a high-level comparison and analysis of all of the Canadian law societies’ performance on the NDS in the previous year.
5. The 2023 Implementation Report was distributed to the law societies in January 2025. As the report is prepared for internal law society use only, we have summarized the notable points herein.
6. In 2023, the national average for meeting the standards was 87%, which represented a 1% increase over the prior year. This is consistent with an overall upward trajectory in meeting the standards since they were implemented.
7. Our performance in 2023 as against the standards remained consistent with the past two years, and continued to exceed the national average:

¹ The standards are routinely revised. The standards currently in effect were approved by the Council of the Federation of Law Societies of Canada on June 7, 2021 with the addition of the eight AMLTF standards adopted for 2024.

	2021	2022	2023
Law Society of BC	92%	92%	92%
Average of all Law Societies	83%	86%	87%

8. No law society has ever met all the standards applicable to it. Only two jurisdictions exceeded BC's performance in 2023; Yukon and Newfoundland each attained 93% compliance.

Report on Law Society Progress in 2024

9. The Law Society of BC's 2024 progress on each of the standards is set out at **Attachment 1**.
10. We met 30 of 32² standards (**94%**), which exceeds our performance for the two years prior.
11. As was the case in 2023, we did not meet Standards 9 and 10 in 2024.
12. Standard 9 requires 75% of hearings to commence within 9 months of the citation being authorized and 90% of hearings to commence within 12 months of the citation being authorized.

In 2024 our performance on this standard was as follows:

Year	75% of hearings commenced within 9 months	90% of hearings commenced within 12 months
2024	66%	77%
2023	52%	61%

**Status percentages include facts & determination hearings, joint submission hearings, consent agreements and post-citation Rule 4-29 proposals*

As noted, this is a significant improvement over our performance in 2023. Only five jurisdictions met Standard 9 in 2023: Saskatchewan, Nova Scotia, Newfoundland,

² As mentioned above, there were eight new standards in 2024, all of which BC met.

Barreau du Québec and the Chambre des Notaires. In 2022, only four jurisdictions met Standard 9: Nova Scotia, Newfoundland, Barreau du Québec and the Chambre des Notaires.

Specifically for 2024, we did not meet the second part of Standard 9 (90% of hearings commenced within 12 months) on six files, as follows:

- one filed involved a respondent who was the subject of nine citations issued from 2018 onwards, making scheduling extremely difficult;
- two files were set for hearing within NDS timelines but adjourned for reasons entirely outside of the Law Society's control;
- one file was set for hearing within NDS timelines but when the respondent changed counsel shortly before the hearing, the Law Society consented to the adjournment in the hopes that new counsel would assist matters;
- in one file, the respondent changed counsel three times (which repeatedly pushed back the hearing start date) and brought numerous preliminary motions; and
- in one file, respondent's counsel was unable to set the hearing within NDS timelines due to his schedule.

The Law Society lost its two senior discipline counsel in 2024; one went to the Crown and another took a managerial role in the investigations department. Two paralegals were on maternity leave. This had minimal impact, however, as we were able to conclude 14 consent agreements in 2024 well within NDS timelines.

13. Standard 10 requires 90% of hearing panel decisions to be rendered within 90 days of the last submissions. In 2024, the Law Society Tribunal's performance on this standard was at 86% of hearing decisions, which represents a fairly significant increase over the previous two years.

Year	Percentage of decisions rendered within 90 days
2024	86%
2023	77%

2022	61%
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The Law Society Tribunal will continue with the changes to its decision writing processes instituted in 2022 and 2023, namely:

- (a) at time of scheduling the hearing, the panel Chair assigns writing responsibility to a panel member and that member is encouraged to schedule writing time into their calendar immediately following the scheduled hearing dates;
- (b) on “the date of last submission”, the hearing clerk sends out an email to the panel members setting out 60 and 90-day deadlines;
- (c) the Tribunal Office sends an automatic reminder of the decision deadlines to the panel at 30, 60, 75 and 90 days;
- (d) the Tribunal Chair personally contacts the panel at the 60-day mark if a draft decision has not been received by the Tribunal Office;
- (e) if a decision is outstanding after the 90-day deadline, it is added to a monthly report to all adjudicators;
- (f) an item is now included on annual adjudicator training to remind adjudicators of the importance of timeliness and need to schedule writing time;
- (g) an annual survey of adjudicators is sent to canvass reasons for late decisions; and
- (h) a per diem is now being paid to adjudicators for writing.

ATTACHMENT 1

NATIONAL DISCIPLINE STANDARDS

ANNUAL REPORT ON Law Society of BC STATUS FOR 2024

STANDARD		PREVIOUS YEAR REPORTING (2023)	CURRENT STATUS (Met, Not Met or N/A)	COMMENTS/ ISSUES WITH STANDARD	ACTIONS TAKEN OR PLANNED (where standard is not met)
Timeliness					
1.	<i>Telephone inquiries:</i> 75% of telephone inquiries are acknowledged within one business day.	MET	MET	99.77% of telephone inquiries were acknowledged within one business day	
	100% of telephone inquiries are acknowledged within two business days.	MET	MET	99.92% were called back within two business days.	
2.	<i>Written complaints:</i> 95% of written complaints are acknowledged in writing within three business days.	MET	MET	99.8% of written complaints were acknowledged within three business days.	
3.	<i>Early Resolution:</i> There is a system in place for early resolution of appropriate complaints.	MET	MET	Yes, the Intake & Early Resolution Group implements early resolution of appropriate complaints.	
4A.	<i>Timeline to resolve or refer complaint:</i>	MET	MET	94% of all complaints	

STANDARD		PREVIOUS YEAR REPORTING (2023)	CURRENT STATUS (Met, Not Met or N/A)	COMMENTS/ ISSUES WITH STANDARD	ACTIONS TAKEN OR PLANNED (where standard is not met)
	80% of all complaints are resolved or referred for a disciplinary or remedial response within 12 months.			were resolved or referred within 12 months.	
	90% of all complaints are resolved or referred for a disciplinary or remedial response within 18 months.	MET	MET	97% of all complaints are resolved or referred within 18 months.	
4B.	Where a complaint is resolved and the complainant initiates an internal review or internal appeal process: 80% of all internal reviews or internal appeals are decided within 90 days.	MET	MET	100% of internal reviews are decided within 90 days.	
	90% of all internal reviews or internal appeals are decided within 120 days.	MET	MET	100% of internal reviews are decided within 90 days.	
4C.	Where a complaint has been referred back to the investigation stage from an internal review or internal appeal process: 80% of those matters are resolved or referred for a disciplinary or remedial response within a further 12 months.	MET	MET	One file was referred to the Discipline Committee and one file was referred back for further investigation. They are both still within the 12-month timeline.	
	90% of those matters are resolved or referred for a disciplinary or remedial response within a further 18 months.	MET	MET		

STANDARD		PREVIOUS YEAR REPORTING (2023)	CURRENT STATUS (Met, Not Met or N/A)	COMMENTS/ ISSUES WITH STANDARD	ACTIONS TAKEN OR PLANNED (where standard is not met)
5.	<i>Contact with complainant:</i> For 90% of open complaints there is contact with the complainant at least once every 90 days during the investigation stage.	MET	MET	For 98% of open complaints there was contact with the complainant at least once every 90 days during the investigation stage.	
6.	<i>Contact with lawyer or Québec notary:</i> For 90% of open complaints there is contact with the lawyer or Québec notary at least once every 90 days during the investigation stage.	MET	MET	For 97% of open complaints there was contact with the lawyer at least once every 90 days during the investigation stage.	
7.	<i>Interim Measures:</i> There is an authority and a process for the law society to obtain an interlocutory or interim suspension, restrictions or conditions on a member's practice of law, as the public interest may require.	MET	MET	Rule 3-10 or voluntary undertakings.	
Hearings					
8.	75% of citations or notices of hearings are issued and served upon the lawyer or Québec notary within 60 days of authorization.	MET	MET		
	95% of citations or notices of hearings are issued and served upon the lawyer or Québec notary within 90 days of authorization.	MET	MET		

STANDARD		PREVIOUS YEAR REPORTING (2023)	CURRENT STATUS (Met, Not Met or N/A)	COMMENTS/ ISSUES WITH STANDARD	ACTIONS TAKEN OR PLANNED (where standard is not met)
9.	75% of all hearings commence within 9 months of authorization.	NOT MET 52%	NOT MET 66%	66% of hearings commenced within 9 months of authorization	The Law Society made significant improvements over the results in 2023 (66% instead of 52% for 9a and 77% instead of 61% for 9b). Department continues to take advantage of consent agreement process which significantly shortens timelines. *Status percentages include facts & determination hearings, joint submission hearings, consent agreements and post citation rule 4-29 proposals.
	90% of all hearings commence within 12 months of authorization.	NOT MET 61%	NOT MET 77%	77% of hearings commenced within 12 months of authorization	See above comments
10.	Reasons for 90% of all decisions are rendered within 90 days from the last date the panel receives submissions.	NOT MET 77%	NOT MET 86%	In 2024, 86% of all decisions were rendered within 90 days of the date of the last submission. This continues the improvement over the results in 2023 (77%)	Tribunal will continue with the changes to its decision writing processes instituted in 2022 and 2023 namely: (a) at time of scheduling the hearing, the panel Chair assigns writing responsibility to a panel member and

STANDARD		PREVIOUS YEAR REPORTING (2023)	CURRENT STATUS (Met, Not Met or N/A)	COMMENTS/ ISSUES WITH STANDARD	ACTIONS TAKEN OR PLANNED (where standard is not met)
				and 2022 (61%).	that member is encouraged to schedule writing time into their calendar immediately following the scheduled hearing dates; (b) on “the date of last submission”, the hearing clerk sends out an email to the panel members setting out 60- and 90-day deadlines; (c) the Tribunal Office sends an automatic reminder of the decision deadlines to the panel members at 30, 60, 75 and 90 days; (d) the Tribunal Chair personally contacts the panel at the 60-day mark if a draft decision has not been received by the Tribunal Office; (e) if the decision is outstanding after the 90-day deadline, it is added to a monthly report

STANDARD		PREVIOUS YEAR REPORTING (2023)	CURRENT STATUS (Met, Not Met or N/A)	COMMENTS/ ISSUES WITH STANDARD	ACTIONS TAKEN OR PLANNED (where standard is not met)
					to all adjudicators; (f) adjudicator training includes reminders about importance of timeliness and need to schedule writing time; (g) annual survey of adjudicators sent to canvass reasons for late decisions; (h) per diem now being paid to adjudicators for writing.
Public Participation					
11.	There is public participation at every stage of discipline; e.g., on all hearing panels of three or more; at least one public representative; on the charging committee, at least one public representative.	MET	MET		
12.	There is a complaints review process in which there is public participation for complaints that are disposed of without going to a charging committee.	MET	MET		
Transparency					
13.	Hearings are open to the public.	MET	MET		

STANDARD		PREVIOUS YEAR REPORTING (2023)	CURRENT STATUS (Met, Not Met or N/A)	COMMENTS/ ISSUES WITH STANDARD	ACTIONS TAKEN OR PLANNED (where standard is not met)
14.	Reasons are provided for any decision to close hearings.	MET	MET		
15.	Notices of charge or citation are published promptly after a date for the hearing has been set.	MET	MET		
16.	Notices of hearing dates are published at least 60 days prior to the hearing, or such shorter time as the pre-hearing process allows.	MET	MET		
17.	A law society can share information about a lawyer or Québec notary, either upon request or at its own initiative, with any other law society, or can require a lawyer or Québec notary to disclose such information to all law societies to which they are a member. All information must be shared in a manner that protects solicitor-client privilege.	MET	MET		
18.	There is an ability to report to police about criminal activity in a manner that protects solicitor/client privilege.	MET	MET		
Accessibility					
19.	A complaint help form is available to complainants.	MET	MET		
20.	There is a directory available with status information on each lawyer or Québec notary, including easily accessible information on discipline history.	MET	MET		

STANDARD		PREVIOUS YEAR REPORTING (2023)	CURRENT STATUS (Met, Not Met or N/A)	COMMENTS/ ISSUES WITH STANDARD	ACTIONS TAKEN OR PLANNED (where standard is not met)
Qualification of Adjudicators, Staff and Volunteers					
21.	There is ongoing mandatory training for all adjudicators with refresher training no less often than once a year, and the curriculum for mandatory training will comply with the national curriculum.	MET	MET		
22.	There is mandatory orientation for all volunteers involved in conducting investigations or in the charging process to ensure that they are equipped with the knowledge and skills to do the job.	MET	MET		
23.	There is ongoing training available for all staff and volunteers (where applicable) involved in law society complaint and discipline processes to ensure they are equipped with the relevant skills, knowledge, awareness and understanding of issues that can materially impact a lawyer or Quebec notary's conduct and/or competency.	MET	MET		
Reporting on Standards					
24.	Each law society will report annually to its governing body on the status of the standards.	MET	MET		
Anti-Money Laundering and Terrorist Financing (AMLTF)					
Identifying Non-Compliance with AMLTF Obligations					
25.	There are proactive audit processes in place to identify non-compliance with the AMLTF obligations.	--	MET		

STANDARD		PREVIOUS YEAR REPORTING (2023)	CURRENT STATUS (Met, Not Met or N/A)	COMMENTS/ ISSUES WITH STANDARD	ACTIONS TAKEN OR PLANNED (where standard is not met)
26.	There is timely review of mandatory reports submitted by legal professionals for potential non-compliance with AMLTF obligations	--	MET		
27.	Each law society has a designated person(s) to communicate with external stakeholders to encourage information sharing and reporting of potential instances of non-compliance with AMLTF obligations.	--	MET		
Training for Staff					
28.	There is ongoing training available for all law society staff and volunteers (where applicable) involved in the regulatory processes (compliance, audit, complaints, investigation and discipline) on AMLTF issues, the AMLTF obligations, identifying noncompliance with the AMLTF obligations, and discipline	--	MET		
Referrals Concerning Non-Compliance with AMLTF Obligations					
29.	There is an ability through policy, procedure or processes to refer incidents of noncompliance with the AMLTF obligations to the law society's investigations process.	--	MET		
Tracking Non-Compliance and Referrals					
30.	There is a system in place to track the receipt of complaints and referrals for instances of: (a) non-compliance with the client identification and verification rule;	--	MET		
	(b) non-compliance with the cash transactions rule;		MET		

STANDARD		PREVIOUS YEAR REPORTING (2023)	CURRENT STATUS (Met, Not Met or N/A)	COMMENTS/ ISSUES WITH STANDARD	ACTIONS TAKEN OR PLANNED (where standard is not met)
	(c) the misuse of the trust account; and		MET		
	(d) the failure to make reasonable inquiries in the face of suspicious circumstances.		MET		
31.	There is a system in place to track the regulatory response to instances of:	--	MET		
	(a) non-compliance of the client identification and verification rules;				
	(b) non-compliance of the cash transactions rules;		MET		
	(c) the misuse of a trust account; and		MET		
	(d) the failure to make reasonable inquiries in the face of suspicious circumstances.		MET		
32.	There is a system in place to track instances of referrals to external stakeholders (e.g., law enforcement).	--	MET		

Confidentiality Rule – Practice Advisors & Equity Advisor

To: Benchers

Purpose: Discussion & Decision

From: Executive Committee

Date: April 11, 2025

Issue

1. The provision of confidential advice through the Practice Advice program is a key pillar of how the Law Society honours its obligation to support lawyers and articulated students in fulfilling their duties in the practice of law.¹ While Practice Advice has operated with confidentiality protection since its inception and such is a matter of accepted Law Society policy, the creation of a Law Society Rule that codifies this confidentiality and articulates its limits will increase clarity regarding and trust in the Practice Advice program.

Background

2. Practice Advice started around 1991 as a “new initiative...designed to prevent liability claims and improve the quality of lawyer practice.”² The Law Society explained that Practice Advice was “removed from the discipline arm of the Law Society (and) [a]ll communications between members and [the Practice Advisor] are intended to be confidential, except in cases of trust fund shortages.”³ References to Practice Advice in the *Bencher’s Bulletin* and on the Law Society website⁴ always emphasize the confidentiality of the program.
3. Practice Advisors provide advice on all matters of ethics, professional conduct, and practice management. Inquiries span a wide variety of issues, including personal coping and stress management.⁵
4. The confidentiality of Practice Advice in the context of the duty to report was considered by the Benchers in 2006, when the Benchers confirmed that Practice Advisors are required to keep confidential information that would otherwise be reportable except in cases of trust fund shortages, consistent with how Practice Advice had been operating up until that point. Specifically, the Benchers resolved⁶ that:
 - a. the Law Society practice advisors *be required to keep* confidential information that would be covered by Chapter 13, Rule 1(a) or (c) of the *Professional Conduct Handbook*; and
 - b. Benchers and Life Benchers who give practical or ethical advice in their capacity as Bencher or Life Bencher *have a discretion to keep* confidential information that

¹ *Legal Profession Act* s. 3(e).

² *Bencher’s Bulletin*, June-July, 1991, page 4.

³ *Bencher’s Bulletin*, September, 1991, page 9.

⁴ See: [About Practice Advice](#).

⁵ The Practice Advisors are by no means counsellors, but are well-versed in the language of mental health (all members of the team have completed Mental Health First Aid) and the resources available through the [Lawyer Well-Being Hub](#).

⁶ Minutes from the February 3, 2006 Bencher Meeting.

would be covered by Chapter 13, Rule 1(a) or (c) *Professional Conduct Handbook*.⁷

5. The memorandum provided to Benchers in regard to this decision provided some context for the policy rationale for confidentiality that continues to underpin Practice Advice:

The justification for the special treatment accorded to information given to the Practice Advisor is that it is in the public interest to have lawyers seek advice from knowledgeable advisors without fear that the Law Society will punish them for disclosing breaches of the rules, rather than have them make or compound mistakes and cause injury to clients and others by failing to seek appropriate advice.

If lawyers fear that in the course of seeking advice for a practice or ethical matter they may disclose information that may require the Law Society to take disciplinary action against them, they may not seek advice with respect to those issues and, as a consequence, may damage the interests of their own client or someone else. For example, a lawyer who has breached an undertaking may try to argue that there was no breach, instead of acting on advice from a Practice Advisor to take responsibility for the breach and attempt to rectify it by reporting it to the Lawyers [Indemnity] Fund or taking some other remedial action.

6. Other than being required to report trust shortages, Practice Advisors will also provide information about an inquiry to parties outside the department with the express consent of the lawyer who made the inquiry. This can help the Practice Advisor better assist with a lawyer's question by allowing the Practice Advisor to liaise with other Law Society departments or the Lawyers Indemnity Fund to connect the lawyer to others who can assist them. It can also sometimes be a mitigating factor in a professional conduct proceeding that an individual sought the advice of a Practice Advisor, so a lawyer may elect to provide their express consent for records of the advice they received to be provided to staff involved in professional regulation. In the absence of express consent or a trust shortage, information regarding queries is kept confidential within the Practice Advice department.
7. The Equity Advisor (formerly Equity Ombudsperson) role transitioned from an external appointment to an internal staff role in the Practice Advice department in 2017.⁸ In addition to providing advice on matters of ethics, professional conduct, and practice management in their capacity as a Practice Advisor, the Equity Advisor also provides advice regarding discrimination and harassment, including bullying. The confidentiality of the Equity Advisor

⁷ This Rule was the precursor to Code of Professional Conduct for BC rule 7.1-3, and read:
Subject to Rule 2, a lawyer must report to the Law Society another lawyer's:

(a) breach of undertaking that has not been consented to or waived by the recipient of the undertaking,
(b) shortage of trust funds, and
(c) other conduct that raises a substantial question as to the other lawyer's honesty or trustworthiness as a lawyer.

