

Law Society of Saskatchewan



For the year ended
December 31st, 2010

President's Report	1
Executive Director's Report	4
Deputy Director/Complaints Counsel Report	8
Committees and Other Reports	
<i>Admissions & Education</i>	9
<i>Discipline Executive</i>	10
<i>Ethics</i>	11
<i>Insurance</i>	12
<i>Professional Standards</i>	13
<i>Library Report</i>	14
<i>Benchers and Professional Staff</i>	16
<i>2010 Committees</i>	17
Law Society of Saskatchewan	
<i>Financial Statements and Auditors' Report</i>	
Saskatchewan Lawyers' Insurance Association Inc.	
<i>Financial Statements and Auditors' Report</i>	



It is my privilege to present the 2010 Annual Report of the Law Society of Saskatchewan. I thank our 2010 President, Eileen Libby, Q.C. for her exemplary service as a Bencher and during her presidency in 2010. I welcome Greg Walen, Q.C., Vice President, to the Executive in 2011.

In 2010, the governance work of the Law Society was carried out by 23 Benchers. This complement included 18 elected Benchers, 10 of whom were first term Benchers serving in their first year, the Dean of the College of Law at the University of Saskatchewan and 4 public representatives appointed by the Minister of Justice. All contributed significantly to the important work of the Law Society's mandate to protect the public and the public's confidence in the Law Society's authority to regulate and strengthen an independent Bar.

In June 2010, Brent Cotter, Q.C., stepped down as Dean of the College of Law after serving six years in that role and as a Bencher. On behalf of the many Benchers and Law Society staff over these years, I thank him for his many thoughtful contributions. Brent's work in the areas of legal education, ethics and professional responsibility have and will continue to endure as a valued resource to the work of the Benchers and the Law Society.

The amendment of the Act was the most significant development in 2010

by: Paul Korpan, Q.C.

Having completed their first year as a Bencher, I recognize and thank the newly elected Benchers for their contribution at the Bencher table:

Loreley Berra (Regina);
Elizabeth R. Bilson, Q.C. (Saskatoon);
Thomas A. Healey (Melfort);
Robert R. Heinrichs (Swift Current);
Joel A. Hesje, Q.C. (Saskatoon);
Heather J. Laing (Saskatoon);
Michael T. Megaw, Q.C. (Regina);
Stephen J.M. Orłowski (Estevan);
Darcia G. Schirr, Q.C. (Regina);
Lorraine L. St. Cyr (Saskatoon); and
Reginald A. Watson, Q.C. (Regina);

And our four public representatives:

Laura Lacoursiere (Saskatoon);
Lorne Mysko (Saskatoon);
Dr. Greg Stevens (Saskatoon); and
Della Stumborg (Swift Current)

The reports of the standing committees follow this report and detail the highlights of the work done by each of the standing and working committees performing the important work in the Society's core areas of professional standards, ethics, discipline, professional responsibility and admissions. I will summarize the highlights.

Amendment of *The Legal Profession Act, 1990*

The amendment of the *Act* was the most significant development in 2010. Most importantly, the *Act* codifies the duty of the Law Society for the first time and now provides in s. 3 that the Law Society shall discharge its responsibilities "in the public interest." Requisite Rule amendments were passed to complement the new amendments. The amendment impacts many areas of the Law Society, including the discipline and competency processes.

Discipline

The amendment to the *Act* has streamlined the discipline process. At the referral stage, Complaints Counsel can now refer a matter to a Conduct Investigation Committee comprised of Benchers rather than first to the Chair of the Discipline Committee. This change shortens the review process while maintaining the safeguard of Bencher oversight. At the sentencing stage, sentence is now determined by the Hearing Committee rather than the Discipline Committee as a whole. In 2010, nine hearings were held under the old (previous) *Act*, resulting in findings of conduct unbecoming in all but one of these cases. In five of these cases, sentences were determined by the Discipline Committee as a whole resulting in four suspensions and one resignation in the face of discipline equivalent to disbarment.

Governance & Orientation

With the majority of Benchers ending their second terms in 2009, and the resignation of Dean Brent Cotter, Q.C., only six benchers returned to the table in 2010. Extensive work was invested in the orientation of new Benchers, particularly in the area of discipline. Fresh perspectives and renewal are always welcome.

Education & Continuing Professional Development

On January 1, 2010, the Law Society introduced a Mandatory Continuing Professional Development Policy. Under this policy, all active members are required to complete thirty-six hours of accredited CPD activities in a three year term. The Law Society

President's Report

has offered numerous CPD activities, including several ethics webinars conducted by Law Society staff. This policy and programming has been very effective in supporting the Law Society's duty to assure the competence and integrity of its members.

The policy has also been embraced by CPD providers and accepted by the members. Our director of CPD has demonstrated considerable flexibility in encouraging and authorizing programs customized for the benefit of individual members or groups of members. Altogether in 2010, the program director authorized in excess of 1,000 different programs under the mandatory CPD program.

For the Law Society's part, we continue to encourage the STLA and the CBA to be the primary providers of Continuing Professional Development programs. While the Law Society is pleased to always lend its support and to backfill where needed, there is much to gain by the diverse perspectives and mandates of different service providers.

Federation of Law Societies

Consisting of 14 Law Societies in Canada who have responsibility to regulate the legal profession, the policy work of the Federation of Law Societies has become increasingly important, particularly over the last number of years as issues of national import cross provincial borders. The Law Society of Saskatchewan continued to play a very active role in the Federation through the work of our Benchers and professional staff who are involved in national issues, and through Graeme Mitchell, Q.C., who sits as our member of Council on the Federation.

A number of national issues impacting our members continue to require the continued work of the Benchers, including review and

assessment of national discipline standards, a model code of professional conduct, development of standards for competencies required for a Canadian law degree, modernization of the manner in which we accredit internationally trained lawyers, the development of protocols for accrediting new law schools and issues of governance and ownership of our virtual library, CanLII.

National issues on the Benchers agenda this year included the review of a model code of professional conduct and the development of standards for competencies required for a Canadian law degree. This model code will likely come before the Benchers in 2011 for consideration with further discussion required in relation to the conflict of interest sections and the future harm exceptions to solicitor-client confidentiality.

Libraries

The library is the largest department of the Law Society and is essential for ensuring member competence and the administration of justice. As reported by Ms. Libby in last year's report, a review of library services was conducted and recommendations were presented. As a result of these recommendations, there is now greater emphasis on online/digital resources. This includes an agreement with Lexus Nexus to provide online services to all firms with fewer than five members. The library has also added subscriptions to several Canada Law book titles, including O'Brien's Forms and Precedents and DART: Western Decisions and the Irwin Law e-library that includes 100 textbooks.

Admissions

In 2010, there were seventy-six new admissions to the Law Society. This was an increase over previous years, especially from applicants outside the

province. The Admissions & Education Committee was one of our busiest committees in 2010 and held more hearings for such applicants. The committee also focused on a review of current admission standards and related policies.

Professional Standards

The Law Society continues to proactively assist members with practice management challenges as a matter of first recourse wherever appropriate. While certain situations necessarily involve discipline as the only recourse, the Law Society's mandate of protecting the public is also fulfilled by ensuring the competency of its members and by supporting them in this respect wherever possible. The Professional Standards Committee continues to make available to new sole practitioners, at no cost, a Practice Advisor to assist in establishing office systems and protocols. The appointment of a new office practice management review has been streamlined to facilitate practice management assistance on a voluntary basis. New Practice Advisors, Vic Dietz, Q.C., Jeff Scott and Brent Gough, Q.C., have been added as contract Practice Advisors to assist the membership.

Government & Community Relations

The Law Society Executive continues to maintain its close and valued relationship with the Minister of Justice, Don Morgan, Q.C., and other senior department officials. *The Legal Profession Amendment Act, 2010* was proclaimed in force on the 1st of July, 2010. We extend our thanks and appreciation to the Minister, the Deputy Minister and the Department of Justice staff lawyers for their very helpful and engaging consultations around this very important piece of legislation. Demographic change will fundamentally change the face of

the legal profession in Saskatchewan in the next decade. More than one third of the Law Society's membership has been at the bar more than 25 years. A disproportionately higher number of these lawyers practise in rural Saskatchewan or outside Regina and Saskatoon. The already low lawyer to population ratio in Saskatchewan will put increased demand on Saskatchewan lawyers.

It is not too soon to turn our minds to the outcomes of these trends and their impact on the public within the scope of the Law Society's mandate as regulators and its responsibility to protect the public. This expected shortage in legal talent will lead to issues involving access to legal services and to justice. Lawyers will be challenged to do more, with less time, thus raising issues in the quality of their work. This will be compounded by the reality that the profession will soon be losing much of the bar's experience and expertise. All of these conditions raise concerns about competency and the quality of legal services. A further concern involves the burn-out of lawyers and how this leads to problems impacting the public, again in relation to the competency of lawyers and ethical behaviour. There is already a worrisome trend of increased complaints about incompetency and dilatory practice, some of which have involved discipline.

These trends will undoubtedly impact the public and the Law Society's responsibility as regulator. In 2011, we will begin the process of identifying strategies for attraction and retention of lawyers and how we adapt our professional standards mandate, particularly in providing support for rural and small firms. Over the longer term, we will begin to examine how our library services and CPD programs may fit the changing demographic and its specific needs. Our professional standards program may seek to

expand its proactive agenda in identifying problem areas and working with individual lawyers to remediate those problems that put lawyers, and their clients, at risk.

The Benchers will be seeking the input of the bar as these initiatives develop in 2011 and beyond. I invite members to contact any Bencher or member of the Executive with any questions, concerns or suggestions.

The competency of the Law Society as the regulator of the legal profession is essential to maintaining the public's confidence and the profession's privilege of independent self-governance. Fulfilling this responsibility requires the support and commitment of many. The Benchers extend their heartfelt appreciation to the very capable Thomas Schonhoffer, Q.C., our Executive Director, and the individual and collective efforts of his staff in supporting the Benchers and in doing the work of the Law Society.



