

# Law Society of Saskatchewan

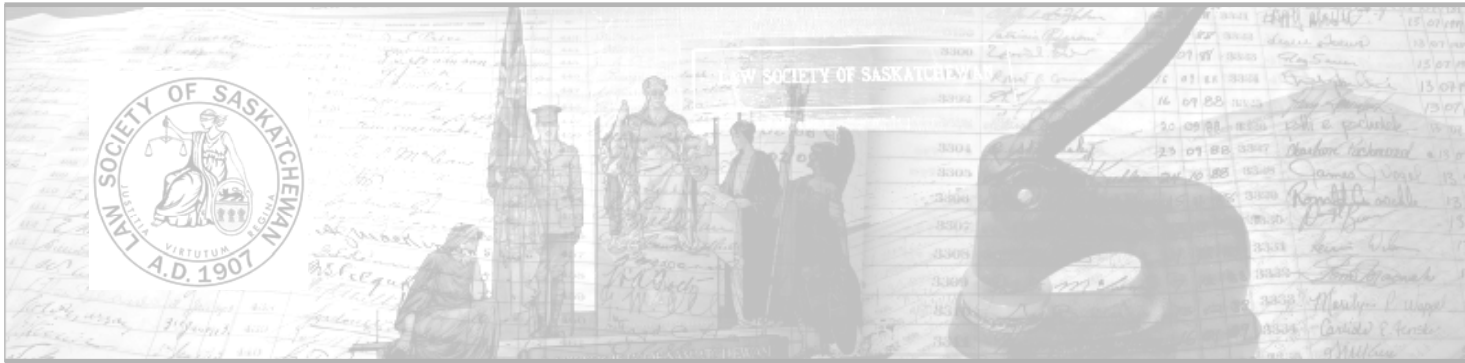


## ANNUAL REPORT

# 2014

For the year ended  
December 31, 2014





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### ***A Year of Considerable Transition***

*by Brenda Hildebrandt, Q.C.*

It is my privilege to present the 2014 Annual Report of the Law Society of Saskatchewan. During 2014 the Benchers table underwent considerable transition, yet much was accomplished. Upon reviewing the achievements of the past year, the consistent leadership of Robert Heinrichs, Q.C., who moved from Vice President to President in early 2014, must be acknowledged. A special thank-you is extended to him. We also thank the Honourable Judges Miguel Martinez and Bruce Bauer, who served as President and Vice President respectively, for brief periods during 2014 prior to their appointments to the Provincial Court of Saskatchewan.

The Law Society was governed in 2014 by 23 Benchers, including 18 elected Benchers, the Dean of the College of Law at the University of Saskatchewan and four Public Representative Benchers appointed by the Minister of Justice. With the appointments of several previous Benchers to the judiciary, whose valuable insights and leadership skills were appreciated, the Law Society refined its process of filling Benchers vacancies. The résumés of interested applicants were reviewed and, following election by the Benchers, the successful candidates were appointed pursuant to section 20 of *The Legal Profession Act, 1990*.

We were pleased to welcome the following new Benchers:

- Erin Kleisinger (Regina) to fill the vacancy left by Judge Patrick Reis
- Jeff Baldwin (North West) to fill the vacancy left by Judge Miguel Martinez
- Gerald Tegart, Q.C., (Regina) to fill the vacancy left by Justice Michael Megaw
- Craig Zawada, Q.C., (Saskatoon) to fill the vacancy left by Judge Bruce Bauer

In addition, with the appointment of Judge Sanjeev Anand to the Provincial Court, Beth Bilson, Q.C., again assumed the role of Acting Dean of the College of Law and joined us at the Benchers table. We welcome her experience and expertise.

The governing work of the Benchers would not be possible without the operational knowledge, skill and diligence of the Law Society staff. The administrative personnel, in addition to providing invaluable support to the volunteer Benchers and committees, also receive and investigate complaints, deal with admission applications, provide legal information and continuing education opportunities, perform audits, and facilitate collaboration with other legal regulators and the Federation of Law Societies of Canada. On behalf of the Benchers, I acknowledge and thank our Executive Director, Tom Schonhoffer, Q.C., and the entire Law Society staff, for their hard work and dedication. Their commitment to making the Law Society of Saskatchewan a leader in professional regulation is appreciated.

An example of this is reflected in the amendments to *The Legal Profession Act, 1990* proclaimed in 2014, following collaboration with the Ministry of Justice. These amendments further emphasized the mandate of the Law Society to regulate the legal profession in the public interest, and enabled greater flexibility in addressing the regulatory challenges on the horizon, given technological advancements and changing business structures. For instance, section 3.2 was added, which states:

In any exercise of the society's powers or discharge of its responsibilities or in any proceeding pursuant to this Act, the protection of the public and ethical and competent practice take priority over the interests of the member.

As well, a definition of "firm" was added in section 2(1)(f.1), which includes not only traditional concepts of law firms but also "any other business entity" providing legal services to the public. Section 10 of the Act then recognizes the authority of the Benchers to make rules in relation to the governing of firms, as well as lawyers, students-at-law, and other applicants to the Law Society.

With these amendments, the Law Society of Saskatchewan became the third Canadian legal regulator with entity-based regulation in place, the others being British Columbia and Nova Scotia. Further collaborative efforts with the Law Societies of Alberta and Manitoba were undertaken in 2014, commencing with a meeting of representatives from the three prairie law societies, to explore areas of common interest,

## President's Report

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including entity regulation, alternative business structures, and other potential means of improving access to legal services.

As the issues facing our Law Society have much in common with those of other provinces and territories, our participation in the Federation of Law Societies of Canada and its initiatives has been important. In 2014 the National Discipline Standards, developed by the Federation, were adopted by the Benchers. These outline best practices regarding the timely and effective handling of complaints, from intake to resolution. How our Law Society meets these best practices, in terms of timeliness and transparency in our processes, will be monitored on an ongoing basis.

In February of 2014, the Benchers addressed another matter related to the Federation when they considered a potential amendment to Rule 150(g)(i). The existing rule had delegated authority for the approval of new law colleges to the Federation. Following considerable debate, the Benchers voted to maintain the current wording, thus retaining our commitment to national standards and the national approval process, and recognizing the effect of the national mobility agreements.

The Law Society of Saskatchewan was also privileged to host a conference of the Federation of Law Societies in Regina April 3–5, 2014.

A governance review began in the Spring of 2014, with a view to clarifying and codifying the roles and functions of both Benchers and Law Society staff, and delineating the terms of reference of the various committees. Although the Benchers had already operated more as policy board, rather than an operational governing body, for approximately seven years, further work was required to ensure that our procedures and accountabilities are clear. A facilitated session at the April 2014 Convocation enabled the

Benchers to set direction for the Governance Committee, which commenced work shortly thereafter on drafting committee Terms of Reference and developing a Governance Policy Manual.

The governance model reflects the importance of the work of Law Society committees, and the following highlights what was achieved by them in 2014.

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*“The ability of our Law Society to effectively regulate, and to respond innovatively to changes in the delivery of legal services, reflects the level of skill and commitment demonstrated by both Benchers and staff.”*

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### Admissions & Education

Through a revamping of Part 7 of the Law Society Rules, and the addition of a new Part 7A, significant streamlining of the Rules regarding Admissions and Education processes was accomplished. The amendments clarify procedures in relation to the consideration of various applications, including those of articling students and transfer lawyers. New Part 7A enables ready operation of the National Mobility Agreement.

In recent years, Saskatchewan has seen an increased interest in those wishing to begin practice here. It is important for the Law Society to have measures in place to better assess such applications, thus helping to safeguard the public interest. Ongoing work with the Federation on national admission standards is also vital and Admissions & Education committee members had opportunity in May of 2014 to meet with the Federation committee in Regina.

Consideration of applications for Rule waivers and hearings in relation to applications for admission or re-admission to practice were also undertaken by this Committee, which has seen a marked increase in such work in the past several years. Related to this, amendments to the

Rules to establish an Admissions panel were proposed by this Committee and adopted by the Benchers, in keeping with legislative amendments enabling such panels.

With general policy oversight from the Committee, Continuing Professional Development continued to expand and diversify its programming. The Law Society has maintained its involvement in the

CPLED program for bar admission instruction, while monitoring ways in which such may be enhanced.

### Discipline Executive

As noted above, the Benchers adopted the National Discipline Standards developed by the Federation. This occurred following review and recommendation of the Discipline Executive Committee.

In implementing the National Discipline Standards, the need for enhanced training for the Benchers, both in the performance of investigations and the conduct of hearings, was identified. A sub-committee was struck to develop this training.