⁸ The role operates in a hybrid format providing advice on practice advice and equity matters, previously titled the Practice Advisor/Equity Ombudsperson and now styled as the Practice & Equity Advisor.

role is set out in Rule [10-2.1](#) (Communication with Equity Advisor Confidential).⁹

Analysis, Drafting Notes & Recommendation

8. While the confidentiality of Practice Advice is a matter of established Law Society policy, the creation of a Rule that codifies this confidentiality and articulates the limits thereof would increase clarity. The success of Practice Advice is predicated on trust, and that trust will be strengthened if it is underpinned by a Rule to which lawyers can be referred or otherwise review of their own accord.
9. The Equity Advisor operates essentially under a similar policy of confidentiality. There is a Rule regarding the Equity Advisor confidentiality, and it is reasonable that a similar approach be taken with Practice Advice. Differing approaches could be reasonably justified when the Equity Advisor was an external program, but given the two programs are now internal and staffed within the same department there is no reasonable ongoing justification for a distinction to the extent that the programs operate in the same manner. In this regard, there are three distinctions:
 - a. The Equity Advisor is empowered to provide direct support to lawyers, articulated students, law students, and legal support staff, whereas Practice Advice is directed at lawyers and articulated students;¹⁰
 - b. The Equity Advisor is empowered to engage in mediation if all parties consent, which is not part of Practice Advice; and
 - c. Records of the Equity Advisor cannot form part of the evidence to be provided at a hearing,¹¹ whereas it is possible such could occur with records from Practice Advice if the lawyer who sought the advice consented to the records being disclosed to professional regulation staff.¹²
10. A Rule also provides the opportunity to clearly identify applicable exceptions to confidentiality and alignment across the Practice Advice and Equity Advisor functions in this regard. Save for the circumstance described in para. 9(c) above, there is not a reasonable

⁹ Practically, if an individual wishes the Equity Advisor to make anonymized or attributable inquiries to Law Society departments on their behalf to assist in the provision of effective and efficient assistance to the individual, the Equity Advisor will do so with the individual's express consent.

¹⁰ This is in contemplation of the fact that law students and legal support staff may contact the Equity Advisor for assistance with personal circumstances, not matters of professional responsibility.

¹¹ [Rule 5-4.6](#) (Demand for disclosure of evidence) confirms at subsection (3) that in a response to a demand for disclosure by a respondent that "Law Society counsel must not provide any information or documents about any discussion or other communication with the Equity Advisor in that capacity."

¹² This responds to the focus of the Equity Advisor being assisting individuals who have witnessed or experienced behaviour, in contrast to Practice Advice, from which lawyers are more likely to seek guidance regarding their own conduct.

policy purpose for the Equity Advisor to operate with different codified exceptions to confidentiality than Practice Advisors in regard to trust shortages or the provision of consent.

11. In addition to maintaining the exceptions currently in practice, the operation of the Practice Advice and Equity Advisor functions has demonstrated a need for an additional, highly limited exception to confidentiality to account for circumstances where the inquiry raises a risk of imminent harm, and disclosure is required to prevent that harm. There have been inquiries where the lawyer seeking advice is in significant distress, which has led the Practice Advisor/Practice & Equity Advisor to have serious concerns that the lawyer may self-harm. While thankfully these inquiries have been successfully resolved by the Practice Advisor/Practice & Equity Advisor de-escalating the individual and assessing the risk as not imminent or obtaining the individual's consent to contact a third party for assistance, a clear exception would provide clear authority for disclosure in extremely urgent circumstances.
12. It would also be logical to codify an exception for situations when disclosure was required by law or a court. In any circumstance, the Rules would need to be interpreted in the context of other applicable statutes, court orders, and otherwise lawful demands. While this would be the case even in the absence of the exception, the purpose of the language is clarity and in that regard it is advisable to codify where possible.
13. Accordingly, the Executive Committee recommends revisions to the Law Society Rules, set out in red-line in **Appendix "A"** and clean in **Appendix "B"**, to codify the confidentiality of Practice Advice and align it with the parameters of the Equity Advisor program to the extent practicable. In regard to the drafting approach:
 - a. **Definitions:** This language has been adjusted to reflect the staff nature of the Equity Advisor, and a new definition of Practice Advisor has been introduced. The definition of both includes any person employed to assist them in their role so as to include administrative and management support. Adjustments to the Equity Advisor definition have been made to better reflect the role as advice and mediation, rather than dispute resolution.
 - b. **Rule 10-2.1 (Heading):** The heading has been amended to incorporate both programs. This amendment is not captured in the specific amendments outlined in **Appendix "C"** as the headings do not form part of the Rule so can be amended without resolution should the other amendments be accepted.
 - c. **Rule 10-2.1(0.1):** A new definition of "Advisor" has been introduced to codify the shared characteristics of the Practice Advice and Equity Advisor functions.
 - d. **Rule 10.2.1(1):** This language has been streamlined and updated to reflect changes to the definition of "Equity Advisor", leaving Practice Advice out as mediation is not part of that function.

- e. **Rule 10.2.1(2):** Confirms the confidentiality of both functions subject to the exceptions set out in subsection (3).
- f. **Rule 10.2.(3):** Confirms that information acquired by an Advisor is confidential and will not be disclosed¹³ with four exceptions:
 - i. **Trust shortage:** Language here contemplates disclosure by the Advisor if not otherwise reported to the Law Society. This approach is consistent with established practice that if the individual reports the trust shortage there is not a need for it also to be reported by the Practice Advisor;
 - ii. **Required by law or a court order:** This language is drafted in a manner similar to that in *Code of Professional Conduct for BC* rule 3.3-1(b);
 - iii. **Consent:** Language here clearly indicates that consent must be express and from the individual who sought the advice, as the practice operates currently; and
 - iv. **Real risk of harm:** This language tracks that of the future harm/public safety exception to confidentiality as set out in *Code of Professional Conduct for BC* rule 3.3-3. It is drafted to apply to imminent risk of death or serious bodily harm to any person, but only permits the disclosure if it is necessary to prevent the harm. Accordingly, the purpose of the exception would be to apply in the limited circumstances where the individual seeking advice was not otherwise prepared to seek assistance in extreme, dire circumstances.
- g. **Other:** Revisions have not been recommended to Rule 5-4.6 (Demand for disclosure of evidence) due the distinction between the Equity Advisor and Practice Advice functions as described above.

Resolution

14. The Executive Committee presents the following resolution for Benchers consideration and decision:

BE IT RESOLVED that the Law Society of British Columbia adopt amendments to the Law Society Rules as set out in Appendix “C” to this report.

¹³ The language of the preamble acknowledges that the Practice Advisors are aware of inquiries coming into the department and consult with each other to provide better answers to those who inquire. It is also drafted to account for that Equity Advisor inquiries are logged separately, are not accessible by the Practice Advisors, and are only accessible by the Equity Advisor and those employed to assist the Equity Advisor as contemplated in the current and proposed definition of the role.

LAW SOCIETY RULES

Definitions

1 In these rules, unless the context indicates otherwise:

“Equity Advisor” means any person appointed by the Executive Director employed by the Society to provide, or to assist such Advisor in providing, confidential dispute resolution advice and mediation assistance to lawyers, articulated students, law students and support staff of legal employers, regarding allegations of harassment or discrimination by lawyers ~~and includes anyone employed to assist the Equity Advisor in that capacity;~~

“Practice Advisor” means any person employed by the Society to provide, or to assist such Advisor in providing, confidential advice to lawyers and articulated students on issues of ethics, professional conduct and practice management.

Duty not to disclose

10-2 A person performing any duty or fulfilling any function under the Act or these rules who receives or becomes privy to any confidential information, including privileged information,

- (a) has the same duty that a lawyer has to a client not to disclose that information, and
- (b) must not disclose and cannot be required to disclose that information except as authorized by the Act, these rules or an order of a court.

Communication with Equity Advisor and Practice Advisor confidential

10-2.1 (0.1) For the purpose of this rule, “Advisor” means an Equity Advisor or a Practice Advisor;

- (1) This rule must be interpreted in a way that will manner to facilitate ~~the an~~ Equity Advisor assisting in ~~the resolution mediation of disputes~~ through communication without prejudice to the rights of any person.
- (2) Communication between ~~the an~~ Advisor acting in that capacity and with any person receiving or seeking assistance from ~~the Equity an~~ Advisor is, subject to subsection (3), confidential and must remain confidential in order to foster an effective relationship between the Equity an Advisor and ~~that~~ individuals who seek or receive their assistance.
- (3) ~~The Equity~~ Advisors must hold in ~~strict~~ confidence and must not disclose all information acquired in ~~that their~~ capacity as an Advisor, other than to another Advisor acting in the same capacity, from participants unless:
 - (a) information received reveals a trust shortage that will not otherwise be reported to the Society;
 - (b) disclosure of the information is required by law or court order;
 - (c) the individual seeking assistance provides express consent, verbally or in writing, to the disclosure or release of the information provided; or

LAW SOCIETY RULES

(d) an Advisor has reasonable grounds to believe from the information provided that there is an imminent risk of death or serious bodily harm to the individual seeking advice or to another person, and disclosure is necessary to prevent such death or harm.

LAW SOCIETY RULES

Appendix "B"

Definitions

1 In these rules, unless the context indicates otherwise:

“Equity Advisor” means any person employed by the Society to provide, or to assist such Advisor in providing, advice and mediation assistance to lawyers, articulated students, law students and support staff of legal employers, regarding allegations of harassment or discrimination by lawyers;

“Practice Advisor” means any person employed by the Society to provide, or to assist such Advisor in providing, confidential advice to lawyers and articulated students on issues of ethics, professional conduct and practice management.

Duty not to disclose

10-2 A person performing any duty or fulfilling any function under the Act or these rules who receives or becomes privy to any confidential information, including privileged information,

- (a) has the same duty that a lawyer has to a client not to disclose that information, and
- (b) must not disclose and cannot be required to disclose that information except as authorized by the Act, these rules or an order of a court.

Communication with Equity Advisor and Practice Advisor confidential

10-2.1 (0.1) For the purpose of this rule, “Advisor” means an Equity Advisor or a Practice Advisor;

- (1) This rule must be interpreted in a manner to facilitate an Equity Advisor assisting in mediation through communication without prejudice to the rights of any person.
- (2) Communication between an Advisor acting in that capacity with any person receiving or seeking assistance from an Advisor is, subject to subsection (3), confidential and must remain confidential in order to foster an effective relationship between an Advisor and individuals who seek or receive their assistance.
- (3) Advisors must hold in confidence and must not disclose all information acquired in their capacity as an Advisor, other than to another Advisor acting in the same capacity, unless:
 - (a) information received reveals a trust shortage that will not otherwise be reported to the Society;
 - (b) disclosure of the information is required by law or court order;
 - (c) the individual seeking assistance provides express consent, verbally or in writing, to the disclosure or release of the information provided; or
 - (d) an Advisor has reasonable grounds to believe from the information provided that there is an imminent risk of death or serious bodily harm to the individual seeking

LAW SOCIETY RULES

advice or to another person, and disclosure is necessary to prevent such death or harm.

TITLE: PRACTICE ADVISOR CONFIDENTIALITY

Appendix "C"

RESOLUTION:

BE IT RESOLVED to amend the Law Society Rules as follows:

1. In Rule 1, by

(a) Deleting the definition of "Equity Advisor" and replacing it with

““**Equity Advisor**” means any person employed by the Society to provide, or to assist such Advisor in providing, advice and mediation assistance to lawyers, articulated students, law students and support staff of legal employers, regarding allegations of harassment or discrimination by lawyers;”

(b) Adding the following definition:

““**Practice Advisor**” means any person employed by the Society to provide, or to assist such Advisor in providing, confidential advice to lawyers and articulated students on issues of ethics, professional conduct and practice management;”

2. In Rule 10-2.1,

(a) by adding subrule (0.1) as follows:

“(0.1) For the purpose of this rule, “Advisor” means an Equity Advisor or a Practice Advisor;”

(b) in subrule (1), by striking out “interpreted in a way that will facilitate the Equity Advisor assisting in the resolution of disputes” and replacing it with “interpreted in a manner to facilitate an Equity Advisor assisting in mediation”

(c) by deleting subrules (2) and (3) and replacing them with:

“(2) Communication between an Advisor acting in that capacity with any person receiving or seeking assistance from an Advisor is, subject to subsection (3), confidential and must remain confidential in order to foster an effective relationship between an Advisor and individuals who seek or receive their assistance.

(3) Advisors must hold in confidence and must not disclose all information acquired in their capacity as an Advisor, other than to another Advisor acting in the same capacity, unless:

- (a) information received reveals a trust shortage that will not otherwise be reported to the Society;
- (b) disclosure of the information is required by law or court order;
- (c) the individual seeking assistance provides express consent, verbally or in writing, to the disclosure or release of the information provided; or

- 2 -

- (d) an Advisor has reasonable grounds to believe from the information provided that there is an imminent risk of death or serious bodily harm to the individual seeking advice or to another person, and disclosure is necessary to prevent such death or harm.”

REQUIRES 2/3 MAJORITY OF BENCHERS PRESENT

Exploring Practice Fee Relief

To: Benchers

Purpose: Discussion & Decision

From: Executive Committee

Date: April 11, 2025

Issue

1. The Law Society has explored practice fee relief on three previous occasions. With the exception of the one-time relief program in response to COVID-19, previous consideration of fee relief-related initiatives over the past 20 years has been challenging, due to the lack of identification of a specific public interest justification for the proposed relief coupled with considerable operational cost and staffing requirements, and the resultant increase in the practice fee for the remaining lawyers.
2. In 2021, the Benchers approved fee payments in two installments and also set up a one-time fund to be paid from an allocation of Law Society reserves to recognize that some lawyers would have experienced significant reductions in law firm billings from the prior year as a result of the COVID-19 pandemic and may be in need of fee relief. This was a one-time program that was provided despite the operational burden in the face of unprecedented worldwide circumstances. While different than the height of a worldwide pandemic, these are extraordinary times of their own sort. Inflation, cost of living increases, and threat of a global trade war have led to uncertain economic times.
3. With all this in mind, the President requested that staff bring forward for discussion the concept of practice fee relief, in particular on the basis of income. In its role to provide oversight and direction on Law Society policy, the Executive Committee considered options in regard to practice fee relief. This report outlines the options considered by the Executive Committee and provides a recommendation to Benchers.

Background

4. The concept of granting lawyers some form of fee relief based on a set of criteria has been raised in 2012, 2017, 2021, and 2024.¹
5. The 2012 resolution recommended the Law Society “research the feasibility of creating a class of membership for non-profit lawyers with a reduced rate of practice fees”. The Reduced Fee Feasibility Working Group recommended against developing a proposal, concluding that “the proposed fee reduction would be sufficiently expensive and operationally demanding to administer as to outweigh its potential benefits.”
6. In 2018 the Benchers approved the creation of the Annual Fee Review Working Group, tasking it to “...investigate and duly consider providing public interest practitioners with reduced rates of practice fees and insurance fees.” The Working Group recommended against providing a reduced rate, while noting that “that there are a number of different arguments or rationales, focusing on different sub-groups of lawyers and a range of potential justifications,

¹ As resolutions at each AGM, though the 2017 resolution was withdrawn prior to the AGM on the understanding the Law Society would review it.

that could in future lead to consideration of variations or alternatives to the fee-setting model that is currently used by the Law Society.”

7. The Annual Fee Review Working Group observed in its August 20, 2018 Initial Review Report: “Instead, the Working Group has adopted the approach that a broad view of public interest law allows it to consider a variety of lawyer groups as potentially worthy recipients of a reduction in fees. At the same time, there is a significant challenge in locating, by reference to “public interest law” or within a group who might be considered “public interest practitioners,” a clearly defined group to be the intended recipients of the fee reduction. The challenge of finding the most appropriate group for a potential reduction is complicated because of the very broad range of lawyers who may claim to do work that produces public interest benefits.”
8. The concept of fee relief, fee payment on a monthly or quarterly basis, and payment by credit cards were considered and rejected up until 2021, at which point semi-annual practice fee payments were implemented. Semi-annual installments continue to be in place for annual practice and indemnification fees, with the resultant operational burden and costs.
9. Benchers established a one-time emergency fund to be paid from an allocation of Law Society reserves in response to COVID-19 for 2021. The qualifications for this emergency funding were set similarly to the Federal Government tax relief provided during COVID-19. To qualify for the one-time fee relief, fee billings needed to be more than 30% below 2019 levels and net income needed to be \$75,000 or less for full-time, and \$37,500 for part-time. A contingency of \$3 million of reserves was set aside for this purpose as the volume of need was unknown. In the end, there were 500 lawyers who qualified (4% of practising lawyers at the time; half qualified due to meeting the criteria and half qualified as new calls so there were no past fee billings). The Law Society ended up funding approximately \$500,000. Each lawyer received an average of \$1,000 in fee relief, which at the time was about a 50% discount on the practice fee. About 1,600 applications were received in total, with half of the applications not being completed and the remaining 800 being individually reviewed to determine if they met the qualification criteria. The program was very labour intensive and disruptive to Law Society operations since, with the system limitations and timelines required, the only solution was to implement the program through a manual process - with applications, questions, analysis and qualification decisions having to be made on a daily basis over this time period. Much of the application information required manual verification to confirm eligibility as there were different interpretations of law firm billings and income levels provided that proved difficult to reconcile. Moreover, the speed with which the program needed to be administered also meant that the information provided for eligibility could not be meaningfully interrogated.
10. Resolution 4 at the Law Society’s 2024 Annual General Meeting (AGM) made a series of recommendations regarding fee relief and flexible payments for junior lawyers to help address their debt levels, on the basis that doing so would improve access to justice and

equity and diversity in the profession. Resolution 4, while undoubtedly well-intentioned, is predicated on assumptions regarding the benefits it is intended to achieve. The central premise is that junior lawyers carry large debt loads and this, coupled with the practice fee, inhibits their ability to provide access to legal services and affects equity, diversity and inclusion (EDI).² Setting aside claims about access to justice and EDI, and focusing on the issue of debt for lawyers, year of call is an ineffective tool to understand financial hardship. That metric alone does not shed light on income, debt load, or who pays the junior lawyers' practice fees. Although it would be a relatively simple program to administer, the resolution also does not take into consideration the operational burden of establishing and administering a fee relief program, and the increase in the practice fee for the lawyers who will need to fund the fee relief or balance its benefits against those burdens.

Options considered by the Executive Committee

11. The Executive Committee considered two options put forward by staff through which the Law Society could explore practice fee relief on the basis of income:
 - a. Undertake licensee engagement to inform the purpose, viability, criteria and design of a program, a full policy workup of which would be brought back to Benchers at a later date (July 2025) (the "Engagement Option"); or
 - b. Launch a one-year pilot for a practice fee rebate program based on a total-income eligibility criteria, during which data would be collected to inform the purpose, viability, and design of a future program. Further details of a proposed pilot program would be brought back to Benchers for consideration at a later date (July 2025) (the "Pilot Option").