In the public interest

by: Thomas Schonhoffer, Q.C.

The Law Society regulates the legal profession in the public interest.

The Legal Profession Act, 1990 was amended on July 1, 2010 to codify the Law Society's longstanding obligation to "act in the public interest."

What is the public interest? It encompasses a wide variety of activities. The *Act* specifically states that the Law Society has an obligation "to protect the public by assuring the integrity, knowledge, skill, proficiency and competence of the members."

Most of us recognize that regulating competency and integrity drives the Society's most visible work and is the reason our programs include:

- a Practice Manager and Professional Standards Committee
- an Ethics Committee to interpret the *Code of Conduct*
- an Education Department to provide training to bar students and the members
- a library system to manage the explosion of legal information
- a Complaints Department to investigate conduct
- *Lawyers Concerned for Lawyers* to assist lawyers in need

The public interest is, of course, much broader than competence and integrity and includes the insurance and assurance funds that protect the public. Management of these funds is fundamental to protection of the public.

The public interest also includes national standards that permit labour mobility. In 2010, Law Societies worked on national standards for the admission of articling students, admission of lawyers, common discipline standards and compensation funds. The Federation of Law Societies continues to play a greater role in local matters.

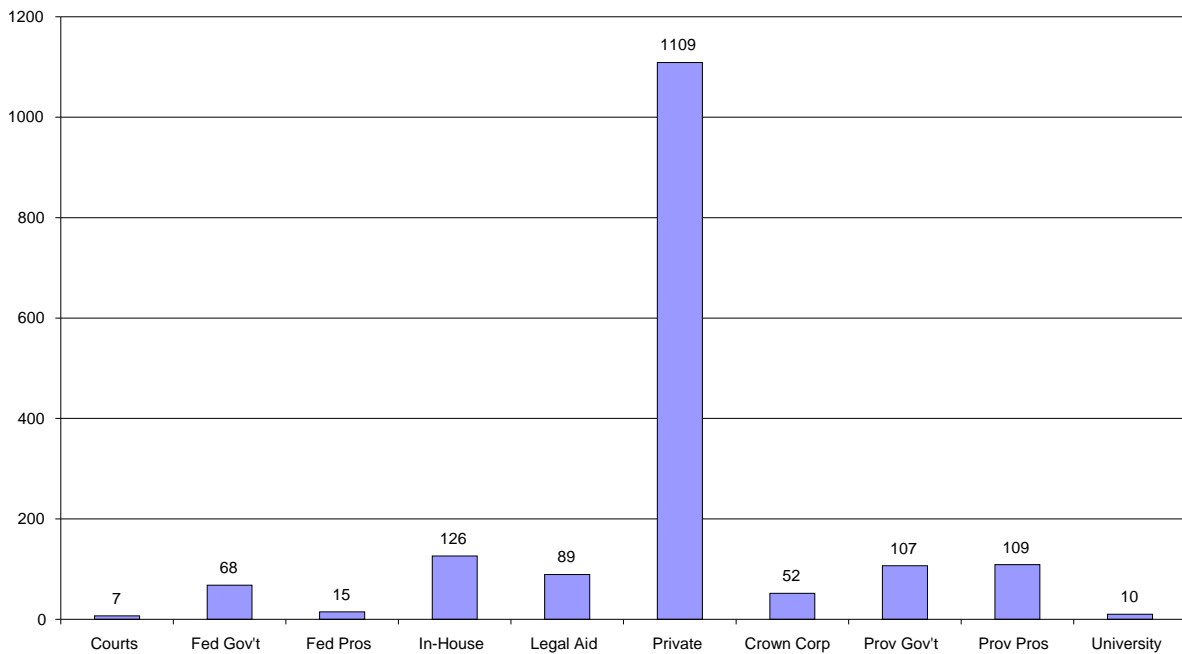
Finally, the public interest includes topics of current interest, such as access to legal services. Hardly a week goes by in the national press without commentary on the affordability of legal services. Commentators suggest that the combination of restrictions in *The Legal Profession Act*, the regulator's work and the professional culture of lawyers drive prices beyond middle class affordability. While we usually often regard this analysis as simplistic, there is an underlying problem.

Canada remains one of the few jurisdictions with self-regulation of the legal profession. Your Law Society believes independence of the profession is important to the role that lawyers serve and that the privilege of self-governance can only be preserved by acting in the public interest.

Membership Statistics as of December 31, 2010

STATUS:	MALE:	FEMALE:	TOTAL:
Active Practicing Members residing IN and OUT of Saskatchewan	1096	544	1640
Active Practicing Members IN Saskatchewan	1018	516	1534
Inactive Members IN and OUT of Saskatchewan	275	212	487
Inactive Members IN Saskatchewan	91	111	202
Regina Practicing Lawyers	380	185	565
Saskatoon Practicing Lawyers	368	233	601
Other than Regina or Saskatoon and OUT of Saskatchewan	349	125	474
New Enrolled Lawyers	35	41	76
Transfer Lawyers	20	15	35
Deaths	8	----	8
Judges Appointed	2	----	2

Types of Practice
(Practicing Lawyers and Students-at-Law)



Law Firms by Number of Practitioners

Number of Practitioners per Firm	Number of Firms
1	193
2	54
3	21
4	13
5	7
6	8
7	3
8	7
10	1
13	2
14	1
15	2
17	2
20	1
21	1
31	1
62	1
76	1
86	1
TOTAL	320

**Practicing Lawyers in Saskatchewan Only
by Age**

The age of practitioners in the province is of interest and shows a bulge in the age groups from 41 to 60. 55% of practitioners fall within this range.

Between AGES:	24 to 30	31 to 40	41 to 50	51 to 60	60 & up
Male	65	185	213	379	176
Female	73	163	149	111	20
TOTALS	138	348	362	490	196

The statistics were prepared from the Law Society database and represent a reasonable representation of the demographics. Statisticians should be cautioned that the final numbers are not always in agreement.

JUDICIAL APPOINTMENTS

Morris Mark Baniak (May, 2010)
Provincial Court of Saskatchewan

Neal William Caldwell (April, 2010)
Court of Appeal for Saskatchewan



OBITUARIES

The Honourable Edward Bayda, Q.C. (April, 2010)

Donald Joseph Dermody (April, 2010)

William Patrick MacIsaac, Q.C. (May, 2010)

Peter Edwin Thuringer, Q.C. (May, 2010)

Chief Justice Donald MacPherson, Q.C. (June, 2010)

Theodore Geatros, Q.C. (August, 2010)

Edward John Moss, Q.C. (September, 2010)

Gary Bruce Marlin (October, 2010)

Leo Morgan (October, 2010)

Deputy Director/Complaints Counsel Report



I am pleased to report on matters of professional regulation for 2010. As Deputy Director, I assist Tom Schonhoffer, Q.C. in his role as Executive Director. I also continue in my role as Complaints Counsel, overseeing all areas of professional regulation. During the year, I worked on policy and other issues such as amendments to *The Legal Profession Act, 1990* and Rules of the Law Society. I was also involved in Discipline Administrators, a working group on National Benchmarking & Standards for Law Society Complaints and Discipline.

There were 713 complaints received in 2010, as opposed to 594 in 2009. Of the total number of complaints received, 212 actual complaint investigation files were opened in 2010 as compared to 229 in 2009. The balance were reviewed and dismissed as non-jurisdictional, without merit or resolved via telephone conciliation. The highest number of complaints questioned quality of service on the part of the member, fees and lack of communication provided by a member. Complaints in the areas of family law, real estate and civil litigation continue to bring the highest number of complaints.

Melanie Hodges Neufeld and Jody Martin, Complaints Counsel, capably handled complaints intake in 2010. Melanie and Jody have investigated

Professional Regulation

By: Donna Sigmeth

files which were ultimately referred to Professional Standards, Ethics or Discipline for further action. Melanie also worked on an ongoing total revamp of the Law Society's website during 2010. We were sad to lose Melanie to her new role as "Policy Counsel" for the Law Society in January 2011, but very pleased for her to have this opportunity.

Tim Huber, Counsel, has dealt with many hearings, appeals to all levels of Court, unauthorized practice prosecutions and discharging concluded trusteeships. He has conducted Admissions Hearings, as well. Tim also led in the implementation of a new document management database.

Greg McCullagh, contract Discipline Investigator, interviews complainants and members and carries out investigative work where required.

The Law Society is also pleased with the work done on the Professional Standards Committee Practice Management Advisor Project. This is a very proactive and positive program which provides "hands on" assistance to members. Rod MacDonald, Q.C. has acted for the Society on a contract basis as Practice Management Advisor for approximately 8 years. According to the majority of exit interviews provided by members who have participated in the program, Rod has provided a great service and benefit to members. The other positive is that this work also prevents further complaints and dissatisfaction on the part of clients as well as claims/loss prevention which is of benefit to SLIA (which also supports this program). The Benchers have expanded this proactive area to include the new "Practice Review

Program" to assist members and protect the public. New solo or small firm practitioners automatically receive a mentoring visit from a practice advisor which has been received appreciatingly from many members. Rod MacDonald scaled back in the spring of 2010 and shares the work with three other contractors, Brent Gough, Q.C., Jeff Scott and Victor Dietz, Q.C.

As part of the Benchers' plan to restructure the discipline process, I engaged in researching and setting out policy issues for discussion by the Benchers. A primary goal was to improve the discipline process by making it more timely and efficient. This is a national concern and Saskatchewan proactively moved ahead on this issue. I have been fortunate to have the opportunity to work with Legislative Services Branch Justice lawyers on amendments to *The Legal Profession Act, 1990* which came into force on July 1, 2010. I worked on drafting the Rules to implement the legislation amendments.

Our professional regulation team continues to cultivate awareness among members on issues of concern and has spoken at various CBA and local Bar meetings, as well as the Law School and CPLED Bar Course. In 2010, we participated in various CPD "webinars" on Ethical issues for Continuing Professional Development credits. We take approximately 140 calls annually from members seeking "informal ethics opinions" and welcome the opportunity to assist in a proactive way.

