

The Law Society of Newfoundland and Labrador

---

## 2012 - 2013 Annual Report



# The Law Society of Newfoundland and Labrador

## **Notice of Correction** **Missing Page – Notes to Financial Statements of the** **Law Society of Newfoundland and Labrador**

Please take note that, in the section of the Financial Statements of the Law Society of Newfoundland and Labrador titled “Notes to Financial Statements” (pages 38-44) there was a page missing from the original report containing Note No. 9 – Financial risks. The missing note has been inserted into the posted version of the 2012-2013 Annual Report as page number 43A.

---

# CONTENTS

---

---

Benchers.....	1
Law Society Staff .....	3
Membership .....	4
Law Society Committees.....	6
President's Annual Report .....	11
Vice-President's Annual Report.....	17
Bar Admission Course Committee Report .....	19
Continuing Legal Education Committee Report .....	21
Education Committee Report .....	22
Insurance Committee Report .....	23
Library Committee Report .....	25
Professionals' Assistance Committee Report .....	26
Student Awards Committee Report.....	27
Financial Statements.....	29

Auditors' Report and Financial Statements, Law Society  
Fiscal Year Ended December 31, 2012

Auditors' Report and Financial Statements, Lawyers' Insurance Program  
Fiscal Year Ended December 31, 2012

---

# BENCHERS

---

## Officers:

President: Morgan C. Cooper  
Vice-President: George L. Murphy, QC

## Elective Benchers

### *Eastern District:*

Morgan C. Cooper  
Kenneth L. Baggs, QC  
R. Paul Burgess  
Barry G. Fleming, QC  
Susan M. LeDrew  
Liam P. O'Brien  
Ian C. Wallace  
Donovan F. Molloy  
Amy M. Crosbie  
Donald E. Anthony  
Kenneth W. Jerrett  
Leanne M. O'Leary

### *Central District:*

Marcus A. Evans  
Kevin T.A. Preston

### *Western District:*

Shawn C. A. Colbourne, QC  
George L. Murphy, QC

### *Labrador District:*

J. John Noseworthy

## Appointed Benchers

Donovan Downer  
Linda Harnett

Glenda Reid  
Bert Riggs

## Honorary Benchers

Lewis B. Andrews, QC  
Jeffrey P. Benson, QC  
Augustine F. Bruce  
V. Randell J Earle, QC  
J. David B. Eaton, QC  
Francis P. Fowler, QC  
J. Vernon French, QC  
Brian F. Furey, QC  
Sheila H. Greene, QC  
The Hon Mr. Justice W. Goodridge  
The Hon Chief Justice J. D. Green  
The Hon Gloria Harding  
Edward M. Hearn, QC  
Thomas R. Kendell, QC  
R. Barry Learmonth, QC  
Dana K. Lenehan, QC

Augustus G. Lilly, QC  
Dennis C. MacKay, QC  
G. David Martin, QC  
Paul M. McDonald  
Irene S. Muzychka  
Stephanie L. Newell, QC  
Glen L.C. Noel  
M. Francis O'Dea, QC  
Thomas J. O'Reilly, QC  
Ernest G. Reid, QC  
John F. Roil, QC  
The Hon Mr. Justice D. Russell  
Robert M. Sinclair, QC  
The Hon. Mr. Justice R. Wells  
Marina C. Whitten, QC

## Officers of the Law Society of Newfoundland (and Labrador)

### Treasurers / Presidents

### Secretaries / Vice-Presidents

— 1834-1845 Records of the Society were destroyed in the Great Fire of June 9, 1846 —

1846	Hon Wm. B. Rowe, QC	1846	E. M. Archibald
1849	Bryan Robinson, QC	1847	H. W. Hoyles
1852	E. M. Archibald	1849	F. B. T. Carter
1855	F. B. T. Carter	1855	George Hogsett
1866	Wm. V. Whiteway	1856	Henry A. Clift
1869	Robert J. Pinsent, QC	1869	M. W. Walbank
1870	Wm. V. Whiteway	1866	Robert J. Pinsent
1879	Robert J. Pinsent, QC	1869	M. W. Walbank
1881	J. J. Little, QC	1877	T. I. Keough, QC
1885	Robert J. Kent, QC	1879	Prescott Emerson, QC
1893	Sir Wm. V. Whiteway, KCMG, QC	1885	Prescott Emerson, QC
1908	Sir James S. Winter	1889	A. J. W. McNeily, QC
1911	Daniel J. Greene, KC	1895	D. M. Browning
1912	Donald Morrison, KC	1914	C. O'N. Conroy
1919	J. A. Clift, KC	1916	C. H. Emerson, KC
1923	P. F. Summers, KC	1919	Rt. Hon. Sir Wm. Lloyd
1927	W. R. Howley, KC	1937	J. G. Higgins, QC
1941	C. O'N. Conroy, KC	1947	J. A. Barron, QC
1947	John G. Higgins, QC	1958	G. M. Stirling, CM, QC
1958	R. S. Furlong, QC	1959	T. A. Hickman, QC
1959	G. M. Stirling, CM, QC	1967	D. A. Mercer, QC
1971	R. W. Bartlett, QC	1974	Noel Goodridge, QC
1974	Donald A. Mercer, QC	1976	Francis P. Fowler, QC
1977	Robert Wells, QC	1981	Ernest G. Reid, QC
1981	Francis P. Fowler, QC	1982	Thomas J. O'Reilly, QC
1982	Ernest G. Reid, QC	1983	M. Francis O'Dea, QC
1983	Thomas J. O'Reilly, QC	1984	Peter W. Strong, QC
1984	M. Francis O'Dea, QC	1985	David L. Russell, QC
1985	Peter W. Strong, QC	1986	G. David Martin, QC
1986	David L. Russell, QC	1986	J. Vernon French, QC
1986	G. David Martin, QC	1987	Lewis B. Andrews, QC
1987	J. Vernon French, QC	1988	John F. Roil, QC
1988	Lewis B. Andrews, QC	1989	J. Derek Green, QC
1989	John F. Roil, QC	1990	R. Barry Learmonth
1990	J. Derek Green, QC	1991	Thomas R. Kendell, QC
1991	R. Barry Learmonth	1992	Augustus G. Lilly, QC
1992	Thomas R. Kendell, QC	1993	V. Randell J. Earle, QC
1993	Augustus G. Lilly, QC	1994	Reginald H. Brown, QC
1994	V. Randell J. Earle, QC	1995	Dana K. Lenehan, QC
1995	Reginald H. Brown, QC	1996	Gloria Harding
1996	Dana K. Lenehan, QC	1997	J. David B. Eaton, QC
1997	Gloria Harding	1998	Dennis C. MacKay, QC
1998	J. David B. Eaton, QC	1999	Robert M. Sinclair, QC
1999	Dennis C. MacKay	2000	Jeffrey P. Benson, QC
2000	Robert M. Sinclair, QC	2001	William H. Goodridge, QC
2001	Jeffrey P. Benson, QC	2002	Stephanie L. Newell, QC
2002	William H. Goodridge, QC	2003	Brian F. Furey, QC
2003	Stephanie L. Newell, QC	2004	Edward M. Hearn, QC
2004	Brian F. Furey, QC	2005	Paul M. McDonald
2005	Edward M. Hearn, QC	2006	Marina C. Whitten, QC
2006	Paul M. McDonald	2007	Sheila H. Greene, QC
2007	Marina C. Whitten, QC	2008	Irene S. Muzychka
2008	Sheila H. Greene, QC	2009	Glen L.C. Noel
2009	Irene S. Muzychka	2010	Augustine F. Bruce
2010	Glen L.C. Noel	2011	Morgan C. Cooper
2011	Augustine F. Bruce	2012	George L. Murphy, QC
2012	Morgan C. Cooper		

---

## LAW SOCIETY STAFF

---

Executive Director:	Brenda B. Grimes	
Director of Legal Education:	Francis P. O'Brien	
Legal Director:	Phyllis E. Weir	
Library Director:	Gail A. Hogan	
Librarian:	Heather A. Myers	
Accountant:	Richard T. Yabsley	
Administrators:	Janice K. Ringrose Pamela A. Marks	<i>Insurance</i> <i>Professional Responsibility</i>
Administrative Assistants:	Anne P. Cross Regina M. Whitty S. Renee Whalen Lisa E. Kennedy Irene M. Blyde Erin C. Rowe Karen G. Rodgers	<i>Professional Responsibility</i> <i>Education</i> <i>Library / Reception</i> <i>Custodianship</i> <i>Custodianship (MLR)*</i> <i>Executive</i> <i>Executive (MLR)*</i>
Library Technicians:	Brenda Blundon Timothy P.E. Harlick	<i>Library (Part-time)</i>
Maintenance:	Donald Norman	

\* MLR - Maternity Leave Replacement

---

## MEMBERSHIP

---

Membership Statistics as of June, 2013:

Practising ( <i>Insured</i> ):	537
Practising ( <i>Uninsured</i> ):	192
Non-Practising:	205
Life:	<u>33</u>
TOTAL	<u>937</u>

The total membership figures for the years since Confederation with Canada are as follows:

1950 - 66	1966 - 86	1982 - 333	1998 - 706
1951 - 64	1967 - 89	1983 - 351	1999 - 728
1952 - 66	1968 - 106	1984 - 371	2000 - 750
1953 - 69	1969 - 110	1985 - 378	2001 - 767
1954 - 72	1970 - 124	1986 - 394	2002 - 772
1955 - 75	1971 - 129	1987 - 408	2003 - 798
1956 - 73	1972 - 129	1988 - 435	2004 - 808
1957 - 76	1973 - 145	1989 - 445	2005 - 832
1958 - 76	1974 - 153	1990 - 477	2006 - 858
1959 - 77	1975 - 179	1991 - 514	2007 - 870
1960 - 81	1976 - 189	1992 - 560	2008 - 904
1961 - 83	1977 - 203	1993 - 588	2009 - 923
1962 - 86	1978 - 237	1994 - 617	2010 - 931
1963 - 86	1979 - 261	1995 - 635	2011 - 948
1964 - 86	1980 - 281	1996 - 669	2012 - 931
1965 - 86	1981 - 316	1997 - 683	2013 - 937

Eleven lawyers were called to the Bar of Newfoundland and Labrador on June 15, 2012

<table style="width: 100%; border-collapse: collapse;"> <tr><td style="padding-right: 10px;">Roll#</td><td></td></tr> <tr><td>1556</td><td>Thomas Frank Hutchings</td></tr> <tr><td>1557</td><td>Andrew James Conway</td></tr> <tr><td>1558</td><td>Silvia Suman</td></tr> <tr><td>1559</td><td>Deidre Danielle Badcock</td></tr> <tr><td>1560</td><td>Adam Gerald Baker</td></tr> <tr><td>1561</td><td>Amber Natasha Penney</td></tr> </table>	Roll#		1556	Thomas Frank Hutchings	1557	Andrew James Conway	1558	Silvia Suman	1559	Deidre Danielle Badcock	1560	Adam Gerald Baker	1561	Amber Natasha Penney	<table style="width: 100%; border-collapse: collapse;"> <tr><td style="padding-right: 10px;">Roll#</td><td></td></tr> <tr><td>1562</td><td>Amanda Mari MacDougall</td></tr> <tr><td>1563</td><td>Patricia May Day</td></tr> <tr><td>1564</td><td>Kathy Priscilla Moulton</td></tr> <tr><td>1565</td><td>Paul Andrew Kennedy</td></tr> <tr><td>1566</td><td>Shane Michael Hickey</td></tr> </table>	Roll#		1562	Amanda Mari MacDougall	1563	Patricia May Day	1564	Kathy Priscilla Moulton	1565	Paul Andrew Kennedy	1566	Shane Michael Hickey
Roll#																											
1556	Thomas Frank Hutchings																										
1557	Andrew James Conway																										
1558	Silvia Suman																										
1559	Deidre Danielle Badcock																										
1560	Adam Gerald Baker																										
1561	Amber Natasha Penney																										
Roll#																											
1562	Amanda Mari MacDougall																										
1563	Patricia May Day																										
1564	Kathy Priscilla Moulton																										
1565	Paul Andrew Kennedy																										
1566	Shane Michael Hickey																										

---

Two lawyers were called to Bar of Newfoundland and Labrador on October 5, 2012

Roll #		Roll #	
1567	Gregory James French	1568	Gabriel Demers-Brodeur

Seventeen lawyers were called to the Bar of Newfoundland and Labrador on February 15, 2013

Roll #		Roll #	
1569	Johnathan Edward Earle	1578	Melissa Anne Royale
1570	Vanessa Mary Nothcott	1579	Andrew Marc Rowe
1571	Kyle Robert Rees	1580	Benjamin Peter Curties
1572	Jessica Margaret Babb	1581	Kimberley Susan Janet Wilton
1573	Amanda Marie Lannon	1582	Jordon Ryan Hodder
1574	Lyndsey Karen Lawrence	1583	Conor Edward Stack
1575	Darlene Patricia Butler	1584	Jeremy Delbert De Jong
1576	Sandra Nora Cahill	1585	Matthew Neil Craig
1577	Amanda Jane Hiscock		

Six lawyers were called to the Bar of Newfoundland and Labrador on April 19, 2013

Roll #		Roll #	
1586	Darren Robert Purchase	1589	Jonathan Blair Brandon
1587	Michael Scott Gillingham	1590	Erin Elizabeth Matthews
1588	Susan Marie Sparrow	1591	Kevin Joseph Kiley

Lawyers were first regulated in Newfoundland under a Royal Charter of 1826; the Law Society was incorporated on July 1, 1834.

