

**AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
for the
FISCAL YEAR ENDED DECEMBER 31, 2006**

**Law Society of Newfoundland and
Labrador**

**Financial Statements
December 31, 2006**

April 23, 2007

Auditors' Report

**To the Members of
Law Society of Newfoundland and Labrador**

We have audited the balance sheet of **Law Society of Newfoundland and Labrador** as at December 31, 2006, the statements of revenue, expenses and surplus and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2006 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Law Society of Newfoundland and Labrador

Balance Sheet

As at December 31, 2006

	2006 \$	2005 \$
Assets		
Current assets		
Cash (note 3)	122,207	660,714
Short-term investments	751,005	729,126
Accounts receivable		
Members fees	121,787	102,908
Other	167,848	214,316
Prepaid expenses	4,518	2,750
Due from the General Assurance Fund	193,862	35,315
Current and deferred grants receivable	139,000	111,200
	<u>1,500,227</u>	<u>1,856,329</u>
Capital assets (note 4)	1,750,920	1,846,207
General Assurance Fund (note 8)	<u>1,173,075</u>	<u>223,782</u>
	<u>4,424,222</u>	<u>3,926,318</u>
Liabilities		
Current liabilities		
Accounts payable	73,002	100,385
Current and deferred grants payable	139,000	111,200
Due to the Self Insurance Funds (net)	254,946	716,620
Insurance levy	353,065	352,490
Capital fund levy	241,968	241,968
Current portion of long-term debt	93,680	102,448
	<u>1,155,661</u>	<u>1,625,111</u>
Long-term debt (note 5)	<u>1,430,101</u>	<u>1,523,781</u>
	2,585,762	3,148,892
Members' Equity		
Surplus	<u>665,385</u>	<u>553,644</u>
	3,251,147	3,702,536
General Assurance Fund (note 8)	<u>1,173,075</u>	<u>223,782</u>
	<u>4,424,222</u>	<u>3,926,318</u>

Approved on behalf of the Society


President


Vice-President

Law Society of Newfoundland and Labrador

Statement of Revenue, Expenses and Surplus

For the year ended December 31, 2006

	2006 \$	2005 \$
Revenue		
Administration fee	71,398	30,000
Admission fees (note 7)	40,825	41,900
Annual fees - certificates	1,159,139	1,131,944
Bar admission course	40,890	53,750
Contributions from the Law Foundation of Newfoundland and Labrador	111,200	139,000
Copy machines and other recoveries	12,526	12,041
Interest	217,132	221,342
Membership levy	143,908	519,659
Process fees	13,110	13,926
Seminars	25,848	41,673
	<u>1,835,976</u>	<u>2,205,235</u>
Expenses		
Bar admission course	15,256	18,587
Benchers' receptions	6,839	6,423
Committees	21,552	18,292
Continuing legal education	10,400	25,346
Contributions	22,566	20,516
Conventions	14,917	14,569
Convocations	31,388	42,685
Copy machines	30,005	30,456
Discipline	(13,868)	48,845
Interest and bank charges	11,950	11,404
Libraries	254,933	238,837
Miscellaneous and courier	14,719	14,062
Postage	9,847	17,866
Printing and publishing	1,607	6,683
Professional fees	46,298	35,319
Property costs - amortization	107,765	113,722
Property costs - operating	193,211	200,392
Rent	3,600	3,600
Salaries and employee benefits	830,235	726,252
Supplies and equipment	61,750	87,836
Telephone	20,937	19,248
Travel	28,328	20,541
	<u>1,724,235</u>	<u>1,721,481</u>
	111,741	483,754
Custodianship matter	<u>-</u>	<u>15,441</u>
Excess of revenue over expenses	111,741	499,195
Surplus – Beginning of year	<u>553,644</u>	<u>54,449</u>
Surplus – End of year	<u>665,385</u>	<u>553,644</u>