I thank our staff for their teamwork and the Benchers for their work and their support. I thank the membership for their cooperation and assistance in dealing with complaints. I invite members to contact us if they are involved in a complaint matter or if they have questions about a conduct or ethical issue or the complaints process.



2010 was a busy year... it was the first operational year of the Continuing Professional Development Program

by: Evert Van Olst

I had the honour and privilege of chairing the 2010 Admissions & Education Committee. Joining me on the committee for the 2010 calendar year were George Patterson (Vice Chair), Joel Hesje, Q.C., Greg Stevens, Lorraine St. Cyr and Loreley Berra. The committee was greatly assisted by the participation of Tom Schonhoffer, Q.C., Andrea Johnston and Sam Bergerman.

2010 was a busy year for the committee. Most significantly, it was the first operational year of the Continuing Professional Development Program (the Program) which took effect on January 1, 2010. Under the Program, all active members were required to complete 36 hours of credited CPD activities in the 3 year term commencing January 1, 2010 and ending December 31, 2012. Overall, the Program was well received by our members. We saw high attendance at CPD activities delivered by the Law Society as well as other activities offered by a wide variety of providers. The Program will continue to be monitored and improved as part of our goal to assist in maintaining the competency, integrity and high standards of the legal profession in Saskatchewan. We would like to thank all of our members for their cooperation and support throughout the first year of the Program.

During the past year, we also built on and consolidated the previous work of reintegrating education back into the Law Society. With Andrea Johnston as Director of Education and Sam Bergerman as Director of CPLED, the committee and Law Society Administration were able to move forward with the expanded “in-house” capability in the education and admission process generally and the use of new modes of delivery such as webinars, in particular.

On a national scale, the committee supported the Benchers as a whole on the ongoing national work on the Canadian Common Law Degree Task Force, the National Admissions Standards Project, interjurisdictional transfers, good character assessment and the Quebec Mobility Agreement.

The committee, or sub-committees of it, also held formal hearings, including a reinstatement application following a disbarment and contested applications for admission as a member from students-at-law. Reported decisions from these hearings can be found on the Law Society website under the names of the applicants involved. Finally, the committee assisted in the Law Society rule revision process in areas such as reinstatement, resignation and qualifications for mediators.

As I indicated at the beginning, it has been an honour to chair this committee with its dedicated group of Benchers and Administrative staff.

Discipline Executive Committee Report



In 2010, the Discipline Executive Committee was comprised of Peter Hryhorchuk, as Chairperson, and the following Vice Chairs:

- Tom Healey
- Rob Heinrichs
- Miguel Martinez
- Lorne Mysko
- Darcia Schirr, Q.C.
- Evert Van Olst
- Greg Walen, Q.C.
- Reginald Watson, Q.C.

President, Eileen Libby, Q.C. and Vice President, Paul Korpan, Q.C. were *ex officio* members of the committee.

Staff who attend meetings and assist the Discipline Executive Committee are:

- Donna Sigmeth, Deputy Director/Complaints Counsel
- Melanie Hodges Neufeld, Policy Counsel
- Jody Martin, Complaints Counsel
- Tim Huber, Legal Counsel

The “Discipline Committee” of the Law Society of Saskatchewan consists of all the Benchers and convenes at Convocations for the sentencing of members who have been convicted of conduct unbecoming and have not been sentenced by the Hearing Committee.

During 2010, the Discipline Executive Committee concluded a large portion of its work on restructuring and streamlining the discipline process that was begun in 2007

by: Peter Hryhorchuk

This practice will continue until all matters opened prior to July 1, 2010 are concluded. All discipline matters that commence thereafter will be dealt with by the Hearing Committees imposing the sentences.

The following is a brief summary of the statistics which provide a sample of the work done by the Discipline Committee:

- (a) 212 files opened
- (b) 65 referrals to the Chair or Vice Chair of the Discipline Executive Committee (34 members and 56 complaints)
- (c) 23 Discipline Investigation Committees appointed (regarding 23 members)
- (d) 5 Informal Conduct Review Committee appointments
- (e) 6 Discipline Hearings held
- (f) 8 Hearing dates set
- (g) No special fund payments

When reviewing the above noted statistics, please be aware that the discipline process normally takes place over a period of more than a year, therefore, it is difficult to compare our statistics from year to year.

During 2010, the Discipline Executive Committee concluded a large portion of its work on restructuring and streamlining the discipline process that was begun in 2007. In July of 2010, amendments to *The Legal Profession Act, 1990* were brought into force. As a result, the Discipline Executive Committee spent a great deal of time and effort revising and amending Law Society Rules in order to implement the changes outlined in the amendments

to the *Act*. Most of the Rule changes have now been completed.

The committee also continued its ongoing “due diligence” function in ensuring that all discipline matters are proceeded with as expeditiously as possible. In fulfilling its ongoing mandate to increase the transparency of the discipline process, the committee embarked on a discussion of policies to manage how, when and where decisions should be published and maintained.

The committee extends its thanks and appreciation to all the professional staff for their support.



I was pleased to chair the 2010 Ethics Committee. Joining me on the Committee were Paul Korpan, Q.C. (Vice Chair), Beth Bilson, Q.C., Heather Laing, Mike Megaw, Q.C., Stephen Orłowski, Lorraine St. Cyr and Laura Lacoursiere.

The responsibilities of the Ethics Committee are set out in Section 40 of *The Legal Profession Act, 1990*. More particularly, the Ethics Committee is to provide an avenue for the consideration of complaints against lawyers, provide ethics opinions sought by lawyers and others in relation to certain situations, and lastly, to review and develop recommendations for any changes to the Law Society of Saskatchewan's *Code of Professional Conduct*.

Most matters appear on the Ethics Committee agenda in two ways: firstly, by way of complaints through the Complaints Counsel, and secondly, by way of a request for ruling. The request for rulings are usually generated by lawyers wishing to have the Ethics Committee consider a point in contention. On occasion, the committee considers opinions on ethical issues referred to the committee by other committees, such as Discipline and Professional Standards.

After the committee has considered a particular matter that has been referred, it will provide its ruling. The ruling is the consensus of the

The committee worked throughout the year to finalize its approval of the Model Code of Professional Conduct ... it is anticipated that the Federation will have its final version presented in 2011

by: Gregory Walen, Q.C.

committee members, often after considerable debate. It is important to emphasize that a ruling of the committee is not binding. In a general sense, a ruling is provided for guidance to the particular members in question and to the profession as a whole. After considering a matter, however, the committee does have discretion to refer the matter to either the Professional Standards Committee or the Discipline Committee.

In the 2010 year, the committee considered 15 matters that were referred to it for a ruling. Three of these matters were referrals by lawyers to the committee to render a ruling on an ethical issue and 12 matters were referred to the committee by way of the complaints process.

Additionally, the committee worked throughout the year to finalize its approval of the *Model Code of Professional Conduct* developed by the Federation of Law Societies. It is anticipated that all Canadian Law Societies will be adopting the *Model Code of Professional Conduct* in one form or another (if they have not done so already). During the 2010 year, the Ethics Committee was awaiting the finalized version of two chapters of the *Model Code*, including the conflicts of interests section and the future harm section. In June of 2010, the Federation of Law Societies issued its reports with respect to these two chapters. These reports prove to be somewhat contentious, not only at the committee level, but also with the Benchers of the Law Society and other Law Societies.

The Federation of Law Societies itself is presently having difficulty with the final draft of the conflicts of interests chapter, as well as the future harm chapter. It is anticipated that the Federation will have its final version presented in 2011. It is hoped that the Ethics Committee will continue to work on the *Model Code of Professional Conduct* and be in a position to present a final recommendation to the Benchers in the near future.

I conclude by thanking the Law Society staff, and in particular, Donna Sigmeth, Melanie Hodges Neufeld and Jody Martin for their able assistance and for all their work during the year.



On behalf of the Insurance Committee, I offer the following comments with respect to the operations of SLIA for the year 2010/2011.

The committee commends and thanks the following individuals who work with us, namely Stephen McLellan, Ruth Armstrong, Kim Huber, Leanne Leibham and Tom Schonhoffer, Q.C. The Insurance Committee for 2010 was: George Patterson (Chair), Reg Watson, Q.C. (Vice Chair), Pat Kelly, Q.C., Mike Milani, Q.C., Joel Hesje Q.C. and Karl Bazin, Q.C.

The Insurance Committee's primary functions are:

- Overseeing claims management and settlements;
- Monitoring SLIA's financial position; and
- Recommending the insurance levy to the Benchers.

In order to oversee claims, the committee members review reports and recommendations made by insurance counsel and provide instructions on particular files as necessary.

In order to monitor SLIA's financial position, the committee members rely on quarterly financial reports and the annual audited financial statements.

We encourage the membership to review their excess insurance coverage ... The excess insurance must be in place when an insurable issue is discovered. That could be years down the road

by: George Patterson

In addition, SLIA's actuary also reports on the program's actuarial liabilities in relation to its assets.

In 2010, SLIA continued in a surplus position. SLIA's net assets have increased to \$17,285,000. After the actuarial reserve calculation of \$6,978,000, this leaves a surplus to \$10,307,000, an increase of \$604,000 over last year. This may seem an extraordinary amount. In the past, however, SLIA has been able to use approximately 15% of this surplus to significantly subsidize the membership's insurance levy. This level of subsidization will continue for 2011/2012, however, the cost of insurance to each member will increase to \$825. To keep this in perspective, the actuarial assessment of cost to each member in 2011/2012 is \$1,743. This is an increase of 18% over 2010/2011. Furthermore, insurance rates in BC and Alberta in 2010 were approximately \$1,600 and \$2,900, respectively.

This increase is due to a number of factors. Firstly, the membership will not be receiving a subsidy from CLIA which last year amounted to \$92 per member. We have no control over this rebate, as it depends on SLIA's subscriber account, which is currently below the required level. If the account goes below a certain level, there would be a retro-assessment and our surplus could be used to absorb some or all of such an assessment. I, for one, would rather have the funds available than go to the membership with a large increase when and if this happens.