The Barrister and Solicitor Rolls, as of June 1, 2013, record that 1591 members have been called to the Bar since 1826.



The Benchers record with regret the death of the following members and past members during the period from June 2012 to June 2013:

**Justice David Leslie Russell**  
called December 15, 1969, Roll #295

**Gordon Wilburn Seabright**  
called June 26, 1981, Roll #540





---

# LAW SOCIETY COMMITTEES

---

## EXECUTIVE COMMITTEE:

Morgan C. Cooper, *President*  
George L. Murphy, QC, *Vice-President*  
Augustine F. Bruce, *Past President*  
Kenneth L. Baggs, QC  
Susan M. LeDrew  
Brenda B. Grimes, *ex officio*

## STATUTORY COMMITTEES:

### Complaints Authorization Committee

Kenneth L. Baggs, QC, *Chair*  
J. David B. Eaton, QC, *Vice-Chair*  
Linda Harnett, *Appointed Bencher*  
Phyllis E. Weir, *ex officio*

#### *Alternate Members*

Donald E. Anthony	Glenda Reid, <i>Appointed Bencher</i>
Amy M. Crosbie	Marina C. Whitten, QC
Sheila H. Greene, QC	

### Discipline Committee

Irene S. Muzychka, *Chair*  
John M. Green, QC, *Vice-Chair*

#### *Law Society Members:*

John M. Babb, QC  
Glen S. Belbin  
Katrina A. Brannan  
Janis C. Byrne  
Wayne D. Chamberlain  
Sandra R. Chaytor, QC  
S. Bruce Chislett  
Paul L. Coxworthy  
Michael J. Crosbie, QC  
Jean V. Dawe, QC  
V. Randell J. Earle, QC  
Anne M. Fagan  
Donald J. Gallant  
Bruce C. Grant, QC  
Deborah L.J. Hutchings  
David A. King, QC

R. Barry Learmonth, QC  
Mary J. Mandville  
Tobias F. McDonald, QC  
John W. McGrath, QC  
James C. Oakley  
Mary C. O'Brien  
John V.B. O'Dea  
D. Richard Robbins  
Linda M. Rose, QC  
Daniel W. Simmons  
Ellen E.M. Turpin  
James E. Vavasour, QC  
John D. Brooks, QC  
Dennis N. Clarke  
Paul D. Dicks, QC  
Tamara L. Drover

Gladys H. Dunne  
Gregory A. French  
Brian R. Gatien  
Stephanie S. Hickman  
David W. Jones, QC  
Lee Ann L. Montgomery  
Lynn M. Moore  
Gregory A.C. Moores  
Tracey Pasley  
Stephen F. Penney  
Richard S. Rogers  
James L. Thistle, QC  
Thomas E. Williams, QC  
Rodney J. Zdebiak

#### *Appointed Representatives:*

Harold Barrett  
Bernard Bolger  
Angela Bowes  
Herbert Burry  
Frederick Drover  
Freida Faour  
Raymond Rose  
Dr. Marina Sexton

---

### **Education Committee**

Ian C Wallace, *Chair*

David G. L. Buffett, QC  
J. David B. Eaton, QC  
Heather M. Jacobs

D. Bradford Wicks, QC  
George L. Murphy, QC, *ex officio*  
Francis P. O'Brien, *ex officio*

## **RULES-BASED COMMITTEES:**

### **Accounts and Finance Committee**

Barry G. Fleming, QC, *Chair*

George L. Murphy, QC  
Glenda Reid

Brenda B. Grimes, *ex officio*  
Richard T. Yabsley, *ex officio*

### **Bar Admission Committee**

J. David B. Eaton, QC, *Chair*

Aubrey L. Bonnell, QC  
Sandra M. Burke, QC  
V. Randell J. Earle, QC

Glen L.C. Noel  
Gregory M. Smith  
Francis P. O'Brien, *ex officio*

### **Custodianship Committee**

Barry G. Fleming, QC, *Chair*

Kenneth W. Jerrett

Brenda B. Grimes, *ex officio*

### **Library Committee**

Liam P. O'Brien, *Chair*

Rebecca C. Phillipps  
Padraig J. Mohan  
Maeve A. Baird  
Angela M. Whitehead  
Andrew A. Fitzgerald

Benjamin J. Blackmore  
Bert Riggs, *Appointed Bencher*  
Gail A. Hogan, *ex officio*  
Heather A. Myers, *ex officio*  
Brenda B. Grimes, *ex officio*

## **BENCHER APPOINTED STANDING COMMITTEES:**

### **Archives Committee**

Bert Riggs, *Chair, Appointed Bencher*

Justin S. C. Mellor  
Veva B. Moulton

Rebecca C. Phillipps  
Gail A. Hogan, *Librarian, ex officio*

### **Claims Review Committee**

Francis P. O'Dea, QC, *Counsel*  
(*June to October 2012*)  
Thomas J. Johnson, *Counsel*  
(*October 2012 to June 2013*)

Lewis B. Andrews, QC  
Raymond P. Walsh, *FCIP*  
Janice K. Ringrose, *ex officio*

---

## Honours and Awards Committee

Marcus A. Evans, *Chair*

John D. Brooks, QC  
V. Randell J. Earle, QC  
Paul M. McDonald

Bert Riggs, *Appointed Bencher*  
Edward J. Shortall, QC

## Insurance Committee

R. Paul Burgess, *Chair*

Philip J. Buckingham  
Edward M. Hearn, QC  
Stephen J. May, *CLIA Board Rep.*  
Thomas Johnson

Maureen E. Ryan  
Raymond P. Walsh, *FCIP*  
Janice K. Ringrose, *ex officio*  
Brenda B. Grimes, *ex officio*

## Law Society Act and Rules Committee

Kevin T.A. Preston, QC, *Chair*

Donald E. Anthony  
Jane C. Hennebury  
Jamie P. Martin

Karen M. Stone  
Brenda B. Grimes, *ex officio*

## Legislation Committee

Brian F Furey, *Chair*

John D. Brooks, QC  
Tobias F. McDonald, QC,  
*Court Rules Committee Rep.*  
Leanne M. O'Leary,  
*Court Rules Committee Rep.*

Glen L.C. Noel  
Robert J. Hickey,  
*Court Rules Committee Rep.*  
Francis P. O'Brien, *ex officio*

## Practice Rules Compliance Committee

Kenneth L Baggs, QC, *Chair*

Shelley L Bryant  
Annette M. Conway  
Bert Riggs, *Appointed Bencher*  
Roland C. Snelgrove, QC

Diane Rendell, *ex officio*  
George L. Murphy, QC, *ex officio*  
Phyllis E. Weir, *ex officio*  
Brenda B. Grimes, *ex officio*

## Professional Law Corporations Committee

Jeffrey P. Benson, QC, *Chair*

Michael H. Duffy  
Maureen E. Ryan

Brenda B. Grimes, *ex officio*

## SS Daisy Legal History Committee

Christopher P. Curran, QC *Co-chair*

The Honourable Judge John L. Joy, *Co-chair*

Mel Baker  
The Hon. Judge Gerald J Barnable  
Thomas J. Burke, QC  
John F.E. Drover  
Christopher English

The Hon. J. Derek Green,  
*Chief Justice of Newfoundland & Labrador*  
David J. Jones, QC  
Robert P. Pittman  
Brenda B. Grimes, *ex officio*

---

**Real Estate Committee**

Susan M. LeDrew, *Chair*

Shawn C.A. Colbourne, QC  
Catherine J. Perry

Graham A. Wells  
Brenda B. Grimes, *ex officio*

**Student Awards Committee**

Denis J. Mahoney, *Chair*

Joan F. Myles

Francis P. O'Brien, *ex officio*

**Unauthorized Practice Committee**

Susan LeDrew, *Chair*

James Thistle, QC

Phyllis E. Weir, *ex officio*

**BENCHER APPOINTED AD HOC COMMITTEES:**

**Life Membership Committee**

Ian C. Wallace, *Chair*

Barry G. Fleming, QC

Bert Riggs, *Appointed Bencher*

**JOINT LIAISON COMMITTEES:**

**Law Society and Newfoundland and Labrador Medical Association Committee**

Daniel M. Boone, *Chair*

Thomas J. Johnson  
Thomas G. Mills

LeeAnn L. Montgomery  
Edward P. Noonan, QC

**Professionals' Assistance Committee**

Brian F. Furey, QC

Amy M. Crosby

Brenda B. Grimes, *ex officio*

---

# PRESIDENT'S ANNUAL REPORT

---

## **Morgan C. Cooper**

It is my privilege to present the President's annual report for 2012-2013 which summarizes some of the significant events, accomplishments and activities of the Law Society during my term (8 June 2012 to 7 June 2013).

### **Call to Bar for New Lawyers**

One of the more pleasant tasks a President of the Law Society carries out is participating in the various ceremonies and celebrations of the Law Society including the Call to Bar ceremonies. Four (4) of these took place during my time as President. The result of these was the admission of 36 new lawyers to the practice of law. As is customary, the Law Society hosted receptions following these Call to Bar ceremonies at the Law Society offices.

While the practice of law is an exciting and rewarding career, it also brings with it much responsibility. It is important that all members of the Law Society continue to provide guidance and support to these new colleagues as they move forward on their chosen career path.

### **New Judges**

Another notable ceremonial occasion is when a member of the Law Society makes the transition from the Bar to the Bench upon being appointed as a Judge. Although this appointment marks the end of that person's membership in the Law Society, it is still an occasion to be recognized and celebrated by the members of the Law Society as it highlights the esteem in which this former member is held. During my term, I had the honor to attend at the Swearing In ceremonies of Judge Lori Marshall who was appointed to the Provincial Court in St. John's and Justice David Hurley who was appointed to the Supreme Court in Corner Brook to extend congratulations and best wishes on behalf of the Law Society.

Regrettably, I was unable to attend the ceremonies for Judge James Walsh who was appointed to the Provincial Court in St. John's, Justice Donald Burrage who was appointed to the Supreme Court in St. John's or Justice Cecily Strickland who was appointed to the Federal Court. A fellow Bencher and Executive Committee member, Ken Baggs, QC gave greetings on behalf of the Law Society at the ceremonies for Judge Walsh and Justice Burrage while fellow Bencher and Justice Strickland's former partner, Ian Wallace, was able to do so at the ceremony honoring her appointment. I extend my thanks to both of them for their gracious assistance.

The Law Society, in partnership with the Courts, co-hosted receptions for the first four appointments while the Federal Court hosted a reception for Justice Strickland.

### **Former Judges and Members**

On occasion, a President is asked to speak at a ceremony organized to pay tribute to a member or former member who is no longer with us. During my term, I attended at the ceremony arranged to celebrate the life of the late Justice David Russell, a former member of the Law Society and former Law Society President (Treasurer) and was very moved by the many personal and eloquent tributes to him.

Sadly, during my term, another member and former Judge, Gordon Seabright, passed away. At the time of the Annual Report, the tribute to honour him had not yet been scheduled.