The Engagement Option

12. The Engagement Option contemplated a full policy workup of a fee relief program, informed by an engagement survey with the profession, being brought back for Benchers consideration.
13. In this option, staff proposed to fill in the data gaps and ensure the Law Society has up-to-date information to form the foundation of any new fee relief program by engaging with the profession through a survey in which information about certain key factors could be collected.³ While principally exploring relief on a total income basis, other eligibility criteria could also be considered. Work was also contemplated to determine the operational impact and cost of any program, including potential implementation methods, and the increase in the

² It is unclear if the proponents are suggesting lawyers from racialized and equity seeking groups face greater financial hardship, or simply that junior lawyers are a more diverse group than senior lawyers.

³ For example, gauging the economic burden of the practice fee, determining who pays (firm or individual), range of lawyer income levels, the profession's willingness to subsidize the fees of other lawyers and to what extent, etc.

practice fee for the remaining lawyers.

14. For 2026, operational realities would dictate that the program could only be implemented as a rebate program administered at one time in early-mid 2026, would be funded from reserve for this initial year and, similar to the COVID-19 relief, administered manually.

The Pilot Option

15. The Pilot Option considered contemplates the deployment of a one-year pilot project for a practice fee rebate program administered in early-mid 2026 based on a total income eligibility criteria; the structure for which being brought back for consideration at the July 2025 Benchers meeting.
16. During the pilot, data would be collected to inform the purpose, viability, and design of a future program, following which recommendations would be made in regard to whether a permanent fee relief program should be established.
17. This pilot program would be deployed on the assumptions that at least some lawyers, albeit a small proportion of the profession, are experiencing financial hardship that may be caused by a variety of reasons, such that the practice fee presents an economic burden or barrier to staying in practice, and that total income is a reasonable indicator of an individual's financial status. Data collected during the pilot would assist in confirming or challenging these assumptions.
18. Similar to the Engagement Option if implemented in 2026, the Pilot Option would be funded from reserves for this initial year and, like the COVID-19 relief, be administered manually. The amount required from reserves, the specific eligibility criteria, and the maximum amount of fee relief per person would all need to be determined. While some information regarding an appropriate income threshold is known from the COVID-19 fee relief program, further work would need to be done to define the appropriate number, in addition to considering how to appropriately address firms paying fees for the lawyers at the firm.

Analysis & Recommendation

19. The fact that past considerations of fee relief did not identify a sufficiently compelling public interest rationale to establish a permanent fee relief program, in particular in light of operational challenges, does not mean one does not exist. The task is to identify the basis for relief, which would then provide a foundation upon which to move forward. Both options presented to the Executive Committee for consideration provide pathways to gathering this information.
20. The potential bottom-line impact for 2026 of both options is the same – a rebate program administered in early-mid 2026. The key distinction between the options is whether more

information is required before making a decision about the public interest basis and the eligibility criteria for a fee relief program, the impact on the practice fee for the remaining lawyers, as well as consideration of financial and operational implications, or if Benchers are confident enough the assumptions regarding the economic barrier created by the practice fee have merit to making a decision before that information is available on a one-year pilot basis.

21. The Executive Committee recommends the Pilot Option. The Committee discussed the one-time emergency fund in response to COVID-19 and how it demonstrated that, for at least a small proportion of the profession, there was a need for fee relief. Moreover, a pilot provides an extended period to study and understand the benefits and implications of a program in real time, and make a better informed decision regarding a potential permanent program. Also, while not without potential challenge, proceeding on a total income basis is likely to be more definable as eligibility criteria than other bases that have been explored historically, while still speaking to the Law Society's public interest mandate.

Decision

22. Accordingly, the Executive Committee presents the following resolution for Bencher consideration and decision:

BE IT RESOLVED that the Benchers approve, in principle, the establishment of a one-year pilot of a practice fee rebate program as described in this report, the details of which will come back to Benchers for consideration at the July 2025 Bencher meeting.

Establishing the Alternative Discipline Process as a Permanent Regulatory Program

To: Benchers

Purpose: Discussion & Decision

From: Staff

Date: April 11, 2025

Issue

1. In recent years, the Law Society of British Columbia has established itself as a leader among legal regulators in addressing mental health and substance use issues within the profession, advancing dozens of initiatives that aim to improve lawyer well-being and protect the public.
2. The Alternative Discipline Process (“ADP”), which represents the most significant aspect of this work, was unanimously approved by the Benchers in 2021 and operationalized in 2022, commencing as a three-year pilot project.¹ Designed to specifically address circumstances in which a lawyer’s health issue has contributed to conduct that has resulted in a complaint investigation, the ADP is a remedial program that focuses on resolving or managing the underlying health issue. In doing so, the program aims to place lawyers in a stronger position to meet their professional responsibilities and serve their clients, and to reduce the risk that a health issue may impact on the future delivery of legal services.²
3. Based on the findings presented in this report the Executive Committee, in its role providing oversight and direction on regulatory policy development, recommends that the Benchers approve the ADP as a permanent regulatory program.

Background

Rationale for developing the ADP

4. High rates of mental health and substance use issues among lawyers have been well-documented for some time. In 2022, the first significant body of Canadian research on this topic (the “*National Study*”)³ confirmed that legal professionals are affected by mental health challenges and problematic substance use at significantly higher rates than the general working population, with 29% of respondents experiencing depressive symptoms, 36% experiencing anxiety, and more than one-third of participants exhibiting signs of potential alcohol dependence. Legal professionals from equity-deserving groups and new entrants to the profession had the highest rates of poor mental health, with nearly half of articling students reporting being diagnosed with a mental health issue since they started practising law. Further, the *National Study* found that nearly half of legal professionals had felt the need

¹ The ADP was to comport with the purpose, principles, design features and policy rationale as described in the Mental Health Task Force’s [Alternative Discipline Process Recommendation Report](#) (2021) (“ADP Recommendation Report”).

² Pursuant to section 3 of the *Legal Profession Act*, the Law Society’s duty to uphold and protect the public interest can be met in a number of ways, two of which are central to the ADP, namely: establishing standards and programs for the professional responsibility of lawyers; and supporting and assisting lawyers in fulfilling their duties.

³ See Cadieux N. et. al., *National Study on the Health and Wellness Determinants of Legal Professionals in Canada Research Report* and *Targeted Recommendations* Phase I (2020-22). See also *National Study on the Health and Wellness Determinants of Legal Professionals in Canada Consolidated Report*, Phase II (2022-24).

to seek professional help for psychological health problems but had not done so.

5. Although there is not necessarily a causal relationship between mental health and substance use issues and instances of misconduct, untreated health conditions can, in some cases, impair skills that are essential to a lawyer's ability to fulfill their professional responsibilities. This, in turn, may contribute to problematic conduct that leads to a complaint.
6. Traditional approaches to regulation, which typically focus on whether there has been a discipline violation and imposing appropriate sanctions, are limited in their ability to tailor the regulatory response in ways that facilitate the management of an underlying health issue contributing to misconduct.⁴ Additionally, lawyers' apprehensions about sharing their health status within the Law Society's processes —based on concerns about confidentiality, stigma and discipline consequences — can result in minimal or no disclosure of relevant health information.
7. Paired with the data respecting high levels of mental health issues in the profession, these regulatory challenges led the Mental Health Task Force to focus its efforts on developing an alternative pathway, outside of the regular discipline process, that would specifically address situations in which a health issue has contributed to lawyer misconduct.
8. Following a multi-year design phase and the creation of rules under [Division 1.01](#), the ADP was operationalized in March 2022 as a pilot project. Currently, the program is administered by one staff lawyer, referred to herein as ADP Counsel, with key decisions being referred to the Executive Director. Although an in-depth review of the ADP is beyond the scope of this report, an overview of the process is provided to give sufficient context for the analysis and recommendations that follow.

Program design

9. The purpose of the ADP is to provide the Law Society with an opportunity to address misconduct outside of the regular discipline process in circumstances in which a lawyer's health condition is a contributing factor. In diverting eligible lawyers into a voluntary, confidential program that serves as an alternative to discipline, the regulatory response is customized to focus on remediation and rehabilitation of the health issue, including treatment and practice interventions. If the health issue is successfully resolved or managed, it is likely that the risk of the conduct reoccurring will be reduced, thus enhancing the protection of the public.
10. A referral to the ADP for an eligibility assessment can occur at any point during the complaint investigation if a lawyer indicates that a health issue may have impacted their conduct.⁵ After signing a consent form setting out the general parameters of the ADP, health

⁴ Typically, if health information is disclosed it is taken into account as a mitigating factor at the sentencing stage if it is found to be relevant to the conduct at issue.

⁵ Diversion to the ADP must occur before a matter is referred to the Practice Standards or Discipline Committee.

information is sought from the lawyer and healthcare professionals. All information disclosed in the ADP is treated confidentially and is not shared with other Law Society staff, committees or the complainant.⁶

11. If the Executive Director is satisfied — based on the health information, and having given consideration to factors including the seriousness of the conduct and the harm to the complainant — that it is in the public interest to proceed with the complaint in the ADP, the lawyer is diverted out of the regular discipline process and the complaint file is closed.⁷ At this stage, complainants are informed that the matter will be addressed in the ADP; however, information about the lawyer's health status remains confidential.
12. During the second phase of the process, ADP Counsel works with the lawyer to craft a consent agreement that sets out the actions that the lawyer will take to address the underlying health condition and any associated practice issues. Each consent agreement is tailored to the particular health issue, the conduct issue and the lawyer's professional and personal circumstances. Typically, terms include a requirement to follow a recommended treatment plan or monitoring program, adhere to practice conditions or limitations, participate in educational programming and, in some cases, take steps to acknowledge or mitigate harms resulting from the misconduct. Regular check-ins with ADP Counsel are a standard term of all agreements, as are provisions relating to confidentiality and information sharing, delay, amendments, breaches and the circumstances in which a matter might be returned to the regular discipline process.
13. The consent agreement is approved if the Executive Director is satisfied, in accordance with factors enumerated in Rule 3-9.4, that the proposed terms are in the public interest. If the lawyer successfully fulfils the agreement—which can range from months to years in duration depending on the health issue—no further action is taken on the complaint, and neither the conduct nor the lawyer's participation in the ADP forms part of their professional conduct record.
14. Alternatively, if at any stage of the process the Executive Director determines that it is *not* in the public interest for the lawyer to continue participating in the ADP, the matter is returned to the regular discipline process. This safeguard ensures that the ADP can respond to new information, such as previously unknown misconduct, changing circumstances, or a material breach of the agreement or other information that indicates a lawyer is unable to fulfill its terms. Additionally, this feature means that an initial decision to proceed through the ADP presents no risk to either the Law Society or the lawyer, as the matter can always be returned to the regular discipline process. If this occurs, the investigation and any subsequent disciplinary action resumes as if the ADP had never been attempted.

⁶ Exceptions to confidentiality are set out in the consent form and in the Rules, and include when a lawyer consents to disclosure, or when disclosure is required by law (e.g. duty to warn, duty to accommodate).

⁷ Eligibility decisions are governed by Rule 3-9.1 and the Eligibility Guidelines provided to prospective participants.

Participant profiles

15. Lawyers participating in the ADP come from a range of backgrounds, including new entrants to the profession, mid-career associates and seasoned partners, with practice experience ranging from three years to more than four decades. Nearly half are sole practitioners,⁸ while the remainder practice in private sector firms of all sizes, as well as the public sector. Approximately 87% of eligible participants had no discipline history prior to their referral to the ADP and one third had no prior complaint history.⁹
16. Notably, 40% of lawyers eligible for the ADP are women—a significantly higher proportion than are typically involved in other Law Society processes including conduct reviews, conduct meetings and Practice Standards.¹⁰ Anecdotally, more than half of the women participating in the ADP also identify with at least one other equity-deserving group.
17. Lawyers in the ADP have a wide variety of mental health and substance use issues, including opioid, gambling, and alcohol addictions, as well as anxiety, depression, traumatic stress, vicarious trauma, eating disorders, bipolar disorder, psychotic disorders and neurodevelopmental disorders. Each individual enters the ADP at a different stage in their health journey; some are in the early stages of seeking a diagnosis, while others have considerable lived experience.
18. The types of conduct issues arising in the ADP are similarly varied. Examples include falsification of timekeeping and other administrative records, failure to respond to communications, delay on client matters, technical breaches of Law Society requirements and conduct unbecoming.¹¹ In most cases, lawyers were referred to the ADP for a single conduct issue that led to a complaint. In some instances, however, multiple complaints are “bundled” into a single ADP file if all the conduct was linked to the underlying health issue.

Analysis & Recommendations

19. The ADP [Interim Report](#), issued in March 2024, provided a preliminary assessment of the pilot project. Its findings were overwhelmingly positive, concluding that the ADP’s principles had operated appropriately to address health issues and placed lawyers who successfully complete the process in a better position to be healthy in the practice of law. Building on the Interim Report, the Final Report provides a more detailed examination of the

⁸ This is comparable to the proportion of sole practitioners (58%) currently involved in Practice Standards, and the proportion of sole practitioners subject to citations and conduct reviews (53%) over the last two years.

⁹ Of those with a complaint history, more than 95% of previous complaints were closed as unsubstantiated, resolved, invalid or for other reasons that resulted in no further action being taken by the Law Society.

¹⁰ Over the last two years, women made up approximately 24% of lawyers subject to a conduct review, 14% of lawyers subject to a citation and 17% of lawyers subject to a consent agreement in the regular process. Approximately 27% of lawyers currently involved in Practice Standards are women.

¹¹ Conduct unbecoming can be characterized as “off-the-job” conduct that brings the reputation of lawyers into disrepute and which may be subject to discipline.

pilot data to assess the extent to which the program has achieved is regulatory and policy goals.

Operational effectiveness

20. Key metrics considered in assessing the ADP's operational effectiveness are discussed below, namely: participation rates; ineligibility; timeliness; repeated regulatory interactions; disclosure and information sharing; administration and analytics; complainant experiences; participant and staff observations, and; external recognition.

Participation rates

21. Although a number of other jurisdictions have struggled with low participation rates in diversionary programs,¹² this has not borne out in the ADP. The number of positive eligibility determinations reflect a steady increase in the number of lawyers diverted to the ADP over time. To date, 15 lawyers have met the ADP eligibility criteria,¹³ of which, three individuals are currently in the process of developing a consent agreement, five individuals are fulfilling an approved consent agreement and six individuals have successfully completed the ADP. Additionally, one lawyer who was initially deemed eligible was later found to be ineligible and returned to the regular discipline process. A further two lawyers are currently involved in an eligibility assessment.
22. Almost twice as many consent agreements were approved in the second half of the pilot as compared to the first.¹⁴ This trend continues — more consent agreements are expected to be approved in the first half of this year than during the first 18 months of the pilot project.
23. The data also indicates that the number of matters diverted to the ADP during the pilot represents only 3% of complaints requiring further action by the Law Society over the past three years,¹⁵ easing concerns that high rates of mental health and substance use issues within the profession could lead to a "tidal wave" of lawyers seeking an alternative to discipline.

Ineligibility

24. Data on ineligibility offers valuable insights into the ADP's ability to identify and respond to situations where addressing a conduct issue outside the regular discipline process is not in the public interest. This aspect of the ADP is governed by a combination of Rule 3-9.1 and guidance developed during the pilot, which identifies factors the Executive Director may take

¹² See for example, the experiences of the New York State Bar, [Report and Recommendations of the NYSBA Task Force on Attorney Well-Being](#) at p. 56.

¹³ The eligibility determination is governed by Law Society [Rule 3-9.1](#).

¹⁴ Four agreements were approved from March 2022 to September 2023. An additional seven agreements were approved October 2023 to April 2025.

¹⁵ The majority of matters are dealt with through the Law Society's disciplinary process, including conduct letters, conduct meetings, conduct reviews, citations administrative penalties, consent agreements under Rule 3-71 and remedial action through referrals to the Practice Standards Committee.

into account when making an eligibility decision. These criteria include the seriousness of the conduct, the harm caused to a complainant or another person, the nexus between a health issue and the conduct, and the presence of any competency, evidentiary, or character concerns.¹⁶

25. Additionally, through the operation of Rule 3-9.9, a matter can become ineligible at any point in the lawyer's involvement in the ADP if the Executive Director determines that their continued participation is no longer in the public interest.
26. Of the 23 lawyers that have sought entry into the ADP, six were determined to be ineligible at the outset on the basis of the seriousness of the conduct, the impact on the complainant or the absence of a nexus between an alleged health issue and the conduct. As previously noted, one lawyer who was initially determined to be eligible was returned to the regular discipline process following the discovery of additional, serious misconduct that was unknown at the time the eligibility assessment occurred.¹⁷
27. Of the ineligible matters, two lawyers were subsequently subject to citations, resulting in discipline proceedings that are currently ongoing, three matters were addressed through a consent agreement under Rule 3-7.1 in the regular discipline process and one matter has been returned for further investigation. In one ineligible matter, the lawyer was disbarred for indirectly related conduct. These outcomes suggest that the ADP has been successful in ensuring that misconduct engaging significant public interest concerns is dealt with in the regular discipline process, which is important for transparency, public accountability and to support progressive discipline in future cases of serious misconduct.¹⁸

Timeliness

28. Another key metric is the timeliness of a matter's progression through the ADP. To ensure fair and efficient decision-making, the ADP was designed so that eligibility determinations and consent agreement approvals fall under the Executive Director's authority. This approach streamlines the process compared to Committee decision-making while also safeguarding confidentiality by keeping approvals separate from the Discipline and Practice Standards Committees.
29. The average time from an initial referral to the ADP for an eligibility assessment to the approval of a consent agreement is seven months. A significant portion of this period is spent gathering health information, with scheduling appointments, obtaining medical assessments,

¹⁶The guidelines were developed pursuant to the Mental Health Force's recommendations to improve the transparency and consistency of decision-making (see [ADP Recommendation Report](#) *supra* note 1)

¹⁷ Additionally, two lawyer are currently involved in the eligibility assessment process.

¹⁸ To date, no lawyers have been returned to the regular discipline process *after* the approval of a consent agreement.

and record retrieval all impacting timelines.¹⁹

30. Once approved, consent agreements vary in duration, ranging from three months to three years, depending on the health issue and the required course of treatment and/or monitoring. Among those who have completed the ADP, the average time from approval to fulfillment of the consent agreement is eight months.

Repeated regulatory interactions

31. Given the relatively short duration of the pilot project, there is limited data on whether the ADP has been effective in achieving one of its key objectives—reducing the frequency or severity of future misconduct. However, early indications are positive: of the 15 lawyers that met the initial eligibility criteria for the ADP, only one has faced subsequent disciplinary action.²⁰
32. Further, none of the lawyers that have successfully completed the ADP breached terms of their agreements, nor have they been subject to additional substantiated complaints or disciplinary action after fulfilling their agreements. Similarly, none of the lawyers that are *currently* fulfilling their consent agreements have breached terms or been subject to additional substantiated complaints or disciplinary action while participating in the ADP.
33. Although numerous factors can contribute to repeat offending, the ADP’s ability to address matters at an earlier stage, or more expediently, than in the regular discipline process (excluding consent agreements negotiated by the Discipline department), may improve the ability to remediate and deter repeated regulatory interactions. Evaluating the degree to which the ADP is successful in reducing the frequency or severity of future misconduct, and comparing repeated regulatory interactions rates with those in other Law Society processes, will be a key component of the continuous evaluation of the ADP.