Secondly, the main reason for this is that the severity of claims has been increasing significantly each year since 2007, and in a small province like Saskatchewan, a few large claims can have a significant impact.

The increase in severity is in part due to the buoyant Saskatchewan economy. The increase in land and housing prices and the size of Estates are impacting our claims experience. These are both areas in which we see a high number of claims relative to other areas of the law. We encourage the membership to review their excess insurance coverage. It is important to note that you cannot purchase excess insurance coverage just because you may be acting on a large file. The excess insurance must be in place when an insurable issue is discovered. That could be years down the road.

We are, however, extremely fortunate as a membership. Our financial position is strong and we anticipate our new professional development process will highlight problem areas before they become an insurance issue.



Tom Campbell, Chair
Evert Van Olst, Vice-Chair
Rob Heinrichs
Michael Megaw, Q.C.
Darcia Schirr, Q.C.
Lorne Mysko

The committee acknowledges and thanks the Law Society staff for their hard work and guidance, and in particular, Donna Sigmeth, Deputy Director/Complaints Counsel; Melanie Hodges Neufeld, Complaints Counsel; Jody Martin, Complaints Counsel; and John Allen, CA, Law Society Auditor.

The committee would also like to give special thanks to Roderick MacDonald, Q.C., who has been the Practice Management Advisor for the Law Society since the Practice Advisor Program was instituted in 2003. Mr. MacDonald, who is a senior practitioner and consultant from Radville, Saskatchewan, has extensive knowledge and experience in office management. Mr. MacDonald has scaled back his involvement as Practice Advisor for the Law Society to free up more time for some of his other interests and we wish him all the best in his future endeavours.

The committee welcomes and acknowledges the work of three new Practice Advisors, being Victor Dietz, Q.C., W. Brent Gough, Q.C. and Jeff Scott.

The primary function of the Professional Standards Committee is to ensure that the standards of competency prescribed by the Benchers are upheld

by: Thomas Campbell

The primary function of the Professional Standards Committee is to ensure that the standards of competency prescribed by the Benchers are upheld. The committee's mandate is to educate and assist members of the profession to ensure that the members are competent in the practice of law. This function is "proactive" in that it prevents members from developing poor practice management or continuing in poor practice standards that could bring them before the Disciplinary Committee.

If Complaints Counsel determines on the facts of a complaint that there is an issue of competence, the matter will be referred to the Chair or Vice-Chair of the Professional Standards Committee and if warranted, the Chair or Vice-Chair shall appoint a Practice Management Advisor to act as a Professional Standards Investigation Committee to conduct law office management reviews and member file reviews.

The same process is followed when a member meets the requirements of the Practice Review Program. The criteria includes new sole practitioners, a number of Saskatchewan Legal Insurance Association claims, the number, nature, seriousness and time frame of complaints, the number of accounting issues, concerns raised by the Courts and/or members, and the failure to meet mandatory professional development requirements.

When a member is suspended or disbarred, a Practice Review may be ordered upon the member's reinstatement.

In 2010, the Professional Standards Committee received 10 referrals which could be classified as "complaints driven." In addition to this, 12 members were enrolled in the Practice Review Program for new/solo/small firms. A Practice Advisor was appointed on 19 occasions.

The Practice Review Program is for the most part, voluntary, and the committee has received positive feedback from most of the members that have dealt with it. Past experience has shown that those who decline to participate often end up later being the subject of the disciplinary process, so the merits of the program are self-evident.

Lastly, I would like to thank all members of the committee and the Executive, Eileen Libby, Q.C. (President) and Paul Korpan, Q.C. (Vice-President).



2010 was a year of reaping the benefits of spending more wisely and making real plans for branch library collections.

We started the print material rationalization in 2009 by cancelling nearly all looseleaf subscriptions and eliminating duplicate copies of topical law reports series. We started the contents only purchasing plan for looseleafs, updating contents on an annual basis for most titles in Regina and Saskatoon, and cascading current materials to branch collections. These actions alone resulted in a 30% reduction in print costs.

While we cut back on print costs, we expanded spending for electronic resources. In 2010, we added several new products to the Members' Desktop: *O'Brien's Forms Online*, *Criminal Spectrum*, *Western Decisions*, *Irwin Law e-Library*, *Electronic Discovery in Canada* (e-book). The Rural Lawyers LawSource WestlawCarswell Program ended in February 2010 due to low participation and high annual costs. This program was implemented in Spring 2004 for members located outside of Regina and Saskatoon. Around 390 members were eligible for this program and after five years usage, had not grown beyond 80 users, making the annual subsidy per user around \$1,200. Negotiations with

Saskatchewan is the only Law Society that provides several subscription services to all members' desktops

by: Toby Willis-Camp

Thomson Reuters (formerly Carswell) to open this program to small firms (5 and fewer lawyers) at a reasonable price and improved service level were not successful.

To replace the LawSource program, the Library purchased access to LexisNexis Quicklaw and Halsbury's Laws of Canada for members in private practice small firms (firms with 5 and fewer lawyers), regardless of location. The Library is carrying this cost, as it did with the Rural LawSource program; however, this subscription is available to 470 members. By the end of 2010, 153 passwords had been assigned, and 101 were used, making the annual subsidy per user around \$488.

Saskatchewan is the only Law Society that provides several subscription services to all members' desktops. We are also the only jurisdiction to offer the LexisNexis QuickLaw and Halsbury's Laws of Canada resources to sole practitioners and small firms. However, this could all change by the end of 2012. Thomson Reuters purchased Canada Law Book in September 2010. The licensing cost and access to the CLB products (*Criminal Spectrum*, *O'Briens Online*, and *Western Decisions*) are fixed until December 2012. By that date, Thomson Reuters will have new plans implemented for those products and we may not be able to afford them. 2011 will be spent searching for a way to continue delivering these products to the desktop.

We had planned to do more work in the branch libraries in 2010, however, many of these plans were set aside to address immediate needs during courthouse renovations in

Lloydminster, Meadow Lake and Estevan. The Wynyard and Weyburn library collections remained unavailable the entire year due to ongoing renovations. Library staff visited the Battleford and Moose Jaw libraries and a volunteer from the local bar has stepped forward to assist in Swift Current. An assistant was hired for the Battleford library. She will travel to Meadow Lake and Lloydminster as needed. Finally, an assistant was hired for the Moose Jaw library and she will travel to Estevan, Weyburn and Swift Current as needed. The changing nature of the branch collections has meant a reduction in hours needed to maintain the collection properly. We are currently taking road trips and combining basic maintenance with more complex tasks where possible. The weather and number of staff available are the only restrictions to these visits. A circuit librarian approach for quarterly visits may be the solution for the work that is needed in most branches. If we lose access to most of the e-resources that currently go to the Members' Desktop, these print collections are going to be vital to the local bar's practice.

We at the Law Society Libraries are proud to work in support of the law profession and access to justice for the public. We want to say thank you to the Benchers for their counsel on all things information management during the past year.

2010 Quick Facts

- 54,947 visitors came every month to the Law Society website.
- Law Society members checked out 2,485 books from Regina and Saskatoon. The online catalogue was searched 19,051 times.
- 284 new textbooks were added to the collection, 250 looseleaf titles updated in Regina and Saskatoon, and 14 looseleaf titles updated in six branch libraries.
- Librarians answered 951 reference questions from members and 164 reference questions from the public. 6,145 online research guides and pathfinders were downloaded.
- Caselaw and legislation research databases were searched 30,369 times.
- Librarians were involved with delivering specialized training through lectures, webinars and individual sessions:
 - Provincial Judges Conference May 2010 (as trainers and facilitators, CanLII lecture);
 - Saskatchewan Legal Aid Conference September 2010 (Online legal research services); and
 - the Bar Admissions course chats August 2010 (LSS website and resources).

Benchers

Loreley Berra

Beth Bilson, Q.C.

Thomas Campbell

Thomas Healey

Robert Heinrichs

Joel Hesje, Q.C.

Peter Hryhorchuk

Paul Korpan, Q.C. (Vice-President)

Laura Lacoursiere

Heather Laing

Eileen Libby, Q.C. (President)

Miguel Martinez

Michael Megaw, Q.C.

Lorne Mysko

Stephen Orłowski

George Patterson

Darcia Schirr, Q.C.

Peggy Schmeiser (until April 2010)

Deb Schmidt (until April 2010)

Lorraine St. Cyr

Greg Stevens

Della Stumborg

Evert Van Olst

Gregory Walen, Q.C.

Reginald Watson, Q.C.



Professional Staff

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Donna Sigmeth – Deputy Director/Complaints Counsel

Melanie Hodges Neufeld – Complaints Counsel

Jody Martin – Complaints Counsel

Tim Huber – Counsel

Stephen McLellan – Counsel, SLIA

John Allen, CA – Auditor/Inspector

Andrea Johnston, Director of Education

Sam Bergerman, Director of Bar Admissions

Toby Willis-Camp – Director of Libraries

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Tim Huber
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Paul Korpan, Vice-President
Non-Bencher Member
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Non-Bencher Members
Karl Bazin
Michael Milani
Pat Kelly
Stephen McLellan
Thomas Schonhoffer



Law Society of Saskatchewan

Financial Statements

December 31, 2010

Management's Responsibility for Financial Statements


The accompanying financial statements of the **Law Society of Saskatchewan** have been prepared by the Society's management in accordance with Canadian generally accepted accounting principles and necessarily include some amounts based on informed judgement and management estimates.

To assist management in fulfilling its responsibilities, a system of internal controls has been established to provide reasonable assurance that the financial statements are accurate and reliable and that assets are safeguarded.

The Benchers have delegated certain responsibilities to the Executive Committee, including the responsibility for reviewing the annual financial statements and meeting with management, internal auditors and external auditors on matters relating to the financial reporting process and the Society's system of controls.