Checklists for the conduct of Penalty Hearings and hearings where there is a joint submission to be considered were also developed by this committee, and a guideline for the Complaints Investigation Committee (CIC) process was approved.

### Ethics

The Ethics Committee considers ethical issues raised either through complaints or at the request of individual members. Rulings are provided for the guidance of Law Society members on an ongoing basis. The Committee also reviews

and makes recommendations for amendments to the Code of Professional Conduct, providing input to the Model Code developed by the Federation. In 2014, these included amendments pertaining to conflict of interest and limited scope retainers.

### **Professional Standards**

This Committee focuses on membership competence and practice management. One of the key components is the practice advisor program. During 2014 the practice advisors frequently attended the committee meetings, reporting on the program and helping to facilitate enhancements to it, including the development of a practice management checklist for the Law Society website.

The Committee also recommended rule amendments concerning mandatory practice review and succession plans, which were adopted by the Benchers, and it commenced work with the Continuing Professional Development staff in relation to a webinar on client intake and client expectations.

### **Library**

In keeping with the strategic plan developed in the previous year, the Library Review Committee and Law Society staff continued to work on enhancing the digital information available to lawyers' offices. This included work with CanLII on the digitization of Saskatchewan cases going back to 1909. Further collaborative work was also undertaken with the University of Saskatchewan College of Law Library and Court Services to reduce unnecessary duplication of services, and to facilitate the availability of appropriate services when the Saskatoon Courthouse Library is reopened in late 2015.

### **Access to Legal Services**

Members of this ad hoc committee participated in the second annual Dean's Forum on access to justice as well as the collaborative work of the prairie law societies on entity-based regulation noted above.

### **Justicia**

This ad hoc committee was established to work with law firms to promote the retention of women in private practice by facilitating the development of consistent policies. An implementation plan modeled in part after that utilized in Ontario and Manitoba was developed in mid-2014. In October the program was launched by luncheon meetings, held in both Regina and Saskatoon, with the managing partners of larger firms. Commitments are being sought from the firms to participate in the program.

### **Finance**

The Executive Committee continued to operate as the Finance Committee for the Law Society in 2014. The Law Society has continued its strong fiscal position, enabling our members to pay some of the lowest fees and insurance costs in Canada.

### **Conclusion**

The above merely highlights some of the work done in 2014, as to detail every project would be impossible. The ability of our Law Society to effectively regulate, and to respond innovatively to changes in the delivery of legal services, reflects the level of skill and commitment demonstrated by both Benchers and staff. We also recognize that the Law Society relies on those of our members who volunteer their time and expertise to assist in various programs and initiatives, or to act as representatives on outside boards and agencies. Thanks to all of you for your valuable contributions.



What is the purpose of the Law Society? It's a rhetorical question—please don't answer.

We aren't having an identity crisis. The question is brought on by the rapid change we perceive in the legal services environment.

The Canadian Bar Association is the voice of the profession and it has been asking this question very effectively in recent years. In August 2014, the most recent CBA report was entitled "The Future of Legal Services in Canada: Trends and Issues." It calls on the profession to reflect on many issues, including legal education, outside ownership of legal services and licensing other legal service providers. These issues are directly related to the Law Society's regulatory ambit.

In 2014, Law Society work focused on governance. We talked about what we do and how we do it.

First, the *what we do*. The issues identified by the CBA mean that it isn't business as usual at the Law Society. We need to plan for the future.

### ***A Vision of How We Can Adapt and Improve***

*by Tom Schonhoffer, Q.C.*

Second, the *how we do it*. Being a Benchers is a time-consuming volunteer position. Good governance practice is about using Benchers time wisely. It means looking at the work load of the Benchers and freeing them up to do more policy development. The most important contribution of the Benchers is that they represent diversity in the practice of law and collectively provide great insight into policy development.

Back to the *what we do*. The Benchers expressed the core duties in a brief mission statement. In April, the Law Society adopted the following:

*Acting in the public interest, the Law Society of Saskatchewan:*

- (i) *protects the public by regulating competence and integrity in legal services;*
- (ii) *promotes access to legal services;*
- (iii) *ensures the independence of the legal profession; and*
- (iv) *advances the administration of justice and the rule of law.*

The mission statement signals an important shift in emphasis to providing greater access to legal services. However, the shift preserves the core values of the legal profession.

The next phase of governance was to translate the mission statement into strategic objectives. In this process,

we looked at the way we do business now and we tried to envision future needs. We identified what we need to do in the long run and developed a plan to start moving there in the next three to five years. It is a vision of how we can adapt and improve. The Benchers approved three strategic objectives, as follows:

- 1. Improving confidence in the LSS among all stakeholders;**
- 2. Improve capacity, competence and knowledge of the membership;**
- 3. Improve access to legal services.**

The next phase is developing a work plan to achieve the strategic objectives along with monitoring reports for the Benchers.

It's a challenging and exciting time to be in the profession.

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*"The mission statement signals an important shift in emphasis to providing greater access to legal services. However, the shift preserves the core values of the legal profession."*

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**Membership Statistics as of January 12, 2015**

<b>STATUS</b>	<b>Male</b>	<b>Female</b>	<b>TOTAL</b>
Active Practicing Members residing IN and OUT of Saskatchewan	1143	624	<b>1767</b>
Active Practicing Members residing IN Saskatchewan	1069	594	<b>1663</b>
Regina Practicing Lawyers	398	221	<b>619</b>
Saskatoon Practicing Lawyers	413	262	<b>675</b>
Saskatchewan Practicing Lawyers Outside of Regina and Saskatoon	258	111	<b>369</b>
Inactive Members IN and OUT of Saskatchewan	276	229	<b>505</b>
Inactive Members IN Saskatchewan	101	120	<b>221</b>

<b>CHANGES IN STATUS SINCE JANUARY 1, 2014:</b>	<b>Male</b>	<b>Female</b>	<b>TOTAL</b>
New Enrolled Lawyers (admitted from student-at-law status)	43	33	<b>76</b>
Transfer Lawyers	19	15	<b>34</b>
Deaths	11	1	<b>12</b>
Judges Appointed	8	3	<b>11</b>

**Allocation of Practitioners in Saskatchewan  
by Type of Practice**

<b>Type of Practice</b>	<b>Number of Practitioners (not including students-at-law)</b>
Courts	3
Federal Government	37
Federal Prosecution	16
In-House Corporate Counsel	128
Legal Aid	82
Private Practice	1056
Provincial Crown Corporation	47
Provincial Government	124
Provincial Prosecution	121
University	13
Unclassified in Alinity	36
<b>TOTAL:</b>	<b>1663</b>

### Law Firms in Saskatchewan by Number of Practitioners

Number of Practitioners Per Firm (Private Practice Only)	Number of Firms	Number of Practitioners (including students-at-law)
1	176	176
2	54	108
3	18	54
4	16	64
5	7	35
6	11	66
8	5	40
9	2	18
10	2	20
14	1	14
15	1	15
17	2	34
19	3	57
23	1	23
29	2	58
30	1	30
35	1	35
65	1	65
85	1	85
93	1	93
<b>Total:</b>	<b>305</b>	<b>1090</b>

**NOTE:** These numbers include students-at-law who are working in private firms, which accounts for the discrepancy between the total number of private practitioners in this table (1090) and the total number of private practitioners in the "Type of Practice" Table (1056).

### Practicing Lawyers in Saskatchewan by Age (not including students-at-law)

*The age of practitioners in the province is of interest and shows a bulge in the age groups from 41 to 60.  
65% of practitioners fall within this range.*

Between Ages:	24 to 30	31 to 40	41 to 50	51 to 60	60 & Up	TOTALS:
Male	93	221	181	320	254	1069
Female	78	197	164	124	31	594
<b>TOTAL:</b>	<b>171</b>	<b>418</b>	<b>345</b>	<b>444</b>	<b>285</b>	<b>1663</b>

*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.*



### ***Professional Regulation***

*by Donna Sigmeth, Q.C.*

I am pleased to report on matters of professional regulation for 2014. 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.

Valerie Payne and Eric Lanoie are busy in their role as Complaints Counsel. Melinda Daradics has been on leave from her position as Complaints Intake and Tanya Chandra has capably covered her position in her absence.

There were 710 complaints received in 2014, as opposed to 718 in 2013. Of the total number of complaints received, 160 actual complaint investigation files were opened in 2014 as compared to 188 in 2013.

(The decrease of almost 15% in actual complaint investigation files is attributable, in my view, to the early resolution efforts of the person doing Complaints Intake.) The balance of the complaints were reviewed and

dismissed as non-jurisdictional, without merit or resolved via telephone conciliation. The highest number of complaints alleged quality of service, delay and fees on the part of the member. Complaints in the areas of family law, estates and criminal law continue to be highest.