### **The Work of the Law Society: Benchers, the Executive Committee and Law Society Professional Staff**

As the governing body of the Law Society, Benchers have the authority to regulate the practice of law and the legal profession in the

---

public interest. Benchers consists of 17 elected members of the Law Society, and four lay members appointed by a Committee chaired by the Chief Justice of the Trial Division of the Supreme Court of Newfoundland and Labrador. Having been a Bencher for the past 8 years, I have developed a much deeper understanding of the issues which the Law Society deals with daily and the new challenges it regularly faces. Like my predecessor, I believe it is important to have Benchers who are ready to carefully consider and engage in meaningful debate about the issues that come to the Benchers' meetings. We are fortunate that we have a very dedicated and engaged group of Benchers.

While being a Bencher does require dedication, engagement and, sometimes, a significant commitment of time, it is also a very rewarding experience. In the course of regulating in the public interest, Benchers wrestle with many interesting issues and make decisions which can have a fundamental impact on the profession. I encourage members to take the time to get involved in the Law Society, whether by running for election as a Bencher or by volunteering for one of the Committees.

As indicated, Benchers, in conjunction with the Executive Committee, the Complaints Authorization Committee, the Insurance Committee, the Education Committee and many others, have important roles to play in policy development, and legislative change, all with the objective of protecting the public interest. In order to successfully carry out these roles, significant reliance must be placed on the information, guidance and advice provided by the Law Society's senior professional staff under the leadership of the Executive Director, Brenda B. Grimes.

I express my thanks to the Ms. Grimes and the rest of the Law Society's professional and administrative staff for their diligence in advising, informing and supporting Benchers

and the Executive Committee in furtherance of our protection of the public interest mandate. Benchers look forward to continuing to work in collaboration with them in the continued discharge of our responsibilities as a Law Society, and the successful regulation of the practice of law and the legal profession in the public interest.

#### **Notable Positive Initiatives / Results Achieved this Year**

Benchers and Law Society staff work hard to ensure that the Law Society is operating effectively and efficiently. I am confident that our Law Society is well placed to carry out its public protection mandate. Some examples of positive initiatives/results include:

1. The Executive Director has continued to keep Benchers well informed on key operations and programs, including finances, insurance and custodianships;
2. There has been ongoing improvement in financial and accounting administration and operations including, following a request for proposals, a change in our auditors. The change in our investment advisors which took place last year did have the desired effect of producing more robust investment returns with greater reporting and accountability initiatives. The Law Society is also in the process of transitioning its banking arrangements in order to avail of more favorable rates of return. The review of operational expenses resulted in a significant decrease in the cost of disability and medical benefits coverage without any loss of benefits. The Law Society will continue to review the cost of these benefits regularly and make changes when appropriate;
3. We continue to review our infrastructure requirements to ensure that the integrity and safety of Law Society information is protected and that we can effectively receive and deliver information;

- 
4. A review of various internal administrative policies and processes is almost complete. Benchers did adopt a Travel Reimbursement Policy in 2012 and a Personnel Manual which, among other things, addresses overtime, sick leave and vacation policies, has been developed and is expected to be adopted in the next few months;
  5. There has been continued improvement in the general transparency and understanding of Law Society operations by Benchers and members;
  6. The redesign of the Law Society's website is nearing completion. Testing will take place in the next few months and it is expected to launch in the Fall of 2013. It is hoped that the new website will provide enhanced information services and greater usability for both members and the public;
  8. The Law Society's financial position remains strong which helps to ensure that the Law Society can carry out its statutory mandate of protection of the public.

#### **Committee Work**

The work of Law Society staff and Benchers is often augmented by the work done by the committees listed, many of whom have included summaries of their activities elsewhere in this Annual Report. The committees assist in a wide range of areas including education, finance and accounts, the library, professional law corporations, compliance with trust and practice rules, discipline and professional conduct, admissions, insurance, to name a few. The work is always challenging and often time consuming but it is invaluable to the success and effective operation of the Law Society. The dedication of these committee members must be recognized.

The Law Society is reviewing the current Committee structure to determine whether any changes need to be made and will be seeking expressions of interest from members for involvement.

#### **Federation of Law Societies of Canada**

Canada's fourteen provincial and territorial law societies govern over 100,000 lawyers and 3,500 Québec notaries in the public interest. The Federation of Law Societies of Canada is their national coordinating body.

As a member of the Federation of Law Societies of Canada, the Law Society has access to a broader range of resources to assist it in carrying out its mandate than it would otherwise have. Matters of national importance which are discussed at the Federation level quite often lead to the creation of and implementation of common policies in each jurisdiction. This commonality helps in the adoption of uniform best practices and provides for a larger pool of precedent on which to draw when interpreting matters locally. It also ensures that mobility between provinces is more seamless. All of this is of benefit to the profession and protects the public interest.

One of the more important initiatives of the Federation of Law Societies of Canada which benefits members of the Law Society and the public at large is the Canadian Legal Information Institute (CanLII), a virtual law library service which, except for an annual per lawyer levy, is a free service. The Law Society assists in the maintenance and expansion of this library by ensuring that the collection of judgments and legislation from this province which is available on the CanLII site is as current and comprehensive as possible. Use of CanLII by members and by the public continues to grow steadily, indicating the need for and value of this public service. CanLII has had significant growth this year, including passing the milestone of 1,000,000 cases. The website now has 25,000 users each day, and will be adding 120,000 cases each year, including significant older cases. A survey of Canadian lawyers completed over the summer reveals that CanLII has experienced a 10% to 15% increase in usage in the past year, and that CanLII is now used more than any other online legal service, including

---

LexisNexis and Westlaw. CanLII accounts for nearly half of all online legal searching in Canada. CanLII now has every Supreme Court of Canada decision, and all Alberta cases back to 1971, including all Alberta Court of Appeal cases. The past year has seen a tripling of page views through links from Twitter and Facebook. CanLII's current priorities include improving on the comprehensiveness of the databases, and improving search functionality.

Other important initiatives currently in progress include the development of national standards in the areas of discipline and education and regulation of the legal profession. I attended the Federation of Law Societies' meetings in Vancouver in September, 2012, where the main theme of the conference was national admission standards and, more specifically the development and adoption of a draft competency profile and possible methods of implementation. The Council of the Federation of Law Societies of Canada has adopted a new national competency profile as a standard for admission to the legal profession. The vote occurred during the Council's regular meeting in September, 2012. The approval of the National Competency Profile is the result of two years of work. The competency profile has now been formally referred to the law societies for their approval, subject to the development of a suitable implementation plan.

Another issue that has figured prominently at the Federation table is that of mobility of members of the legal profession between Québec and the common law jurisdictions in Canada. At present there are significant restrictions on the type of cases that can be handled by a lawyer from outside Québec, and on the type of cases a lawyer from Québec can handle in all the other Canadian jurisdictions. A revised National Mobility Agreement 2013 (NMA 2013) was proposed which will streamline the mobility landscape and eliminate the existing NMA, the QMA and the

Addendum, while maintaining two exceptions: the *Chambre des Notaires* and the Territories. The NMA 2013 eliminates the requirement for a member of the Barreau, educated in Canada and licensed by the Barreau, to have her credentials assessed by the NCA and receive a certificate of qualification from the NCA in order to practice in a common law jurisdiction other than as a CLA. The NMA will preserve this requirement for a graduate of a civil law program in Canada seeking to practice in a common law jurisdiction, who has not completed the bar admission program and is not called to the bar in Québec. To date, most law societies, including ours, have approved the NMA 2013 and it is hoped that the new agreement will be signed in St. John's in October when the Federation holds its Annual Conference.

The Federation has also been active in a constitutional challenge involving the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (the "PCTF Act"). By judgment dated April 6, 2013, the British Columbia Court of Appeal affirmed the decision of the British Columbia Supreme Court which upheld the Federation's constitutional attack. The BCCA said if the federal *PCTF Act* and the related regulations were applied to the legal profession, they would interfere with the independence of the Bar to an unacceptable degree. The Court held that independence of the Bar is a principle of fundamental justice under the Canadian Charter of Rights and Freedoms. The B.C. Supreme Court had confirmed in September 2011 that the anti-money laundering rules imposed on the legal profession by Canada's law societies are effective, and that the application of the federal regime to the legal profession would be unconstitutional. The Federation of Law Societies of Canada was supported in its position by the Law Society of British Columbia, the Barreau du Québec, the *Chambre des notaires du Québec* and the Canadian Bar Association. The Federation argued the case on a theory of three principles of fundamental justice: solici-



---

tor-client privilege, the lawyer's duty of undivided loyalty to the client and the independence of the Bar. The Federation's position was that the federal legislation was unnecessary for the legal profession because Canada's law societies had already implemented rules requiring legal professionals to identify their clients, and prohibiting them from accepting large amounts of cash from clients except in certain limited circumstances. The parties had previously consented to a court order agreeing that the legislation would not be applied to the legal profession pending the resolution of the constitutional challenge, so the Court's decision preserves that status. The parties also agreed in advance that the decision from the B.C. Courts would be binding across Canada.

The Federation also spent considerable time over a number of years developing a Model Code of Professional Conduct. The Law Society of Newfoundland and Labrador adopted this with few revisions and implemented it effective 1 January 2013. There is a Standing Committee of the Federation which reviews queries from law societies and proposes amendments when necessary.

The semi-annual meeting for 2013, which I also attended, took place in Quebec City and the focus was on issues of risk management in a changing legal and ever more global marketplace, alternate methods of regulation and meeting public expectations. Also under consideration is the issue of what constitutes fitness to practice. As well, the Law Society continues to participate in a pilot project designed to test certain discipline standards with a view to creating a uniform, national approach.

#### **Law Foundation**

We are fortunate and grateful once again to have the continued financial support of the Law Foundation of Newfoundland and Labrador for law libraries. For 2012, the Foundation granted \$76,000 for law libraries in the province. This funding is allocated among the Law Society Law Library in St.

John's and the libraries in Corner Brook and Gander. It also set aside additional funding for improvement of the Law Society's website and for matters related to the Bar Admission and CLE offerings. The Governors of the Law Foundation are Jeffrey Benson, QC, Chair, Aubrey Bonnell, QC, Kenneth Baggs, QC, Linda Rose, QC, L. Wade Locke, Adam J. Sparkes and Daniel M. Boone. Mr. Lawrence Collins is the Foundation's Executive Director. On behalf of Benchers and the Law Society, I would like to extend sincere thanks to the Law Foundation and its Board of Governors for its continued support, which is crucial to maintaining and upgrading the library resources so essential to the profession and the public.

#### **Our Volunteers**

I have been a Bencher since 2004 and, over the ensuing years, have had countless opportunities to observe the dedication of numerous members and non-members as they contribute, on a volunteer basis, to the important work of the Law Society. Whether they are contributing at the Benchers' level, on one of the Law Society's committees or in other ways, our volunteers strengthen our professional community, thus enhancing and advancing the integrity, credibility and future of the profession. On behalf of Benchers and the Law Society, thank you for all of your hard work and commitment.

#### **Conclusion**

The Law Society has an important mandate to fulfill in ensuring that the integrity of the profession is maintained and the interests of the public are protected. As the Bar grows larger and barriers to mobility disappear, new issues and challenges arise. Changes in the way legal services are delivered and increasing reliance on electronic communication contribute to the complexity of the Law Society's work. As a Bencher and President, I have seen firsthand how much the work of the Law Society has changed in response to our changing world. I know that many other changes will occur as time goes on, as the Law Society strives to

---

ensure that its method of regulation is dynamic and responsive to the challenges of a changing profession. Being a Bencher is an important, sometimes onerous, always challenging but incredibly rewarding experience which I have enjoyed immensely. I would encourage all of you to consider participating in the work of the Law Society at this level.

In closing, I have been truly honored to have had the opportunity to serve the profession

and our members as a Bencher and as President. Thank you for giving me that opportunity. My experiences as a Bencher have given me a unique perspective on the regulatory issues facing our profession.

I want to thank Benchers, Executive Committee members, and the entire Law Society team, for their valued support and assistance. Best wishes to all involved in the Law Society for continued success.