The Executive Committee has reviewed and approved these financial statements.

These financial statements have been examined by the independent auditors, **Virtus Group LLP**, and their report is presented separately.


Thomas J. Schonhoffer, Q.C.
Executive Director


Ruth Armstrong
Office Administrator/Accounting

INDEPENDENT AUDITORS' REPORT**To the Members,
Law Society of Saskatchewan**

We have audited the accompanying financial statements of **Law Society of Saskatchewan** which comprise the statement of financial position as at **December 31, 2010** and the statements of operations and surplus and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the Society's preparation and fair presentation circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Society as at **December 31, 2010** and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

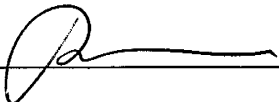
**Regina, Saskatchewan
April 15, 2011**


Virtus Group LLP
Chartered Accountants

The Law Society of Saskatchewan
Statement of Financial Position
As of December 31, 2010
(with comparative figures for 2009)

	Consolidated General Fund (Schedule 1)	Special Fund	Consolidated Funds 2010 2009	
Assets				
Current Assets				
Cash and cash equivalents (Note 4)	\$ 2,816,382	\$ 448,605	\$ 3,264,987	\$ 3,990,119
Accounts receivable	239,335	734	240,069	226,535
Receivable from Saskatchewan Lawyers' Insurance Association Inc. (Note 5)	64,512	-	64,512	30,808
Receivable from Pro Bono Law Saskatchewan Inc. (Note 5)	28,583	-	28,583	(3,048)
Prepaid expenses	21,645	-	21,645	2,825
Inter-fund receivable (payable)	15,036	(15,036)	-	-
	3,185,493	434,303	3,619,796	4,247,239
Investments (Note 6)	3,587,181	2,354,598	5,941,779	4,161,434
Property and equipment (Note 7)	267,461	-	267,461	312,499
Trust assets	2,834	-	2,834	6,118
	\$ 7,042,969	\$ 2,788,901	\$ 9,831,870	\$ 8,727,290
Liabilities and Members' Equity				
Current liabilities				
Accounts payable and accrued liabilities	\$ 439,774	\$ 3,876	\$ 443,650	\$ 469,023
Annual fees received in advance	2,555,219	233,233	2,788,452	2,635,061
	2,994,993	237,109	3,232,102	3,104,084
Trust liabilities	2,834	-	2,834	6,118
	2,997,827	237,109	3,234,936	3,110,202
Members' Equity				
Unrestricted surplus	4,045,142	2,551,792	6,596,934	5,617,088
	\$ 7,042,969	\$ 2,788,901	\$ 9,831,870	\$ 8,727,290
Unclaimed trust fund (Note 3)				
Commitments (Note 8)				

Approved by:

 Bencher

 Bencher

The Law Society of Saskatchewan
Statement of Operations and Surplus
For the year ended December 31, 2010
(with comparative figures for the year ended December 31, 2009)

	Consolidated General Fund (Schedule 2)	Special Fund	Consolidated Funds	
			2010	2009
Revenues				
Admission fees	\$ 59,514	\$ -	\$ 59,514	\$ 48,303
AG library grant	5,000	-	5,000	10,000
Annual fees	2,483,654	228,375	2,712,029	2,827,658
Contribution from SKLESI (Note 5)	338,060	-	338,060	-
Copying and computer searches	6,755	-	6,755	6,085
CPD Revenue	337,214	-	337,214	39,561
CPLIED Revenue	161,822	-	161,822	129,728
Grant from SLIA	56,000	-	56,000	56,000
Investment income	176,728	117,625	294,353	188,831
Law Foundation grant	781,056	-	781,056	771,472
Legal publications	134,259	-	134,259	148,542
Management fees - Bar Course	30,287	-	30,287	-
Management fees - CPD	48,670	-	48,670	-
Management fees - Pro Bono Law Saskatchewan Inc.	61,132	-	61,132	61,132
Management fees - Saskatchewan Lawyers' Insurance Association Inc. (Note 5)	99,600	-	99,600	99,600
Recovery of claims and legal expense	-	-	-	5,062
Sundry	138,196	3,384	141,580	84,617
Unrealized gain (loss) on investments	92,488	9,976	102,464	250,476
	<u>5,010,435</u>	<u>359,360</u>	<u>5,369,795</u>	<u>4,727,067</u>
Expenses				
Amortization	86,660	-	86,660	59,593
Annual meeting	1,723	-	1,723	2,016
Bad debts	10,000	-	10,000	120,489
Bar course and CPD	290,455	-	290,455	115,239
Benchers and President	249,703	-	249,703	244,239
Books and reference material	633,140	-	633,140	534,121
Claims	-	-	-	31,794
Contribution to SKLESI (Note 5)	-	-	-	150,000
Copier	7,198	-	7,198	7,630
Distribution	26,150	-	26,150	37,265
Grants and subscriptions	129,624	-	129,624	138,076
Insurance	9,145	142,975	152,120	152,059
Management fees & expenses	78,957	-	78,957	-
Materials and supplies	37,800	-	37,800	38,974
Membership information	13,241	-	13,241	11,362
Miscellaneous	101,537	-	101,537	82,393
Office and equipment rentals	215,765	1,030	216,795	217,625
Professional services	221,850	5,386	227,236	274,298
Salaries	1,950,515	92,463	2,042,978	1,762,115
Seminars and courses	2,374	-	2,374	7,715
Spot audit	-	2,116	2,116	4,176
Telephone and communications	30,259	-	30,259	19,895
Travel	7,883	-	7,883	8,368
Trustee fees	-	42,000	42,000	47,167
	<u>4,103,979</u>	<u>285,970</u>	<u>4,389,949</u>	<u>4,066,609</u>
Excess of revenues for the year	906,456	73,390	979,846	660,458
Surplus - Beginning of year	3,138,686	2,478,402	5,617,088	4,956,630
Surplus - End of year	<u>\$ 4,045,142</u>	<u>\$ 2,551,792</u>	<u>\$ 6,596,934</u>	<u>\$ 5,617,088</u>

The Law Society of Saskatchewan
Statement of Cash Flows
For the year ended December 31, 2010
(with comparative figures for the year ended December 31, 2009)

	Consolidated Funds	
	2010	2009
Cash provided by (used in) operating activities:		
Excess of revenues for the year	\$ 979,846	\$ 660,458
Items not involving cash:		
Amortization	86,660	59,593
Unrealized loss (gain) on investments	(102,464)	(250,476)
Gain on disposal of investments	(14,078)	(4,945)
	<u>949,964</u>	<u>464,630</u>
Non-cash operating working capital (Note 9)	30,329	293,997
	<u>980,293</u>	<u>758,627</u>
Cash provided by (used in) investing activities:		
Additions to investments	(2,060,803)	(639,307)
Proceeds on the disposal of investments	397,000	225,000
Additions to property and equipment	(41,622)	(191,350)
	<u>(1,705,425)</u>	<u>(605,657)</u>
Increase (decrease) in cash and cash equivalents	(725,132)	152,970
Cash and cash equivalents - beginning of year	<u>3,990,119</u>	<u>3,837,149</u>
Cash and cash equivalents - end of year	<u>\$ 3,264,987</u>	<u>\$ 3,990,119</u>

The Law Society of Saskatchewan
Notes to the Financial Statements
For the year ended December 31, 2010

(with comparative figures for the year ended December 31, 2009)

1. Governing statutes and nature of operations

The Law Society of Saskatchewan ("the Society") is incorporated under *The Legal Profession Act, 1990*. The Society's principal functions include overseeing the education, admission and conduct of members practicing law in the Province of Saskatchewan.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. The financial statements reflect the following policies:

Financial instruments - recognition and measurement

Financial assets and financial liabilities are recorded on the statement of financial position when the Society becomes party to the contractual provisions of the financial instrument. Financial instruments are classified according to their characteristics, management objectives or the choice of category in certain circumstances.

All financial assets must be classified as held for trading, held to maturity, loans and receivables or available for sale. Financial liabilities must be classified as held for trading or other liabilities. Any financial asset or financial liability may be designated as held for trading upon initial recognition.

Under this standard, all financial instruments are required to be measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods is dependent on the instrument's classification. Transaction costs are capitalized on initial recognition, except for financial instruments designated as held for trading. In those cases, transaction costs are expensed.

Financial assets and financial liabilities held for trading are measured at fair value, with changes in those fair values recognized in net income. Financial assets classified as held to maturity, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. Available for sale financial assets are measured at fair value, with unrealized gains and losses recognized in member equity. If fair value is not reliably determinable, available for sale financial assets are measured at cost.

Cash and cash equivalents

Cash and cash equivalents are classified as held for trading and measured at fair value. The Society includes in cash and cash equivalents only highly liquid investments with a maturity of less than three months that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

Accounts receivable

Accounts receivable, receivable from SLIA and receivable from Pro Bono Law Saskatchewan Inc. are classified as loans and receivables and are measured at amortized cost.

The Law Society of Saskatchewan
Notes to the Financial Statements
For the year ended December 31, 2010
(with comparative figures for the year ended December 31, 2009)

2. Summary of significant accounting policies continued

Investments

Investments are classified as held for trading and recorded at fair value. Fair value is determined by using quoted market prices, generally the bid price.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are classified as other liabilities and are measured at amortized cost.

The Society has chosen to continue to apply the requirements of CICA Handbook 3861 - Financial Instruments Disclosure and Presentation.

Fund accounting

The Society uses accounting procedures in which a self-balancing group of accounts is provided for each accounting entity established by legal, contractual or voluntary action. The Society currently has the following funds:

Consolidated General

The Consolidated General Fund is used for general operations and administration of the Society.

Special Fund

The Special Fund was established by *The Legal Profession Act, 1990*, to compensate persons who suffer pecuniary loss as a result of misappropriation by members of the Society. The Benchers administer the fund and amounts are accrued based on estimates provided by the Society's legal counsel.