Administrative support was provided by Pam Slessor-Hay and Cherie Young. They assist us in our day-to-day work and in attempting to meet new national standards for processing complaints.

Tim Huber, Counsel, has very capably dealt with many hearings for both the Discipline and Education & Admissions committees, appeals to all levels of court, judicial review applications, unauthorized practice prosecutions and obtaining and discharging trusteeship orders.

The work done by the Professional Standards Committee Practice Advisors merits mention. This is a very proactive and positive program that provides “hands on” assistance to members; prevents further complaints and dissatisfaction on the part of clients and prevents insurance claims, which is of benefit to SLIA (which also supports this program). The “Practice Review Program” provides advice and mentorship to all solo or small firm practitioners. A mentoring visit from a Practice Advisor has been received with appreciation from many members. The Practice Advisors have been popular speakers on issues of practice management and have also contributed articles to the *Benchers’ Digest*. The Practice Advisors contracted by the Law Society are Brent Gough, Q.C., Jeff Scott and Victor Dietz, Q.C. There were 24 new solo files opened in 2014.

We welcomed amendments to *The Legal Profession Act, 1990*, in 2014. The amendments relating to discipline will assist the Benchers in moving hearing matters forward more quickly by adding volunteers to hearing panels. Although still intended to be non-disciplinary and proactive, the Practice Advisor law office management reviews for “quality assurance” will now be mandatory.

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 2014, we participated in various CPD “webinars” on ethical issues for Continuing Professional Development credits. We take approximately 188 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 support. I thank the membership for their cooperation and assistance in dealing with complaints and for calling for advice “proactively”. 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.

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*“Our professional regulation team continues to cultivate awareness among members on issues of concern.”*

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### ***A Broad Mandate***

*by Darcia Schirr, Q.C.*

It is my privilege to report on the activities of the Admissions & Education Committee (A & E). The mandate of A & E is a broad one, as this committee is tasked with ensuring that those who practice law in Saskatchewan are qualified. This is achieved through the development and application of admissions standards for those entering the profession and continuing professional development and education for members once they are admitted.

2014 was a busy year for the committee. A subcommittee consisting of Brenda Hildebrandt, Q.C., Sean Sinclair, and myself completed the task of rewriting Part 7 and 7A of the Law Society Rules which deal with admissions and education. This was a significant project as the rules have been amended in the past on a piecemeal basis but a comprehensive review had never been undertaken. There are a number of highlights to the amended rules. A uniform approach to consideration of applications for admission, approval of a principal, and reinstatement is now in place. Further, there are now clear provisions on the composition and remedies available to a hearing panel. A number of amendments were also made to reflect the provisions of the National Mobility Agreement 2013.

The Benchers passed the amendments to Part 7 at Convocation held in September 2014 with Part 7 and 7A being made effective on November 1, 2014. This entire project could not have been accomplished without the efforts of Barbra Bailey, policy counsel at the Law Society.

As part of a governance review, all standing committees of the Law Society were tasked to develop terms of reference. The committee developed and approved terms of reference which outline the committee's purpose, authority, and key responsibilities.

in Canada. There are a number of reasons for this including the changing nature of how legal services are provided, the expectations of students and the needs and expectations of the public. The Law Society is very much involved in those discussions on both a national level and at the Benchers table.

It has been my privilege to chair the committee and I am grateful for the significant time, effort and wisdom provided by fellow committee members: David Chow, Brenda Hildebrandt, Q.C., Sean Sinclair, Dr. Greg Stevens, Joel Hesje, Q.C., and Judy McCuskee.

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*"The nature of education and training of the new generation of lawyers is the topic of discussion by law schools and all law societies in Canada."*

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The A & E committee continues to see an increase in the number of applications for Rule waivers by individuals who received their legal education outside of Canada or who practiced law outside of Canada. Economic prosperity in Saskatchewan has impacted the legal profession as more individuals seek to practice here. It is expected that trend will continue.

The CPD Program continues to roll along smoothly with high participation by the membership. The seminars and webinars are consistently excellent and 2014 was no exception.

The nature of education and training of the new generation of lawyers is the topic of discussion by law schools and all law societies

The committee also recognizes those who served on the CPD Planning Committee: Richard Gibbons, Brian Hendrickson, Q.C., Lynn Hnatik, Christopher Donald, Kathy Hodgson-Smith, and Steven Seiferling. Public recognition must also be given to the many members who volunteer their time and share their expertise with the membership by presenting at seminars and webinars. The Law Society is fortunate to have an active and engaged membership who contributes to the success of the CPD program.

The exemplary work of Law Society staff must also be recognized. The committee greatly benefited from the work of Andrea Johnston, Jody Martin, and Barbra Bailey.



## ***A Number of Policy Changes***

*by Perry Erhardt, Q.C.*

I very much appreciated the opportunity to serve as Chair of the Discipline Executive Committee through 2014. Other members on the committee included:

- Dr. Sanjeev Anand, Q.C. (part year)
- Brenda Hildebrandt, Q.C.
- Thomas Healey
- Heather Laing, Q.C.
- Lorne Mysko
- Gerald Tegart, Q.C. (part year)
- Robert Heinrichs, Q.C. (*ex officio*)
- Bruce Bauer, Q.C. (*ex officio* – part year)

Through the five regularly scheduled meetings, we addressed a number of policy changes, including improvements to the delineation of roles with the Conduct Investigation Committee and improvements to our hearing process (e.g., updated checklists).

The Committee regularly reviews the progress of outstanding complaints and provides direction, where required, to keep investigation and discipline matters moving toward conclusion and on reasonable timeframes. Further to this work, the Committee also tracked and advised the Benchers on new National Discipline Standards, which now includes an internal tracking system

to measure compliance. I am pleased to advise that we are performing well when measured against the Standards. Development of the National Discipline Standards has been primarily driven by the Federation of Law Societies with input from law societies.

The Committee reviewed and made recommendations for amendments to *The Legal Profession Act* and also approved consequential amendment to the Law Society Rules, which were subsequently considered and approved by the Benchers. One amendment of note is increased flexibility in the composition of hearing panels and Conduct Investigation Committee, which creates the opportunity for greater participation of non-Bencher members on committee and panel work.

Training for both Benchers and other potential appointees to hearing committees was a priority for the Committee and a number of options for training opportunities were investigated by committee members and reported to the Committee. There was agreement that a more robust training program needs to be adopted and implemented, and this work is continuing into 2015.

The following is a statistical summary of discipline matters addressed in 2014:

- 17 referrals to CIC
- 14 hearings
- 4 conduct review appointments
- 1 trusteeship appointed
- 0 Special Fund payments
- 1 appeal to the Saskatchewan Court of Appeal
- 1 interim suspension

As with all other committees, Discipline Executive embarked on the development of Terms of Reference to guide its work in the future and to illustrate clearly the roles and responsibilities of the Committee and its Chair. Although it required a few drafts and much discussion, a final document was prepared for consideration by the Benchers and subsequently approved. This work was completed in conjunction with the overall governance review of the Law Society that is being undertaken by the Benchers.

The Committee especially appreciates the hard work of the Law Society administration in its supporting role to the Committee and extends a heartfelt “thank you” to all involved.

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*“I am pleased to advise that we are performing well when measured against the Standards.”*

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### ***Ruling on Questions of Professional Ethics***

*by Lorraine St. Cyr*

I was pleased to once again chair the Ethics Committee upon the departure of the chair, Bruce Bauer, to the Court. Joining me on the Committee were David Chow, Jeff Baldwin, David Rusnak, Gerald Tegart, Q.C., Jay Watson, Judy McCuskee and Ronni Nordal.

Pursuant to *The Legal Profession Act, 1990*, the Ethics Committee makes ruling on questions of professional ethics and provides guidance for the individuals and for the profession as a whole. The Ethics Committee is also responsible for

issues but rather ethical issues that may be open to interpretation and require discussion by the Committee.

After the Committee has considered a particular matter that has been referred, it will provide its ruling. The ruling is the consensus of the 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. All rulings are available for review via the Law Society database.

In addition to the rulings function, the Ethics Committee continues to

An additional focus this year was the development of Terms of Reference that reflect the purpose of the Committee as well as its governing legislation and structure. It has been many years since the last broad governance review was done and therefore this was a timely project for the Benchers to undertake.

This work would not be possible if not for the assistance provided by the Law Society staff. I thank them for their hard work in preparing materials for review by the Ethics Committee and for their general assistance in reviewing and considering the legal issues that arise before the Committee. Their experience and assistance is invaluable to the Committee.