Disclosure and information sharing

34. The disclosure of health information is essential to the effective functioning of the ADP. Insufficient details about a lawyer’s health status and the connection to the conduct under investigation can create challenges for the eligibility determination and the development of a consent agreement. Therefore, assessing whether the ADP successfully encourages the disclosure of health information—as it was designed to do—is a key factor in evaluating the program’s efficacy.
35. The majority of lawyers inquiring about the ADP disclosed only basic information about the existence of their health issue—without providing details—to the investigating lawyer during

¹⁹ Establishing procedures to address repeated failures to respond to ADP Counsel could yield significant public interest benefits by improving responsiveness and reducing delay.

²⁰ In that case, the lawyer was returned to the regular discipline process before a consent agreement was in place, due to new information that raised public interest concerns.

the regular discipline process. Instead, most chose to wait until they were referred to ADP Counsel to fully share their story. Anecdotally, once contact is established with ADP Counsel, there is a high level of disclosure, even in cases where significant stigma may be associated with the health issue. As a lawyer's trust in ADP Counsel deepens, their comfort in sharing details about their health, as well as related personal and professional circumstances, also increases. These observations suggest that the voluntariness and confidentiality of the ADP have helped lower barriers to disclosure that may otherwise exist within the regular discipline process.

36. Another aspect of disclosure that warrants consideration is the extent to which it is possible to share information obtained during a lawyer's participation in the ADP with the regular discipline process. Although health information is not shared between the two processes without the lawyer's consent, information about conduct can be shared where there are public interest concerns. Specifically, the ADP consent form (signed by all participants during the eligibility assessment) and consent agreements contain provisions clarifying that if new allegations of professional misconduct, conduct unbecoming, or violations of the Rules, Act, or *Code* arise during a lawyer's participation in the ADP, relevant details may be shared with the regular discipline process to initiate an investigation. Over the course of the pilot, reliance on these provisions has been required only once.

Administration and analytics

37. Throughout the pilot project, the ADP has undergone several improvements, including developing guidelines to support the Executive Director in making eligibility decisions, improving information about the ADP on the website and in targeted communications to lawyers and complainants, and establishing internal procedures to standardize the transition of a matter from a complaint investigation to the ADP. Additionally, templates, checklists, forms and other materials have been created to streamline the program's operations and improve decision-making. Where unanticipated circumstances or consequences arose during the pilot, steps were taken to address gaps or limitations.
38. The administration of the program has also benefited from ADP staff undertaking training and education to develop a strong foundational understanding of mental health and substance use issues. In addition to enhancing competence and professionalism, this knowledge supports evidence-based decision making and ensures adherence to best practices.
39. Recognizing that access to reliable data and robust analysis is essential for program evaluation and evidence-based decision-making, the ADP has also effectively balanced confidentiality with data collection, analysis, and anonymized reporting. In addition to providing the Law Society with valuable insights into the administration of the ADP, anonymized data and statistical analysis have enabled this information to be shared with both the public and other regulatory bodies that are seeking to learn from the ADP as part of developing their own alternative discipline programs.

Complainants

40. Based on the recommendations of the Mental Health Task Force and in alignment with best practices, rules and processes have been implemented to ensure that complainants are kept informed as their complaint progresses through the ADP. Additionally, complainants are given the opportunity to submit a written statement describing the impact of the lawyer's conduct, which is taken into consideration when developing a consent agreement.
41. Fewer than half of complainants have provided such statements. Of those that did, many seek remedies that are outside the jurisdiction of the Law Society (e.g., intervening in a legal matter, providing compensation), or that are unavailable within the ADP (e.g., further investigation of the underlying complaint, sanctions).²¹ Some complainants expressed disappointment about the lack of a traditional disciplinary response, questioned why the Law Society did not provide support to complainants' experiencing mental health issues triggered by the misconduct, and challenged the legitimacy of the lawyer's health issue.
42. Ultimately, the role of the complainant is significantly constrained by the confidentiality of the ADP, which prevents the disclosure of the lawyer's health issue, personal circumstances and terms of the consent agreement. As a result, complainants have a limited understanding of the factors contributing to the misconduct and the steps taken by both the lawyer and the Law Society, which can compound misunderstanding about, and frustration with, the process. Ensuring complainants receive sufficient information about the ADP, including the limitations on information sharing and the availability of remedies, may help better align expectations with experiences.

Participants and ADP Counsel

43. One of the most valuable sources of feedback on the successes and challenges of the ADP comes from those directly involved—namely, the participants and ADP Counsel.
44. In addition to the establishment of effective rules, policies, and procedures, the effectiveness of the program hinges on the ability of ADP Counsel and participating lawyers to build and maintain a strong working relationship, characterized by mutual trust and respect, effective communication, and a shared commitment to the process.
45. For lawyers, successful participation in the ADP requires self-awareness and a willingness to be vulnerable in examining and disclosing highly personal issues, as well as taking proactive steps to seek support and treatment. Critically, lawyers must be ready and willing to move forward and be an active participant in their own journey to wellness. ADP Counsel, in turn, is required to play not only a regulatory role, but also, provide guidance and support by demonstrating exceptional listening and problem-solving skills, sensitivity, empathy,

²¹ The ADP does not conduct additional investigation, fact-find, weigh evidence or impose sanctions. Rather, the focus is on developing a consent agreement to address a health issue that has contributed to misconduct.

curiosity, creativity, and resourcefulness. Applying a trauma-informed lens to this work is also essential.

46. As highlighted in the Interim Report, lawyers participating in the ADP have demonstrated thoughtfulness and a genuine commitment to addressing their health issues. Many participants have shared feelings of remorse, guilt, and shame when reflecting on how their health challenges have impacted their conduct. At the same time, lawyers have frequently expressed profound gratitude for the opportunity to participate in the ADP and for the referrals to support, treatment, and resources that have played a role in their recovery.
47. As previously discussed, lawyers who meet the ADP eligibility criteria have been highly successful in completing their agreements. It is likely that this is, in part, due to the voluntary, consent-based, collaborative approach to the development of the agreements' terms. As highlighted in the Interim Report, providing lawyers with autonomy over their treatment—rather than imposing coerced interventions—can empower them to take greater responsibility for their actions and recovery. This, in turn, strengthens their ability to provide high-quality legal services to their clients while improving their overall well-being.

Recognition

48. In recommending that law societies develop alternative discipline processes to respond to problematic conduct linked to mental health issues, the *National Study* specifically identifies the ADP as a model for other legal regulators.²² The ADP has also garnered attention from professional development organizations, academics, and regulatory bodies both within and beyond the legal profession.
49. Following a presentation on the ADP at the International Conference of Legal Regulators, there has also been significant international interest in the program. This has led to recent consultations with the Victoria Bar Association (Australia) and the Bar Standards Board (UK), as both jurisdictions explore the development of alternative discipline processes.

Future initiatives

50. The pilot project outcomes have identified several potential enhancements for the ADP. Some measures—such as strengthening policies and procedures, increasing health-related staff training and improving access to consultations with healthcare professionals—are operational in nature, and can be integrated into the existing program for continuous improvement.
51. Other potential changes are broader in scope and require further policy analysis. Given the ADP's expertise in addressing health-related issues, consideration could be given to expanding

²² See *National Study* Phase II Omnibus Report *supra* note 3.
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its mandate to include broader competency concerns, in addition to conduct issues.²³ Another potential area for expansion is the use of alternatives to discipline for certain types of conduct unrelated to health issues. Accordingly, the Executive Committee has directed staff to assess the feasibility of expanding the ADP to cover competency issues and non-health-related matters where remediation is likely achievable.

Budgetary and resourcing considerations

52. Given the year-over-year increase in the number of lawyers seeking entry into the ADP, continued growth is likely. As the program evolves over time, so too will the level of resources required to support it.
53. Currently, the entire process—from initial contact with ADP Counsel through to the completion of an approved consent agreement—is a time and resource intensive exercise. In addition to working directly with lawyers throughout the process, ADP Counsel is also responsible for supporting the Executive Director in decision-making on both eligible and ineligible matters, liaising with healthcare providers, and sourcing resources and referrals to address both health issues (e.g., therapy, peer support groups, treatment programs, monitoring) and practice concerns (e.g., educational programming, mentorship, supervision). If a lawyer is severely unwell, ADP Counsel may also need to coordinate with other Law Society departments, including licensing and custodianships. Further, once a consent agreement is in place, ADP Counsel also provides a monitoring function, including regular check-ins with the lawyer to ensure compliance with the agreement and to discuss any health or practice-related issues. Beyond file-specific work, ADP Counsel provides the core administrative oversight of the program, including developing procedures, creating resources, delivering education and training and conducting policy work.
54. This portfolio is currently the responsibility of one staff lawyer. To ensure resourcing keeps pace with program growth, it will be critical to monitor both the administrative and file workload, tracking not only the number of lawyers diverted to the ADP but also the complexity, nature, and duration of files.
55. Supporting the ADP’s continuous improvement and any broader, substantive expansions to the program to be considered will also necessitate additional staffing and financial resources.

Conclusion

56. With the implementation of the ADP, the Law Society of BC is at the forefront of a regulatory shift that increasingly recognizes the merits of alternative approaches to addressing health-related lawyer misconduct. Over the course of the three-year pilot project,

²³ The ADP was established as an alternative to discipline to respond to *conduct* issues impacted by a lawyer’s health. However, where there is evidence that a lawyer has broader *competency* issues, the matter is typically referred to the Practice Standards Committee, even in situations where the individual is experiencing a health issue.

DM4744236

the ADP has been successful in demonstrating that traditional approaches to professional regulation can be adapted to better promote the disclosure of health information impacting lawyer conduct, integrate support and treatment into the regulatory response and ultimately improve outcomes for both lawyers and the public.

Resolution

57. Based on the analysis provided in this report, and the recommendation of the Executive Committee, the following resolution is provided for the Benchers' consideration and decision:

BE IT RESOLVED that the Alternative Discipline Process be established as a permanent regulatory program.



Year End Financial Report: December 2024

To: Finance & Audit Committee Meeting (April 10, 2025)
Bencher Meeting (April 11, 2025)

Purpose: Discussion & Decision

From: Staff

Date: April 11, 2025

Year End Financial Report - December 2024

Attached are the financial results and highlights for the 2024 fiscal year.

General Fund (excluding capital and TAF)

For the 2024 year, the General Fund operations resulted in a positive variance of \$881,000, with revenues 1% below budget and operating expenses 5% below budget.

Revenue

Total revenue year to date was \$34.4 million, \$284,000 (1%) below budget. Some of the highlights are noted below:

- Practice fees were \$26.9 million, \$87,000 over budget, due to the recognition of additional external organization revenue from prior years. The number of practicing lawyers was 14,618, below the budget of 14,807, only 2.4% over 2023, lower than prior years.
- PLTC fees were \$1.9 million, over budget by \$152,000, with 658 students, compared to a budget of 605, but a similar number to 2023.
- Interest income was over budget by \$242,000 with higher interest rates.
- Electronic filing revenues were \$872,000 below budget due to a slower real estate market and fewer LOTA transactions.
- Discipline and citation fines were \$183,000 below budget with fewer hearings and lower APP revenue.
- CPD fines were lower by \$80,000 with more compliance in this area.

Operating Expenses

Operating expenses for the period were \$33.6 million, \$1.6 million (5%) below budget. Some of the highlights are noted below:

- External counsel fees savings of \$733,000, with reduced costs in legal defense, discipline and custodianships.
- Lawyer development cost savings of \$364,000 with fewer D2L learning platform licenses (\$165,000) and course development savings (\$200,000).
- Compensation and benefits were below budget \$350,00, with vacancy savings.
- Human Resources had savings in recruiting (\$100,000) and skills development (\$60,000).
- Property tax savings were \$130,000, with lower rental/cap rates.

These savings are offset by additional costs related to the Benchers events, retreat and other external events (\$206,000), a new adjudicator per diem policy (\$106,000) and IT Review consulting costs (\$150,000).

Reserve Funded Items

Costs related to the Single Legal Regulator transition were \$625,000.

TAF and Trust Assurance Expenses

TAF revenue was \$3.1 million, \$1.5 million below budget. Real estate market unit sales were only up 2% to the prior year, compared to the forecast of 7.8%, and the budget was set using a higher base as final 2023 revenues were lower than projected.

Trust assurance program costs were slightly under budget, with compensation savings of \$165,000.

Lawyers Indemnity Fund

LIF assessment revenues were \$18.3 million, \$329,000 below budget, with fewer indemnified lawyers than budgeted.

LIF operating expenses were \$11.0 million, \$1 million below budget, with savings in staff vacancies, insurance costs and professional fees.

The market value of the LIF long term investment portfolio was \$283.3 million, an increase of \$27.4 million over the year. The portfolio returns for the period were 10.6%, slightly below the benchmark of 12.7%. The performance of the infrastructure and mortgage funds were strong, but the equity and real estate funds were below the benchmark.

The Law Society of British Columbia

Summary of Financial Highlights

(\$000's)

2024 General Fund Results - YTD Dec 2024 (Excluding Capital Allocation & Depreciation)				
	Actual	Budget	\$ Var	% Var
Revenue (excluding capital)				
Practice Fees	26,933	26,846	87	0%
PLTC and Enrolment Fees	1,926	1,774	152	9%
Electronic Filing Revenue	872	1,372	(500)	-36%
Interest Income	1,910	1,668	242	15%
Registration and Licensing Revenue	775	886	(111)	-13%
Fines, Penalties & Recoveries	430	638	(208)	-33%
Program Cost Recoveries	67	141	(74)	-52%
Insurance Recoveries	9	27	(18)	0%
Other Revenue	382	212	170	80%
Other Cost Recoveries	1	2	(1)	-50%
Building Revenue & Tenant Cost Recoveries	1,145	1,168	(23)	-2%
	<u>34,450</u>	<u>34,734</u>	<u>(284)</u>	<u>-1%</u>
Expenses (excluding depreciation)	<u>33,569</u>	<u>35,181</u>	<u>1,612</u>	<u>5%</u>
Surplus before reserve items	881	(447)	1,328	
Reserve Items				
Single Legal Regulator transition	(625)	(193)	(432)	
Net Surplus before TAF/TAP	<u>256</u>	<u>(640)</u>	<u>896</u>	

Summary of Variances - YTD Dec 2024

Revenue Variances:

Interest - higher interfund balance	242
Grant Revenue - Law Foundation increased PLTC funding	170
PLTC - 658 students vs 605 budgeted	152
Intercultural Course Penalties - unbudgeted	29
Trust Reporting Penalties	24
Electronic Filing Revenue - lower real estate transactions, less LOTA	(500)
Practice Fees - 14,807B vs 14,618A vs 14,279 LY	87
Discipline & Citation fines - lower APP revenue and fewer citations/hearings	(183)
RLS- Call & Admin (\$21k); Reinstmt fee (\$18k); Trsfr Applc Fee (\$74k)	(111)
Other Cost Recoveries	(92)
CPD Reporting - higher compliance	(79)
Building Revenue and Tenant Cost Recoveries	(23)
	<u>(284)</u>

Expense Variances:

External counsel fees savings - legal defense (\$186K), discipline (\$355K), custodianship (\$65K)	733
Lawyer Development - Fewer D2L license fees needed \$165K, Course development savings \$200K	364
Compensation and benefits - net of vacancies and compensation differences	390
Information Services - Software maintenance costs not incurred/Cell phones not replaced	191
HR - recruiting \$100K, skills development/other \$60K	160
Property taxes - 30% reduction (cap rate and lease rate reduction)	130
Fewer practice reviews \$78K and lower mental health costs \$40K	118
Credentials - External counsel fees savings	72
Member Cards - paperless	25
Governance - More in person Benchers meetings \$60K, Benchers retreat and other events over \$140K	(206)
Tribunal - Lawyer adjudicator per diems policy (\$106K) and Tribunal Chair fee increase (\$60K)	(166)
Information Services - IS review consulting	(146)
PLTC program costs	(120)
Miscellaneous	67
	<u>1,612</u>

Sub-total before reserve funded items

1,328

Reserve Funded Items:

SLR transition costs	(432)
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Net Surplus before TAF/TAP

896

Trust Assurance Program - YTD Dec 2024

	Actual	Budget	Variance	% Var
TAF Revenue	3,055	4,531	(1,476)	-33%
TAP Expenses	3,589	3,754	165	4%
Net Trust Assurance Program	<u>(534)</u>	<u>777</u>	<u>(1,311)</u>	

Lawyers Indemnity Fund Long Term Investments - YTD Dec 2024

Performance - Before investment fees	10.56%
Benchmark Performance	12.71%

The Law Society of British Columbia
General Fund
Results for the 12 Months ended December 31, 2024
(\$000's)

	2024 Actual	2024 Budget	\$ Variance	%
REVENUE				
Practice fees (1)	28,775	28,711	64	0%
PLTC and enrolment fees	1,926	1,774	152	9%
Electronic filing revenue	872	1,372	(500)	-36%
Interest income	1,910	1,668	242	15%
Registration and Licensing	775	886	(111)	-13%
Fines, penalties and recoveries	430	638	(208)	-33%
Program Cost Recoveries	67	141	(74)	-52%
Insurance Recoveries	9	27	(18)	-67%
Other revenue	382	212	170	80%
Other Cost Recoveries	1	2	(1)	-50%
Building Revenue & Recoveries	1,145	1,168	(23)	-2%
Total Revenues	36,292	36,599	(307)	-0.8%
EXPENSES				
Governance and Events				
Governance	749	545	(204)	-37%
Board Relations and Events	295	298	3	1%
	1,044	843	(201)	-24%
Corporate Services				
General Office	804	833	29	3%
CEO Department	1,665	1,119	(546)	-49%
Finance	1,362	1,335	(27)	-2%
Human Resources	859	964	105	11%
Records Management	377	351	(26)	-7%
	5,067	4,602	(465)	-10%
Education and Practice				
Licensing and Admissions	2,186	2,309	123	5%
PLTC and Education	3,537	3,961	424	11%
Practice Standards	548	845	297	35%
Practice Support	-	53	53	100%
	6,271	7,168	897	13%
Communications and Information Services				
Communications	665	643	(22)	-3%
Information Services	2,433	2,480	47	2%
	3,098	3,123	25	1%
Policy and Legal Services				
Policy and Legal Services	1,183	1,730	547	32%
Tribunal and Legislative Counsel	1,031	889	(142)	-16%
External Litigation & Interventions	-	25	25	100%
Unauthorized Practice	293	302	9	3%
	2,507	2,946	439	15%
Regulation				
CLO Department	1,046	1,013	(33)	-3%
Intake & Early Assessment	2,946	2,784	(162)	-6%
Discipline	2,358	3,045	687	23%
Forensic Accounting	733	820	87	11%
Investigations, Monitoring & Enforcement	4,308	4,400	92	2%
Custodianships	2,135	2,171	36	2%
	13,526	14,233	707	5%
Building Occupancy Costs	2,053	2,265	212	9%
Depreciation	1,296	1,287	(9)	-1%
Total Expenses	34,862	36,467	1,605	4.4%
General Fund Results before Reserve Items	1,430	132	1,298	983.3%
Single Legal Regulator Cost	626	193	(433)	0%
Total Reserve Items	626	193	433	0%
General Fund Results before Trust Assurance Program	803	(61)	864	
Trust Assurance Program (TAP)				
TAF revenues	3,055	4,531	(1,476)	-32.6%
TAP expenses	3,589	3,754	165	4.4%
TAP Results	(534)	777	(1,311)	168.7%
General Fund Results including Trust Assurance Program	269	716	(447)	
Contribution from Trust Assurance Program to Lawyers Indemnity Fund	550			
General Fund Results	819			