Revenue recognition

The Society uses the deferral fund accounting method to recognize revenue. Annual fees received in advance are deferred and recognized as revenue over the applicable membership period. Grant revenue is recognized in the proper period when the funds are received.

Income taxes

The Society is exempt from income taxes under Section 149(1)(l) of *The Income Tax Act*.

Property and equipment

Property and equipment are recorded in the Consolidated General Fund at cost, net of accumulated amortization. Amortization is provided on the straight-line basis over the estimated useful life of the assets at the following rates:

Computer equipment	3 years
Furniture and equipment	6 years
Leasehold improvements	10 years
Membership Database	5 years
Miscellaneous Capital Items	5 years

**The Law Society of Saskatchewan
Notes to the Financial Statements
For the year ended December 31, 2010**

(with comparative figures for the year ended December 31, 2009)

3. Unclaimed trust fund

This fund was established by *The Legal Profession Act, 1990*, to allow members to pay trust moneys to the Society in cases where they cannot locate the beneficiary. Interest earned on the amounts held by the fund is paid to the Law Foundation. At December 31, 2010, the Society had trust assets and liabilities relating to this fund in the amount of \$334,327 (2009 - \$321,114) under its administration. As these funds are held in trust on behalf of the beneficiary, they are not recorded in these financial statements.

4. Cash and cash equivalents

Cash and cash equivalents include:

	<u>2010</u>	<u>2009</u>
Cash	\$ 2,635,738	\$ 3,572,461
Money Market Fund	629,249	417,658
	<u>\$ 3,264,987</u>	<u>\$ 3,990,119</u>

Money Market Fund consists of units in a pooled fund managed by Greystone Managed Investment Inc. The carrying value of the funds approximates fair values.

5. Related party transactions

During the year, the Society contributed \$0 (2009 - \$150,000) to the Saskatchewan Legal Education Society Inc. ("SKLESI"), a corporation created by the Society to conduct post law school legal education in Saskatchewan in order to maintain a high standard of practice in the province. During the year the operations of SKLESI were wound up into the General Fund.

The Society is the sole member of the Saskatchewan Lawyers' Insurance Association Inc. ("SLIA"). In addition, SLIA's Board consists of Benchers of the Society, giving the Society effective control over SLIA. SLIA is incorporated under the Non-Profit Corporations Act of Saskatchewan, and its primary purpose is to act as a member of a reciprocal exchange providing professional liability insurance to the members of the Society.

SLIA has not been consolidated in the Society's financial statements. Financial statements for SLIA as at June 30, 2010 and 2009 and for the years then ended report the following:

	<u>2010</u>	<u>2009</u>
Financial position		
Total assets	<u>\$ 18,490,445</u>	<u>\$ 17,697,045</u>
Total liabilities	8,567,242	7,936,201
Total equity	<u>9,923,203</u>	<u>9,760,844</u>
	<u>\$ 18,490,445</u>	<u>\$ 17,697,045</u>

**The Law Society of Saskatchewan
Notes to the Financial Statements
For the year ended December 31, 2010**

(with comparative figures for the year ended December 31, 2009)

5. Related party transactions continued

	<u>2010</u>	<u>2009</u>
Results of operations		
Total revenues	\$ 1,627,505	\$ 450,692
Total expenditures	1,465,146	2,479,917
Excess of revenues over expenditures	<u>\$ 162,359</u>	<u>\$ (2,029,225)</u>
Cash flows		
Cash provided by (used in) operating activities	\$ 314,204	\$ 526,237
Cash provided by (used in) investing activities	(722,146)	(3,615,702)
Cash provided by financing activities	57,249	12,444
Increase in cash	<u>\$ (350,693)</u>	<u>\$ (3,077,021)</u>

During the year, the Society provided management services to SLIA, for which it was paid a management fee of \$99,600 (2009 - \$99,600). Also, during the year \$56,000 (2009 - \$56,000) was contributed to the Society's libraries from SLIA. Included in accounts receivable is a balance of \$78,383 (2009 - \$37,178) and included in accounts payable is a balance of \$13,871 (2009 - \$6,370) related to transactions with SLIA. All amounts due to or from SLIA represent transactions in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the year, the Society provided management services to Pro Bono Law Saskatchewan Inc. ("PBLs"), for which it was paid fees of \$61,132 (2009 - \$61,132). Included in accounts receivable is a balance of \$53,703 (2009 - \$26,066) and included in accounts payable is a balance of \$25,120 (2009 - \$29,115) related to transactions with PBLs. All amounts due to or from PBLs represent transactions in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

6. Investments

	<u>2010</u>	<u>2009</u>
Investments classified as held for trading:		
Fixed Income Pooled Fund	\$ 3,798,698	\$ 2,707,250
Canadian Equity Pooled Fund	721,577	537,731
US Equity Pooled Fund	693,896	483,746
EAFE Plus Equity Fund	727,608	432,707
	<u>\$ 5,941,779</u>	<u>\$ 4,161,434</u>

The above noted investments are managed by Greystone Managed Investment Inc.

The Law Society of Saskatchewan
Notes to the Financial Statements
For the year ended December 31, 2010

(with comparative figures for the year ended December 31, 2009)

7. Property and equipment

	2010		2009	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment & software	\$ 228,268	\$ 208,854	\$ 19,414	\$ 167,541
Furniture and fixtures	208,143	181,251	26,892	42,798
Leasehold improvements	141,695	54,129	87,566	102,160
Membership database	151,269	30,254	121,015	-
Miscellaneous capital items	15,717	3,143	12,574	-
	<u>\$ 745,092</u>	<u>\$ 477,631</u>	<u>\$ 267,461</u>	<u>\$ 312,499</u>

8. Commitments

The Society leases premises and equipment under agreements requiring aggregate minimum payments over the next eight years as follows:

2011	\$ 135,200
2012	114,700
2013	88,800
2014	80,900
2015	80,900
2016	80,900
2017	80,900
2018	27,000

9. Non-cash operating working capital

Details of net change in each element of working capital relating to operations excluding cash are as follows:

(Increase) decrease in current assets:	2010	2009
Accounts receivable	\$ (13,534)	\$ 138,092
Receivable from SLIA	(33,704)	19,853
Receivable from PBLs	(31,631)	77,518
Prepaid expenses	(18,820)	5,619
Inter-fund receivable (payable)	-	-
	<u>(97,689)</u>	<u>241,082</u>
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	(25,373)	184,752
Annual fees received in advance	153,391	(131,837)
	<u>128,018</u>	<u>52,915</u>
	<u>\$ 30,329</u>	<u>\$ 293,997</u>

The Law Society of Saskatchewan
Notes to the Financial Statements
For the year ended December 31, 2010
(with comparative figures for the year ended December 31, 2009)

10. Capital

The Society's objective when managing capital is to meet its current objectives as set out within its current strategic operating plan within its annual operating budget. This objective has remained unchanged from the prior period.

The Society's capital consists of net assets.

The Society manages its capital and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital of the Society it may revise the amount of funding provided for projects, change the scope of the programs delivered or adjust spending.

There are no restrictions on the Society's capital except as otherwise disclosed in these financial statements.

11. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation of the current period.

The Law Society of Saskatchewan
 Schedule 1 - Schedule of Assets and Liabilities and Members' Equity - Consolidated General Fund
 As of December 31, 2010
 (with comparative figures for 2009)

	General Fund	Library Fund	CPLED Fund	CPD Fund	LRS Fund	Self Insurance Fund	Consolidated Funds	
							2010	2009
Assets								
Current Assets								
Cash and cash equivalents (note 4)	\$ 2,780,341	\$ 555	\$ 200	\$ -	\$ -	\$ 35,286	\$ 2,816,382	\$ 3,678,533
Accounts receivable	166,276	71,766	2,195	(902)	-	-	239,335	225,942
Receivable from SLIA (note 5)	64,512	-	-	-	-	-	64,512	30,808
Receivable from PBLIS	28,583	-	-	-	-	-	28,583	(3,048)
Prepaid expenses	21,645	-	-	-	-	-	21,645	2,825
Inter-fund receivable (payable)	6,573,145	(5,854,749)	(46,555)	(36,082)	(201,773)	(418,950)	15,036	188,301
	9,634,502	(5,782,428)	(44,160)	(36,984)	(201,773)	(383,664)	3,185,493	4,123,361
Investments (note 6)	3,204,095	-	-	-	-	383,086	3,587,181	1,577,995
Property and equipment (note 7)	257,308	10,153	-	-	-	-	267,461	312,499
Trust assets	2,739	95	-	-	-	-	2,834	6,118
	\$ 13,098,644	\$ (5,772,180)	\$ (44,160)	\$ (36,984)	\$ (201,773)	\$ (578)	\$ 7,042,969	\$ 6,019,973
Liabilities and Members' Equity								
Current liabilities								
Accounts payable and accrued liabilities	\$ 187,823	\$ 211,855	\$ 600	\$ 39,496	\$ -	\$ -	\$ 439,774	\$ 468,483
Annual fees received in advance	2,476,819	-	78,400	-	-	-	2,555,219	2,406,686
	2,664,642	211,855	79,000	39,496	-	-	2,994,993	2,875,169
Trust liabilities	2,739	95	-	-	-	-	2,834	6,118
	2,667,381	211,950	79,000	39,496	-	-	2,997,827	2,881,287
Members' Equity								
Unrestricted surplus	10,431,263	(5,984,130)	(123,160)	(76,480)	(201,773)	(578)	4,045,142	3,138,686
	\$ 13,098,644	\$ (5,772,180)	\$ (44,160)	\$ (36,984)	\$ (201,773)	\$ (578)	\$ 7,042,969	\$ 6,019,973

The Law Society of Saskatchewan
 Schedule 2 - Schedule of Revenues and Expenses - Consolidated General Fund
 For the year ended December 31, 2010
 (with comparative figures for the year ended December 31, 2009)