Finally, I also take this opportunity to thank my fellow members of the Committee. The volume of materials that must be reviewed and considered by the Ethics Committee tends to be quite heavy. It is a pleasure to work with individuals who are well prepared for each meeting and provide input to assist with the resolutions which are ultimately achieved. The spirited debate around these many issues is a strong indicator of a continuing need for this Committee and the insight that each member brings to the discussion.

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*“The spirited debate around these many issues is a strong indicator of a continuing need for this Committee and the insight that each member brings to the discussion.”*

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reviewing and developing 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:

- by way of complaints through the Complaints Counsel, or
- by way of a voluntary Request for Ruling by members.

The complaints are dealt with by Complaints Counsel who, after an initial investigation, will determine whether the matter is something that does not appear to raise conduct

review additions to the Code of Professional Conduct. This year, the Committee was called upon to consider proposed provisions regarding:

- limited scope retainers
- conflict of interest and incriminating physical evidence
- conflict of interest and transferring lawyers
- conflict of interest and doing business with clients including transactions with clients gifts and testamentary instruments.





### ***Your Errors and Omissions Insurance***

*by Heather Laing, Q.C.*

As past-Chair of the Law Society's Insurance Committee, I am pleased to provide my report to you.

By now you will have received notice of your 2015–2016 errors and omissions insurance levy, and you will have noted that the levy is unchanged from last year and continues to be one of the lowest in Canada.

In April 2015, the Benchers approved the levy of \$1,560. Once again we were able to subsidize the levy by using our surplus to reduce the levy from the amount recommended by our actuaries.

Attached are the financial statements for the fiscal year ending June 30, 2014. The unfortunate timing of issuing the *Law Society Annual Report* in early June and a SLIA year end of June 30th make it such that the audited financial statements are almost one year out of date by the time we report to you.

The June 30, 2014 financial statements show that we have a surplus of \$13,259,589.00, which exceeds our surplus last year and the minimum surplus recommended by our actuary.

We expect the surplus will decrease over time as the insurance levy subsidy reduces it and because there has been an increase in the size of claims over the past year. Reasons for the increase are difficult to empirically identify, but the buoyant Saskatchewan economy, higher real estate prices and increasing legal costs are all likely contributors.

We are fortunate to have had stable, affordable insurance coverage for the past 25 years through a reciprocal insurance company called Canadian Lawyers Insurance Association (CLIA). Our own insurance company, Saskatchewan Lawyers' Insurance Association Inc., along with eight other provinces and territories, is a subscriber to this reciprocal. Unlike commercial insurers, the broad coverage provided by CLIA is balanced to protect both risk to the members' financial security and to indemnify members of the public who have suffered a loss.

I want to take this opportunity to thank the members of the 2014 Insurance Committee and SLIA's staff for their work during the past year: Benchers, Joel Hesje, Q.C., Ronald Parchomchuk and Judy McCuskee. Joining them was Michael Milani, Q.C., and Patrick Kelly, Q.C.

The committee is responsible for oversight of SLIA management, including Brad Hunter, Q.C., Insurance Director, and Tim Brown, Counsel.

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*"We are fortunate to have had stable, affordable insurance coverage for the past 25 years..."*

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As Chair of the Professional Standards Committee it is my pleasure to provide the following annual report for 2014.

The Professional Standards Committee reviews trends and issues which arise as a result of complaints. As well, the Committee creates rules, policies, and best practices to proactively assist the membership to prevent complaints and insurance claims, thereby protecting the members, clients, and the general public. The primary function of the Professional Standards Committee is to ensure that the standards of competency prescribed by the Benchers are upheld by the membership. Where appropriate, matters are referred to a practice advisor. This referral is not a disciplinary function, but rather educational and supportive, to ensure that members bring adequate skills and knowledge to the practice of law.

In 2014 the Professional Standards Committee was able to place before the Benchers two significant rule amendments, which saw the introduction of a mandatory practice

### ***Ensuring Standards of Competency***

*by Ronald Parchomchuk*

review program for new or solo practitioners, and the introduction of mandatory contingency planning for the membership. These rule changes came into effect on July 1, 2014. Typically, matters that came before the Committee were complaints driven. The Committee believed that by creating a practice review program outside of the complaints-driven process, a more proactive assistance program would be established for the benefit of the public and the membership. At the same time, the Committee believed that the expansion of the practice review program complied with the mandate of the Committee to reduce the risk of complaints and insurance claims. With respect to mandatory succession planning, again the Committee was of the view that succession planning makes good practice and business sense, and would avoid the time and expense incurred when the Law Society is required to step in and take over a member's practice due to disability or death where no succession plan was in place.

An item that the Committee continues to work on is the locum practitioner program. As well, a review of the current rules regarding

retainer agreements is occurring. Also, the Committee undertook drafting terms of reference for the Professional Standards Committee as part of the ongoing governance review being undertaken by the Law Society.

I would like to thank each of the members of the Professional Standards Committee for their hard work and effort throughout the past year:

- Erin Kleisinger
- Bruce Bauer, Q.C.
- Della Stumborg
- David Rusnak
- Jay Watson
- Sanjeev Anand, Q.C.
- Tom Healey
- Ronni Nordal
- Greg Stevens, and
- Beth Bilson, Q.C.

The Committee's work could not be accomplished without the significant contributions from the following professional staff at the Law Society: Donna Sigmeth, Q.C., Valerie Payne, Barbra Bailey.

Congratulations to Judge Bauer and Judge Anand on their appointments to the Provincial Court while they were members of the Professional Standards Committee in 2014.

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*"...by creating a practice review program outside of the complaints-driven process, a more proactive assistance program would be established for the benefit of the public and the membership."*

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### ***We're Here to Help!***

*by Melanie Hodges Neufeld*

A simple message, but for years the Library had faded from many of our members' consciousness and become a neglected resource. Our goal in 2014 was to reintroduce the Library and remind our members of the valuable resources and services we have to offer. We believe we succeeded in that goal and have positioned the Library as the hub of innovative knowledge management for Saskatchewan lawyers.

The vast expanse of information available online and in print can be confusing and overwhelming when trying to manage a busy practice. Helping our members navigate through the jumble of available legal resources is one of our primary functions. In addition to being happy to assist with your specific inquiries, our staff prepared several webinars and presentations on various legal research topics to help guide our members through. We also created a series of tutorial videos to aid members in searching CanLII and the Saskatchewan Cases database. The videos can be viewed by clicking the Library Tutorials button located on the right side of the library homepage.

One of our most popular new initiatives is our blog, Legal Sourcery. Introduced in March to provide useful legal research tricks and news, the blog quickly grew in popularity and in scope as it soon included posts on a variety of topics that might be of interest to our members. At the end of 2014, Legal Sourcery was awarded the Canadian Law Blog Award (Clawbie) for Best Law Library Blog:

As a law library blog newcomer, Legal Sourcery made a serious impression in 2014. The hard-working blogger team (whose members double as the reference team) at the Law Society of Saskatchewan Library jumped into the blawgosphere full-force. With regular updates, engaging topics, and fun Twitter personalities, this group was instrumental to bringing back the info-cool factor to law library blogs. We're proud to award them this year's Clawbie.

With our other online resources, we continue to provide a variety of tools in a number of practice areas. In particular, we offer a wide suite of desktop accessible resources in the Members' Section of our website. Online resources include searchable databases, texts and commentary, and journals. We have also been expanding our ebook collection as new titles become available. In 2014 we added more than 30 new titles from the Working with the Law series by Emond Montgomery Publications. In house, we also create

several resources such as the *Limitations Manual*, *Queen's Bench Rules Annotated*, and *Case Mail*.

As we reported last year, one of our goals for 2014 was to provide as complete a record as possible of Saskatchewan decisions on CanLII back to 1907. With the support of the Law Foundation, we are well on our way to achieving this goal. By June, CanLII had added 13,570 reported Saskatchewan decisions from 1907–1990. This substantially increased the former coverage: 1994 for Court of Appeal cases, 2001 for Court of Queen's Bench cases, and 2001 for Provincial Court cases. The remainder of 2014 was spent identifying the few remaining gaps in coverage, which should be filled by the time this report goes to print. We also contributed the full collection of Saskatchewan case digests produced by the Law Society Library to the new CanLII Connects case commentary website.

Looking toward the future, we spent 2014 developing a more collaborative approach to the delivery of legal information. We set the groundwork for fruitful partnerships with several other legal information providers, such as the University of Saskatchewan College of Law. For example, one of our Reference Librarians, Ken Fox, is working out of the College of Law Library while our Saskatoon branch is under construction.