---

## VICE-PRESIDENT'S ANNUAL REPORT

---

George L. Murphy, QC

*The Law Society Act, 1999* (the "Act") prescribes the Vice-President's role in the disciplinary process. The Vice-President receives reports from the Legal Director and submits allegations to the Complaints Authorization Committee. The Complaints Authorization Committee, a statutory committee consisting of three Benchers, at least one of whom is an appointed Benchler, screens allegations of conduct deserving of sanction. Conduct deserving of sanction is defined in section 41 of the Act to include professional misconduct, failure to maintain the standards of practice, conduct unbecoming a member of the Society, acting in breach of the Act or the *Law Society Rules* and failing to adhere to the *Code of Professional Conduct*.

The Vice-President, with the consent of the parties, may attempt to resolve an allegation or may refer the allegation to alternate dispute resolution. If the allegation is resolved the mediator confirms the resolution and the file is closed. Where a satisfactory resolution is not achieved then the allegation is referred to the Complaints Authorization Committee. The initial assessment of an allegation is subject to the third party allegation policy.

A third party allegation is an allegation received from a non-client or a lawyer opposed in interest to the client of the solicitor against whom the allegation is made. Following a review of the allegation on the basis of specific factors, the Vice-President has discretion to decline or to defer the investigation pending the final determination of a proceeding. When an investigation is deferred, the Vice-President requests, from the respondent, a consent and a waiver of delay. When an investigation is declined, the complainant is advised that outstanding issues, if any, may be re-filed with the Law Society subsequent to the final determination of the proceeding.

The powers of the Complaints Authorization Committee are prescribed by section 45 of the Act and include the authority to conduct investigation, conduct a practice review and require the member's appearance before the Committee. The investigation/review is conducted through the Legal Director's office. Following its final consideration of an allegation, the Complaints Authorization Committee will either dismiss the allegation or, where there are reasonable grounds to believe that a respondent has engaged in conduct deserving of sanction, the Committee will authorize the Complaint. A complainant whose allegation is dismissed by the Complaints Authorization Committee has a right to appeal to the Supreme Court, Trial Division.

Following authorization of the Complaint, the Complaints Authorization Committee may counsel or caution the respondent, may instruct the Vice-President to file the Complaint and refer it to the Disciplinary Panel, make an application for appointment of a Custodian of the member's practice, and suspend or restrict the member's licence to practice.

The Disciplinary Panel, appointed pursuant to section 42 of the Act, is comprised of Law Society members and lay representatives, appointed by the Minister of Justice. For the purpose of dealing with Complaints referred and applications made to the Disciplinary Panel, the Chairperson appoints an Adjudication Tribunal, consisting of two members and one lay representative, to hear the matter. The Hearing proceeds pursuant to sections 47 through 51 of the Act. A party to the Hearing has the right to appeal an Order or Decision of the Adjudication Tribunal to the Supreme Court of Newfoundland and Labrador, Trial Division.

---

Information concerning Complaints processed during the current reporting period follows. The Complaints Authorization Committee has authorized seven Complaints; two of which resulted in letters of counsel; one resulted in a letter of caution and four were referred to the Disciplinary Panel. Currently there are ten complaints before the Disciplinary Panel. During this reporting period one decision was filed by an Adjudication Tribunal. The Tribunal accepted the member's guilty plea. The member was suspended for a period of 14 days, then permitted to continue his practice of law under specified conditions and ordered to pay the costs incurred by the Law Society. Decisions are pending in two other Complaints. Another matter was remitted to the Tribunal for further hearing on the appropriate sanction, in accordance with the Order of the Supreme Court of Newfoundland and

Labrador, Trial Division and the Order of the Supreme Court of Newfoundland and Labrador, Court of Appeal. The member was suspended for a period of 30 days, ordered to pay a fine and ordered to pay one fifth (1/5) of the expenses incurred by the Law Society. In another Complaint, the member appealed the Tribunal's decision to the Supreme Court, Trial Division and the appeal has not yet been heard.

Hundreds of hours of volunteer time are contributed on an annual basis by members of the Complaints Authorization Committee and by members of the Disciplinary Panel to the Law Society's disciplinary process. The Society could not function without the dedication and volunteer time of Benchers and committee members. Your contribution is significant and very much appreciated.

---

# BAR ADMISSION COURSE COMMITTEE REPORT

---

The Bar Admission Course for Newfoundland and Labrador began on October 4, 2011 and continued until November 18, 2011. This year 32 students took the Course. The Bar Course is a seven (7) week intensive educational experience in which students cover practical material on provincial and federal law.

What follows is an overview of the Course:

**Family Law:**

Topics include divorce proceedings, parenting (custody and access), child and spousal support, matrimonial property, provincial family legislation, pensions, court procedure, child protection, support enforcement and tax implications of family law. There is also a panel discussion on the practice of family law.

**Corporate / Commercial Law:**

Topics include incorporation and organizing a business, registration issues, corporate procedures, corporate finance, the *Personal Property Security Act*, security opinions, purchase and sale of a business/shares and commercial insolvency.

**Civil Procedure:**

Topics include limitations of actions, fatal accidents, survival of actions, commencing proceedings, service, defences, counterclaims, third party proceedings, summary trial, expedited trial, discovery and disclosure of evidence, setting down for trial, the *Judgment Enforcement Act*, civil appeals, costs and alternative dispute resolution mechanisms.

**Practice Skills, Practice Management and Ethics:**

The Course presents lawyering-skills workshops where students receive instruction in direct examination, cross-examination, negotiating settlements, interviewing clients, examination for discovery, risk management and

how to avoid professional negligence claims. As well there is a session on maintaining a balance between professional and personal lives, a presentation on the Lamer Inquiry and a presentation on using the resources of the Law Society Library. There are also presentations on the Law Society Trust Accounting requirements and professional conduct and client complaints. There is a separate section on ethics and the *Code of Professional Conduct*, in which students complete a written assignment.

**Criminal Law and Procedure:**

Topics include the court structure, presumptions and burdens, classification of offences, pre-arrest, arrest, charge, first appearances, judicial interim release, disclosure, elections and re-elections, solicitor/client matters, preliminary inquiries, pre-trial matters, Charter applications, trial by judge alone, jury trials, the sentencing process, types of sentences, criminal appeals, young offenders, evidentiary matters, *voir dices*, search and seizure and defences. As well, in this section, students receive instruction on advocacy skills, there is a panel discussion with judges on the topic of advocacy, and students prepare for and participate in a mock trial and sentencing exercises.

**Administrative Law:**

Topics include the Labour Relations Board, labour and commercial arbitration, municipal law, the Human Rights Commission, the Workplace Health, Safety and Compensation Commission, the professional discipline process, statutory appeals, judicial review of arbitration and a presentation on judicial review and other prerogative orders.

**Real Estate and Wills:**

Topics include the registry system and land tenure, the real estate transaction, the mortgage, professional responsibility in real estate

---

issues, title insurance, survey/location certificates, taxation issues, crown lands, quieting of titles, possessory title, residential tenancies and title searches. There is a real estate transaction workshop and a separate section on wills, estates and probate.

To pass the Bar Course, students must pass examinations in Family Law, Commercial Law, Civil Procedure, Criminal Law, Administrative Law and Real Estate/Wills. Each exam is 3½ hours long and focuses on the lecture presentations, the Bar Admission Course materials and the approximately 80 provincial and federal statutes and regulations covered in the Course. The Bar Admission Course materials consist of eleven (11) separate volumes and cover thousands of pages of materials.

The goal of the Course is to give new lawyers a comprehensive overview of Newfoundland

and Labrador and federal law and procedure and transfer to them the necessary information to ensure entry level competence in the profession. The Course is intensive, practical and relevant to what a new lawyer will see in practice. We attempt to have the Course be an enjoyable experience for the students and the judges, lawyers and other professionals whose contributions make the Course a success.

The Bar Admission Course Committee and the Law Society is grateful for the generous contributions made by members of the profession in ensuring the Course remains vibrant and beneficial to our new lawyers.

Law Society members or prospective members interested in obtaining further information about the Bar Admission Course should contact Mr. Francis P. O'Brien at (709) 722-4898 or by email [francis.obrien@lawsociety.nf.ca](mailto:francis.obrien@lawsociety.nf.ca).

---

## CONTINUING LEGAL EDUCATION REPORT

---

The Law Society of Newfoundland and Labrador develops and delivers a program of Continuing Legal Education for members of the Bar. This is achieved through the Law Society's education entity, Newfoundland and Labrador Continuing Legal Education.

Newfoundland and Labrador Continuing Legal Education has, as its goal, the provision of high quality legal education programs which assist in keeping our members current and competent.

Continuing Legal Education programs are offered to members of the Newfoundland and Labrador Bar in a variety of practice areas. Examples of recent programs are:

- *The Defensive Edge*
- *Expert Witnesses – Presenting and Challenging Expert Witnesses at Trial*
- *Family Law Update: Recent Developments, Practice Issues and Best Practices*
- *Copyright Law Update – Year in Review*
- *Patent Law Update – Year in Review*
- *Trade-mark Law Update – Year in Review*

- *Real Estate in 2013 – Current Issues, Risk Management and Best Practices*
- *Effective Writing For Lawyers - Simplify The Process; Simplify The Product; Manage Email*
- *New Developments in Personal Property Security Law*

Lawyers in Newfoundland and Labrador continue to be very interested in Continuing Legal Education and they continue to support our programming by their excellent levels of attendance, positive feedback and suggestions for future programs.

We appreciate our many volunteer lawyers, judges and other professionals who give freely of their time and talents, as presenters at our seminars, to enhance the knowledge and professional standards of other practitioners. The Law Society greatly appreciates these contributions and we are continuously impressed with the excellence and enthusiasm of our presenters.

Members with program suggestions should contact Mr. Francis P. O'Brien at (709) 722-4898 or by email at [francis.obrien@lawsociety.nf.ca](mailto:francis.obrien@lawsociety.nf.ca).

---

## EDUCATION COMMITTEE REPORT

---

The Education Committee is responsible for educational issues which arise concerning members and prospective members of the Law Society. The Committee deals with all applications for admission and re-admission to practice, which applications generally involve an assessment of academic credentials, currency of legal knowledge, fitness to practice and good character elements. The Education Committee deals with requests throughout the year from members and prospective members relating to the requirements in the Law Society Act, 1999 and the Law Society Rules on educational and admissions issues.

As such, the Education Committee considers applications from:

- law students regarding admission as a Student-at-Law;
- applications from members of other Law Societies who wish to practice in Newfoundland and Labrador on a temporary basis under the National Mobility Agreement;
- applications from members of other Law Societies who wish to transfer to Newfoundland and Labrador on a permanent basis pursuant to the National Mobility Agreement; and
- applications from non-practicing or former members of the Law Society who

wish to reinstate their status to practicing membership.

In all of these cases, the Committee must ensure that the applicant has met the required standards, educational and otherwise.

Each year the Education Committee also reviews and approves the marks from the Bar Admission Course examinations and directs, when required, the writing of supplementary examinations or the completion of further educational requirements before a Student-at-Law is eligible to be called to the Newfoundland and Labrador Bar.

From May 2012-April 2013, the Education Committee:

- (i) admitted thirty-six (36) new applicants as Students-at-Law;
- (ii) recommended to Benchers that thirty-six (36) students, having met the requirements of a Student-at-Law, be called to the Bar in Newfoundland and Labrador;
- (iii) approved the application of three (3) transfer candidates who were called to the Bar of Newfoundland and Labrador under the National Mobility Agreement; and
- (iv) approved a change from non-practicing to practicing status for twenty-two (22) Law Society members.



---

## INSURANCE COMMITTEE REPORT

---

At the outset I wish to thank each of the members of the Insurance Committee who devote significant time out of their busy schedules to ensure the Lawyers' Insurance Programme (the "Programme") continues to be effectively administered and is financially stable. The Programme provides the best possible coverage to members and protects the public as effectively as possible. This report will summarize some of the developments which have occurred over the last year, and if members have any questions or require further details, please contact the undersigned or our Insurance Administrator, Ms. Janice Ringrose.