Law Society of Newfoundland and Labrador

Statement of Cash Flows

For the year ended December 31, 2006

	2006 \$	2005 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses	111,741	499,195
Item not affecting cash		
Amortization	107,765	113,722
	<u>219,506</u>	<u>612,917</u>
Change in non-cash working capital balances		
Decrease (increase) in accounts receivable		
Members fees	(18,879)	14,861
Other	46,468	(69,015)
Increase in prepaid expenses	(1,768)	(2,750)
Increase in due from General Assurance Fund	(158,547)	(350,242)
Increase (decrease) in accounts payable	(27,383)	48,293
Increase (decrease) in due to Self - Insurance Funds (net)	(461,674)	526,431
Increase in insurance levy	575	177
Decrease in capital fund levy	-	(50)
	<u>(401,702)</u>	<u>780,622</u>
Financing activity		
Repayment of long-term debt	(102,448)	(100,963)
Investing activity		
Purchase of capital assets	(12,478)	(6,773)
Net change in cash during the year	(516,628)	672,886
Cash and cash equivalents – Beginning of year	1,389,840	716,954
Cash and cash equivalents – End of year	<u>873,212</u>	<u>1,389,840</u>
Cash and cash equivalents is comprised of:		
Cash	122,207	660,714
Short-term investments	751,005	729,126
	<u>873,212</u>	<u>1,389,840</u>
Additional information required:		
Interest paid	66,568	68,179

Law Society of Newfoundland and Labrador

Notes to Financial Statements

December 31, 2006

1 Basis of presentation

These financial statements reflect the accounts and operations of the Law Society of Newfoundland and Labrador – General Fund and General Assurance Fund. The operations of the General Assurance Fund are not reflected in the statement of revenue, expenses and surplus of the Law Society of Newfoundland and Labrador – General Fund, but are disclosed in Note 8 to these financial statements.

On January 1, 1983, the Law Society of Newfoundland and Labrador established a Self-Insurance Fund for practising Newfoundland and Labrador lawyers. Each year, the Society assesses its members an amount which is paid to that year's Self-Insurance Fund. Separate financial statements are prepared for each year's Fund and their assets, liabilities and surpluses or deficiencies are not reflected in these statements.

2 Accounting policies

Accounts receivable

The Society performs ongoing reviews of its accounts receivable from its members and records an allowance for doubtful accounts receivable when accounts are determined to be uncollectible.

Amortization

Capital assets are carried at cost less contributions received and are amortized using the following methods and rates:

Assets	Method	Rate %
Building	Straight line	4
Furniture and fixtures	Declining balance	25

Management estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Fair value of financial instruments

The company has evaluated fair values of its financial instruments based on the current interest rate environment, related market values and current pricing of financial instruments with comparable terms. The carrying value of financial instruments is considered to approximate fair value, unless otherwise indicated.

Law Society of Newfoundland and Labrador

Notes to Financial Statements

December 31, 2006

3 Cash investment

The cash account earns interest calculated on the consolidated average daily balance at the Toronto Dominion Bank's weighted average prime lending rates less 2½%. This is the rate paid on investments of less than one year. Interest on the cash account is paid monthly.

4 Capital assets

			2006	2005
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	73,429	-	73,429	73,429
Building	1,935,376	348,934	1,586,442	1,663,857
Furniture and fixtures	265,394	174,345	91,049	108,921
	<u>2,274,199</u>	<u>523,279</u>	<u>1,750,920</u>	<u>1,846,207</u>

5 Long-term debt

	2006 \$	2005 \$
4% unsecured advance from the Law Society of Newfoundland and Labrador – 1983 to 1987 Self-Insurance Funds, payable in blended monthly payments of \$7,793	1,421,114	1,467,562
TD Canada Trust loan at prime, due in October 2008, repayable in monthly principal instalments of \$4,667 plus interest	<u>102,667</u>	<u>158,667</u>
	1,523,781	1,626,229
Current portion	<u>93,680</u>	<u>102,448</u>
	<u>1,430,101</u>	<u>1,523,781</u>

Law Society of Newfoundland and Labrador

Notes to Financial Statements

December 31, 2006

Aggregate annual principal payments on long-term debt for the next five years are as follows:

	\$
Year ending December 31, 2007	93,680
2008	85,000
2009	40,000
2010	42,000
2011	44,000

6 Obligations under operating leases

The following is an analysis of the future minimum lease payments on operating leases:

	\$
Year ending December 31, 2007	28,200
2008	24,500
2009	22,900
2010	12,300
2011	1,100

7 Admission fees

Admission fees consist of the following:

	2006 \$	2005 \$
Articled clerks	8,400	6,300
Call-to-bar	21,275	18,400
Other	11,150	17,200
	<hr/> 40,825	<hr/> 41,900