We invite our members to rediscover what the library has to offer. Please visit us in person or our website at [www.lawsociety.sk.ca/library](http://www.lawsociety.sk.ca/library) to explore our resources and services.

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*"Helping our members navigate through the jumble of available legal resources is one of our primary functions."*

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## Benchers & Professional Staff

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### *Benchers*

<i>Dr. Sanjeev Anand, Q.C. (appointed Judge October 17, 2014)</i>	<i>Michael Megaw, Q.C. (appointed Judge March 7, 2014)</i>
<i>Jeff Baldwin</i>	<i>Lorne Mysko</i>
<i>Bruce Bauer, Q.C. (appointed Judge July 21, 2014)</i>	<i>Ronalda Nordal</i>
<i>Beth Bilson, Q.C.</i>	<i>Ronald Parchomchuk</i>
<i>David Chow</i>	<i>David Rusnak</i>
<i>Perry Erhardt, Q.C.</i>	<i>Darcia Schirr, Q.C.</i>
<i>Thomas Healey</i>	<i>Sean Sinclair</i>
<i>Robert Heinrichs, Q.C. (President)</i>	<i>Lorraine St. Cyr</i>
<i>Joel Hesje, Q.C.</i>	<i>Dr. Greg Stevens</i>
<i>Brenda Hildebrandt, Q.C. (Vice-President)</i>	<i>Della Stumborg</i>
<i>Erin Kleisinger</i>	<i>Gerald Tegart, Q.C.</i>
<i>Heather Laing, Q.C.</i>	<i>Jay Watson</i>
<i>Miguel Martinez (appointed Judge February 28, 2014)</i>	<i>Craig Zawada, Q.C.</i>
<i>Judy McCuskee</i>	



### *Professional Staff*

*Thomas Schonhoffer, Q.C. – Executive Director*

*Donna Sigmeth, Q.C. – Deputy Director/Complaints Counsel*

*Timothy Huber – Counsel*

*Barbra Bailey – Policy Counsel*

*Valerie Payne – Complaints Counsel*

*Eric Lanoie – Complaints Counsel*

*Bradley Hunter, Q.C. – Counsel, SLIA*

*Timothy Brown – Counsel, SLIA*

*John Allen, CPA, CA – Auditor/Inspector*

*Stephanie Kievits, CPA, CA – Senior Auditor*

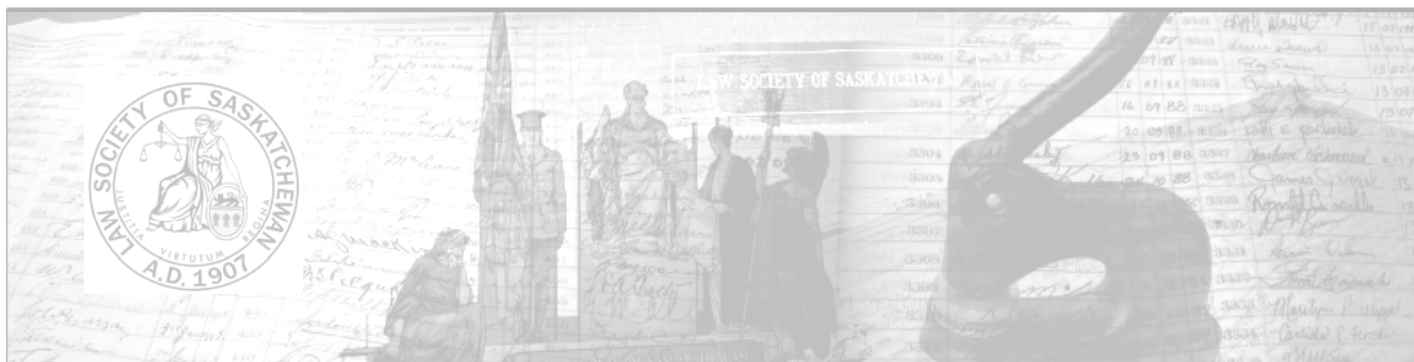
*Pamela Harmon, CPA, CA – Senior Auditor*

*Andrea Johnston – Director of Admissions & Education*

*Jody Martin – Deputy Director of Admissions & Education, Director of Bar Admissions*

*Julia Bewcyk – CPD Program Coordinator*

*Melanie Hodges Neufeld – Director of Legal Resources*



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# **Law Society of Saskatchewan**

## **Financial Statements**

December 31, 2014

## **Management's Responsibility for Financial Statements**

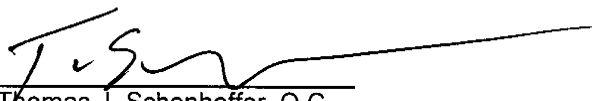
The accompanying financial statements of the **Law Society of Saskatchewan** have been prepared by the Society's management in accordance with Canadian accounting standards for not-for-profit organizations and necessarily include some amounts based on informed judgement and management estimates.

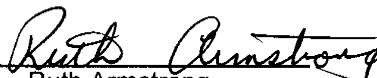
To assist management in fulfilling its responsibilities, a system of internal controls has been established to provide reasonable assurance that the financial statements are accurate and reliable and that assets are safeguarded.

The Benchers have delegated certain responsibilities to the Audit 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 Audit Committee has reviewed and recommended approval of these financial statements to the Benchers.

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 statements of financial position as at December 31, 2014 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 accounting standards for not-for-profit organizations 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 of the financial statements in order to design audit procedures that are appropriate in the 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, 2014 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

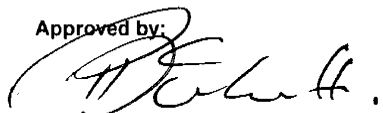
**April 17, 2015  
Regina, Saskatchewan**

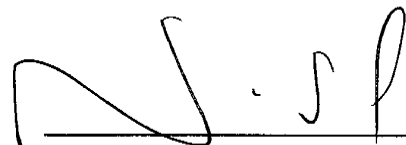
  
**Chartered Professional Accountants**

**The Law Society of Saskatchewan**  
**Statement of Financial Position**  
**As of December 31, 2014**  
(with comparative figures for 2013)

	Consolidated General Fund	Special Fund	Consolidated Funds 2014	2013
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents (Note 4)	\$ 4,042,177	\$ 467,874	\$ 4,510,051	\$ 4,014,400
Accounts receivable	202,857	662	203,519	171,737
Receivable from SLIA (Note 5)	158,680	-	158,680	177,806
Receivable from Pro Bono Law Saskatchewan Inc.	65,668	-	65,668	91,003
Prepaid expenses	6,581	-	6,581	5,581
Inter-fund receivable (payable)	(218,065)	218,065	-	-
	4,257,898	686,601	4,944,499	4,460,527
<b>Investments (Note 6)</b>	4,518,354	2,624,191	7,142,545	6,670,356
<b>Tangible capital assets (Note 7)</b>	111,311	-	111,311	198,631
<b>Trust assets</b>	2,834	-	2,834	2,834
	\$ 8,890,397	\$ 3,310,792	\$ 12,201,189	\$ 11,332,348
<b>Liabilities and Members' Equity</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities	\$ 268,694	\$ 3,506	\$ 272,200	\$ 208,382
- including government remittances of \$97,129 (2013 - \$108,908)				
Annual fees received in advance	2,870,530	274,880	3,145,410	3,091,538
Deferred grant revenue	50,526	-	50,526	52,859
Claims Liability	-	83,292	83,292	-
	3,189,750	361,678	3,551,428	3,352,779
<b>Trust liabilities</b>	2,834	-	2,834	2,834
	3,192,584	361,678	3,554,262	3,355,613
<b>Members' Equity</b>				
<b>Unrestricted surplus</b>	5,697,813	2,949,114	8,646,927	7,976,735
	\$ 8,890,397	\$ 3,310,792	\$ 12,201,189	\$ 11,332,348
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, 2014**

(with comparative figures for the year ended December 31, 2013)