(1) Membership fees include capital allocation of 1842k (Capital allocation budget = 1865k)

The Law Society of British Columbia
General Fund - Balance Sheet
As at December 31, 2024
(\$000's)

	Dec 31 2024	Dec 31 2023
Assets		
Current assets		
Cash and cash equivalents	21,993	28,492
Unclaimed trust funds	2,258	2,234
Accounts receivable and prepaid expenses	3,583	2,322
Due from Lawyers Indemnity Fund	23,669	16,244
	<u>51,503</u>	<u>49,291</u>
Property, plant and equipment		
Cambie Street property	10,307	10,781
Other - net	2,683	2,487
	<u>12,990</u>	<u>13,268</u>
	<u>64,493</u>	<u>62,559</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	7,030	6,107
Liability for unclaimed trust funds	2,258	2,234
Deferred revenue	15,436	15,268
Deposits	88	88
	<u>24,812</u>	<u>23,697</u>
Net assets		
Capital Allocation	4,379	3,886
Unrestricted Net Assets	35,302	34,976
	<u>39,681</u>	<u>38,862</u>
	<u>64,493</u>	<u>62,559</u>

The Law Society of British Columbia
General Fund - Statement of Changes in Net Assets
Results for the 12 Months ended December 31, 2024
(\$000's)

	<i>Invested in Capital</i> \$	<i>Working Capital</i> \$	<i>Unrestricted Net Assets</i> \$	<i>Trust Assurance</i> \$	<i>Capital Allocation</i> \$	<i>2024 Total</i> \$	<i>Year ended 2023 Total</i> \$
Net assets - At Beginning of Year	13,268	19,828	33,096	1,880	3,886	38,862	36,660
Net (deficiency) excess of revenue over expense for the period	(1,627)	587	(1,040)	(534)	1,842	269	2,203
Contribution to LIF				550		550	
Purchase of capital assets:						-	
LSBC Operations	791	-	791	-	(791)	-	-
845 Cambie	558	-	558	-	(558)	-	-
Net assets - At End of Period	12,990	20,415	33,405	1,896	4,379	39,681	38,862

The Law Society of British Columbia
Lawyers Indemnity Fund
Results for the 12 Months ended December 31, 2024
(\$000's)

	2024 Actual	2024 Budget	\$ Variance	% Variance
Revenue				
Annual assessment	18,327	18,656	(329)	-2%
Investment income	28,368	13,738	14,630	106%
Other income	67	68	(1)	-1%
Total Revenues	46,762	32,462	14,300	44.1%
Expenses				
Insurance Expense				
Provision for settlement of claims	28,279	15,923	(12,356)	-78%
Salaries and benefits	3,584	3,871	287	7%
Contribution to program and administrative costs of General Fund	1,710	1,625	(85)	-5%
Insurance	1,976	2,271	295	13%
Office	623	975	352	36%
Actuaries, consultants and investment brokers' fees	1,899	2,045	146	7%
	40,649	26,710	(13,939)	-52%
Loss Prevention Expense				
Contribution to co-sponsored program costs of General Fund	1,159	1,247	88	7%
Total Expenses	41,808	27,957	(13,851)	-49.5%
Lawyers Indemnity Fund Results before Contributions	4,954	4,505	449	
Contribution from Trust Assurance Program	(550)	-	550	
Lawyers Indemnity Fund Results	4,404	4,505	(101)	

The Law Society of British Columbia
Lawyers Indemnity Fund - Balance Sheet
As at December 31, 2024
(\$000's)

	Dec 31 2024	Dec 31 2023
Assets		
Cash and cash equivalents	1,724	2,124
Accounts receivable and prepaid expenses	2,002	1,652
Investments	283,296	255,861
	<u>287,022</u>	<u>259,637</u>
Liabilities		
Accounts payable and accrued liabilities	287	1,487
Deferred revenue	9,238	9,089
Due to General Fund	23,669	16,244
Provision for claims	85,243	71,173
Provision for ULAE	15,281	12,742
	<u>133,718</u>	<u>110,737</u>
Net assets		
Internally restricted net assets	17,500	17,500
Unrestricted net assets	135,805	131,402
	<u>153,305</u>	<u>148,902</u>
	<u>287,022</u>	<u>259,637</u>

The Law Society of British Columbia
Lawyers Indemnity Fund - Statement of Changes in Net Assets
Results for the 12 Months ended December 31, 2024

	Unrestricted \$	Internally Restricted \$	2024 Total \$	2023 Total \$
Net assets - At Beginning of Year	131,402	17,500	148,902	126,857
Net excess of revenue over expense for the period	4,403	-	4,403	22,044
Net assets - At End of Period	<u>135,805</u>	<u>17,500</u>	<u>153,305</u>	<u>148,902</u>

Memo

To: Finance and Audit Committee
From: Management
Date: April 10, 2025
Subject: **Benchers Approval of the 2024 Audited Financial Statements**

The annual audited financial statements are to be reviewed and recommended for approval by the Finance and Audit Committee, and approved by the Benchers.

Attached are the 2024 audited financial statements for the General Fund, and the consolidated Lawyers Indemnity Fund. These statements were reviewed by the Finance and Audit Committee at their April 10, 2025 meeting.

The Finance and Audit Committee recommends the following resolution for approval by the Benchers:

BE IT RESOLVED to approve the Law Society's 2024 Financial Statements for the General Fund, and the 2024 Consolidated Financial Statements for the Lawyers Indemnity Fund.

The Law Society of British Columbia – General Fund

Fund Financial Statements
December 31, 2024

DRAFT

The Law Society of British Columbia – General Fund

Fund Statement of Financial Position

As at December 31, 2024

	2024 \$	2023 \$
Assets		
Current assets		
Cash (note 2)	21,992,678	28,491,695
Unclaimed trust funds (note 2)	2,257,578	2,234,157
Accounts receivable and prepaid expenses (note 3)	3,604,876	2,345,946
Due from Lawyers Indemnity Fund (note 8)	23,668,793	16,243,677
	<u>51,523,925</u>	<u>49,315,475</u>
Non-current assets		
Cambie Street property – net (note 4 (a))	10,307,219	10,780,747
Other property and equipment – net (note 4 (b))	1,557,847	1,580,896
Intangible assets – net (note 4 (c))	1,124,897	905,910
	<u>64,513,888</u>	<u>62,583,028</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	7,081,483	6,161,012
Liability for unclaimed trust funds (note 2)	2,257,578	2,234,157
Deferred revenue (note 2)	15,436,313	15,267,681
Deposits	57,505	57,706
	<u>24,832,879</u>	<u>23,720,556</u>
Net assets		
Unrestricted net assets (note 7)	<u>39,681,009</u>	<u>38,862,472</u>
	<u>64,513,888</u>	<u>62,583,028</u>
Commitments under operating leases (note 11)		

Approved by

_____ President _____ Chair of Finance and Audit Committee

The accompanying notes are an integral part of these fund financial statements.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

The Law Society of British Columbia – General Fund

Fund Statement of Changes in Net Assets

For the year ended December 31, 2024

	2024 \$	2023 \$
Net assets – Beginning of year	38,862,472	36,659,852
Net excess of revenue over expenses for the year	818,537	2,202,620
Net assets – End of year (note 7)	39,681,009	38,862,472

The accompanying notes are an integral part of these fund financial statements.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

The Law Society of British Columbia – General Fund

Fund Statement of Revenue and Expenses

For the year ended December 31, 2024

	2024 \$	2023 \$
Revenue		
Practice fees	28,775,465	27,872,539
Trust administration fees	3,054,695	3,123,698
Enrolment fees	1,859,336	1,878,625
E-filing revenue	871,748	859,971
Fines, penalties and recoveries	496,668	622,022
Application fees	698,678	717,873
Investment income (note 8)	1,910,318	1,726,367
Other income	534,598	555,332
Rental revenue	933,311	1,009,641
	39,134,817	38,366,068
Expenses		
Benchers governance and support	1,316,539	1,230,689
Communications and publications	764,332	691,850
Information services	2,796,566	2,270,264
Education and practice		
Credentials	1,153,334	941,306
Licensee services	1,086,971	1,054,689
Licensee assistance programs	87,371	93,330
Practice advice	1,056,129	1,132,721
Practice standards	554,737	445,119
Professional legal training course and education	3,624,322	3,455,537
General and administrative		
Finance	1,577,516	1,574,968
Amortization of other property and equipment	399,185	424,905
Amortization of intangible assets	188,236	150,712
General administration	2,796,681	2,244,325
Human resources	994,720	796,577
Records management and library	437,244	391,960
Policy and legal services		
Policy, ethics and tribunal counsel	2,335,040	2,772,957
External litigation and interventions	124,342	261,603
Unauthorized practice	293,418	307,307
Regulation		
Custodianship costs	2,135,057	2,098,795
Discipline	2,357,808	2,901,965
Professional conduct – intake and investigations	8,299,847	7,526,359
Forensic accounting	733,377	823,340
Trust assurance	3,288,007	3,240,232
Occupancy costs, net of tenant recoveries	2,693,143	2,482,715
Carried forward	41,093,921	39,314,226

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

The Law Society of British Columbia – General Fund

Fund Statement of Revenue and Expenses ...continued

For the year ended December 31, 2024

	2024 \$	2023 \$
Brought forward	41,093,921	39,314,226
Other expenses under program expense (revenue)		
Legal Professions Act transition costs (note 12)	625,502	159,444
Costs recovered from Lawyers Indemnity Fund		
Co-sponsored program costs	(1,143,500)	(1,226,051)
Program and administrative costs	(1,709,643)	(1,654,171)
	(2,853,143)	(2,880,222)
	38,866,280	36,593,448
Excess of revenue over expenses before contribution from Lawyers Indemnity Fund	268,537	1,772,620
Contribution from Lawyers Indemnity Fund (note 7)	550,000	430,000
Net excess of revenue over expenses for the year	818,537	2,202,620

The accompanying notes are an integral part of these fund financial statements.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

The Law Society of British Columbia – General Fund

Fund Statement of Cash Flows

For the year ended December 31, 2024

	2024 \$	2023 \$
Cash provided by (used in)		
Operating activities		
Net excess of revenue over expenses for the year	818,537	2,202,620
Items not affecting cash		
Amortization of Cambie Street building and tenant improvements	1,031,802	1,074,104
Amortization of other property and equipment	399,185	424,905
Amortization of intangible assets	188,236	150,712
Loss on disposal of other property and equipment	7,390	16,443
Contribution from Lawyers Indemnity Fund	(550,000)	(430,000)
	<u>1,895,150</u>	<u>3,438,784</u>
(Increase) decrease in current assets		
Unclaimed trust funds	(23,420)	(79,769)
Accounts receivable and prepaid expenses	(1,258,930)	(56,633)
Short-term loan receivable (note 5)	-	535,161
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	920,470	281,952
Liability for unclaimed trust funds	23,420	79,769
Deferred revenue	168,632	138,872
Deposits	(201)	(550)
	<u>1,725,121</u>	<u>4,337,586</u>
Financing activities		
Interfund transfers	(6,875,116)	(4,080,600)
Investing activities		
Purchase of property and equipment	(934,515)	(2,384,582)
Purchase of intangible assets	(414,507)	(325,570)
	<u>(1,349,022)</u>	<u>(2,710,152)</u>
Decrease in cash	(6,499,017)	(2,453,166)
Cash – Beginning of year	<u>28,491,695</u>	<u>30,944,861</u>
Cash – End of year	<u>21,992,678</u>	<u>28,491,695</u>
Supplementary cash flow information		
Interest income received	1,876,647	1,733,234

The accompanying notes are an integral part of these fund financial statements.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

The Law Society of British Columbia – General Fund

Notes to Fund Financial Statements

December 31, 2024

1 Nature of operations

The Law Society of British Columbia – General Fund (the Society) regulates the legal profession in British Columbia, protecting public interest in the administration of justice by setting and enforcing standards of professional conduct for lawyers. The Society is a not-for-profit organization.

The funds covered in these fund financial statements are for the Society's General Fund with the following activities:

The General Fund comprises the assets, liabilities, net assets, revenue and expenses of the operations of the Society other than those designated to the Lawyers Indemnity Fund. This includes collecting revenues associated with practice fees, trust administration fees, enrolment fees, and various other administrative fees and penalties used to cover the costs of the Society to regulate the legal profession and educate and enforce adherence of its licensees to act within the rules of professional conduct for lawyers.

Effective from May 1, 2004, Part B to the B.C. Lawyers' Compulsory Professional Liability Indemnification Policy provides defined indemnity coverage for dishonest appropriation of money or other property entrusted to and received by insured lawyers in their capacity as barristers and solicitors and in relation to the provision of professional services. Part B (Trust Protection Coverage) is recorded in the Lawyers Indemnity Fund.

The Society's Lawyers Indemnity Fund is presented separately in consolidated fund financial statements, including the Society's wholly owned BC Lawyers' Indemnity Association (BCLIA). The Lawyers Indemnity Fund underwrites the program by which errors and omissions indemnity is provided to licensees of the Society. The Lawyers Indemnity Fund's consolidated fund financial statements provide further detail on the various indemnity coverages provided.

2 Significant accounting policies

These fund financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) as issued by the Canadian Accounting Standards Board.

Allocated administrative expenses

Administrative expenses are recovered by the General Fund from the Lawyers Indemnity Fund. Recoveries are based on amounts derived either on percentage of use, the proportion of the Lawyers Indemnity Fund's staff compared to the Society's total staff costs, or a set amount.

Cash

Cash comprises cash on hand and held with a Canadian chartered bank.

Fair value of financial instruments

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

The Law Society of British Columbia – General Fund

Notes to Fund Financial Statements

December 31, 2024

Intangible assets

Intangible assets comprise computer software and website development. Software and website development are recorded at cost and amortized on a straight-line basis at 10% – 20% per annum for software and at 20% for website development.

Property and equipment

Property and equipment, including leasehold improvements, are recorded at cost less accumulated amortization.

The Society provides for amortization on a straight-line basis as follows:

Buildings	40 years from purchase date
Building – envelope	7% per annum
Computer hardware	10% – 20% per annum
Computer software and website development	10% – 20% per annum
Furniture and fixtures	10% per annum
Leasehold improvements	10% per annum
Building improvements and equipment	10% per annum
Tenant improvements	10% per annum

The Society recognizes a full year's amortization expense in the year of acquisition, with the exception of building improvements and equipment and leasehold improvements, which are amortized from their date of completion.

Revenue recognition

The Society follows the deferral method of accounting for practice fees and assessments. Fees and assessments are billed and received in advance on a calendar-year basis. Accordingly, fees and assessments for the next fiscal year received prior to December 31 have been recorded as deferred revenue for financial reporting purposes and will be recognized as revenue in the next calendar year. Revenue will be recognized on a monthly basis as earned. Surplus funds are invested in a high interest savings account periodically.

All other revenues are recognized when earned if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unclaimed trust funds

The General Fund recognizes unclaimed trust funds as an asset as well as a corresponding liability on the fund statement of financial position. If these funds are claimed, the owner of the trust fund balance is entitled to the principal balance plus interest at prime rate minus 2%. Due to the historically low collection rates on these balances, the General Fund does not accrue for any interest owing on the trust fund amounts held and recognizes income earned from the unclaimed trust fund investments in the fund statement of revenue and expenses. Unclaimed funds outstanding for more than five years are transferred to the Law Foundation of British Columbia.

The Law Society of British Columbia – General Fund

Notes to Fund Financial Statements

December 31, 2024

Use of estimates

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

3 Accounts receivable and prepaid expenses

Accounts receivable are presented net of the allowance for doubtful accounts of \$896,344 (2023 – \$1,061,612).

4 Property, equipment and intangible assets

a) 845 Cambie Street property

	2024		
	Cost \$	Accumulated amortization \$	Net \$
Land	4,189,450	-	4,189,450
Buildings and equipment	18,158,663	13,504,688	4,653,975
Leasehold improvements	8,974,356	7,510,562	1,463,794
Tenant improvements	478,404	478,404	-
	31,800,873	21,493,654	10,307,219
	2023		
	Cost \$	Accumulated amortization \$	Net \$
Land	4,189,450	-	4,189,450
Buildings and equipment	17,742,524	12,805,872	4,936,652
Leasehold improvements	8,832,221	7,189,036	1,643,185
Tenant improvements	478,404	466,944	11,460
	31,242,599	20,461,852	10,780,747

The Law Society of British Columbia – General Fund

Notes to Fund Financial Statements

December 31, 2024

b) Other property and equipment

	2024		
	Cost \$	Accumulated amortization \$	Net \$
Furniture and fixtures	4,035,592	2,959,755	1,075,837
Computer hardware	1,999,285	1,521,031	478,254
Artwork and collectibles	49,161	45,405	3,756
Law libraries – at nominal value	1	-	1
	6,084,039	4,526,191	1,557,848

	2023		
	Cost \$	Accumulated amortization \$	Net \$
Furniture and fixtures	3,764,678	2,778,964	985,714
Computer hardware	1,930,163	1,338,738	591,425
Artwork and collectibles	49,161	45,405	3,756
Law libraries – at nominal value	1	-	1
	5,744,003	4,163,107	1,580,896

c) Intangible assets

	2024		
	Cost \$	Accumulated amortization \$	Net \$
Computer software	2,743,767	1,766,424	977,343
Website development	333,805	186,251	147,554
	3,077,572	1,952,675	1,124,897

	2023		
	Cost \$	Accumulated amortization \$	Net \$
Computer software	2,418,534	1,643,047	775,487
Website development	280,420	149,997	130,423
	2,698,954	1,793,044	905,910

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

The Law Society of British Columbia – General Fund

Notes to Fund Financial Statements

December 31, 2024

5 Short-term loan receivable

In 2018, the Society agreed to participate with other Canadian law societies in a collective loan of \$2 million to the Canadian Legal Information Institute (CanLII), a wholly owned subsidiary of the Federation of Law Societies of Canada (FLSC). The loan is part of the financing for the purchase by CanLII of Lexum, a corporation providing support services to CanLII for the implementation of CanLII's legal information website. The Law Society's participation in this loan was \$276,390 in 2018. Part of the Society's support of this transaction are annual repayable capital payments of \$89,079 in 2019, \$86,257 in 2020 and \$83,435 in 2021 to the vendors of Lexum as provided in a Subordination and Commitment Agreement. Amounts advanced under this agreement earn interest at the same rate as the amount advanced under the collective loan. The loan had a five-year term ending February 23, 2023 with an annual interest rate of 4.74%, payable annually. The interest earned in the current year relating to the loan was \$nil (2023 – \$6,867). Repayment of the loan was made in May 2023.