Law Society of Newfoundland and Labrador

Notes to Financial Statements

December 31, 2006

8 General Assurance Fund

During the year, the following transactions occurred in this fund:

	2006 \$	2005 \$
Revenue		
Contributions		
Members	32,219	31,219
Interest	14,091	14,445
Transfer from Lawyers' Insurance Program – transaction levy	500,000	-
	<u>546,310</u>	<u>45,664</u>
Expenses		
Provision for uninsured claims recovery	(410,426)	-
Miscellaneous	7,443	4,236
	<u>(402,983)</u>	<u>4,236</u>
Excess of revenue over expenses	949,293	41,428
Surplus – Beginning of year	<u>223,782</u>	<u>182,354</u>
Surplus – End of year	<u>1,173,075</u>	<u>223,782</u>
Comprised of:		
Cash	4,291	4,394
Short-term investments	795,146	288,241
Due from the 1983 - 1987 Self-Insurance Funds	150,000	150,000
Due from the 1988 - 1994 Self-Insurance Funds	175,000	175,000
Due from the 1995 - 2004 Self-Insurance Funds	242,500	60,000
Due to the General Fund	(193,862)	(35,315)
Provision for uninsured claims	-	(418,538)
	<u>1,173,075</u>	<u>223,782</u>

As a result of a custodianship matter from 2004, it was determined that there were claims from this custodianship that were not covered by the Society's insurance program. All uninsured claims related to this matter have been settled in the current year, resulting in a recovery of \$410,426 from the claims provision, which was originally estimated at \$800,000.

**Law Society of Newfoundland and
Labrador - 1995 to 2004
Self-Insurance Funds**

**Financial Statements
December 31, 2006**

April 23, 2007

Auditors' Report

**To the Members of Law Society of Newfoundland
and Labrador - 1995 to 2004 Self-Insurance Funds**

We have audited the balance sheet of **Law Society of Newfoundland and Labrador - 1995 to 2004 Self-Insurance Funds** as at December 31, 2006 and the statement of revenue, expenses and surplus for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Funds as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

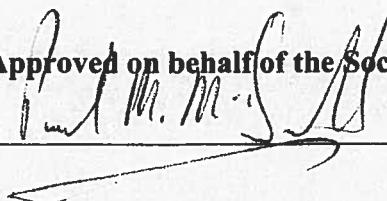
Law Society of Newfoundland and Labrador - 1995 to 2004 Self-Insurance Funds

Balance Sheet

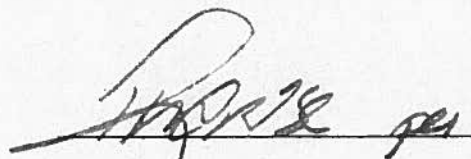
As at December 31, 2006

	2006 \$	2005 \$
Assets		
Current assets		
Cash (note 2)	27,843	32,346
Accounts receivable	-	10,000
Due from 2005 Self-Insurance Fund	1,387,659	1,387,659
Due from Law Society of Newfoundland and Labrador – General Fund	-	76,910
	1,415,502	1,506,915
Liabilities		
Current liabilities		
Accounts payable	5,400	5,500
Due to Law Society of Newfoundland and Labrador – General Fund	184,442	-
Due to Law Society of Newfoundland and Labrador – General Assurance Fund	242,500	60,000
Provision for members' deductible on custodian matter	5,000	210,000
Provision for 10% risk sharing on 2003 and 2004 claims	450,000	800,000
	887,342	1,075,500
Surplus	528,160	431,415
	1,415,502	1,506,915

Approved on behalf of the Society



President



Vice-President

Law Society of Newfoundland and Labrador - 1995 to 2004 Self-Insurance Funds

Statement of Revenue, Expenses and Surplus
For the year ended December 31, 2006

	2006 \$	2005 \$
Revenue		
Interest	960	1,355
Expenses		
Insurance policy premium	-	8,219
Professional and consulting fees	5,363	22,169
Provision for doubtful accounts expense	11,352	1,920
Provision for members' deductible on custodian matter	(12,500)	(90,000)
Provision for 10% risk sharing on 2003 and 2004 claims	(100,000)	(200,000)
Travel	-	3,298
	<u>(95,785)</u>	<u>(254,394)</u>
Excess of revenue over expenses	96,745	255,749
Surplus (deficit) – Beginning of year	431,415	(1,460,802)
	528,160	(1,205,053)
Transfers from:		
1983 - 1987 Self Insurance Funds	-	1,304,218
1988 - 1994 Self Insurance Funds	-	332,250
	<u>528,160</u>	<u>431,415</u>
Surplus – End of year	<u>528,160</u>	<u>431,415</u>