	Consolidated General Fund (Schedule 1)	Special Fund	Consolidated Funds	
			2014	2013
<b>Revenues</b>				
Admission fees	\$ 71,130	\$ -	\$ 71,130	\$ 67,610
AG library grant	5,000	-	5,000	5,000
Annual fees	2,814,327	238,420	3,052,747	2,979,721
Copying and computer searches	10,638	-	10,638	16,912
CPD Revenue	487,738	-	487,738	510,810
CPLED Revenue	234,761	-	234,761	206,176
Grant from SLIA (Note 5)	56,000	-	56,000	56,000
Investment income	472,898	242,196	715,094	296,497
Law Foundation grant	791,488	-	791,488	682,090
Legal publications	165,320	-	165,320	108,636
Management fees - Bar Course	16,963	-	16,963	16,963
Management fees - CPD	49,643	-	49,643	49,643
Management fees - Pro Bono Law Saskatchewan Inc.	62,340	-	62,340	62,340
Management fees - SLIA (Note 5)	119,988	-	119,988	119,988
Sundry	235,784	-	235,784	136,070
Recovery of claims and legal expense	-	5,208	5,208	7,000
Unrealized gain (loss) on investments	(11,720)	3,134	(8,586)	291,208
	<u>5,582,298</u>	<u>488,958</u>	<u>6,071,256</u>	<u>5,612,664</u>
<b>Expenses</b>				
Amortization	105,866	-	105,866	108,303
Annual meeting	2,231	-	2,231	1,580
Bar course and CPD	307,316	-	307,316	305,976
Benchers and President	360,060	-	360,060	333,017
Books and reference material	626,374	-	626,374	413,430
Claims	-	83,292	83,292	-
Copier	6,753	-	6,753	8,253
Distribution	34,601	-	34,601	43,241
Grants and subscriptions	104,268	-	104,268	112,124
Insurance	42,394	142,032	184,426	50,287
Management fees & expenses	66,606	-	66,606	66,606
Materials and supplies	41,296	-	41,296	59,368
Membership information	37,268	-	37,268	34,110
Miscellaneous	164,434	4,976	169,410	168,452
Office and equipment rentals	234,081	-	234,081	217,465
Professional services	342,675	9,400	352,075	411,432
Salaries	2,416,965	189,845	2,606,810	2,487,365
Seminars and courses	5,361	-	5,361	4,611
Spot audit	-	2,265	2,265	3,692
Telephone and communications	29,229	-	29,229	24,971
Travel	13,410	-	13,410	9,773
Trustee fees	-	28,066	28,066	23,439
	<u>4,941,188</u>	<u>459,876</u>	<u>5,401,064</u>	<u>4,887,495</u>
<b>Excess of revenues for the year</b>	<b>641,110</b>	<b>29,082</b>	<b>670,192</b>	<b>725,169</b>
<b>Surplus - Beginning of year</b>	<b>5,056,703</b>	<b>2,920,032</b>	<b>7,976,735</b>	<b>7,251,566</b>
<b>Surplus - End of year</b>	<b>\$ 5,697,813</b>	<b>\$ 2,949,114</b>	<b>\$ 8,646,927</b>	<b>\$ 7,976,735</b>

**The Law Society of Saskatchewan**  
**Statement of Cash Flows**  
**For the year ended December 31, 2014**  
(with comparative figures for the year ended December 31, 2013)

	Consolidated Funds	
	2014	2013
<b>Cash provided by (used in) operating activities:</b>		
Excess of revenues for the year	\$ 670,192	\$ 725,169
Items not involving cash:		
Amortization	105,866	108,303
Unrealized loss (gain) on investments	8,586	(291,208)
Gain on disposal of investments	(242,639)	(63,758)
	<u>542,005</u>	<u>478,506</u>
Non-cash operating working capital (Note 9)	210,328	(79,143)
	<u>752,333</u>	<u>399,363</u>
<b>Cash provided by (used in) investing activities:</b>		
Additions to investments	(1,389,567)	(623,931)
Proceeds on the disposal of investments	1,151,431	368,044
Additions to property and equipment	(18,546)	(80,173)
	<u>(256,682)</u>	<u>(336,060)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	495,651	63,303
<b>Cash and cash equivalents - beginning of year</b>	<u>4,014,400</u>	<u>3,951,097</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 4,510,051</u>	<u>\$ 4,014,400</u>

**The Law Society of Saskatchewan**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2014**  
(with comparative figures for the year ended December 31, 2013)

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**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 accounting standards for not-for-profit organizations 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. All financial instruments are required to be recognized at fair value upon initial recognition, except for certain related party transactions. Measurement in subsequent periods of equity instruments is at fair value. All other financial assets and liabilities are subsequently measured at amortized cost adjusted by transaction costs, which are amortized over the expected life of the instrument.

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. Changes in fair value of financial assets and financial liabilities measured at fair value are recognized in excess of revenues over expenses.

When there is an indication of impairment and such impairment is determined to have occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted cash flows expected or the proceeds that could be realized from the sale of the financial asset. Such impairments can be subsequently reversed if the value subsequently improves.

**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.

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**The Law Society of Saskatchewan**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2014**  
(with comparative figures for the year ended December 31, 2013)

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**2. Summary of significant accounting policies continued**

**Revenue recognition**

The Society recognizes revenue as earned and uses the deferral method to recognize contributions revenue. Annual fees received in advance are deferred and recognized as revenue over the applicable membership period. Grant revenue is recognized in the appropriate 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*.

**Tangible capital assets**

Tangible capital assets 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

**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, 2014, the Society had trust assets and liabilities relating to this fund in the amount of \$284,534 (2013 - \$278,381) 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:

	<b><u>2014</u></b>	<b><u>2013</u></b>
Cash	\$ 3,529,763	\$ 3,243,398
Money Market Fund	980,288	771,002
	<b><u>\$ 4,510,051</u></b>	<b><u>\$ 4,014,400</u></b>

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.

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**The Law Society of Saskatchewan**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2014**

(with comparative figures for the year ended December 31, 2013)

**5. Related party transactions**

The Society provides a program of errors and omissions insurance for members. It has incorporated an independent non-profit corporation named Saskatchewan Lawyers' Insurance Association Inc. (SLIA) to participate in a reciprocal insurance exchange named Canadian Lawyers' Insurance Association, pursuant to the terms of a subscriber agreement. The Society is the sole member of SLIA and appoints all board members. Transactions with SLIA are at arms length as a separate entity to preserve confidentiality, privilege and security of assets.

The Law Society is potentially liable for any shortage in the insurance program and for the assets or liabilities on windup. The reader can find more information in the audited financial statements of SLIA.

SLIA has not been consolidated in the Society's financial statements. Financial statements for SLIA as at June 30, 2014 and 2013 and for the years then ended report the following:

	<u>2014</u>	<u>2013</u>
<b>Financial position</b>		
Total assets	\$ 22,062,926	\$ 21,511,664
Total liabilities	8,803,337	10,056,346
Total equity	13,259,589	11,455,318
	<u>\$ 22,062,926</u>	<u>\$ 21,511,664</u>
<b>Results of operations</b>		
Total revenues	\$ 4,260,876	\$ 1,731,432
Total expenditures	2,456,605	26,687
Excess of revenues over expenditures	<u>\$ 1,804,271</u>	<u>\$ 1,704,745</u>
<b>Cash flows</b>		
Cash provided by (used in) operating activities	\$ 531,134	\$ (161,405)
Cash provided by (used in) investing activities	427,044	755,741
Cash provided by (used in) financing activities	(522,196)	(817,625)
Increase (decrease) in cash	<u>\$ 435,982</u>	<u>\$ (223,289)</u>

During the year, the Society was paid management fees of \$119,988 (2013 - \$119,988) for services to SLIA. Also, SLIA contributed \$56,000 (2013 - \$56,000) to the Society's libraries. Included in accounts receivable is a balance of \$178,969 (2013 - \$214,864) and included in accounts payable is a balance of \$20,289 (2013 - \$37,058) 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.

**The Law Society of Saskatchewan**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2014**  
(with comparative figures for the year ended December 31, 2013)

**6. Investments**

	<u>2014</u>	<u>2013</u>
<b>Investments classified as held for trading:</b>		
Fixed Income Pooled Fund	\$ 4,416,676	\$ 4,131,937
Canadian Equity Pooled Fund	863,387	749,342
US Equity Pooled Fund	973,655	899,032
EAFE Plus Equity Fund	-	890,045
International Equity Fund	888,827	-
	<u>\$ 7,142,545</u>	<u>\$ 6,670,356</u>

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

**7. Tangible capital assets**

	<u>2014</u>		<u>2013</u>	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment & software	\$ 339,757	\$ 308,195	\$ 31,562	\$ 48,579
Furniture and fixtures	229,854	219,647	10,206	9,807
Leasehold improvements	196,031	148,802	47,229	70,897
Membership database	155,064	153,546	1,518	32,531
Miscellaneous capital items	80,098	59,302	20,796	36,817
	<u>\$ 1,000,804</u>	<u>\$ 889,493</u>	<u>\$ 111,311</u>	<u>\$ 198,631</u>

**8. Commitments**

The Society has commitments for premises, equipment and services under agreements requiring aggregate minimum payments over the next four years as follows:

2015	\$ 133,500
2016	91,700
2017	88,100
2018	27,000

**The Law Society of Saskatchewan**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2014**  
(with comparative figures for the year ended December 31, 2013)

**9. Non-cash operating working capital**

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

<b>(Increase) decrease in current assets:</b>	<b>2014</b>	<b>2013</b>
Accounts receivable	\$ (31,782)	\$ (19,774)
Receivable from SLIA	19,126	(33,475)
Receivable from PBLs	25,335	(46,991)
Prepaid expenses	(1,000)	2,957
	<u>11,679</u>	<u>(97,283)</u>
<b>Increase (decrease) in current liabilities:</b>		
Accounts payable and accrued liabilities	63,818	(51,415)
Annual fees received in advance	53,872	69,555
Deferred grant revenue	(2,333)	-
Claims liability	83,292	-
	<u>198,649</u>	<u>18,140</u>
	<u>\$ 210,328</u>	<u>\$ (79,143)</u>

**10. Financial risk management**

The Society has a risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The significant risks to which the Society is exposed to are:

**Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Society is exposed to credit risk on the accounts receivable from its members, however, does not have a significant exposure to any individual member or counterpart. The Society incurred insignificant bad debt expense during the past three years and its members are lawyers.