This year Mr. Frank O'Dea, QC, retired from the practice of law, and in so doing retired as Legal Counsel to the Programme. Mr. O'Dea's commitment and invaluable input has been a significant reason for the long term success of the Programme and he will be missed. A notice was circulated to the Bar requesting Expressions of Interest from individuals interested in filling this Legal Counsel position, and the quality of the applicants was exceptional. After careful consideration, Benchers appointed Mr. Tom Johnson as Legal Counsel to the Programme. This year the Insurance Programme has also retained a second insurance adjuster to provide assistance to the Claims Review Committee.

The Programme has been operating without any formal Terms of Reference. This year the Insurance Committee presented to Benchers Terms of Reference, which was approved and adopted by Benchers and which now clearly sets out and defines the mandate and structure of the Insurance Committee.

Our insurer, CLIA, which is a reciprocal, has been undergoing an internal review of its governance and cost-sharing structure. This process is ongoing, and as a result of the positions being considered by some of the

Subscribers, there is some uncertainty as to what form CLIA may take in the future. The Programme, along with Benchers, is actively involved in this process and will ensure the Law Society receives the best possible insurance coverage available and will explore all available options.

CLIA recently conducted an audit of our Programme, and it is important to note they concluded our Programme is "managed and staffed with well-trained and committed people". The claims continue to be administered through the Claims Review Committee, consisting of Ms. Janice Ringrose, CIP, CRM, Insurance Administrator, Mr. Tom Johnson, Mr. Lewis Andrews, Q.C., and Mr. Raymond Walsh, FCIP.

Premium costs to members remain stable. We can see further savings and, ultimately, the further reduction of premiums for members in the future if members act diligently to insure claims costs are reduced. To that end, missed limitations continue to account for a significant portion of the claims and are an entirely preventable expense to the Programme. The Programme plans to become more proactive in risk management and loss prevention in the future.

Part of the Programme's mandate is to provide excess cover insurance through CLIA. One of the benefits of excess cover through CLIA is the consistent policy wording above the basic \$1M provided by members' Law Society insurance and, as well, unified administration of claims.

Excess coverage can be purchased through CLIA from the Law Society in amounts from \$1M to \$9M. The premium rate structure per lawyer remains the same as last year and is as follows:

---

**\$1,000,000.00 per occurrence / and aggregate = \$343**  
**\$2,000,000.00 per occurrence / and aggregate = \$504**  
**\$3,000,000.00 per occurrence / and aggregate = \$589**  
**\$4,000,000.00 per occurrence / and aggregate = \$624**  
**\$9,000,000.00 per occurrence / and aggregate = \$873**

This highlights some of the developments which have occurred over the last year. The

Insurance Committee is pleased with the effectiveness of the Programme and the coverage it provides to its members and, ultimately, the protection it provides to the public, and will continue to strive to improve the Programme in the future.

---

## LIBRARY COMMITTEE REPORT

---

The Law Society of Newfoundland and Labrador supports lawyer competency through the provision of Library services. The Law Society Library achieves this through the delivery of high level reference services to its members throughout Newfoundland and Labrador. To provide these services it is essential to maintain and enhance the Library's extensive collection of legal resources.

### **Financial**

The Financial Statements reveal that the Library has not increased its spending in several years.

This has been accomplished by Gail Hogan, BA(Hons), MLIS and Heather Myers, BA(Hons), MLS vigorously reviewing the Library collection and the establishment of resource sharing partnerships with libraries across Canada.

### **Website**

Library Staff members continue to collect, organize, and deliver information for the new Law Society website. Members can look forward to an updated website and better access to information in the fall of 2013.

### **Staffing**

Tim Harlick, BA, was hired in March 2013 as Library Technician. Tim previously worked at the Marine Institute Library and brings with

him a great deal of technical experience, which the Library will harness in order to offer more extensive electronic services to its members.

### **Library Space**

During the past year the Library has become a more multi-purpose facility. In addition to including the Law Society Reception on the main floor, it also converted storage space and the Judges Reading Room on the second floor, to facilitate the provision of offices for the Insurance Administrator and the Custodian Assistant.

### **Appreciation**

The Library extends its appreciation to members of the Library Committee for generously providing their advice and assistance. Committee members include Liam P. O'Brien, Chair, Maeve A. Baird, Benjamin J. Blackmore, Andrew A. Fitzgerald, Padraig J. Mohan, Rebecca C. Phillipps, Angela M. Whitehead, and Bert Riggs, appointed Bencher.

The Library Committee would like to express its gratitude to the Law Foundation of Newfoundland and Labrador for its continued financial support, without which the Law Society could not provide current in depth research materials and electronic delivery.

---

## PROFESSIONALS' ASSISTANCE COMMITTEE REPORT

---

The Professionals' Assistance Committee is a joint committee of the Law Society of Newfoundland and Labrador and the Newfoundland and Labrador Medical Association. The Pharmacists' Association of Newfoundland and Labrador left the Committee last year.

The Committee is responsible for the Professionals' Assistance Program that provides assistance to lawyers, physicians, pharmacists and their families affected by all types of personal problems. Problems may include, but are not limited to, stress, financial and career problems, depression, personal, marital or family difficulties and inappropriate use of substances. Proactive services to assist members from finding themselves in circumstances in which they might require assistance are also offered.

In addition to services rendered directly to members, the Professionals' Assistance Program makes presentations each year at the Bar Admission Course and also conducts workshops and seminars from time to time aimed at helping members identify and deal

with challenges in their professional and personal lives.

The Professionals' Assistance Program employs a clinical coordinator, Rosemary Lahey, MSW, who is a registered social worker with extensive experience working with individuals, couples and families dealing with a wide range of social and emotional problems. The coordinator, in strictest confidence, facilitates early recognition of problems, initiates active intervention and makes appropriate referrals for treatment and rehabilitation. Referrals are accepted directly from the member or from a concerned colleague or family member. Since its inception in 1994, the Program has provided assistance to over 1,218 professionals including 426 members of the Law Society. During the last program year, there were 70 new cases, of which 30 were lawyers.

Ms. Lahey, the Coordinator, can be contacted in confidence by calling 754-3007 or toll free at 1-800-563-9133, or by electronic mail at [rmlahey@nl.rogers.com](mailto:rmlahey@nl.rogers.com). The Program also maintains a website at [www.nlpap.ca](http://www.nlpap.ca).

---

## STUDENT AWARDS COMMITTEE REPORT

---

The Student Awards Committee deals with several awards for Articled Students-At-Law. These are the *Hunt Award*, the *Provincial Court Judges' Association Award*, the *Penney Award*, the *Spracklin Award*, the *William J. Browne Scholarship*, and the *Maxwell J. Pratt Scholarship*, respectively.

The *Hunt Award* is presented to the Student-at-Law who receives the highest overall average mark in the Law Society of Newfoundland and Labrador's Bar Admission Course. The recipient of the *Hunt Award* for the 2012 Bar Admission Course is Ms. Lyndsey Lawrence. Ms. Lawrence served Articles of Clerkship at the firm *Marks & Parsons* and her principal was Ms. Beverley Marks, QC. Ms. Lawrence was called to the Newfoundland and Labrador Bar on February 15, 2013, at which time she commenced practice with *Marks & Parsons*.

Ms. Lawrence is also the winner of the *Provincial Court Judges' Association Award*. This award is presented to the Student-at-Law achieving the highest mark in the Criminal Law Examination of the Bar Admission Course.

The *Penney Award* is presented to the Student-at-Law achieving the highest mark in the Family Law Examination of the Bar Admission Course. The recipient of the 2012 *Penney Award* is Ms. Sandra Cahill. Ms. Cahill served Articles of Clerkship at the *NL*

*Legal Aid Commission* and her principal was Ms. Stacy Ryan. Ms. Cahill was called to the Newfoundland and Labrador Bar on February 15, 2013, at which time she commenced practice with the *NL Legal Aid Commission*.

Ms. Cahill is also the winner of the *Spracklin Award*. This award is presented to the Student-at-Law achieving the highest mark in the Real Estate/Wills Examination of the Bar Admission Course.

The *William J. Browne Scholarship* is presented to a Student-at-Law who has submitted a research essay on a legal issue of current public concern. The recipient of the 2013 *William J. Browne Scholarship* is Ms. Sophie St. Croix who is presently articling with the firm *Roebothan McKay Marshall*. Ms. St. Croix's research essay is entitled "*The niqab in context: Why the accused's right to a fair trial must always override a witness's religious freedom*".

Ms. St. Croix is also the winner of the *Maxwell J. Pratt Scholarship*. This award is based on academic performance and is presented to a Student-at-Law who is a graduate of Memorial University of Newfoundland and a student at Dalhousie Law School.

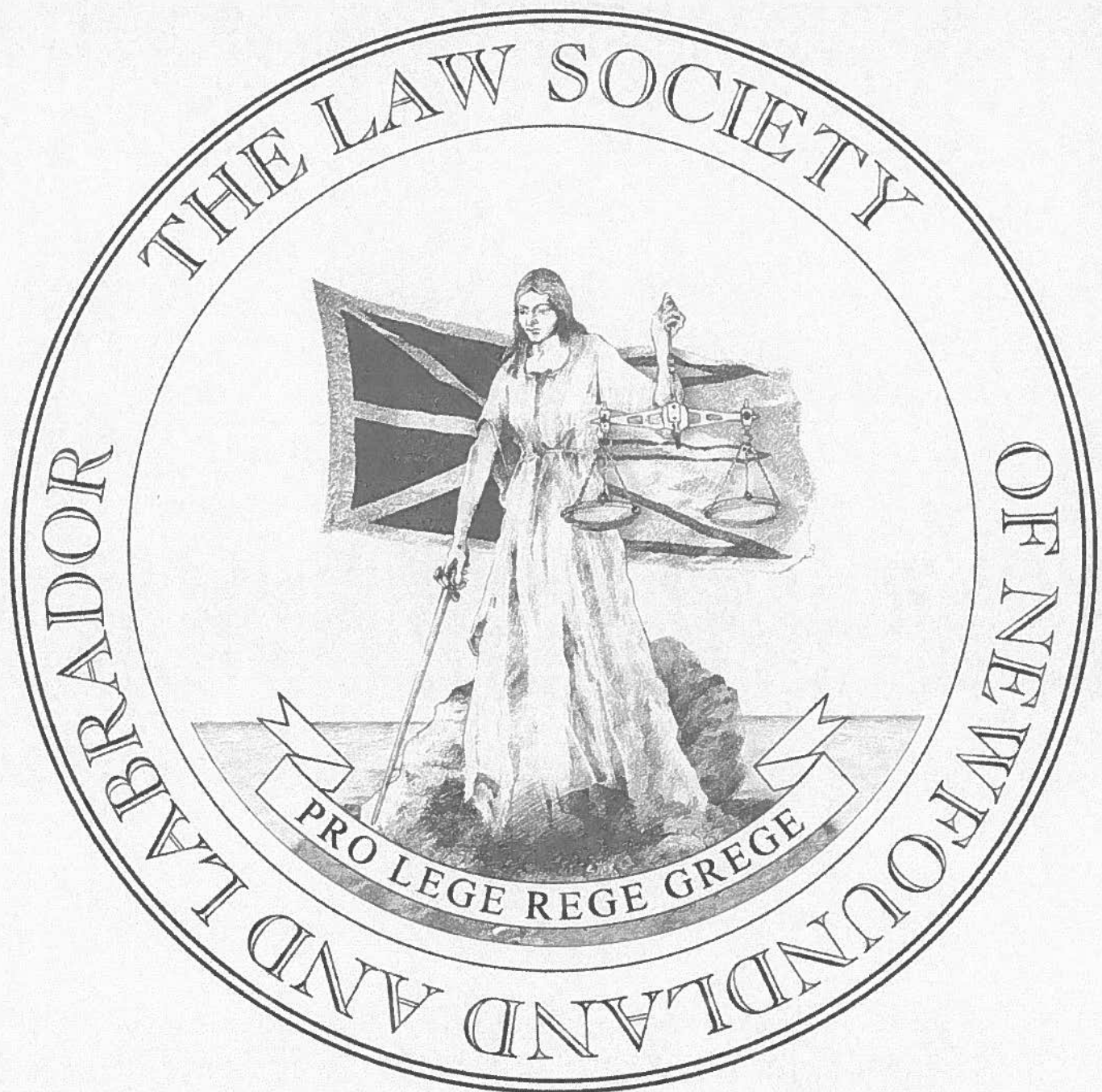
The above-described awards will be formally presented on June 7, 2013 at the Law Society of Newfoundland and Labrador Annual Dinner.