Law Society of Newfoundland and Labrador - 1995 to 2004 Self-Insurance Funds

Notes to Financial Statements
December 31, 2006

1 Accounting policies

Method of operations

Lawyers' Professional Indemnity Company (LawPRO) is an insurance company that is licensed to provide professional liability insurance and 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 of Newfoundland and Labrador, provided the original claim or suit for damages is brought during the policy period.

1995 to 2004 Insurance Program

The 1995 to 2004 Insurance Program insures all practising 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 1995 Insurance Program is responsible for all claims and legal and adjusting expenses and has arranged for 57% quota share reinsurance above the members' deductible, retaining the other 43% for its own account. The Law Society of Newfoundland and Labrador has agreed to share equally in this 43% retention.
- The 1996 to 2002 Insurance Program is responsible for 100% of all claims and legal and adjusting expenses above the members' deductible.
- The 2003 and 2004 Insurance Program is responsible for all claims and legal and adjusting expenses above the members deductible and has arranged for 80% quota share reinsurance above the members' deductible, retaining the other 20% for its own account. The Law Society of Newfoundland and Labrador has agreed to share equally in this 20% retention.

The determination of the provisions for unpaid claims and adjusting expenses requires the use of estimation and is subject to variability, and the variability could be material in the near term. The variability arises because all events affecting the ultimate settlement of claims have not taken place and may not take place for some time.

Any changes in subsequent periods relating to these provisions and any cost for which no provision has been previously recorded is treated as a claims expense in the current period.

2 Cash investment

The cash account earns interest calculated on the consolidated average daily balance at the Toronto Dominion Bank's weighted average prime lending rate less 2 ½%. This is the rate paid on investments of less than one year. Interest on the cash account is paid monthly.

Law Society of Newfoundland and Labrador - 1995 to 2004 Self-Insurance Funds

Notes to Financial Statements

December 31, 2006

3 Other matters

In 2004, the Society obtained custodianship for a certain law practice, and other members of the Society became involved in various insurance claims related to this matter. The 2004 Self-Insurance Fund agreed to pay the \$5,000 deductible per claim for members with claims arising from this matter, and estimated a total cost of \$300,000 for these deductibles, of which \$5,000 remains outstanding as at December 31, 2006. In addition, it was determined that there were claims from this custodianship that are not covered by the Society's insurance program. These claims and related costs are being charged against the Law Society of Newfoundland and Labrador – General Assurance Fund.

**Law Society of Newfoundland and
Labrador - 1988 to 1994
Self-Insurance Funds**

**Financial Statements
December 31, 2006**

PricewaterhouseCoopers LLP
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April 23, 2007

Auditors' Report

**To the Members of Law Society of Newfoundland
and Labrador - 1988 to 1994 Self-Insurance Funds**

We have audited the balance sheet of **Law Society of Newfoundland and Labrador - 1988 to 1994 Self-Insurance Funds** as at December 31, 2006 and the statement of revenue, expenses and deficit for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Funds as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

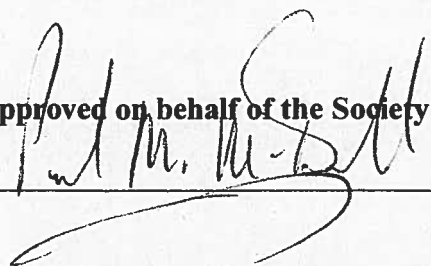
Law Society of Newfoundland and Labrador - 1988 to 1994 Self-Insurance Funds

Balance Sheet

As at December 31, 2006

	2006 \$	2005 \$
Assets		
Current assets		
Cash (note 2)	10,064	13,141
Due from Law Society of Upper Canada	6,675	220,287
	<u>16,739</u>	<u>233,428</u>
Liabilities		
Current liabilities		
Accounts payable	5,050	8,500
Due to Law Society of Newfoundland and Labrador Assurance Fund	175,000	175,000
	180,050	183,500
Surplus (deficit)	<u>(163,311)</u>	<u>49,928</u>
	<u>16,739</u>	<u>233,428</u>