**Liquidity Risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Society's exposure to liquidity risk is dependent on the receipt of funds from its operations and other related sources. Funds from these sources are primarily used to finance working capital and capital expenditure requirements, and are considered adequate to meet the Society's financial obligations.

**Price Risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Society's investments in equity securities expose the Society to market price risk as such investments are subject to price changes in the open market. The Society does not use any derivative financial instruments to alter the effects of this risk.

**The Law Society of Saskatchewan**  
**Schedule 1 - Schedule of Revenues and Expenses - Consolidated General Fund**  
**For the year ended December 31, 2014**  
(with comparative figures for the year ended December 31, 2013)

	Administration Department	Library Department	CPLED Department	CPD Department	Lawyer Referral	Self Insurance Fund	2014	2013
<b>Revenues</b>								
Admission fees	\$ 71,130	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 71,130	\$ 67,610
AG library grant	-	5,000	-	-	-	-	5,000	5,000
Annual fees	2,814,327	-	-	-	-	-	2,814,327	2,713,801
Copying and computer searches	-	10,638	-	-	-	-	10,638	16,912
CPD Revenue	-	-	-	487,738	-	-	487,738	510,810
CPLED Revenue	-	-	234,761	-	-	-	234,761	206,176
Grant from SLIA (Note 5)	-	56,000	-	-	-	-	56,000	56,000
Investment income	472,644	-	-	-	-	254	472,898	208,217
Law Foundation grant	-	702,022	79,466	10,000	-	-	791,488	682,090
Legal publications	-	165,320	-	-	-	-	165,320	108,636
Management fees - Bar Course	16,963	-	-	-	-	-	16,963	16,963
Management fees - CPD	49,643	-	-	-	-	-	49,643	49,643
Management fees - PBLs	62,340	-	-	-	-	-	62,340	62,340
Management fees - SLIA (Note 5)	119,988	-	-	-	-	-	119,988	119,988
Sundry	231,566	468	3,750	-	-	-	235,784	118,044
Unrealized gain (loss) on investments	(11,720)	-	-	-	-	-	(11,720)	217,401
	<b>3,826,881</b>	<b>939,448</b>	<b>317,977</b>	<b>497,738</b>	<b>-</b>	<b>254</b>	<b>5,582,298</b>	<b>5,159,631</b>
<b>Expenses</b>								
Amortization	101,949	3,917	-	-	-	-	105,866	108,303
Annual meeting	2,231	-	-	-	-	-	2,231	1,580
Bar course and CPD	-	-	116,896	190,420	-	-	307,316	305,976
Benchers and President	353,240	381	4,413	2,026	-	-	360,060	333,017
Books and reference material	-	626,374	-	-	-	-	626,374	413,430
Copier	-	6,753	-	-	-	-	6,753	8,253
Distribution	28,710	5,732	159	-	-	-	34,601	43,241
Grants and subscriptions	104,268	-	-	-	-	-	104,268	112,124
Insurance	35,575	6,819	-	-	-	-	42,394	44,478
Management fees & expenses	-	-	16,963	49,643	-	-	66,606	66,606
Materials and supplies	37,262	3,039	474	521	-	-	41,296	59,368
Membership information	4,928	13,913	18,427	-	-	-	37,268	34,110
Miscellaneous	144,076	12,408	6,267	1,683	-	-	164,434	163,848
Office and equipment rentals	225,631	1,876	6,574	-	-	-	234,081	217,465
Professional services	248,728	92,398	1,518	31	-	-	342,675	410,432
Salaries	1,510,425	531,051	193,570	181,919	-	-	2,416,965	2,310,927
Seminars and courses	-	5,361	-	-	-	-	5,361	4,611
Telephone and communications	14,969	13,504	436	320	-	-	29,229	24,971
Travel	-	13,410	-	-	-	-	13,410	9,773
	<b>2,811,992</b>	<b>1,336,936</b>	<b>365,697</b>	<b>426,563</b>	<b>-</b>	<b>-</b>	<b>4,941,188</b>	<b>4,672,513</b>
<b>Excess of revenues (expenses) for the year</b>	<b>\$ 1,014,889</b>	<b>\$ (397,488)</b>	<b>\$ (47,720)</b>	<b>\$ 71,175</b>	<b>\$ -</b>	<b>\$ 254</b>	<b>\$ 641,110</b>	<b>\$ 487,118</b>



**SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.**

**REGINA, SASKATCHEWAN**

**FINANCIAL STATEMENTS  
JUNE 30, 2014**


## **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 accounting standards for not-for-profit organizations 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.



**Brad Hunter**  
**Legal Counsel**



**Tim Brown**  
**Legal Counsel**

## INDEPENDENT AUDITORS' REPORT

### To the Members

#### **Saskatchewan Lawyers' Insurance Association Inc.**

We have audited the accompanying financial statements of **Saskatchewan Lawyers' Insurance Association Inc.** which comprise the statement of financial position as at **June 30, 2014** and the statements of operations and members' equity 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 accounting standards for not-for-profit organizations 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 Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association'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.

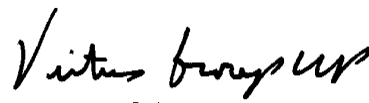
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at **June 30, 2014** and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

**October 17, 2014**

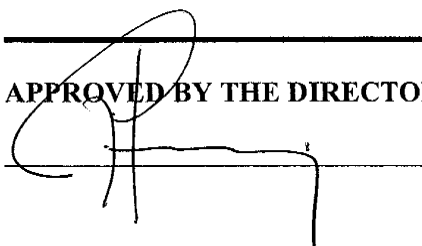
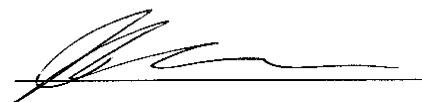
**Regina, Saskatchewan**

  
Chartered Accountants

**SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2014**  
**(with comparative figures for 2013)**

<b>ASSETS</b>		
	<u><b>2014</b></u>	<u><b>2013</b></u>
Cash and short term investments (Note 3)	\$ 3,635,551	\$ 3,198,569
Property held for sale (Note 4)	353,715	-
Investments (Note 5)	15,938,047	15,136,115
Accounts receivable	789,174	1,986,747
Accrued interest receivable	226,967	227,963
Prepaid expenses	20,572	-
Due from The Law Society of Saskatchewan	329,787	962,270
Due from Canadian Lawyers' Insurance Association (Note 6)	769,113	-
	<u>\$ 22,062,926</u>	<u>\$ 21,511,664</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 132,987	\$ 1,082,218
Due to Canadian Lawyers' Insurance Association (Note 6)	-	385,566
Government remittances payable	83,002	77,330
Annual premiums received in advance	2,339,220	2,306,460
Provision for unpaid claims and expenses (Note 7)	6,248,128	6,204,772
	<u>8,803,337</u>	<u>10,056,346</u>
<b>NET ASSETS</b>		
Members' equity	<u>13,259,589</u>	<u>11,455,318</u>
	<u>\$ 22,062,926</u>	<u>\$ 21,511,664</u>

**APPROVED BY THE DIRECTORS:**

**SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.**  
**STATEMENT OF OPERATIONS AND MEMBERS' EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(with comparative figures for the year ended June 30, 2013)**