---

**AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS**

---

**for the  
Fiscal Year Ended December 31, 2012**



---

Financial Statements of

**LAW SOCIETY OF  
NEWFOUNDLAND AND  
LABRADOR**

Year ended December 31, 2012

# LAW SOCIETY OF NEWFOUNDLAND AND LABRADOR

## Table of Contents

---

	<b>Page</b>
<b>Independent Auditors' Report</b>	
Statement of Financial Position	34
Statement of Operations	35
Statement of Changes in Net Assets	36
Statement of Cash Flows	37
Notes to Financial Statements	38-44





**KPMG LLP**  
**Chartered Accountants**  
Toronto Dominion Place  
140 Water Street, Suite 700  
St. John's Newfoundland A1C 6H6  
Canada

Telephone (709) 733-5000  
Fax (709) 733-5050  
Internet www.kpmg.ca

## INDEPENDENT AUDITORS' REPORT

To the Members of Law Society of Newfoundland and Labrador

We have audited the accompanying financial statements of the Law Society of Newfoundland and Labrador, which comprise the statement of financial position as at December 31, 2012, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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 from 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 our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity'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 entity'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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Law Society of Newfoundland and Labrador as at December 31, 2012, 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.

### *Comparative Information*

Without modifying our opinion, we draw attention to the financial statements which describes that The Law Society of Newfoundland and Labrador adopted Canadian accounting standards for not-for-profit organizations on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the balance sheets as at December 31, 2011 and January 1, 2011, and the statements of operations, changes in net assets and cash flows for the year ended December 31, 2011 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

The comparative figures were audited by another firm of chartered accountants.

Chartered Accountants  
April 30, 2013  
St. John's, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

# LAW SOCIETY OF NEWFOUNDLAND AND LABRADOR

## Statement of Financial Position

December 31, 2012, December 31, 2011 and January 1, 2011

	General Fund		Assurance Fund		December 31, 2012	December 31, 2011	January 1, 2011			
<b>Assets</b>										
<b>Current assets:</b>										
Cash	\$	147,430	\$	34,030	\$	181,460	\$	2,090,179	\$	1,482,857
Trust account (note 2)		172,608		-		172,608		164,042		155,986
Investments and marketable securities (note 3)		2,011,954		945,872		2,957,826		849,497		1,708,364
Trust audit receivable		45,534		-		45,534		10,124		21,961
Trade receivable		36,689		-		36,689		78,574		87,142
Prepaid expenses		5,353		24,495		29,848		49,289		49,263
Due from Lawyers' Insurance Programme		-		-		-		30,059		-
Due from Law Society of Upper Canada		-		-		-		-		27,955
<b>Inter-fund balances</b>		2,419,568		1,004,397		3,423,965		3,271,764		3,533,528
<b>Capital assets (note 4)</b>		1,229,468		-		1,229,468		1,320,702		1,384,606
	<b>\$</b>	<b>3,649,036</b>	<b>\$</b>	<b>1,004,397</b>	<b>\$</b>	<b>4,653,433</b>	<b>\$</b>	<b>4,592,466</b>	<b>\$</b>	<b>5,295,245</b>
<b>Liabilities and Net Assets</b>										
<b>Current liabilities:</b>										
Accounts payable and accrued liabilities (note 5)	\$	239,641	\$	-	\$	239,641	\$	211,665	\$	158,369
Trust account liability (note 2)		172,608		-		172,608		164,042		155,986
Due to Lawyers' Insurance Programme		-		-		-		-		628,186
Provision for unpaid claims		50,000		-		50,000		90,000		100,000
<b>Inter-fund balances</b>		462,249		-		462,249		465,707		1,042,541
<b>Net assets:</b>		-		-		-		-		377,111
General Fund		3,186,787		-		3,186,787		3,144,155		2,885,158
Assurance Fund		-		1,004,397		1,004,397		982,604		990,435
		3,186,787		1,004,397		4,191,184		4,126,759		3,875,593
	<b>\$</b>	<b>3,649,036</b>	<b>\$</b>	<b>1,004,397</b>	<b>\$</b>	<b>4,653,433</b>	<b>\$</b>	<b>4,592,466</b>	<b>\$</b>	<b>5,295,245</b>

See accompanying notes to financial statements.

On behalf of the Benchers:

 President

 Vice President

# LAW SOCIETY OF NEWFOUNDLAND AND LABRADOR

## Statement of Operations

Year ended December 31, 2012, with comparative figures for 2011

			2012	2011
	General Fund	Assurance Fund	Total	Total
<b>Revenues:</b>				
Administration	\$ 120,000	\$ -	\$ 120,000	\$ 120,000
Admission fees (note 7)	39,675	-	39,675	48,125
Annual fees - certificate (note 8)	1,494,224	36,112	1,530,336	1,261,585
Audit program	71,855	-	71,855	74,170
Bar admission course	70,416	-	70,416	70,369
Claims recovery	-	27,077	27,077	-
Continuing legal education	35,022	-	35,022	31,500
Custodianships	6,954	-	6,954	25,300
Grant - Law Foundation	60,000	-	60,000	65,000
Interest - membership fees	70,364	-	70,364	68,760
Investment income - dividend	4,152	2,520	6,672	-
Investment income - interest	27,955	18,124	46,079	60,884
Investment income - unrealized gains on investment	23,560	15,226	38,786	-
Other income	20,429	-	20,429	21,864
Loss prevention	-	-	-	250,000
	2,044,606	99,059	2,143,665	2,097,557
<b>Expenses:</b>				
Salaries and benefits	1,013,361	-	1,013,361	808,000
Libraries	220,537	-	220,537	204,282
Other miscellaneous expenses	171,965	1,352	173,317	166,428
Building operation	136,937	-	136,937	127,148
Amortization	91,234	-	91,234	86,014
Audit program	75,053	-	75,053	73,071
Discipline expense	73,852	-	73,852	3,563
Insurance	9,234	55,604	64,838	63,535
Professional development	47,336	-	47,336	22,155
Federation of Law Societies' fees	46,033	-	46,033	38,672
Professional fees	42,682	-	42,682	77,911
Benchers' convocation	38,737	-	38,737	23,668
Continuing legal education	27,066	-	27,066	17,699
Loss on disposal of investments	-	14,312	14,312	2,288
Committee expense	12,779	-	12,779	34,602
Bar admission course	12,650	-	12,650	17,823
AGM (dinner/dance)	10,018	-	10,018	6,958
Actuarial fees	-	7,000	7,000	-
Custodianship	6,954	-	6,954	25,300
Interest and bank charges	5,546	-	5,546	9,685
Input tax credit adjustment	-	-	-	21,000
Claim recovery	-	(1,002)	(1,002)	11,057
Provision for unpaid claims	(40,000)	-	(40,000)	5,532
	2,001,974	77,266	2,079,240	1,846,391
Excess of revenues over expenses	\$ 42,632	\$ 21,793	\$ 64,425	\$ 251,166

See accompanying notes to financial statements.

# LAW SOCIETY OF NEWFOUNDLAND AND LABRADOR

## Statement of Changes in Net Assets

Year ended December 31, 2012, with comparative figures for 2011

	General Fund	Assurance Fund	2012	2011
Net assets, beginning of year	\$ 3,144,155	\$ 982,604	\$ 4,126,759	\$ 3,875,593
Excess of revenues over expenses	42,632	21,793	64,425	251,166
<b>Net assets, end of year</b>	<b>\$ 3,186,787</b>	<b>\$ 1,004,397</b>	<b>\$ 4,191,184</b>	<b>\$ 4,126,759</b>

See accompanying notes to financial statements.

# LAW SOCIETY OF NEWFOUNDLAND AND LABRADOR

## Statement of Cash Flows

Year ended December 31, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	\$ 64,425	\$ 251,166
Items not involving cash:		
Amortization	91,234	86,014
Provision on risk sharing on unpaid claims	(40,000)	(10,000)
Change in non-cash operating working capital:		
Marketable securities	(2,108,329)	858,867
Trust audit receivable	(35,410)	11,837
Other trade receivable	(8,566)	-
Prepaid expenses	19,441	(26)
Trade receivable	41,885	8,568
Due to Lawyers Insurance Programme	30,059	(658,245)
Accounts payable and accrued liabilities	27,976	53,286
Due from Law Society of Upper Canada	-	27,965
Trust account liability	8,566	-
	(1,908,719)	629,432
Investing:		
Purchase of capital assets	-	(22,110)
(Decrease) increase in cash and cash equivalents	(1,908,719)	607,322
Cash and cash equivalents, beginning of year	2,090,179	1,482,857
Cash and cash equivalents, end of year	\$ 181,460	\$ 2,090,179

See accompanying notes to financial statements.

# LAW SOCIETY OF NEWFOUNDLAND AND LABRADOR

## Notes to Financial Statements

Year ended December 31, 2012

---

The Law Society of Newfoundland and Labrador (the "Law Society") is a not-for-profit organization. The Law Society is a regulatory body for the legal profession in the province. The Law Society is a not-for-profit entity and, as such, is exempt from the payment of income tax.

Effective January 1, 2011, the Law Society's operations were combined with the Law Society of Newfoundland and Labrador Self-Insurance Funds (1995 to 2004, 1988 to 1994 and 1983 to 1987). As the predecessor reporting entities were under common control, this combination did not result in a change in ownership. Accordingly, the comparative figures for the predecessor entities have been combined in these financial statements.

On January 1, 2012, the Society adopted Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CICA Handbook. These are the first financial statements prepared in accordance with Not-For-Profit Standards.

In accordance with the transitional provisions in Not-For-Profit Standards, the Law Society has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is January 1, 2011 and all comparative information provided has been presented by applying Not-For-Profit Standards.

There are no adjustments to net assets as at January 1, 2011 or excess of revenues over expenses for the year ended December 31, 2011 as a result of the transition to Not-For-Profit Standards.

### 1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook. These are the first financial statements prepared in accordance with Not-For-Profit Standards.

The Law Society records its financial transactions on the fund accounting basis as follows:

#### (i) General Fund:

Operations include all activities related to the Law Society not directly associated with the Assurance Fund.

#### (ii) Assurance Fund:

Operations relate to providing compensation to individuals who have suffered a loss due to misappropriation of funds or other fraudulent activities by a member.

# LAW SOCIETY OF NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements (continued)

Year ended December 31, 2012

---

## 1. Significant accounting policies (continued):

### (a) Provision for unpaid claims:

Lawyers' Professional Indemnity Company (LawPRO) is an insurance company that is licensed to provide professional liability insurance and the title insurance in numerous jurisdictions across Canada. This insurance applies to acts or omissions committed by an insured in connection with his/her practice as a member of the Law Society, provided the original claim or suit for damages is brought during the policy period.

The 2003 and 2004 insurance program insures all practicing members up to \$1,000,000 per claim, after an individual deductible of at least \$5,000 per member per claim, to a maximum annual limit of \$2,000,000 per insured.

The program is responsible for all claims and legal and adjusting expenses above the members' deductible and has arranged for 90% quota share reinsurance above the members' deductible, retaining the other 10% for its own account for claims relating to 2003. For claims relating to 2004 the program has arranged for 80% quota share reinsurance above the members' deductible, retaining the other 20% for its own account. The Law Society has agreed to share equally in this 10% and 20% retention.

The determination of the provisions for unpaid claims includes reported claims, legal and adjusting fees, less recoveries.

### (b) Cash and cash equivalents:

Cash and cash equivalents consist of cash and short-term investments with a maturity of less than 90 days.

### (c) Revenue recognition:

The Law Society follows the deferral method of accounting for revenue which include annual administration and other fees, grants, and investment income. Revenue from annual fees are recognized over the course of the calendar year. Revenue from various other services provided by the Law Society, including grants for library services, are recognized over time as the services are provided. Investment income is recognized in the period in which it is earned.