	Administration Department	Library Department	CPLED Department	CPD Department	Lawyer Referral	Self Insurance Fund	2010	2009
Revenues								
Admission fees	\$ 59,514	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,514	\$ 48,303
AG library grant	-	5,000	-	-	-	-	5,000	10,000
Annual fees	2,483,654	-	-	-	-	-	2,483,654	2,601,603
Contribution from SKLESI (Note 5)	338,060	-	-	-	-	-	338,060	-
Copying and computer searches	-	6,755	-	-	-	-	6,755	6,085
CPD Revenue	-	-	-	337,214	-	-	337,214	39,561
CPLED Revenue	-	-	161,822	-	-	-	161,822	129,728
Grant from SLIA (Note 5)	-	56,000	-	-	-	-	56,000	56,000
Investment income	177,306	-	-	-	-	(578)	176,728	83,589
Law Foundation grant	-	679,300	101,756	-	-	-	781,056	771,472
Legal publications	-	134,259	-	-	-	-	134,259	148,542
Management fees - Bar Course	30,287	-	-	-	-	-	30,287	-
Management fees - CPD	48,670	-	-	-	-	-	48,670	-
Management fees - PBLS	61,132	-	-	-	-	-	61,132	61,132
Management fees - SLIA (Note 5)	99,600	-	-	-	-	-	99,600	99,600
Sundry	137,853	343	-	-	-	-	138,196	84,616
Unrealized gain (loss) on investments	92,488	-	-	-	-	-	92,488	153,381
	3,528,564	881,657	263,578	337,214	-	(578)	5,010,435	4,293,612
Expenses								
Amortization	74,297	12,363	-	-	-	-	86,660	59,593
Annual meeting	1,723	-	-	-	-	-	1,723	2,016
Bad debts	-	10,000	-	-	-	-	10,000	65,916
Bar course and CPD	-	-	141,650	148,805	-	-	290,455	115,239
Benchers and President	238,773	336	6,654	3,940	-	-	249,703	244,239
Books and reference material	-	633,140	-	-	-	-	633,140	534,121
Contribution to SKLESI (Note 5)	-	-	-	-	-	-	-	150,000
Copier	-	7,198	-	-	-	-	7,198	7,630
Distribution	20,239	4,203	1,639	69	-	-	26,150	37,265
Grants and subscriptions	129,624	-	-	-	-	-	129,624	138,076
Insurance	2,104	7,041	-	-	-	-	9,145	7,867
Management Fees & Expenses	-	-	30,287	48,670	-	-	78,957	-
Materials and supplies	27,901	8,451	1,360	88	-	-	37,800	38,974
Membership information	13,241	-	-	-	-	-	13,241	11,362
Miscellaneous	90,618	2,845	4,746	3,328	-	-	101,537	82,393
Office and equipment rentals	204,991	723	10,051	-	-	-	215,765	216,462
Professional services	147,124	72,218	104	2,404	-	-	221,850	272,298
Salaries	1,128,383	524,884	147,851	149,397	-	-	1,950,515	1,674,115
Seminars and courses	-	2,374	-	-	-	-	2,374	7,715
Telephone and communications	11,963	16,052	2,124	120	-	-	30,259	19,895
Travel	-	7,883	-	-	-	-	7,883	8,368
	2,090,981	1,309,711	346,466	356,821	-	-	4,103,979	3,693,544
Excess of revenues (expenses) for the year	\$ 1,437,583	\$ (428,054)	\$ (82,888)	\$ (19,607)	\$ -	\$ (578)	\$ 906,456	\$ 600,068

SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.

REGINA, SASKATCHEWAN

**FINANCIAL STATEMENTS
JUNE 30, 2010**

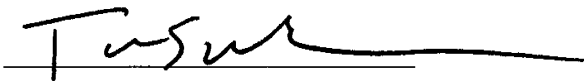
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of **Saskatchewan Lawyers' Insurance Association Inc.** have been prepared by the Association's management in accordance with Canadian generally accepted accounting principles and necessarily include some amounts based on informed judgement and management estimates.

To assist management in fulfilling its responsibilities, a system of internal controls has been established to provide reasonable assurance that the financial statements are accurate and reliable and that assets are safeguarded.

The Directors have reviewed and approved these financial statements.

These financial statements have been examined by the independent auditors, **Virtus Group LLP**, and their report is presented separately.

A handwritten signature in black ink, appearing to read 'T. Schonhoffer', written over a horizontal line.

Thomas J. Schonhoffer, Q.C.

Executive Director

AUDITORS' REPORT

To the Members

Saskatchewan Lawyers' Insurance Association Inc.

We have audited the statement of financial position of **Saskatchewan Lawyers' Insurance Association Inc.** as at **June 30, 2010** and the statements of operations and members' equity and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at **June 30, 2010** and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan

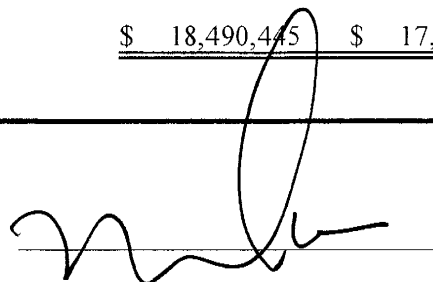
September 15, 2010

Virtus Group LLP
Chartered Accountants

SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2010
(with comparative figures for 2009)

ASSETS	2010	2009
Cash and short term investments (Note 3)	\$ 2,520,712	\$ 2,871,405
Investments (Note 4)	15,668,547	14,541,189
Accounts receivable	31,885	29,052
Accrued interest receivable	269,301	255,399
	\$ 18,490,445	\$ 17,697,045
LIABILITIES		
Accounts payable and accrued liabilities	\$ 295,055	\$ 192,592
Due to Canadian Lawyers' Insurance Association (Note 5)	244,709	195,685
Annual fees received in advance	934,650	815,100
Provision for unpaid claims and expenses (Note 6)	7,020,249	6,717,494
Due to The Law Society of Saskatchewan	72,579	15,330
	8,567,242	7,936,201
MEMBERS' EQUITY		
Accumulated financial asset valuation balance	-	-
Members' equity	9,923,203	9,760,844
	\$ 18,490,445	\$ 17,697,045

APPROVED BY THE DIRECTORS:



SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.
STATEMENT OF OPERATIONS AND MEMBERS' EQUITY
FOR THE YEAR ENDED JUNE 30, 2010
(with comparative figures for the year ended June 30, 2009)

	<u>2010</u>	<u>2009</u>
Revenues		
Annual premiums	\$ 970,443	\$ 646,976
Current year premiums paid to CLIA	(459,463)	(403,295)
Retroassessment credit received from CLIA (Note 5)	127,317	125,671
Net premiums	<u>638,297</u>	<u>369,352</u>
Claims expense (Note 7)		
Claims / indemnity	564,664	1,545,542
Counsel and legal fees	419,652	475,318
Deficiency of premiums over claims expense	<u>(346,019)</u>	<u>(1,651,508)</u>
Administrative expenses		
Actuarial study	20,478	17,030
Committee meetings	3,009	1,009
LCL and library grants	115,000	112,760
Loss prevention	-	1,369
Management fees (Note 8)	99,600	99,600
Miscellaneous	24	1,801
Office and general	14,091	24,014
Practice advisor	48,124	34,054
Professional services	64,580	60,874
Wages and benefits	115,924	106,546
	<u>480,830</u>	<u>459,057</u>
Deficiency of revenues over expenses from operations	<u>(826,849)</u>	<u>(2,110,565)</u>
Other income (expenses)		
Gain on disposal of investments	4,188	61,515
Unrealized gain (loss) on investments	352,000	(744,489)
Investment income	633,020	764,314
	<u>989,208</u>	<u>81,340</u>
Excess (deficiency) of revenues over expenses	162,359	(2,029,225)
Members' equity- beginning of year	<u>9,760,844</u>	<u>11,790,069</u>
Members' equity- end of year	<u>\$ 9,923,203</u>	<u>\$ 9,760,844</u>

SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010
(with comparative figures for the year ended June 30, 2009)

	<u>2010</u>	<u>2009</u>
Cash provided by (used in) operating activities:		
Excess (deficiency) of revenues over expenses	\$ 162,359	\$ (2,029,225)
Items not involving cash:		
- Gain on disposal of investments	(4,188)	(61,515)
- Increase in provision for unpaid claims and expenses	302,755	1,441,183
- Unrealized (gains) losses on investments	(352,000)	744,489
	108,926	94,932
Non-cash operating working capital (Note 9)	205,278	431,305
	314,204	526,237
Cash provided by (used in) investing activities:		
Due to Canadian Lawyers' Insurance Association	49,024	671,928
Additions to investments	(1,055,170)	(6,291,630)
Proceeds on disposal of investments	284,000	2,004,000
	(722,146)	(3,615,702)
Cash provided by (used in) financing activities:		
Increase in due to The Law Society of Saskatchewan	57,249	12,444
	(350,693)	(3,077,021)
Decrease in cash		
Cash position - beginning of year	2,871,405	5,948,426
Cash position - end of year	\$ 2,520,712	\$ 2,871,405

SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(with comparative figures for the year ended June 30, 2009)

1. Nature of operations

The Saskatchewan Lawyers' Insurance Association Inc. ("SLIA") is incorporated under the Non-Profit Corporations Act of Saskatchewan. Its primary purpose is to provide professional liability insurance to the members of the Law Society of Saskatchewan. SLIA has been a member of the Canadian Lawyers' Insurance Association ("CLIA"), a reciprocal insurance exchange, since policy year 1988/89. Claims paid by SLIA are subject to a series of limits which are described below. Of these amounts \$5,000 to \$10,000 is recoverable from the insured member in the form of a deductible.

SLIA's retention per claim:

The maximum amount paid by SLIA is \$300,000 per claim for 2005-2010, \$200,000 per claim for 2000-2004 and \$100,000 per claim prior for 1999 and prior years.

Insurer's retention per claim:

Claims paid in excess of \$300,000 (1999 and prior - \$100,000) are covered by insurance to a maximum of \$1,000,000.

Annual aggregate limit:

Beginning in policy year 1997/98 an aggregate limit was introduced providing an annual cap on claims per insured of \$2,000,000.