6 Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include the following amounts collected on behalf of external organizations, but not yet paid:

	2024 \$	2023 \$
Advocate	240,468	233,858
Courthouse Libraries BC	1,906,153	2,137,156
Lawyers Assistance Program	567,853	578,296
Pro bono	196,497	223,430
CanLII	291,207	301,491
Federation of Law Societies	218,404	177,310

7 Unrestricted net assets

The General Fund unrestricted net assets include \$4,379,166 (2023 – \$3,886,268), which has been allocated to capital expenditures in accordance with the capital plan.

The General Fund unrestricted net assets also include \$1,895,753 (2023 – \$1,880,000), which has been appropriated for future trust assurance expenses. During the year, \$3,054,695 (2023 – \$3,123,698) in trust administration fee revenue was collected and \$3,588,007 (2023 – \$3,540,232) in trust assurance expenses were incurred.

Pursuant to the reserve policy, \$550,000 of the net assets was transferred from the Lawyers Indemnity Fund to Trust Assurance in 2024 (2023 – \$430,000 of the net assets was transferred from the Lawyers Indemnity Fund to Trust Assurance).

The remaining General Fund net assets represent \$12,989,963 (2023 – \$13,267,553) invested in capital assets, and working capital of \$20,416,127 (2023 – \$19,828,651), combining for a total unrestricted net asset amount of \$33,406,090 (2023 – \$33,096,204).

The Law Society of British Columbia – General Fund

Notes to Fund Financial Statements

December 31, 2024

	(in 000s)					2024	2023
	Invested in capital \$	Working capital \$	Unrestricted \$	Trust assurance \$	Capital plan \$	Total \$	Total \$
Net assets – Beginning of year	13,268	19,828	33,096	1,880	3,886	38,862	36,659
(Deficiency) excess of revenue over expenses before contribution from Lawyers Indemnity Fund	(1,627)	588	(1,039)	(534)	1,842	269	1,773
Contribution from Lawyers Indemnity Fund	-	-	-	550	-	550	430
Purchase of intangible and capital assets	1,349	-	1,349	-	(1,349)	-	-
Net assets – End of year	12,990	20,416	33,406	1,896	4,379	39,681	38,862

8 Interfund transactions

The operations of the General and Lawyers Indemnity Funds are controlled by the management of the Society. Balances between the funds generally arise from transactions of an operating nature and are recorded at the exchange amount at the dates of the transactions. Surplus funds are kept in the General Fund bank accounts or invested in a high interest savings account.

Amounts due to and from the Lawyers Indemnity Fund are due on demand and have no fixed terms of repayment. The Lawyers Indemnity Fund has authorized a loan facility of up to \$1 million, of which \$nil has been drawn down as at December 31, 2024 (2023 – \$nil), to the General Fund to fund capital expenditures in accordance with the capital plan.

Monthly interest on the Lawyers Indemnity Fund's net loan position with the General Fund is earned at the rate equal to the stated monthly bond yield to maturity earned on the Lawyers Indemnity Fund investment portfolio. The average bond yield for 2024 was 4.13% (2023 – 4.46%). The General Fund's net loan position includes the General Fund's operating balance with the Lawyers Indemnity Fund. The net loan position fluctuates during the year as amounts are transferred between the General Fund and the Lawyers Indemnity Fund to finance ongoing operations.

During 2024, interest revenue of \$834,920 (2023 – \$586,699) was received from General Fund cash balances held by the Lawyers Indemnity Fund.

Other interfund transactions are disclosed elsewhere in these fund financial statements.

9 Related parties

The elected Benchers include licensees drawn from law firms across the province. These law firms may at times be engaged by the Society in the normal course of business. During the year ended December 31, 2024, expenses of \$nil (2023 – \$56,319) recorded at the carrying amount were incurred by the General Fund during the normal course of business with these law firms.

The Law Society of British Columbia – General Fund

Notes to Fund Financial Statements

December 31, 2024

10 Financial instruments

The General Funds' financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities.

The significant financial risks to which the Society is exposed are credit risk and liquidity risk.

a) Credit risk

Cash and accounts receivable expose the Fund to credit risk. Cash is held at Schedule 1 Canadian chartered banks, which minimizes risk. The risk of accounts receivable uncollectibility is low due to receivables being from many individual licensees rather than a few large accounts.

The maximum exposure to credit risk arising from the above-noted items is \$22,889,022 (2023 – \$29,553,307). Credit risk arises from the possibility that a counterparty to an instrument fails to meet its obligations.

b) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet all cash outflow requirements. The Fund maintains sufficient resources and reserves to meet its obligations when due. The Fund monitors its cash requirements on an ongoing basis to ensure that there are sufficient resources for operations as well as fund anticipated capital expenditures.

11 Commitments under operating leases

The Society is committed to payments under certain operating leases relating to vehicle costs. Future minimum lease payments required in each of the next three fiscal years are:

	\$
2025	6,641
2026	6,641
2027	2,761
Total future minimum lease payments	16,043

For the year ended December 31, 2024, an amount of \$6,641 representing payments under operating leases was expensed (2023 – \$6,729).

12 Legal Professions Act transition

On May 16, 2024, the provincial government passed the Legal Professions Act, S.B.C. 2024, c. 26 (Bill 21). The Society is carrying out the transitional provisions of the Act and these are the costs related to the process.

**The Law Society of British
Columbia – Lawyers
Indemnity Fund**

Consolidated Fund Financial Statements
December 31, 2024

DRAFT

FINAL DRAFT¹⁰⁰

The Law Society of British Columbia – Lawyers Indemnity Fund
Consolidated Fund Statement of Financial Position
As at December 31, 2024

	2024 \$	2023 \$
Assets		
Cash (note 2)	1,551,886	1,978,876
Accounts receivable – net of allowance (note 3)	719,496	814,229
Prepaid expenses	1,007,520	761,565
Short-term investments (note 4)	172,411	145,408
Member deductibles (note 8)	1,870,855	1,675,776
Investments (note 5)	283,297,039	255,861,478
Long-term receivable (note 6)	275,137	75,643
	<u>288,894,344</u>	<u>261,312,975</u>
Liabilities		
Accounts payable and accrued liabilities (note 7)	288,022	1,487,317
Deferred revenue (note 2)	9,237,637	9,089,405
Due to General Fund (note 9)	23,668,793	16,243,677
Provision for claims (note 8)	87,113,911	72,848,908
Provision for ULAE (note 8)	15,281,000	12,742,000
	<u>135,589,363</u>	<u>112,411,307</u>
Net assets		
Unrestricted net assets	135,804,981	131,401,668
Internally restricted net assets (note 10)	17,500,000	17,500,000
	<u>153,304,981</u>	<u>148,901,668</u>
	<u>288,894,344</u>	<u>261,312,975</u>

Approved by

_____ President _____ Chair of Finance and Audit Committee

The accompanying notes are an integral part of these consolidated fund financial statements.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

FINAL DRAFT¹⁰¹

The Law Society of British Columbia – Lawyers Indemnity Fund
Consolidated Fund Statement of Revenue and Expenses
For the year ended December 31, 2024

	2024 \$	2023 \$
Revenue		
Annual assessments	18,356,992	17,960,747
Investment income (note 5)	11,930,525	9,842,874
Other income	66,970	87,048
	<u>30,354,487</u>	<u>27,890,669</u>
Indemnity expenses		
Actuary, consultant and investment manager fees	1,874,271	1,973,073
Allocated office rent from General Fund	325,505	325,505
Contribution to program and administrative costs of General Fund	1,709,643	1,654,171
Insurance	1,976,088	1,983,860
Office	361,447	360,467
Provision for settlement of claims (note 8)	28,279,383	7,513,077
Provision for ULAE (note 8)	2,539,000	(1,157,000)
Salaries, wages and benefits	3,613,909	3,327,194
	<u>40,679,246</u>	<u>15,980,347</u>
Loss prevention expenses		
Contribution to co-sponsored program costs of General Fund	1,159,152	1,226,051
	<u>41,838,398</u>	<u>17,206,398</u>
Excess (deficiency) of revenue over expenses before the following	(11,483,911)	10,684,271
Fair value increase in investments (note 5)	16,437,224	11,789,968
	4,953,313	22,474,239
Contribution to Trust Assurance Net Assets in General Fund (note 9)	(550,000)	(430,000)
Excess of revenue over expenses for the year	<u>4,403,313</u>	<u>22,044,239</u>

The accompanying notes are an integral part of these consolidated fund financial statements.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

FINAL DRAFT¹⁰²

The Law Society of British Columbia – Lawyers Indemnity Fund
Consolidated Fund Statement of Changes in Net Assets
For the year ended December 31, 2024

	<u>2024</u>		<u>2023</u>
	Unrestricted \$	Internally restricted \$	Total \$
Net assets – Beginning of year	131,401,668	17,500,000	148,901,668
Excess of revenue over expenses for the year	4,403,313	-	4,403,313
Net assets – End of year	<u>135,804,981</u>	<u>17,500,000</u>	<u>153,304,981</u>

The accompanying notes are an integral part of these consolidated fund financial statements.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

FINAL DRAFT¹⁰³

The Law Society of British Columbia – Lawyers Indemnity Fund
Consolidated Fund Statement of Cash Flows
For the year ended December 31, 2024

	2024 \$	2023 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	4,403,313	22,044,239
Items not affecting cash		
Unrealized gain on investments	(13,654,122)	(11,071,927)
Realized gain on disposal of investments	(2,783,102)	(718,041)
Pooled distributions from investments	(12,678,672)	(10,324,467)
Contribution to the General Fund	550,000	430,000
	(24,162,583)	359,804
(Increase) decrease in assets		
Accounts receivable	94,733	(312,725)
Prepaid expenses	(245,955)	325,760
Short-term investments	(27,003)	51,758
Long-term receivable	(199,494)	57,509
Member deductibles	(195,079)	(176,574)
(Decrease) increase in liabilities		
Accounts payable and accrued liabilities	(1,199,295)	108,097
Deferred revenue	148,232	209,513
Provision for claims	14,265,003	(6,571,975)
Provision for ULAE	2,539,000	(1,157,000)
	(8,982,441)	(7,105,833)
Investing activities		
Purchase of investments	(736,608)	(2,457,584)
Proceeds from investments	2,416,943	4,195,055
	1,680,335	1,737,471
Financing activities		
Interfund transfers (note 9)	6,875,116	4,080,600
Decrease in cash	(426,990)	(1,287,761)
Cash – Beginning of year	1,978,876	3,266,637
Cash – End of year	1,551,886	1,978,876
Supplementary cash flow information		
Interest paid	834,290	586,699
Interest income received	86,142	105,106

The accompanying notes are an integral part of these consolidated fund financial statements.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

1 Nature of operations

The Law Society of British Columbia (the Society) regulates the legal profession in British Columbia, protecting the public interest in the administration of justice by setting and enforcing standards of professional conduct for lawyers.

The Society's fund covered in these consolidated fund financial statements is for the Lawyers Indemnity Fund (the Fund) and the Society's wholly owned subsidiary, BC Lawyers Indemnity Association (BCLIA) that together comprise the Society's indemnification program. Effective January 1, 1990, the Fund underwrites the program by which professional liability indemnity is provided to eligible members of the Society.

The Society's General Fund is presented in separate fund financials.

The Fund is maintained by the Society pursuant to Section 30 of the Legal Profession Act. BCLIA is not subject to regulation by the BC Financial Services Authority (BCFSA).

Part A

The Society's licensees have limits of coverage for claims and potential claims arising from negligent acts, errors or omissions under Part A of the BC Lawyers Compulsory Professional Liability Indemnification Policy (the Policy) as follows:

	\$		\$
The Fund	995,000	Or	990,000
Deductible – applicable to indemnity payments only	5,000	Or	10,000
Limit per error or related errors			<u>1,000,000</u>
Annual aggregate limit for all errors per covered lawyer			<u>2,000,000</u>

The amount of the member deductible is \$5,000 for each initial claim resulting in an indemnity payment and \$10,000 for each additional claim within a three-year reporting period resulting in an indemnity payment.

The Society and BCLIA have obtained stop-loss insurance in the amount of \$12 million to cover aggregate payments for Parts A and C of the Policy over a specified amount. For 2023 and 2024 claims, the insurer will pay 80% of losses over \$26.5 million and \$27 million, respectively, up to a maximum of \$12 million.

Part B

Effective May 1, 2004, Part B of the Policy provides defined indemnity coverage for dishonest appropriation of money or other property entrusted to and received by covered licensees in their capacity as lawyers and in relation to the provision of professional services.

For the 2024 and 2023 policy years, there is a \$300,000 per claim limit and a \$17.5 million profession-wide annual aggregate limit. There is no deductible payable by the covered lawyer. The Society and BCLIA have

obtained insurance in the amount of \$5 million to cover a portion of the annual aggregate limit. This insurance is subject to a \$3 million group deductible and is co-insured 80/20 with the insurer paying 80% of losses over \$3 million to a maximum of \$5 million, and the Fund paying 20%.

Part C

Effective January 1, 2012, Part C of the Policy provides defined indemnity coverage for trust shortages suffered by covered lawyers as a result of relying on fraudulent certified cheques. Effective January 1, 2017, Part C was expanded to include coverage for certain other social engineering frauds.

For the 2024 and 2023 policy years, there is a limit of \$500,000 per claim, and per lawyer and firm annually, a profession-wide annual aggregate of \$2 million, and a default deductible of 35% of the client trust fund shortage (reduced by the amount of any overdraft paid). Coverage, for relying on fraudulent certified cheques, is contingent upon compliance with the Society's client identification and verification rules.

2 Significant accounting policies

These consolidated fund financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) as issued by the Canadian Accounting Standards Board.

Basis of consolidation

These consolidated fund financial statements include the accounts of the Fund and BCLIA.

Allocated administrative expenses

Administrative expenses are recovered by the General Fund of the Society from the Fund. Recoveries are based on amounts derived either on percentage of use or the proportion of the Fund's staff compared to the Society's total staff cost.

Cash

Cash comprises cash on hand and held with a Canadian chartered bank.

Fair value of financial instruments

The fair values of cash, accounts receivable, long-term receivable, short-term investments and accounts payable and accrued liabilities correspond to their carrying values due to their short-term nature.

The fair values of the provision for claims correspond to their carrying values because they are discounted.

The interfund balances including the building loan receivable and other interfund transactions are recorded at their carrying amounts which approximate their exchange amounts.

The Law Society of British Columbia – Lawyers Indemnity Fund

Notes to Consolidated Fund Financial Statements

December 31, 2024

Short-term investments

Short-term investments consist of pooled money market funds, whose investments have original maturities of less than 90 days. The carrying amount approximates the fair value at the reporting date due to their short-term maturities.

Investments

The Fund's investments consist of units in pooled equity, available for sale equities, bond pooled funds, real estate and mortgage funds, and infrastructure funds and are initially and subsequently measured at fair value. Changes in fair value are recognized in the consolidated fund statement of revenue and expenses in the year incurred. Transaction costs that are directly attributable to the acquisition of these investments are recognized in the consolidated fund statement of revenue and expenses in the year incurred.

Investment income

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

Provision for claims

The provision for claims and unallocated loss adjustment expenses (ULAE) represents an estimate for all external costs of investigating and settling claims and potential claims reported prior to the date of the consolidated fund statement of financial position. The provision is adjusted as additional information on the estimated amounts becomes known during the course of claims settlement. All changes in estimates are expensed in the current period. The provision for unpaid claims is established according to accepted actuarial practice in Canada. It is carried on a discounted basis and therefore reflects the time value of money. To recognize the uncertainty in establishing best estimates, the Fund includes a provision for adverse deviations (PFAD).

Revenue recognition

The Fund follows the deferral method of accounting for annual assessments. Assessments are billed and received in advance on a calendar-year basis. Accordingly, assessments for the next fiscal year received prior to December 31 have been recorded as deferred revenue for financial reporting purposes and will be recognized as revenue in the next calendar year.

All other revenue is recognized when receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Law Society of British Columbia – Lawyers Indemnity Fund

Notes to Consolidated Fund Financial Statements

December 31, 2024

Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the consolidated fund financial statements and revenues and expenses for the period reported.

The determination of the provision for claims and ULAE involves significant estimation. Actual results could differ from those estimates and the differences could be material.

Financial instruments

The Fund's financial instruments consist of cash, accounts receivable, long-term receivable, short-term investments, investments and accounts payable and accrued liabilities.

The significant financial risks to which the Fund is exposed are credit risk, market risk, price risk and liquidity risk.

Credit risk

Cash, short-term investments, accounts receivable, long-term receivable, members' share of provision for claims, bond pooled funds, the investment in real estate funds, infrastructure funds, and mortgage funds indirectly expose the Fund to credit risk.

The maximum exposure to credit risk arising from the above-noted items is \$187,151,453 (2023 – \$175,097,645).

Credit risk arises from the possibility that a counterparty to an instrument fails to meet its obligations.

The cash deposits are held only with Schedule I banks. The accounts receivable balances are spread across the broad membership base with no significant exposure to any one individual. The guidelines of the Society's statement of investment policies and procedures (SIPP) mitigate credit risk by ensuring the investments in the bond pooled funds have an adequate minimum credit rating and well-diversified portfolios.

Market risk

Market risk is the potential for loss to the Fund from changes in the value of its financial instruments due to changes in interest rates, foreign exchange rates or equity prices.

The Fund manages market risk by diversifying investments within the various asset classes and investing in pooled funds as set out in the Society's SIPP.

Price risk

Price risk is the risk that the fair value of the Society's investments will fluctuate due to changes in the market prices, whether these changes are caused by factors specific to the individual financial instrument, its issuer, or factors affecting all similar financial instruments traded in the market. It arises primarily on pooled equity, bond, real estate and mortgage fund investments.

To manage price risk, the Society has guidelines on the diversification and weighting of investments within pooled funds that are set and monitored against the Society's SIPP.

As at December 31, 2024, if pooled fund prices increased or decreased by 10% with all other factors remaining constant, net assets would have increased or decreased by approximately \$28.3 million (2023 – \$25.6 million).

Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet all cash outflow requirements. As at December 31, 2024, the sum of the Fund's cash, short-term investments and pooled fund investments, at fair value, which are available to settle the liabilities of the Society as they come due, exceeded the sum of the liabilities by \$149 million or 110% (2023 – \$146 million or 130%).