Unrestricted revenue is recognized in the appropriate fund when it is received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

# LAW SOCIETY OF NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements (continued)

Year ended December 31, 2012

---

## 1. Significant accounting policies (continued):

### (d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized costs, unless management has elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Law Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Law Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

### (e) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

### (f) Capital assets:

Capital assets are stated at cost, less accumulated amortization. Amortization is provided using the following methods and annual rates:

Asset	Basis	Rate
Building	Straight line	4%
Furniture and fixtures	Declining balance	25%
Computer equipment	Straight line	33%

---



# LAW SOCIETY OF NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements (continued)

Year ended December 31, 2012

## 2. Trust funds:

The trust assets and liabilities represent cash received from law firms for funds unclaimed in trust accounts. At the balance sheet date, the amounts received from law firms and held in trust is \$172,608 (December 31, 2011 - \$162,042, January 1, 2011 - \$155,986).

## 3. Investments and marketable securities:

Guaranteed investment certificates bear interest at a weighted average rate of 1.37% at December 31, 2012 (Bonds and preferred shares bear interest at weighted average coupon rate at December 31, 2011 - 4.13%, January 1, 2011 - 4.45%).

	December 31, 2012	December 31, 2011	January 1, 2011
Guaranteed investment certificates measured at fair value	\$ 2,297,757	\$ -	\$ -
Equity investments measured at fair value	526,779	-	-
Mutual funds measured at fair value	133,290	-	-
Bonds and preferred shares measured at cost	-	849,497	848,839
Money market funds recorded at cost	-	-	859,525
	<b>\$ 2,957,826</b>	<b>\$ 849,497</b>	<b>\$ 1,708,364</b>

# LAW SOCIETY OF NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements (continued)

Year ended December 31, 2012

## 4. Capital assets:

December 31, 2012	Cost	Accumulated amortization	Net book value
Land	\$ 73,429	\$ -	\$ 73,429
Building	1,935,376	813,424	1,121,952
Furniture and equipment	278,513	259,166	19,347
Computer equipment	22,110	7,370	14,740
	<b>\$ 2,309,428</b>	<b>\$ 1,079,960</b>	<b>\$ 1,229,468</b>

December 31, 2011	Cost	Accumulated amortization	Net book value
Land	\$ 73,429	\$ -	\$ 73,429
Building	1,935,376	736,009	1,199,367
Furniture and equipment	278,513	252,717	25,796
Computer equipment	22,110	-	22,110
	<b>\$ 2,309,428</b>	<b>\$ 988,726</b>	<b>\$ 1,320,702</b>

January 1, 2011	Cost	Accumulated amortization	Net book value
Land	\$ 73,429	\$ -	\$ 73,429
Building	1,935,376	658,594	1,276,782
Furniture and equipment	278,513	244,118	34,395
	<b>\$ 2,287,318</b>	<b>\$ 902,712</b>	<b>\$ 1,384,606</b>

## 5. Accounts payable and accrued liabilities:

There are no amounts payable for harmonized sales tax or payroll related taxes included in accounts payable and accrued liabilities in the year ended December 31, 2012 (December 31, 2011 - nil, January 1, 2011 - nil).

# LAW SOCIETY OF NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements (continued)

Year ended December 31, 2012

## 6. Obligations under operating leases:

The Law Society has equipment and building leases with the following annual lease payments for the next five years:

2013	\$	14,592
2014		15,693
2015		13,138
2016		12,885
2017		7,516

## 7. Admission fees:

Admission fees consist of the following:

	2012	2011
Articled clerks	\$ 11,100	\$ 9,900
Call to bar	21,875	23,125
Other	4,200	2,600
Transfers	2,500	12,500
	<b>\$ 39,675</b>	<b>\$ 48,125</b>

## 8. Annual fees:

Annual fees consists of the following:

	2012	2011
Assurance Fund annual membership fee	\$ 36,112	\$ 35,275
Law Society annual membership fee	1,419,684	1,157,424
Federation fees	43,352	42,330
Professional law corporation fees	31,188	26,556
	<b>\$ 1,530,336</b>	<b>\$ 1,261,585</b>

# LAW SOCIETY OF NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements (continued)

Year ended December 31, 2012

---

## 9. Financial risks:

Financial instruments consist of cash, membership fees, trade receivable, investments and marketable securities, accounts payable and accrued liabilities, and provision for risk sharing unpaid claims. The fair values of financial instruments approximates their carrying amounts due to their short term maturity and liquidity.

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Financial instruments are primarily exposed to interest rate volatility, credit and liquidity risk.

### (a) Credit risk:

Financial instruments which potentially subject the Law Society to credit risk consist primarily of cash and cash equivalents and trade receivable. The Law Society limits the amount of credit exposure with its cash balances by only maintaining cash with major Canadian financial institutions. Credit exposure is minimized by dealing with only credit worthy counter parties.

### (b) Interest rate risk:

Interest rate risk refers to the impact of future changes in interest rates on cash flows and fair values of assets and liabilities. The Law Society is not exposed to any significant interest rate risk due to the short term nature of its financial instruments.

### (c) Liquidity risk:

Liquidity risk is the risk that the Law Society will not be able to meet its cash requirements in a timely and cost effective manner. Liquidity requirements are managed through the receipt of funds from the Law Society's various revenue sources. These sources of funds are used to pay operating expenses and meet debt service requirements.

# LAW SOCIETY OF NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements (continued)

Year ended December 31, 2012

## 10. Related party transactions:

The Law Society provides oversight to the Lawyers' Insurance Programme of Newfoundland and Labrador ("the Programme") and is therefore related to the Programme. The Programme administers a professional liability program for members of the Society whereby professional liability insurance is provided to the members of the Law Society by the Canadian Lawyers' Insurance Association.

The below revenue transactions are measured at the exchange amounts which is the amount of consideration established and agreed to by the related parties.

	2012	2011
Administration fee	\$ 120,000	\$ 120,000
Custodianships	6,954	25,300
Loss prevention	-	250,000
	<u>\$ 126,954</u>	<u>\$ 395,300</u>

In addition to the above transactions, the Law Society collects assessments from its members on behalf of the Programme.

Amounts due to and from related parties are non-interest bearing and have no set repayment terms.

Included in due (to)/from the Lawyers' Insurance Programme at December 31, 2012 is nil (December 31, 2011 - \$30,059, January 1, 2011 - \$(628,186)).

Financial Statements of

**LAWYERS' INSURANCE  
PROGRAMME OF  
NEWFOUNDLAND AND  
LABRADOR**

Year ended December 31, 2012

# LAWYERS' INSURANCE PROGRAMME OF NEWFOUNDLAND AND LABRADOR

## Table of Contents

---

	<b>Page</b>
<b>Independent Auditors' Report</b>	
Statement of Financial Position	48
Statement of Operations	49
Statement of Changes in Net Assets	50
Statement of Cash Flows	51
Notes to Financial Statements	52-59



**KPMG LLP**  
**Chartered Accountants**  
Toronto Dominion Place  
140 Water Street, Suite 700  
St. John's Newfoundland A1C 6H6  
Canada

Telephone (709) 733-5000  
Fax (709) 733-5050  
Internet www.kpmg.ca

## INDEPENDENT AUDITORS' REPORT

To the Members of Lawyers' Insurance Programme of Newfoundland and Labrador

We have audited the accompanying financial statements of Lawyers' Insurance Programme of Newfoundland and Labrador, which comprise the statement of financial position as at December 31, 2012, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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 from 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 our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity'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 entity'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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

### *Other Matter*

Without modifying our opinion, we draw attention to the financial statements which describes that Lawyers' Insurance Programme of Newfoundland and Labrador adopted Canadian accounting standards for not-for-profit organizations on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the balance sheets as at December 31, 2011 and January 1, 2011, and the statements of operations, changes in net assets and cash flows for the year ended December 31, 2011 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

### *Basis for Qualified Opinion*

The Programme derives revenues from transaction levies, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Programme. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses and cash flows for the year then ended, and current assets and surplus as at December 31, 2012. Our audit opinion on the financial statements for the year then ended was modified accordingly because of the possible effects of this limitation in scope.

### *Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Lawyers' Insurance Programme of Newfoundland and Labrador as at December 31, 2012 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.

The comparative figures were audited by another firm of chartered accountants.

Chartered Accountants  
April 30, 2013  
St. John's, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



# LAWYERS' INSURANCE PROGRAMME OF NEWFOUNDLAND AND LABRADOR

## Statement of Financial Position

December 31, 2012, with comparative figures for December 31, 2011 and January 1, 2011


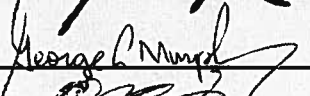
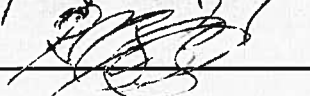
	December 31, 2012	December 31, 2011	January 1, 2011
<b>Assets</b>			
Cash and cash equivalents	\$ 10,134,799	\$ 7,568,244	\$ 6,297,644
Transaction levy receivable	312,710	400,000	375,065
Accounts receivable	-	9,478	61,229
Due from CLIA (note 5)	-	3,470,459	3,390,349
Accrued interest receivable	31,571	7,496	1,304
Prepaid insurance premiums	276,576	263,424	379,440
Due from the Law Society of Newfoundland and Labrador (note 7)	-	-	628,186
Investments and marketable securities (note 2)	1,491,076	-	-
	<b>\$ 12,246,732</b>	<b>\$ 11,719,101</b>	<b>\$ 11,133,217</b>

## Liabilities and Net Assets

<b>Liabilities:</b>			
Accounts payable and accrued liabilities (note 3)	\$ 17,517	\$ 26,470	\$ 20,474
Reserve for claims and related costs (note 4)	2,347,745	2,047,078	1,565,726
Due to the Law Society of Newfoundland and Labrador (note 7)	-	30,059	-
	<b>2,365,262</b>	<b>2,103,607</b>	<b>1,586,200</b>
<b>Net assets</b>	<b>9,881,470</b>	<b>9,615,494</b>	<b>9,547,017</b>
	<b>\$ 12,246,732</b>	<b>\$ 11,719,101</b>	<b>\$ 11,133,217</b>

See accompanying notes to financial statements.

On behalf of the Benchers:

	President
	Vice President
	Chair of the Insurance Programme

# LAWYERS' INSURANCE PROGRAMME OF NEWFOUNDLAND AND LABRADOR

## Statement of Operations

Year ended December 31, 2012, with comparative figures for 2011

	2012	2011
<b>Revenues:</b>		
Transaction levies	\$ 1,165,885	\$ 1,445,050
Member assessments	849,015	914,848
Interest revenue	114,963	67,404
Unrealized gain on investments	74,239	-
Dividend income	12,255	-
Miscellaneous revenue	100	-
Premium credit	-	80,110
	<u>2,216,457</u>	<u>2,507,412</u>
<b>Insurance premiums:</b>		
CLIA Premiums	537,856	641,835
	<u>1,678,601</u>	<u>1,865,577</u>
<b>Expenses:</b>		
Provision for claims and related costs	991,148	1,127,296
Salaries and benefits	182,382	178,799
Administrative charges	120,000	120,000
Professionals Assistance Program	50,000	-
Actuarial fees	27,812	33,939
Professional fees	15,255	31,709
Travel and conferences	10,558	8,835
Custodianship expenses	6,954	25,300
Consulting fees	5,967	-
Office	1,752	1,838
Bank charges	511	437
Training	286	1,048
Loss prevention to the Law Society of Newfoundland and Labrador	-	250,000
Computer software	-	17,718
Miscellaneous	-	181
	<u>1,412,625</u>	<u>1,797,100</u>
<b>Excess of revenues over expenses</b>	<b>\$ 265,976</b>	<b>\$ 68,477</b>

See accompanying notes to financial statements.

# LAWYERS' INSURANCE PROGRAMME OF NEWFOUNDLAND AND LABRADOR

## Statement of Changes in Net Assets

Year ended December 31, 2012, with comparative figures for 2011

	2012	2011
Net assets, beginning of year	\$ 9,615,494	\$ 9,547,017
Excess of revenues over expenses	265,976	68,477
<b>Net assets, end of year</b>	<b>\$ 9,881,470</b>	<b>\$ 9,615,494</b>

See accompanying notes to financial statements.