SLIA's retention per policy year:

Commencing with policy year 1988/89, pursuant to a stop loss and management agreement, SLIA's aggregate payments shall not exceed 135% of expected losses during the year concerned, calculated exclusive of individual insured's deductibles, adjuster fees and Counsel fees. The stop loss amount for each year concerned is as follows:

<i>Year of Claim</i>	<i>Amount</i>	<i>Year of Claim</i>	<i>Amount</i>
2009/10	\$1,900,000	1998/99	\$1,900,000
2008/09	1,800,000	1997/98	1,800,000
2007/08	1,800,000	1996/97	1,650,000
2006/07	1,900,000	1995/96	1,550,000
2005/06	2,000,000	1994/95	1,600,000
2004/05	1,950,000	1993/94	1,400,000
2003/04	1,850,000	1992/93	1,300,000
2002/03	1,950,000	1991/92	1,150,000
2001/02	2,050,000	1990/91	1,200,000
2000/01	2,150,000	1989/90	900,000
1999/00	2,250,000	1988/89	900,000

Firms of the Law Society of Saskatchewan members may elect to purchase excess insurance coverage from CLIA. Premiums for this excess coverage are not reflected in these accounts.

SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(with comparative figures for the year ended June 30, 2009)

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles which required management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. The financial statements reflect the following policies:

Revenue recognition

The Association uses the not-for-profit accounting principles to recognize revenue. Annual fees received in advance are deferred and recognized as revenue over the applicable membership period.

Income taxes

SLIA is exempt from income taxes under Section 149(1)(l) of The Income Tax Act.

Investments

Investments are classified as held for trading and measured at fair value. Fair value is determined using quoted market prices, generally the bid price.

Cash and short term investments

The Association includes in cash and short term investments only highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in values.

Provision for unpaid claims and expenses

Provision for unpaid claims and expenses represents the estimated amount to settle all claims and expenses for counsel, administration, legal and adjusters' fees for claims reported to SLIA up to the end of the fiscal year.

The process of determining the provisions involves risks that the actual results will deviate, perhaps materially, from the best estimates made.

These provisions are continually reviewed with all changes in estimated claim amounts being recorded as claims expense in the period in which the change in estimate is determined.

CLIA retroassessments

The insuring agreements between SLIA and CLIA allow for assigning certain retroassessments credits or levies each policy year. These retroassessments are accrued in full in the policy year in which they are declared by CLIA.

SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(with comparative figures for the year ended June 30, 2009)

2. Summary of significant accounting policies (continued)

Financial instruments - recognition and measurement

Financial assets and financial liabilities which are recorded on the statement of financial position when the Association becomes party to the contractual provisions of the financial instrument. Financial instruments are classified according to their characteristics, management objectives or the choice of category in certain circumstances.

All financial assets must be classified as held for trading, held to maturity, loans and receivables or available for sale. Financial liabilities must be classified as held for trading or other liabilities. Any financial asset or financial liability may be designated as held for trading upon initial recognition.

All financial instruments are required to be measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods is dependent on the instrument's classification. Transaction costs are capitalized on initial recognition, except for financial instruments designated as held for trading. In those cases, the transaction costs are expensed.

Financial assets and financial liabilities held for trading are measured at fair value, with changes in those fair values recognized in excess of revenues over expenses. Financial assets classified as held to maturity, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. Available for sale financial assets are measured at fair value, with unrealized gains and losses recognized in . If fair value is not reliably determinable, available for sale financial assets are measured at cost.

Fair value is the amount at which a financial instrument could be exchanged at arm's length between willing, unrelated parties in an open market.

Financial instruments - disclosure and presentation

The Association has elected to continue to apply Section 3861, Financial Instruments - Disclosure and Presentation.

3. Cash and short term investments

	<u>2010</u>	<u>2009</u>
Cash	\$ 1,997,333	\$ 1,484,013
Money market funds	523,379	1,387,392
	<u>\$ 2,520,712</u>	<u>\$ 2,871,405</u>

The money market funds represents funds managed by Greystone Managed Investment Inc. and TD Asset Management.

SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(with comparative figures for the year ended June 30, 2009)

4. Investments

	<u>2010</u>	<u>2009</u>
Investments classified as held for trading:		
Canadian equities	\$ 1,796,272	\$ 1,622,866
U.S. equities	1,509,581	1,605,034
Non-North American equities	1,654,530	1,458,751
Fixed income	10,708,164	9,854,538
	<u>\$ 15,668,547</u>	<u>\$ 14,541,189</u>

Canadian equities consist of units in a Canadian Equity Pooled Fund. U.S. equities consist of units in a U.S. Equity Pooled Fund. Non-North American equities consist of units in an EAFE Plus Fund. The Association's fixed income investments consist of units in a pooled investment fund. All of these pooled funds are managed by Greystone Managed Investment Inc.

5. Due to Canadian Lawyers' Insurance Association

The year end balance due to (from) the CLIA is comprised of the following:

	<u>2010</u>	<u>2009</u>
Excess insurance	\$ 372,026	\$ 321,356
CLIA premium credit	(127,317)	(125,671)
	<u>\$ 244,709</u>	<u>\$ 195,685</u>

6. Provision for unpaid claims and expenses

As disclosed in note 2, SLIA provides for unpaid claims and expenses based on claims reported to year end. File by file claims reserves based on current information on open and reported claims as of June 30, 2010 totaled \$7,020,249 (2009 - \$6,717,494).

SLIA engages an actuary to perform an annual actuarial valuation of its liabilities as of December 31 in order to provide recommendations with respect to the members' levy requirement for the subsequent policy year (commencing July 1). On the basis of historical claims development at SLIA, the actuarial valuation provides for future expected claims development that is not currently reflected in the existing case reserves of SLIA. As a result, the actuarial valuation will most often regard the reserves as higher than the actual SLIA reserves. The valuation also takes into account past claims development experience and other actuarial considerations. The actuarial reserve required to settle all claims reported to December 31, 2009 was projected at \$7,126,000 on an undiscounted basis (\$6,859,000 discounted at 4.25%).

7. Claims expenses

Claims expenses consists of adjusters' fees, claims, settlement costs and counsel and legal fees incurred in the year as well as the net change in the provision for unpaid claims and expenses.

SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(with comparative figures for the year ended June 30, 2009)

8. Related party transactions

The Law Society of Saskatchewan (the "Society") is the sole member of SLIA and provides management services to SLIA for which it charged a fee of \$99,600 for the year (2009 - \$99,600). As at June 30, 2010 there was an amount owing to the Society of \$72,579 (2009 - \$15,330). These transactions are in the normal course of business and recorded at their exchange amounts which are based on amounts agreed upon between the related parties.

9. Non-cash operating working capital

Details of net change in each element of working capital relating to operations excluding cash are as follows:

	<u>2010</u>	<u>2009</u>
(Increase) decrease in current assets:		
Accounts receivable	\$ (2,833)	\$ 57,204
Accrued interest receivable	(13,902)	(34,076)
	(16,735)	23,128
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	102,463	34,400
Deferred revenue	119,550	373,777
	222,013	408,177
	\$ 205,278	\$ 431,305

10. Equity in Canadian Lawyers' Insurance Association (unaudited) and other contingencies

CLIA

SLIA is a subscribing member of CLIA, a reciprocal insurance exchange through which the law societies of ten provinces and territories (or their associated liability insurance entities) enter into agreements of mutual indemnification. Separate reserves are maintained by CLIA with respect to risks assumed and SLIA has an interest in surpluses in these reserves. CLIA prepares annual Subscriber Accounts, as of the end of CLIA's fiscal year (December 31) which are approved by the CLIA Advisory Board. These accounts include a reserve for claims liabilities on a discounted basis. On that basis, the Subscribers Accounts of CLIA as of December 31, 2009 show SLIA's subscriber's equity to be \$1,488,846 (unaudited).

In 2002, a management policy was developed by CLIA requiring subscribing members to maintain a surplus in their subscriber account balances for all their claims liability. If the surplus falls below the minimum, a retro call will be established. If the surplus exceeds 20%, the member may withdraw the surplus. At December 31, 2009, SLIA had a surplus of its claims liability in the amount of \$0 (2009 - \$136,445).

In accordance with the foregoing policy, SLIA does not have access to its remaining subscriber equity balance of \$1,710,754.

SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(with comparative figures for the year ended June 30, 2009)

10. Equity in Canadian Lawyers' Insurance Association (unaudited) and other contingencies (continued)

Other contingencies

In addition to the foregoing, SLIA has obtained assignments of assets and taken various forms of security in conjunction with settlement of claims in the ordinary course of business. Realization on these instruments is contingent on conditions that are beyond the control of SLIA. Accordingly, the potential value of these instruments is currently not determinable and they have not been reflected in these financial statements.

11. Capital

The Association's objective when managing capital is to meet its current objectives as set out within its current strategic operating plan within its annual operating budget. This objective has remained unchanged from the prior period.

The Association's capital consists of its members' equity.

The Association manages its capital and makes adjustments in light of changes in operating conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital of the Association it may revise the amount of annual fees, change the scope of programs delivered, seek to obtain efficiencies and cost reductions or adjust spending.

There are no restrictions on the Association's capital except as otherwise disclosed in these financial statements.

12. Financial instruments

The Association's recognized financial instruments consist of cash and short term investments classified as held for trading, accounts receivable and due to (from) CLIA and The Law Society of Saskatchewan classified as loans and receivables, and accounts payable and accrued liabilities and provision for unpaid claims and expenses classified as other liabilities. The fair value of these items approximate their carrying value given the short term nature of the amounts.

13. Credit and interest rate risk

The Association is not exposed to significant credit or interest rate risk.

14. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation in the current year.

LAW SOCIETY OF SASKATCHEWAN

Mission Statement

To govern the legal profession
by upholding high standards of competence and integrity;
ensuring the independence of the profession;
advancing the administration of justice,
the profession and the rule of law;
all in the public interest.