3 Accounts receivable

	2024 \$	2023 \$
Member deductibles	1,086,812	1,085,561
Allowance for doubtful accounts	(527,451)	(511,451)
Claim recoveries settlements receivable (note 6)	36,333	95,638
GST/HST/PST receivable	123,802	144,481
	<u>719,496</u>	<u>814,229</u>

4 Short-term investments

Short-term investments comprise pooled money market funds with the following balances:

	2024 \$	2023 \$
Money market funds	<u>172,411</u>	<u>145,408</u>

5 Investments

	2024 \$	2023 \$
Investments – at fair value	<u>283,297,039</u>	<u>255,861,478</u>

				2024
	Carrying cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
	\$	\$	\$	\$
Bonds				
Pooled Funds	36,425,454	-	(3,740,953)	32,684,501
Equities				
Canadian Pooled Funds	26,041,350	6,860,902	-	32,902,252
International Pooled Funds	26,375,521	41,182,461	-	67,557,982
	52,416,871	48,043,363	-	100,460,234
Real Estate Fund	14,521,175	8,019,337	-	22,540,512
Mortgage Fund	52,688,830	-	(67,232)	52,621,598
Infrastructure	67,245,528	7,744,666	-	74,990,194
	134,455,533	15,764,003	(67,232)	150,152,304
	223,297,858	63,807,366	(3,808,185)	283,297,039
				2023
	Carrying cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
	\$	\$	\$	\$
Bonds				
Pooled Funds	32,310,302	-	(4,209,775)	28,100,527
Equities				
Canadian Pooled Funds	21,776,886	5,887,332	-	27,664,218
International Pooled Funds	26,791,379	30,922,526	-	57,713,905
	48,568,265	36,809,858	-	85,378,123
Real Estate Fund	14,521,175	8,168,175	-	22,689,350
Mortgage Fund	49,974,218	-	(730,723)	49,243,495
Infrastructure	64,186,241	6,263,742	-	70,449,983
	128,681,634	14,431,917	(730,723)	142,382,828
	209,560,201	51,241,775	(4,940,498)	255,861,478

The effective yield on the bonds, mortgages and equities portion of the investment portfolio was 3.30% (2023 – 4.04%).

Investment risk management

The Society has adopted policies that establish the guidelines for all investment activities. These guidelines apply to the investment funds controlled by the Fund.

The Society's overall investment philosophy is to maximize the long-term real rate of return subject to an acceptable degree of risk.

The Society's long-term funding requirements and relatively low level of liquidity dictate a portfolio with a mix of fixed income, equities and infrastructure, as well as real estate and mortgages. The Society invests in bonds, equities, infrastructure, real estate and mortgages through pooled funds.

Net investment income

	2024 \$	2023 \$
Interest on cash	86,143	105,106
Pooled distributions	12,678,672	10,324,467
Net interfund loan interest expense (note 9)	(834,290)	(586,699)
	11,930,525	9,842,874

Fair value changes in investments

	2024 \$	2023 \$
Realized gain on disposal of investments	2,783,102	718,041
Unrealized gain on investments measured at fair value	13,654,122	11,071,927
	16,437,224	11,789,968

6 Long-term receivable

During the year ended December 31, 2024, current receivable accounts of \$36,333 (2023 – \$95,638) and long-term receivables of \$275,137 (2023 – \$75,643) were recorded for Part A and B claims recoveries settlements. These claims recoveries are backed by enforceable settlement agreements and have demonstrated consistent collections.

The Law Society of British Columbia – Lawyers Indemnity Fund

Notes to Consolidated Fund Financial Statements

December 31, 2024

7 Accounts payable and accrued liabilities

	2024 \$	2023 \$
Trade payables	151,022	1,294,167
Accrued trade expenses	137,000	191,756
Sales taxes payable	-	1,394
	<u>288,022</u>	<u>1,487,317</u>

8 Provision for claims and unallocated loss adjustment expenses (ULAE)

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

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The Law Society of British Columbia – Lawyers Indemnity Fund
Notes to Consolidated Fund Financial Statements
December 31, 2024

	2024 \$	2023 \$
Part A Indemnity Coverage		
Provision for claims – Beginning of year	71,685,435	77,613,481
Provision for losses and expenses for claims reported in the current year	25,210,000	22,756,000
Increase (decrease) in estimated losses and expenses for losses reported in prior years	2,302,000	(14,791,000)
Provision for claims liability	99,197,435	85,578,481
(Subtract) add:		
Payments on claims reported in the current year	(1,847,410)	(2,465,601)
Payments on claims reported in prior years	(12,606,084)	(11,981,420)
Recoveries on claims	511,600	334,437
Change in due from members	48,636	219,538
Claim payments – net of recoveries	(13,893,258)	(13,893,046)
Part A Provision for claims – End of year	85,304,177	71,685,435
Part B Indemnity Coverage		
Unpaid claims – Beginning of year	812,851	1,336,756
Provision for (recovery of) losses and expenses for claims	477,203	(501,468)
	1,290,054	835,288
(Subtract) add:		
Payments on claims	(107,676)	(80,997)
Recoveries on claims	65,100	58,560
Claim payments – net of recoveries	(42,576)	(22,437)
Part B Provision for claims – End of year	1,247,478	812,851
Part C Indemnity Coverage		
Provision for claims – Beginning of year	350,622	470,646
Provision for losses and expenses for claims reported in the current year	290,180	49,545
	640,802	520,191
(Subtract) add:		
Payments on claims	(224,989)	(126,605)
Change in due from members	146,443	(42,964)
	(78,546)	(169,569)
Part C Provision for claims – End of Year	562,256	350,622
Total provision for Parts A, B and C Indemnity Coverage	87,113,911	72,848,908

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

The determination of the provision for unpaid claims and adjustment expenses requires the estimation of two major variables or quanta, being development of claims and the effect of discounting, to establish a best estimate of the value of the respective liability or asset.

The provision for unpaid claims and adjustment expenses is an estimate subject to variability, and the variability could be material in the near term. The variability arises because all events affecting the ultimate settlement of claims have not taken place and may not take place for some time. Variability can be caused by receipt of additional claim information, changes in judicial interpretation of contracts, significant changes in severity of claims from historical trends, the timing of claims payments and future rates of investment return. The estimates are principally based on the Fund's historical experience. Methods of estimation have been used that the Society believes produce reasonable results given current information.

The provision for ULAE is an actuarially determined estimate of the Fund's future operational costs relating to the administration of claims and potential claims reported up to the consolidated fund statement of financial position date.

The Fund discounts its best estimate of claims provisions at a rate of interest of 5.35% (2023 – 5.38%). The Fund determines the discount rate based upon the expected return on its investment portfolio of assets with appropriate assumptions for interest rates relating to reinvestment of maturing investments.

A 1% increase in the discount rate will have a favourable impact on the discounted claims liability of \$2.741 million (2023 – \$2.162 million) and a 1% decrease in the discount rate will have an unfavourable impact on the discounted claims liability of \$2.849 million (2023 – \$2.458 million).

To recognize the uncertainty in establishing these best estimates, to allow for possible deterioration in experience, and to provide greater comfort that the actuarial estimates are adequate to pay future claims liabilities, the Fund includes a PFAD in some assumptions relating to claims development and future investment income. The PFAD is selected based on guidance from the Canadian Institute of Actuaries.

The effects of discounting and the application of PFAD, net of members' share of provision for claims, are as follows (in thousands of dollars):

	2024 \$	2023 \$
Undiscounted	100,245	83,648
Effect of present value	(14,671)	(12,270)
PFAD	14,950	12,537
	100,524	83,915
	2024 \$	2023 \$
Provision for claims	87,114	72,849
Provision for ULAE	15,281	12,742
Member deductibles	(1,871)	(1,676)

100,524

83,915

Claims development tables (net of members' share of provision for claims)

A review of the historical development of the Fund's insurance estimates provides a measure of the Fund's ability to estimate the ultimate value of claims. The top half of the following tables illustrates how the Fund's estimate of total undiscounted claims costs for each year has changed at successive year-ends. The bottom half of the tables reconciles the cumulative claims to the amount appearing in the consolidated fund statement of financial position.

Part A indemnity claims (in thousands of dollars)

Claims year	2015 \$	2016 \$	2017 \$	2018 \$	2019 \$	2020 \$	2021 \$	2022 \$	2023 \$	2024 \$	Total \$
Estimate of undiscounted ultimate claims costs											
At end of claims year	15,090	16,720	15,720	19,767	18,522	17,877	16,896	20,338	22,966	25,514	
One year later	16,590	15,440	15,791	19,219	17,580	17,353	18,034	18,833	22,672		
Two years later	15,210	15,956	16,005	18,802	17,062	16,963	14,766	17,519			
Three years later	13,153	14,548	14,807	15,664	15,577	14,108	15,184				
Four years later	12,775	13,875	13,387	16,070	13,217	14,820					
Five years later	10,385	12,761	13,492	15,504	14,802						
Six years later	10,266	11,777	13,496	16,916							
Seven years later	9,777	11,988	12,695								
Eight years later	9,375	11,884									
Nine years later	9,670										
Current estimate of cumulative claims	9,670	11,884	12,695	16,916	14,802	14,820	15,184	17,519	22,672	25,514	161,676
Cumulative payments to date	(8,943)	(10,931)	(9,965)	(11,560)	(11,263)	(8,000)	(7,859)	(6,438)	(4,857)	(1,952)	(81,768)
Undiscounted unpaid liability	727	953	2,730	5,356	3,539	6,820	7,325	11,081	17,815	23,562	79,908
Undiscounted unpaid liability in respect of 2014 and prior years											3,456
Undiscounted unallocated loss adjustment expense reserve											14,925
Total undiscounted unpaid claims liability											98,289
Discounting adjustment (includes claim PFAD)											267
Total discounted unpaid claims liability											98,556

Part B indemnity claims (in thousands of dollars)

Claims year	2015 \$	2016 \$	2017 \$	2018 \$	2019 \$	2020 \$	2021 \$	2022 \$	2023 \$	2024 \$	Total \$
Estimate of undiscounted ultimate claims costs											
At end of claims year	41	274	1,588	135	152	93	196	2,680	34	720	
One year later	184	134	1,764	126	51	84	366	2,415	34		
Two years later	180	62	1,696	178	49	133	370	2,390			
Three years later	157	65	2,039	166	70	5	373				
Four years later	120	70	2,043	263	83	5					
Five years later	101	65	2,404	259	79						
Six years later	107	80	2,390	248							
Seven years later	106	79	2,234								
Eight years later	95	79									
Nine years later	95										
Current estimate of cumulative claims	95	79	2,234	248	79	5	373	2,390	34	720	6,257
Cumulative payments to date	(93)	(65)	(2,112)	(161)	(55)	(5)	(373)	(2,120)	(34)	(35)	(5,053)
Undiscounted unpaid liability	2	14	122	87	24	-	-	270	-	685	1,204
Undiscounted unpaid liability in respect of 2014 and prior years											31
Undiscounted unallocated loss adjustment expense reserve											217
Total undiscounted unpaid claims liability											1,452
Discounting adjustment (includes claim PFAD)											14
Total discounted unpaid claims liability											1,466

Part C indemnity claims (in thousands of dollars)

Claims year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Estimate of undiscounted ultimate claims costs											
At end of claims year	-	-	-	65	650	91	56	-	177	361	
One year later	-	-	423	65	723	91	365	-	177		
Two years later	-	-	923	65	692	91	354	-			
Three years later	-	-	923	65	522	-	312				
Four years later	-	-	923	65	522	-					
Five years later	-	-	423	65	522						
Six years later	-	-	423	65							
Seven years later	-	-	423								
Eight years later	-	-									
Nine years later	-										
Current estimate of cumulative claims	-	-	423	65	522	-	312	-	177	361	1,860
Cumulative payments to date	-	-	(423)	(65)	(522)	-	(258)	-	(177)	(11)	(1,456)
Undiscounted unpaid liability	-	-	-	-	-	-	54	-	-	350	404
Undiscounted unpaid liability in respect of 2014 and prior years											-
Undiscounted unallocated loss adjustment expense reserve											99
Total undiscounted unpaid claims liability											503
Discounting adjustment (includes claim PFAD)											(1)
Total discounted unpaid claims liability											502

The expected maturity of the unpaid claims provision is analyzed below (undiscounted and gross of reinsurance):

(in thousands of dollars)	Less than one year \$	One to two years \$	Two to three years \$	Three to four years \$	Four to five years \$	Over five years \$	Total \$
December 31, 2024	25,099	19,805	15,037	11,003	7,976	21,325	100,245
December 31, 2023	21,011	16,769	13,104	9,048	6,361	17,355	83,648

Role of the actuary

With respect to preparation of these consolidated fund financial statements, the actuary is required to carry out a valuation of the Fund's policy liabilities and to provide an opinion regarding their appropriateness as at the date of the consolidated fund statement of financial position. The factors and techniques used in the valuation are in accordance with accepted actuarial practice, applicable legislation and associated regulations. The scope

The Law Society of British Columbia – Lawyers Indemnity Fund

Notes to Consolidated Fund Financial Statements

December 31, 2024

of the valuation encompasses the policy liabilities, which consist of a provision for unpaid claims and adjustment expenses. In performing the valuation of the liabilities for these contingent future events, which are by their very nature inherently variable, the actuary makes assumptions as to future loss ratios, trends, expenses and other contingencies, taking into consideration the circumstances of the Fund and the nature of the indemnity policies.

The valuation is based on projections for settlement of reported claims and claim adjustment expenses. It is certain that actual claims and claim adjustment expenses will not develop exactly as projected and may, in fact, vary significantly from the projections.

The actuary relies on data and related information prepared by the Fund. The actuary also analyzes the Fund's assets for its ability to support the policy liabilities.

9 Interfund transactions

The operations of the Fund and the General Fund are administered by the management of the Society. Balances between the funds arise from transactions of an operating nature and are recorded at exchange amounts at the dates of the transactions. Amounts due to and from the General Fund are due on demand and have no fixed terms of repayment. The Fund has authorized a loan facility of up to \$1 million, of which \$nil has been drawn down as at December 31, 2024 (2023 – \$nil), to the General Fund to fund capital expenditures in accordance with the capital plan.

Pursuant to reserve policy, \$550,000 of the net assets was transferred to trust assurance during 2024 (2023 – \$430,000).

Monthly interest on the Fund's net loan position with the General Fund is paid from the Fund at a rate equal to the stated monthly bond yield to maturity earned on the Fund's investment portfolio. The average bond yield for 2024 was 4.13% (2023 – 4.46%). The Fund's net loan position as at December 31, 2024 was \$23.1 million (2023 – \$16.2 million) which includes other operating balances with the General Fund. This net loan position fluctuates during the year as amounts are transferred between the General Fund and the Fund to finance ongoing operations.

During the year ended December 31, 2024, interest of \$834,290 (2023 – \$586,699) was paid on General Fund cash balances held by the Fund.

Other interfund transactions are disclosed elsewhere in these consolidated fund financial statements.

10 Internally restricted net assets

The Benchers have allocated one annual, profession-wide, policy limit of \$17.5 million (2023 – \$17.5 million) of the net assets to Part B coverage for dishonest appropriation of trust funds or property.

11 Related parties

The elected Benchers include members drawn from law firms across the province. These law firms may at times be engaged by the Society in the normal course of business. During the year ended December 31, 2024, expenses of \$7,200 (2023 – \$11,962) were incurred by the Fund with these law firms.

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2024 Audited Financial Statements - Management Discussion and Analysis

The Law Society of British Columbia accounts for its financial activities through two separate funds: the General Fund and the Lawyers Indemnity Fund. Society management has the responsibility for assisting the Benchers in fulfilling the Society's mandate, while ensuring that operating expenditures are closely controlled and that appropriate accounting and internal controls are maintained. The 2024 audited financial statements for the two funds are set out in this report. The statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) as issued by the Canadian Accounting Standards Board.

During 2024, in addition to the general oversight by the Benchers, the Finance and Audit Committee assisted the Benchers in ensuring that management properly managed and reported on the financial affairs of the Society. The oversight by the Benchers and the Finance and Audit Committee included:

- Reviewing periodic financial statements of the General and Consolidated Lawyers Indemnity Fund
- Reviewing investment performance as managed by the appointed investment managers
- Reviewing with the Law Society's auditors their approach, scope and audit results
- Reviewing the annual Audit Report prepared by the Law Society auditors
- Reviewing the reporting from the Law Society's actuary on the provision for settlement of indemnity claims
- Recommending the 2025 practice and indemnity fees and reviewing corresponding budgets
- Reviewing the enterprise risk management plan

General Fund

Overview

Overall, the 2024 results for the General Fund resulted in an operating surplus of \$270,000. Revenues were higher this year due to increase in the number of practising lawyers and an increase in interest income, partially offset by a decrease in fines and penalties and rental revenue. Operating expenses increased over the prior year primarily due to additional staffing costs, along with market-based salary adjustments, information services and cyber security costs, partially offset by lower external counsel fees.

Revenues

General Fund revenue was \$39.1 million, \$0.8 million (2%) higher than 2023 primarily due to higher practice fees with the growth in the number of practising lawyers and higher interest income, partially offset by decreases in revenue in other areas.

Practice fee revenue was \$28.8 million, an increase of \$900,000 for the year, with the number of full-time equivalent practising lawyers at 14,618, an increase of 2.7% from the prior year.

Trust administration fees decreased slightly from last year with fewer trust account transactions compared to last year.

PLTC enrollment revenue was steady to last year, with 658 students taking PLTC during the year.

Investment revenue was \$1.9 million, an increase of \$185,000 from last year, with interest rates staying at a higher level for the first half of the year, and then declining towards the end of the year.

There was a decrease in fines and penalty revenues, mainly due to higher compliance with the CPD requirements.

Rental revenue decreased due to one tenant moving to different premises.

The Lawyers Indemnity Fund contributed \$2.9 million to the General Fund for co-sponsored program costs and for general program and administrative expenses attributable to operations.

Expenses

The 2024 General Fund expenses were \$41.6 million, an increase of \$2.1 million (5%), with increased staffing levels and market-based salary adjustments, along with increased information technology costs, partially offset by lower external counsel fees. Other highlights are noted below.

Benchner Governance and Support expenses increased \$86,000 due to increased travel and meeting costs.

Communications costs increased \$73,000 due to staffing and market-based wage adjustments.

Information Services costs increased \$526,000 with increased software maintenance costs, cyber security measures, IT plan consulting costs, additional staff and market-based wage adjustments.

Education and Practice expenses increased \$440,000 due to higher licensing fees for the online learning platform, lawyer development costs for the development of the principal training course and competency framework, along additional staffing costs and market-based wage adjustments.

General and administration costs increased \$810,000 with higher staffing costs, travel and meeting expenses, HR consulting and professional services.

Policy and Legal Services expenses decreased \$590,000 with lower staffing costs and external counsel fees.

Regulation expenses increased slightly by \$223,000 due to increased staffing costs and market-based wage adjustments, partially offset by lower external counsel fees.

Occupancy costs were \$210,000 higher due to higher building repairs and maintenance and security costs, offset by lower property taxes.

Costs related to the transition to the Single Legal Regulator of \$625,000 were funded from reserves.

Net Assets

Overall, the General Fund remains financially sound. As of December 31, 2024, net assets in the General Fund were \$39.7 million. The net assets include \$4.4 million in capital funding for planned capital projects related to the maintenance of the 845 Cambie Street building, workspace improvements for Law Society operations and information technology. Pursuant to the reserve policy, during the year, \$550,000 of net assets were transferred from the Lawyers Indemnity Fund to

top up the net assets for trust assurance. After this transfer, at December 31, 2024, the net assets include \$1.9 million of trust assurance net assets. The remaining General Fund net assets were \$33.4 million, of which \$13 million is invested in capital assets and \$20.4 million is working capital.

Lawyers Indemnity Fund

Overview

The Lawyers Indemnity Fund (LIF) remains in a strong financial position at the end of 2024.