# LAWYERS' INSURANCE PROGRAMME OF NEWFOUNDLAND AND LABRADOR

## Statement of Cash Flows

Year ended December 31, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	\$ 265,976	\$ 68,477
Item not involving cash:		
Unrealized gain on investment	(74,239)	-
Change in non-cash operating working capital:		
Transaction levy receivable	87,290	(24,935)
Trade receivables	9,478	51,751
Due from CLIA	3,470,459	(80,110)
Accrued interest receivable	(24,075)	(6,192)
Prepaid insurance premiums	(13,152)	116,016
Due to Assurance Fund	(4,759)	-
Reserve for claims and related costs	300,667	481,352
Due to/from the Law Society of Newfoundland and Labrador	(25,299)	658,245
Accounts payable and accrued liabilities	(8,955)	5,996
	<u>3,983,391</u>	<u>1,270,600</u>
Investing:		
Change in investments (net)	(1,416,836)	-
Increase in cash and cash equivalents	2,566,555	1,270,600
Cash and cash equivalents, beginning of year	7,568,244	6,297,644
<b>Cash and cash equivalents, end of year</b>	<b>\$ 10,134,799</b>	<b>\$ 7,568,244</b>
Cash consists of:		
Cash and cash equivalents	\$ 339,599	\$ 2,509,063
Guaranteed investment certificates	9,795,200	5,059,181
	<u>\$ 10,134,799</u>	<u>\$ 7,568,244</u>

See accompanying notes to financial statements.

# LAWYERS' INSURANCE PROGRAMME OF NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements

Year ended December 31, 2012

---

Lawyers' Insurance Programme of Newfoundland and Labrador (the "Programme") is an unincorporated entity affiliated with the Law Society of Newfoundland and Labrador (the "Law Society"). The Programme commenced on January 1, 2005 and has been a member of the Canadian Lawyers' Insurance Association (CLIA), a reciprocal insurance exchange, since the 2005 policy year. The Programme administers a professional liability program for members of the Society whereby professional liability insurance is provided to the members of the Law Society by CLIA.

The Programme receives contributions from members of the Law Society through annual insurance premiums. In addition, effective October 1, 2005, the Programme commenced the collection of transaction levies. The levies are collected from members of the the Society on certain legal transactions and are then reported and remitted to the Programme on a quarterly basis. Additionally the Programme derives revenue from investments. The Programme is a not-for-profit entity and, as such, is exempt from the payment of income tax.

On January 1, 2012, the Programme adopted Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CICA Handbook. These are the first financial statements prepared in accordance with Not-For-Profit Standards.

In accordance with the transitional provisions in Not-For-Profit Standards, the Programme has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is January 1, 2011 and all comparative information provided has been presented by applying Not-For-Profit Standards.

There are no adjustments to net assets as at January 1, 2011 or excess of revenues over expenses for the year ended December 31, 2011 as a result of the transition to Not-For-Profit Standards.

## **1. Significant accounting policies:**

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook.

### **(a) Cash and cash equivalents:**

Cash and cash equivalents consist of cash and short-term investments with a maturity of less than 90 days.

# LAWYERS' INSURANCE PROGRAMME OF NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements (continued)

Year ended December 31, 2012

---

## 1. Significant accounting policies (continued):

### (b) Revenue recognition:

The Programme follows the deferral method of accounting for revenue. Member assessments revenue is recognized over the terms of the related policy year. Transaction levies are recorded on a quarterly basis as reported by and collected from the individual lawyers and firms. Investment revenue is recognized in the period in which it is earned.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

### (c) Reserve for claims and related costs:

The provision for claims and related costs is based upon the change from year to year for claims and related costs. The reserve value is based upon the greater of the Programme's estimate of incurred costs of claims during the current year and the actuarial computed discounted costs of possible claims for the current year.

The Programme's actuary is engaged to provide an annual valuation of the reserve for claims and related costs in accordance with the standards of practice adopted by the Canadian Institute of Actuaries. For the purpose of the actuarial valuation, the actuary is making use of certain information contained in the Programme's financial records.

Claims and related costs of the Programme are subject to specific maximum limits set out in the insurance policy with CLIA as follows:

- (i) Up to June 30, 2009: CLIA's liability is limited to \$1,000,000 per occurrence, and \$2,000,000 in aggregate per policy year. A deductible of \$5,000 is recoverable from the insured member at the time of claim pay-out. The Programme is responsible for administrative costs but does not retain any responsibility for the indemnification of claims.
- (ii) July 1, 2009 to June 30, 2010: CLIA's liability is limited to \$1,000,000 per occurrence and \$2,000,000 in aggregate per policy year. A deductible of \$5,000 is recoverable from the insured member at the time of claim pay-out. The Programme is responsible for administrative costs and for the indemnification of claims to specified limits. Limits included \$100,000 per occurrence for damages and defence costs, to an aggregate annual limit of \$900,000.

# LAWYERS' INSURANCE PROGRAMME OF NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements (continued)

Year ended December 31, 2012

---

## 1. Significant accounting policies (continued):

- (iii) July 1, 2010 to June 30, 2011: CLIA's liability is limited to \$1,000,000 per occurrence and \$2,000,000 in aggregate per policy year. A deductible of \$5,000 is recoverable from the insured member at the time of claim pay-out. The Programme is responsible for administrative costs and for the indemnification of claims to specified limits. Limits included \$100,000 per occurrence for damages and defence costs, to an aggregate annual limit of \$1,000,000.
- (iv) July 1, 2011 to June 30, 2012: CLIA's liability is limited to \$1,000,000 per occurrence and \$2,000,000 in aggregate per policy year. A deductible of \$5,000 is recoverable from the insured member at the time of claim pay-out. The Programme is responsible for administrative costs and for the indemnification of claims to specified limits. Limits included \$200,000 per occurrence for damages and defence costs, to an aggregate annual limit of \$1,350,000.
- (v) July 1, 2012 to June 30, 2013: CLIA's liability is limited to \$1,000,000 per occurrence and \$2,000,000 in aggregate per policy year. A deductible of \$5,000 is recoverable from the insured member at the time of claim pay-out. The Programme is responsible for administrative costs and for the indemnification of claims to specified limits. Limits included \$200,000 per occurrence for damages and defence costs, to an aggregate annual limit of \$1,375,000.

### (d) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the provision for unclaimed costs. Actual results could differ from those estimates.

# LAWYERS' INSURANCE PROGRAMME OF NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements (continued)

Year ended December 31, 2012

---

## 1. Significant accounting policies (continued):

### (e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Programme has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Programme determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Programme expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

### (f) Recoveries:

Recoveries from claims and related costs from insurers and other parties are recorded when they can be reasonably estimated and collectability is reasonably assured. Otherwise, the recovery is recorded when received.



# LAWYERS' INSURANCE PROGRAMME OF NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements (continued)

Year ended December 31, 2012

## 2. Investments and marketable securities:

	December 31, 2012	December 31, 2011	January 1, 2011
Guaranteed investment certificates measured at cost (included in cash and cash equivalents)	\$ 9,795,200	\$ 5,059,181	\$ 5,012,347
Equity investments measured at fair value	1,006,943	-	-
Mutual funds measured at fair value	484,133	-	-
	\$ 1,491,076	\$ -	\$ -

Guaranteed investment certificates bear interest at a weighted average rate of 1.33% at December 31, 2012 (December 31, 2011 - 1.11%, January 1, 2011 - 0.95%).

## 3. Accounts payable and accrued liabilities:

There are no amounts payable for harmonized sales tax or payroll related taxes included in accounts payable and accrued liabilities in the year ended December 31, 2012 (December 31, 2011 - nil, January 1, 2011 - nil)

## 4. Reserve for claims and related costs:

	December 31, 2012	December 31, 2011	January 1, 2011
Provision for claims and related costs beginning of year	\$ 2,047,078	\$ 1,565,726	\$ 231,885
Current year expense	991,148	1,127,296	2,054,802
Claims paid during the year	(690,481)	(645,944)	(720,961)
Balance, end of year	\$ 2,347,745	\$ 2,047,078	\$ 1,565,726

As at December 31, the outstanding claims liabilities, calculated by the Programme's actuaries in accordance with the standards of practice of the Canadian Institute of Actuaries, were as follows:

# LAWYERS' INSURANCE PROGRAMME OF NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements (continued)

Year ended December 31, 2012

## 4. Reserve for claims and related costs (continued):

	2012	2011
Discounted damages and defence costs	\$ 1,577,248	\$ 1,322,156
Discounted adjusting and counselling fees	369,846	373,312
Discounted internal claim administration expenses	189,694	178,043
	2,136,788	1,873,511
Provision for adverse deviation	210,957	173,567
<b>Total discounted liabilities plus provision for adverse deviation</b>	<b>\$ 2,347,745</b>	<b>\$ 2,047,078</b>

The liabilities have been discounted at a rate of 1.75% (2011 - 1.11%). The provision for adverse deviation for 2012 and 2011 includes a margin of 25 to 200 basis points on the discount rate and 2.5% to 20% on the claims development variables. There is no active market for the trading of claims liabilities, however the present value of the actuarial claims liabilities, including provision for adverse deviation is considered an indicator of fair value.

## 5. Equity in Canadian Lawyers' Insurance Program:

The Programme is a subscriber to the Canadian Lawyers' Insurance Association (CLIA), a reciprocal insurance exchange through which the law societies of ten provinces and territories (or their associated liability insurance entities) enter into agreements of mutual indemnification. CLIA maintains separate reserves for each participating entity with regards to risks assumed, and the Programme has an interest in the surpluses of these reserves. CLIA prepares annual Subscriber Accounts as of December 31, which represents the end of their fiscal year, which are reviewed and approved by CLIA's Advisory Board. These accounts include a reserve for claims liabilities on a discounted basis. The Subscribers Accounts of CLIA as of December 31, 2012 show the Programme's subscriber's equity to be \$1,658,276 (December 31, 2011 - \$5,250,448, January 1, 2011 - \$5,156,115) of which nil (December 31, 2011 - \$3,470,459, January 1, 2011 - \$3,390,349) has been set up as a receivable from CLIA. This amount receivable reflects a refund due of previous years' mandatory premiums from an accumulation of excess premiums paid over claims and related investment income for a number of years. The remaining equity balance is not reflected in these financial statements.

# LAWYERS' INSURANCE PROGRAMME OF NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements (continued)

Year ended December 31, 2012

---

## 6. Financial instruments:

Financial instruments consist of cash and cash equivalents, transaction levy receivable, interest receivable, due from CLIA, due to the Law Society, accounts payable, and marketable securities. The fair values of these financial instruments approximate their carrying value due to their liquidity and short-term maturity.

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Financial instruments are primarily exposed to interest rate volatility, credit and liquidity risk.

### (a) Interest rate risk:

Interest rate risk refers to the impact of future changes in interest rates on cash flows and fair values of assets and liabilities. The Programme is not exposed to any significant interest rate risk due to the short term nature of its financial instruments.

### (b) Credit risk:

Financial instruments which potentially subject the Programme to credit risk consist primarily of cash and cash equivalents and accounts receivable. The Programme limits the amount of credit exposure with its cash balances by only maintaining cash with major Canadian financial institutions. Credit exposure is minimized by dealing with only credit-worthy counter parties. The Programme monitors the credit risk and credit standing of counter parties on a regular basis.

### (c) Liquidity risk:

Liquidity risk is the risk of not being able to meet the Programme's cash requirements in a timely and cost effective manner. Liquidity requirements are managed through the receipt of funds from the Programme's various revenue sources. These sources of funds are used to pay operating expenses and meet debt service requirements.

# LAWYERS' INSURANCE PROGRAMME OF NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements (continued)

Year ended December 31, 2012

## 7. Related party transactions:

The Programme is subject to oversight by the Insurance Committee of The Law Society of Newfoundland and Labrador and is therefore related to the The Law Society of Newfoundland and Labrador.

These transactions are measured at the exchange amounts which is the amount of consideration established and agreed to by the related parties.

	2012	2011
Administrative charges	\$ 120,000	\$ 120,000
Custodianship expenses	6,954	25,300
Loss prevention expenses	-	250,000
	<u>\$ 126,954</u>	<u>\$ 395,300</u>

In addition to the above transactions, the Law Society collects assessments from its members on behalf of the Programme.

Amounts due to and from related parties are non-interest bearing and have no set repayment terms.

Included in due (to)/from Law Society of Newfoundland and Labrador at December 31, 2012 is nil (December 31, 2011 - (\$30,059), January 1, 2011 - \$628,186).