	<u>2014</u>	<u>2013</u>
<b>Revenues</b>		
Annual premiums	\$ 2,379,066	\$ 1,544,280
Current year premiums paid to CLIA	(1,045,515)	(763,786)
Retroassessment credit received from CLIA (Note 6)	1,140,742	-
<b>Net premiums</b>	<u>2,474,293</u>	<u>780,494</u>
<b>Claims expense (recovery) (Note 8)</b>		
Claims / indemnity	1,271,668	(1,208,200)
Counsel, legal, and adjuster fees	421,715	588,770
<b>Excess of premiums over claims expense</b>	<u>780,910</u>	<u>1,399,924</u>
<b>Administrative expenses</b>		
Actuarial study	17,285	17,525
Committee meetings	6,152	6,178
LCL and library grants	69,400	46,707
Management fees (Note 9)	119,988	118,812
Miscellaneous	343	88
Office and general	56,345	15,176
Practice advisor	42,997	58,684
Professional services	87,641	72,863
Rent	4,500	-
Wages and benefits	358,571	310,084
	<u>763,222</u>	<u>646,117</u>
<b>Excess of revenues over expenses from operations</b>	<u>17,688</u>	<u>753,807</u>
<b>Other income</b>		
Gain on disposal of investments	272,139	139,648
Unrealized gain on investments	956,837	219,680
Investment income	557,607	591,610
	<u>1,786,583</u>	<u>950,938</u>
<b>Excess of revenues over expenses</b>	1,804,271	1,704,745
<b>Members' equity - beginning of year</b>	<u>11,455,318</u>	<u>9,750,573</u>
<b>Members' equity - end of year</b>	<u><u>\$ 13,259,589</u></u>	<u><u>\$ 11,455,318</u></u>

**SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
(with comparative figures for the year ended June 30, 2013)

	<u>2014</u>	<u>2013</u>
<b>Cash provided by (used in) operating activities:</b>		
Excess of revenues over expenses	\$ 1,804,271	\$ 1,704,745
Items not involving cash:		
- Gain on disposal of investments	(272,139)	(139,648)
- (Decrease) increase in provision for unpaid claims and expenses	43,356	(1,382,972)
- Unrealized (gains) losses on investments	(956,837)	(219,680)
	618,651	(37,555)
Non-cash operating balances (Note 10)	(86,517)	(123,850)
	<u>532,134</u>	<u>(161,405)</u>
<b>Cash provided by (used in) investing activities:</b>		
Additions to investments	(1,298,282)	(947,239)
Proceeds on disposal of investments	1,725,326	1,702,980
	<u>427,044</u>	<u>755,741</u>
<b>Cash provided by (used in) financing activities:</b>		
(Decrease) increase in due to Canadian Lawyers' Insurance Association	(1,154,679)	35,437
Increase in due from The Law Society of Saskatchewan	632,483	(853,062)
	<u>(522,196)</u>	<u>(817,625)</u>
<b>Increase (decrease) in cash</b>	436,982	(223,289)
<b>Cash position - beginning of year</b>	<u>3,198,569</u>	<u>3,421,858</u>
<b>Cash position - end of year</b>	<u>\$ 3,635,551</u>	<u>\$ 3,198,569</u>

**SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(with comparative figures for the year ended June 30, 2013)**

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**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 2005-2014, \$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>
2013/14	\$2,825,000	2000/01	\$2,150,000
2012/13	2,325,000	1999/00	2,250,000
2011/12	2,300,000	1998/99	1,900,000
2010/11	2,100,000	1997/98	1,800,000
2009/10	1,900,000	1996/97	1,650,000
2008/09	1,800,000	1995/96	1,550,000
2007/08	1,800,000	1994/95	1,600,000
2006/07	1,900,000	1993/94	1,400,000
2005/06	2,000,000	1992/93	1,300,000
2004/05	1,950,000	1991/92	1,150,000
2003/04	1,850,000	1990/91	1,200,000
2002/03	1,950,000	1989/90	900,000
2001/02	2,050,000	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.

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**SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(with comparative figures for the year ended June 30, 2013)**

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**2. Summary of significant accounting policies**

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations 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**

Annual premiums 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*.

**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.

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**SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
(with comparative figures for the year ended June 30, 2013)

**2. Summary of significant accounting policies (continued)**

**Financial instruments - recognition and measurement**

Financial assets and financial liabilities are recorded on the statement of financial position when the Association becomes party to the contractual provisions of the financial instrument. All financial instruments are required to be recognized at fair value upon initial recognition, except for certain related party transactions. Measurement in subsequent periods of equity instruments is at fair value. All other financial assets and financial liabilities are subsequently measured at amortized cost adjusted by transaction costs, which are amortized over the expected life of the instrument.

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. Changes in fair values of financial assets and financial liabilities measured at fair value are recognized in excess of revenues over expenses.

When there is an indication of impairment and such impairment is determined to have occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted cash flows expected or the proceeds that could be realized from sale of the financial asset. Such impairments can be subsequently reversed if the value improves.

**3. Cash and short term investments**

	<u>2014</u>	<u>2013</u>
Cash	\$ 2,214,993	\$ 1,401,876
Short term investments	255,909	505,511
Money market funds	1,164,650	1,291,182
	<u>\$ 3,635,552</u>	<u>\$ 3,198,569</u>

Short term investments represent term deposits with TD Canada Trust. Money market funds represent funds managed by Greystone Managed Investments Inc. and TD Asset Management.

**4. Properties held for sale**

	<u>2014</u>	<u>2013</u>
Real estate acquired in indemnity settlements	\$ 353,715	\$ -
	<u>\$ 353,715</u>	<u>\$ -</u>

**SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
(with comparative figures for the year ended June 30, 2013)

**5. Investments**

	<u>2014</u>	<u>2013</u>
Canadian equities	\$ 1,738,283	\$ 1,727,337
U.S. equities	1,947,014	1,803,801
Non-North American equities	1,937,541	1,705,046
Fixed income	10,315,209	9,899,930
	<u>\$ 15,938,047</u>	<u>\$ 15,136,114</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 Investments Inc.

**6. Due to (from) Canadian Lawyers' Insurance Association**

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

	<u>2014</u>	<u>2013</u>
Excess insurance	\$ 371,629	\$ 385,566
CLIA premium credit (Note 11)	(1,140,742)	-
	<u>\$ (769,113)</u>	<u>\$ 385,566</u>

**7. 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, 2014 totaled \$6,248,128 (2013 - \$6,204,722).

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 generally result in an estimate that is 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, 2013 was projected at \$8,305,000 on an undiscounted basis (\$8,052,000 discounted at 3.20%).

**8. Claims expenses**

Claims expenses consists of adjusters' fees, 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, 2014**  
(with comparative figures for the year ended June 30, 2013)

**9. 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 \$119,988 for the year (2013 - \$118,812). As at June 30, 2014 there was an amount owing from the Society of \$329,787 (2013 - \$962,270). 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.

**10. Non-cash operating working capital**

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

	<u>2014</u>	<u>2013</u>
<b>(Increase) decrease in current assets:</b>		
Accounts receivable	\$ 1,197,573	\$ (1,910,717)
Accrued interest receivable	996	(6,376)
Prepaid expenses	(20,572)	-
Assets held for sale	(353,715)	-
	<u>824,282</u>	<u>(1,917,093)</u>
<b>Increase (decrease) in current liabilities:</b>		
Accounts payable and accrued liabilities	(949,231)	950,546
Government remittances payable	5,672	24,110
Deferred revenue	32,760	818,587
	<u>(910,799)</u>	<u>1,793,243</u>
	<u>\$ (86,517)</u>	<u>\$ (123,850)</u>

**11. 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 7 provinces and the 3 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, 2013 show SLIA's subscriber's equity to be \$3,092,951 (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 25%, the member may withdraw the surplus. At December 31, 2013, SLIA had a subscriber account surplus in the amount of \$1,140,742 (2012 - \$0).

In accordance with the foregoing policy, SLIA did fully meet its calculated required subscriber equity balance of \$1,952,209.

**SASKATCHEWAN LAWYERS' INSURANCE ASSOCIATION INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(with comparative figures for the year ended June 30, 2013)**

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**11. 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.

**12. Financial risk management**

The Association has a risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The significant financial risks to which the Association is exposed are:

**Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Association is not exposed to significant credit risk.

**Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Association is not exposed to significant interest rate risk.

**Price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Association's investments expose the Association to market price risk.

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# LAW SOCIETY OF SASKATCHEWAN

## *Mission Statement*

Acting in the public interest, the Law Society of Saskatchewan:

- (i) protects the public by regulating competence and integrity in legal services;
- (ii) promotes access to legal services;
- (iii) ensures the independence of the legal profession; and
- (iv) advances the administration of justice and the rule of law.