Revenues

The 2024 indemnity assessment resulted in total revenue of \$18.4 million, compared to \$18.0 million in 2023, with an increase in indemnified lawyers.

During 2024, the long-term investment portfolio earned a return of 10.6% compared to the benchmark return of 12.7%. Returns were near or above the market in most asset classes, except the equities and real estate funds.

Expenses

In 2024, the Lawyers Indemnity Fund operating costs - not including claims payments and unallocated loss adjustment expenses - were \$11 million, compared to \$10.9 million in 2023. The increase is mainly due to general wage increases offset by decreases in professional fees and allocated costs from the General Fund.

The net actuarial provision for settlement of claims for the year was \$28.3 million, an increase of \$20.8 million from 2023. The claims provision was higher due to an increase in reserves for unpaid claims arising from prior years, along with claims reserves in the current year. The provision for claims liabilities on the Balance Sheet at the end of 2024 was \$87.1 million, compared to \$72.9 million at the end of 2023.

Net Assets

At December 31, 2024, LIF remains in a solid financial position, with net assets of \$153.3 million, which includes \$17.5 million internally restricted for Part B claims, leaving \$135.8 million in unrestricted net assets.



Quarterly Financial Report: February 2025

To: Finance & Audit Committee Meeting (April 10, 2025)
Bencher Meeting (April 11, 2025)

Purpose: Update

From: Staff

Date: April 11, 2025

Quarterly Financial Report - End of February

Attached are the financial results and highlights to the end of February 2025.

General Fund (excluding capital and TAF)

For the first two months of the year, the General Fund operations resulted in a positive variance to budget, with revenues close to budget and operating expenses lower than budget by 19%, mainly due to timing differences.

Revenue

Total revenue year to date was \$5.8 million, \$59,000 (1%) higher than budget.

Practice fees were under budget by \$101,000, with 14,956 practicing lawyers projected to year end, compared to a budget of 15,250. The number of practicing lawyers for 2024 was lower than expected, leading to a lower base for 2025. PLTC fees were over budget by \$33,000 and electronic filing revenue was \$61,000, likely due to timing. Interest income was under budget by \$35,000 with lower interest rates. Fines, penalties and recoveries were over budget by \$147,000 due to higher citation fines and administrative penalties.

Operating Expenses

Operating expenses for the period were \$4.9 million, \$1.2 million (19%) below budget, mainly due to timing differences.

Permanent savings have been projected for external counsel fees in Discipline (\$69,000) and Legal Defense (\$45,000).

Compensation and benefits resulted in timing differences of \$409,000, but the costs will likely be incurred in the rest of the year. The remaining savings are small and appear to be timing differences, so it is reasonable to assume that a large portion of these savings will be utilized in subsequent quarters.

Reserve Funded Items

Costs in Q1 related to the transition to the Single Legal Regulator were funded from reserves and amounted to \$104,000 (2024: \$625,000, 2023: \$159,000), for a total of \$888,000 to date.

TAF and Trust Assurance Expenses

TAF revenue was \$220,000 during the first two months of the year, which were TAF receipts received in 2025 that relate to 2024.

Trust assurance program costs are slightly under budget, with savings of \$41,000 due to staff vacancy savings.

Lawyers Indemnity Fund

LIF assessment revenues were \$3 million, \$90,000 (2.8%) below budget.

LIF operating expenses were \$4.3 million, \$67,000 (1.5%) below budget, with savings in legal, insurance, office and staff vacancies. Some of these savings were offset by additional investment management fees in the period.

At the end of February, the market value of the LIF long term investment portfolio was \$287.8 million, and portfolio returns for the period were 1.54%, slightly below the benchmark of 1.94%.

The Law Society of British Columbia

Summary of Financial Highlights

(\$'000's)

2025 General Fund Results - YTD Feb 2025 (Excluding Capital Allocation & Depreciation)				
	Actual	Budget	\$ Var	% Var
Revenue (excluding capital)				
Practice Fees	4,547	4,648	(101)	-2%
PLTC and Enrolment Fees	89	56	33	59%
Electronic Filing Revenue	231	170	61	36%
Interest Income	210	245	(35)	-14%
Registration and Licensing Revenue	124	139	(15)	-11%
Fines, Penalties & Recoveries	245	98	147	150%
Program Cost Recoveries	6	23	(17)	-74%
Insurance Recoveries	3	5	(2)	0%
Other Revenue	122	134	(12)	-9%
Other Cost Recoveries	1	1	-	0
Building Revenue & Tenant Cost Recoveries	215	215	-	0%
	5,793	5,734	59	1%
Expenses (excluding depreciation)	4,911	6,088	1,177	19%
Surplus before reserve items	882	(354)	1,236	
Reserve Items				
Single Legal Regulator transition costs	(104)	-	(104)	
Net Surplus before TAF/TAP	778	(354)	1,132	

Summary of Variances - YTD Feb 2025**Revenue Variances:****Permanent Variances**

Practice Fees - 15,250B vs 14,682LY vs 14,956 Forecast - 294 lawyers below budget	(101)
Interest - lower interest rates projected for the year	(35)

Timing Variances

Discipline & Citation fines - \$106K due to Citation fines and \$38K in admin penalties	147
Electronic Filing Revenue - Due to new verification licensing agreement (\$100K) offset by lower Efiling revenue	61
PLTC - 646 students budgeted for the year, currently forecasting 681 students	33
Program Cost recoveries - Timing of recoveries, \$9K Custodianships, \$8K Practice reviews	(17)
RL - C & A under (\$17K), Trsfr Applc Fee under (\$12K); over REI Fees (\$5K), Law Corp Fees (\$5K), Temp Articles (\$4K)	(15)
Other Revenue - foreign exchange (\$9K) PLTC printed Materials (\$3K)	(12)
Insurance Recoveries	(2)
	59

Expense Variances:**Permanent Variance**

External counsel fees - Discipline \$69K; Legal Defense \$45K	114
Building - property tax appeals unbudgeted	(18)
Forensic files	50

Timing variance

Compensation and benefits - net of vacancies and compensation differences	409
External counsel fees	66
PLTC program costs	115
Travel and meetings	93
Lawyer Development	84
Professional Conduct	73
Information Services - Software maintenance costs not incurred/Cell phones not replaced	63
Tribunal costs	58
Miscellaneous	70
	1,177

Sub-total before reserve funded items

1,236

Reserve Funded Items - Permanent Variance:

SLR transition costs	(104)
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Net Surplus before TAF/TAP

1,132

Trust Assurance Program - YTD Feb 2025

	Actual	Budget	Variance	% Var
TAF Revenue (prior year revenue)	220	-	220	-
TAP Expenses	625	666	41	6%
Net Trust Assurance Program	(405)	(666)	261	

Lawyers Indemnity Fund Long Term Investments - YTD Feb 2025

Performance - Before investment fees	1.54%
Benchmark Performance	1.94%

The Law Society of British Columbia
General Fund
Results for the 2 Months ended February 28, 2025
(\$000's)

	2025 Actual	2025 Budget	\$ Variance	%
REVENUE				
Practice fees (1)	5,474	4,968	506	10%
PLTC and enrolment fees	89	56	33	59%
Electronic filing revenue	231	170	61	36%
Interest income	210	245	(35)	-14%
Registration and Licensing services	124	139	(15)	-11%
Fines, penalties and recoveries	244	97	147	152%
Program Cost Recoveries	6	23	(17)	-74%
Insurance Recoveries	3	5	(2)	-40%
Other revenue	122	134	(12)	-9%
Other Cost Recoveries	1	1	-	0%
Building Revenue & Recoveries	215	215	-	0%
Total Revenues	6,719	6,053	666	11.0%
EXPENSES				
Governance and Events				
Governance	65	114	49	43%
Board Relations and Events	52	47	(5)	-11%
	117	161	44	27%
Corporate Services				
General Office	141	139	(2)	-1%
CEO Department	173	205	32	16%
Finance	223	238	15	6%
Human Resources	148	147	(1)	-1%
Records Management	49	59	10	17%
	734	788	54	7%
Education and Practice				
Licensing and Admissions	312	419	107	26%
PLTC and Education	381	668	287	43%
Practice Standards	116	134	18	13%
	809	1,221	412	34%
Communications and Information Services				
Communications	109	110	1	1%
Information Services	398	449	51	11%
	507	559	52	9%
Policy and Legal Services				
Policy and Legal Services	185	301	116	39%
Tribunal and Legislative Counsel	125	206	81	39%
Unauthorized Practice	49	50	1	2%
	359	557	198	36%
Regulation				
CLO Department	166	179	13	7%
Intake & Early Assessment	460	510	50	10%
Discipline	317	468	151	32%
Forensic Accounting	86	118	32	27%
Investigations, Monitoring & Enforcement	690	825	135	16%
Custodianships	320	371	51	14%
	2,039	2,471	432	17%
Building Occupancy Costs	346	334	(12)	-4%
Depreciation	200	226	26	12%
Total Expenses	5,111	6,317	1,206	19.1%
General Fund Results before Reserve Items	1,608	(264)	1,872	-709.1%
Legal Profession Transitional Costs	104	-	(104)	0%
Total Reserve Items	104	-	104	0%
General Fund Results before Trust Assurance Program	1,504	(264)	1,768	
Trust Assurance Program (TAP)				
TAF revenues	220	-	220	0.0%
TAP expenses	625	666	41	6.2%
TAP Results	(405)	(666)	261	39.2%
General Fund Results including Trust Assurance Program	1,099	(930)	2,029	

(1) Membership fees include capital allocation of 927k (Capital allocation budget = 320k)

	2025 Actual	2025 Budget	\$ Variance	%
(1) Capital Allocation:				0
Membership fees include capital allocation:	927	320	607	190%

The Law Society of British Columbia
General Fund - Balance Sheet
As at February 28, 2025
(\$000's)

	Feb 28 2025	Feb 28 2024
Assets		
Current assets		
Cash and cash equivalents	15,581	17,283
Unclaimed trust funds	2,303	2,174
Accounts receivable and prepaid expenses	3,515	1,648
Due from Lawyers Indemnity Fund	25,626	18,174
	<u>47,024</u>	<u>39,279</u>
Property, plant and equipment		
Cambie Street property	10,151	10,650
Other - net	2,620	2,497
	<u>12,771</u>	<u>13,147</u>
	<u>59,796</u>	<u>52,426</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	5,665	522
Liability for unclaimed trust funds	2,303	2,174
Deferred revenue	10,959	10,565
Deposits	88	88
	<u>19,015</u>	<u>13,349</u>
Net assets		
Capital Allocation	5,270	4,379
Unrestricted Net Assets	35,510	34,697
	<u>40,780</u>	<u>39,077</u>
	<u>59,796</u>	<u>52,426</u>

The Law Society of British Columbia
General Fund - Statement of Changes in Net Assets
Results for the 2 Months ended February 28, 2025
(\$000's)

	<i>Invested in Capital</i> \$	<i>Working Capital</i> \$	<i>Unrestricted Net Assets</i> \$	<i>Trust Assurance</i> \$	<i>Capital Allocation</i> \$	<i>2025 Total</i> \$	<i>Year ended 2024 Total</i> \$
Net assets - At Beginning of Year	12,991	20,416	33,407	1,896	4,379	39,681	38,862
Net (deficiency) excess of revenue over expense for the period	(255)	832	577	(405)	927	1,099	819
Contribution to LIF	-	-	-	-	-	-	-
Purchase of capital assets:							
LSBC Operations	34	-	34	-	(34)	-	-
845 Cambie	2	-	2	-	(2)	-	-
Net assets - At End of Period	12,772	21,248	34,020	1,491	5,270	40,780	39,681

Lawyers Indemnity Fund
Results for the 2 Months ended February 28, 2025
(\$000's)

	2025 Actual	2025 Budget	\$ Variance	% Variance
Revenue				
Annual assessment	3,024	3,114	(90)	-3%
Investment income	4,764	2,469	2,295	93%
Other income	15	11	4	36%
Total Revenues	7,803	5,594	2,209	39.5%
Expenses				
Provision for settlement of claims	2,592	2,591	(1)	0%
Salaries and benefits	604	671	67	10%
Contribution to program and administrative costs of General Fund	257	291	34	12%
Insurance	360	366	6	2%
Office	111	172	61	35%
Actuaries, consultants and investment brokers' fees	158	20	(138)	-690%
	4,082	4,119	37	1%
Loss Prevention Expense				
Contribution to co-sponsored program costs of General Fund	208	237	29	12%
Total Expenses	4,290	4,356	66	1.5%
Lawyers Indemnity Fund Results	3,513	1,238	2,275	

The Law Society of British Columbia
Lawyers Indemnity Fund - Balance Sheet
As at February 28, 2025
(\$000's)

	Feb 28 2025	Feb 28 2024
Assets		
Cash and cash equivalents	653	1,197
Accounts receivable and prepaid expenses	1,425	1,656
Investments	287,866	261,137
	<u>289,945</u>	<u>263,990</u>
Liabilities		
Accounts payable and accrued liabilities	178	2,228
Deferred revenue	6,253	6,158
Due to General Fund	25,626	18,174
Provision for claims	85,789	71,959
Provision for ULAE	15,281	12,742
	<u>133,127</u>	<u>111,261</u>
Net assets		
Internally restricted net assets	17,500	17,500
Unrestricted net assets	139,318	135,229
	<u>156,818</u>	<u>152,729</u>
	<u>289,946</u>	<u>263,990</u>

The Law Society of British Columbia
Lawyers Indemnity Fund - Statement of Changes in Net Assets
Results for the 2 Months ended February 28, 2025

	Unrestricted \$	Internally Restricted \$	2025 Total \$	2024 Total \$
Net assets - At Beginning of Year	135,805	17,500	153,305	148,902
Net excess of revenue over expense for the period	3,513	-	3,513	4,403
Net assets - At End of Period	<u><u>139,318</u></u>	<u><u>17,500</u></u>	<u><u>156,818</u></u>	<u><u>153,305</u></u>



2025 General Fund Forecast: February 2025

To: Finance & Audit Committee Meeting (April 10, 2025)
Bencher Meeting (April 11, 2025)

Purpose: Update

From: Staff

Date: April 11, 2025

Forecast - as at February 2025

Attached is the General Fund forecast to the end of the fiscal year.

Overview

At this time, 2025 financial results are projected to finish below budget by \$585,000, with an operational deficit of \$2.2 million. In addition, the *Legal Professions Act* transition costs are projected at a minimum of \$2.4 million, which is funded from reserves. This will result in the use of reserves in the amount of \$4.6 million.

Revenue Forecast

Total revenue is projected at \$34.8 million, \$800,000 under budget, with lower practice fee revenue, lower interest income, offset by slightly higher electronic filing revenue and building revenue.

Practice Fees: Practice fees are projected at \$27.4 million, with 14,956 practicing lawyers forecasted, 294 below the budget of 15,250. This is a 2.3% increase over 2024 actuals, a much lower increase than recent years.

PLTC Revenue: PLTC revenue is projected at \$1.9 million, consistent with the budget. The number of PLTC students is projected at 681, higher than budget, but as there are costs to run these classes, there is no impact on the bottom line.

Electronic Filing Revenue: Electronic filing revenue is projected at \$1.1 million, \$79,000 above budget. The BCREA real estate unit sales forecast used for the budget was a 9.8% increase over 2024 levels, however, the new BCREA information is forecasting an increase of 14.2% over 2024. In addition, there is a new verification agreement in place, which will bring in additional revenue for the year.

Interest Revenue: Interest revenue is projected at \$1.1 million, \$370,000 below budget, with interest rates projected at 3% for the year, compared to a budget of 4%.

Building Revenue: Parking revenues are projected to be over budget \$12,000.

Operating Expenses Forecast

As it is early in the year, operating expenses are projected near budget, at \$36.9 million, with savings offsetting unbudgeted costs. Unbudgeted costs include cyber security costs, along with property tax appeal fees and higher property management fees. Savings are projected for external counsel fees in Discipline and Legal Defense of \$284,000.

Legal Profession Transition Costs

The current forecast for the transition costs to the new *Legal Professions Act* is \$2.4 million, with additional costs expected. These costs are unbudgeted and funded from reserve.

Trust Assurance Program

For 2025, Trust Administration Fees (TAF) are forecast at \$4.6 million, \$279,000 below budget. The 2025 TAF budget was set using an increase of 9.8% over 2024 budgeted figures; however, the 2024 actual TAF receipts were 9.3% below budget. With this lower revenue base, even though the current BCREA forecast is 14.2%, higher than projected, the 2025 TAF forecast is still below budget 6%.

The Trust Assurance program budget is \$4.1 million and costs are expected to be close to budget.

The Law Society of British Columbia
General Fund
For the 12 Months ending December 31, 2025
(\$000's)

Forecast vs Budget

	Forecast	Budget	Variance	
REVENUE				
Practice fees	27,363	27,886	(523)	-2%
PLTC and enrolment fees	1,907	1,907	-	0%
Electronic filing revenue	1,096	1,017	79	8%
Interest income	1,105	1,473	(368)	-25%
Registration and Licensing	832	832	-	0%
Fines, penalties and recoveries	586	586	-	0%
Program Cost Recoveries	140	140	-	0%
Insurance Recoveries	20	20	-	0%
Other revenue	454	454	-	0%
Other Cost Recoveries	10	10	-	0%
Building Revenue & Recoveries	1,247	1,235	12	1%
Total Revenues	34,760	35,560	(800)	-2%
EXPENSES				
Benchers Governance and Events				
Governance	618	618	-	0%
Board Relations and Events	298	298	-	0%
	916	916	-	0%
Corporate Services				
General Office	845	845	-	0%
CEO Department	1,293	1,293	-	0%
Finance	1,471	1,471	-	0%
Human Resources	902	902	-	0%
Records Management	363	363	-	0%
	4,874	4,874	-	0%
Education and Practice				
Licensing and Admissions	2,550	2,550	-	0%
PLTC and Education	4,062	4,062	-	0%
Practice Standards	843	843	-	0%
	7,455	7,455	-	0%
Communications and Information Services				
Communications	671	671	-	0%
Information Services	2,632	2,608	(24)	-1%
	3,303	3,279	(24)	-1%
Policy and Legal Services				
Policy and Legal Services	1,755	1,836	81	4%
Tribunal and Legislative Counsel	1,253	1,253	-	0%
Unauthorized Practice	298	304	6	2%
	3,306	3,393	87	3%
Regulation				
CLO Department	1,166	1,166	-	0%
Intake & Early Assessment	3,099	3,105	6	0%
Discipline	2,759	2,900	141	5%
Forensic Accounting	674	724	50	7%
Investigations, Monitoring & Enforcement	5,025	5,025	-	0%
Custodianships	2,256	2,256	-	0%
	14,979	15,176	197	1%
Building Occupancy Costs	2,082	2,036	(46)	-2%
Total Expenses	36,915	37,129	214	1%
	(2,154)	(1,569)	585	
Legal Profession Transition Costs	2,400	-	(2,400)	
General Fund Results	(4,554)	(1,569)	(2,985)	
Trust Assurance Program (TAP)				
TAF revenues	4,645	4,924	(279)	-6%
TAP expenses	4,047	4,047	-	0%
TAP Results	598	877	(279)	
General Fund Results including TAP	(3,956)	(692)	(3,264)	