Approved on behalf of the Society



President



Vice-President

**Law Society of Newfoundland and Labrador -
1988 to 1994 Self-Insurance Funds**

Statement of Revenue, Expenses and Deficit
For the year ended December 31, 2006

	2006 \$	2005 \$
Revenue		
Interest	2,457	1,161
Expenses		
Claims		
Indemnity	215,696	-
Legal and adjusting	-	20,430
Reserves		
Indemnity	-	(60,000)
Legal and adjusting	-	(1,757)
Other expenses		
Administration	-	379
Professional and consulting fees	-	4,425
	<u>215,696</u>	<u>(36,523)</u>
Excess of revenue over expenses (expenses over revenue)	(213,239)	37,684
Surplus (deficit) – Beginning of year	49,928	(66,177)
	(163,311)	(28,493)
Transfers from (to):		
1983 - 1987 Self Insurance Funds	-	410,671
1995 - 2004 Self Insurance Funds	-	(332,250)
Surplus (deficit) – End of year	<u>(163,311)</u>	<u>49,928</u>

Law Society of Newfoundland and Labrador - 1988 to 1994 Self-Insurance Funds

Notes to Financial Statements
December 31, 2006

1 Accounting policies

Method of operations

Lawyers' Professional Indemnity Company (LawPRO) is an insurance company that is licensed to provide professional liability insurance and 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 of Newfoundland and Labrador, provided the original claim or suit for damages is brought during the policy period.

1988 to 1994 Insurance Program

The 1988 to 1994 Insurance Program insures all practising members up to a deductible amount of \$245,000 (\$145,000 for claims brought January to June 1988 which are included in the 1988 fund), after an individual deductible of \$5,000 per member per claim. Claims exceeding the deductible amount are insured by a separate liability policy purchased by the Insurance Program, up to an additional \$750,000 per claim, (\$450,000 for claims brought January to June 1988) to a maximum annual limit of \$2,000,000 per insured.

Reserve for claims

The adjusting company in Newfoundland is responsible for consulting with the Chairman of the Self-Insurance Claims committee in Newfoundland in arriving at an estimate of the reserve required for claims outstanding. The reserve includes potential claims, legal and adjusting fees attributable to the outstanding matters minus any possible recovery.

Any changes in subsequent periods relating to these reserves is a result of:

- a) Indemnity, legal and adjusting fees paid, and
- b) Adjustments as to the potential liability which would also increase or decrease the current period reserve expense.

Any cost, for which no reserve had been previously set up, is treated as a claims expense in the current period.

Law Society of Newfoundland and Labrador - 1988 to 1994 Self-Insurance Funds

Notes to Financial Statements
December 31, 2006

Law Society of Upper Canada

The insurance assessment from the annual fee is due to the Law Society of Upper Canada. The funds remaining with the Law Society of Newfoundland and Labrador pay certain administrative, operational and travel expenses.

The amount due to (from) the Law Society of Upper Canada includes reserves for indemnity, recoverable from members and other insurers, legal fees, adjusting fees, administration costs, and insurance premiums, less any advances made and interest earned thereon.

When all of the claim files have been closed and all indemnities have been settled, any monies remaining with, or owed to the Law Society of Upper Canada will be paid or refunded together with interest earned on these funds. Upon receipt of assessments from the Law Society of Upper Canada, the Law Society of Newfoundland and Labrador recognizes an adjustment to the estimated balance in the fund to which it relates.

2 Cash investment

The cash account earns interest calculated on the consolidated average daily balance at the Toronto Dominion Bank's weighted average prime lending rate less 2 ½%. This is the rate paid on investments of less than one year. Interest on the cash account is paid monthly.

3 Outstanding claims

There is only one remaining outstanding claim under the 1988 to 1994 Self Insurance Funds. This claim has a indemnity claim estimated at \$25,000 and a legal and adjusting reserve of \$8,093 as at December 31, 2006.

**Law Society of Newfoundland and
Labrador - 1983 to 1987
Self-Insurance Funds**

**Financial Statements
December 31, 2006**

PricewaterhouseCoopers LLP
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April 23, 2007

Auditors' Report

To the Members of the Law Society of Newfoundland and Labrador - 1983 to 1987 Self-Insurance Funds

We have audited the balance sheet of the **Law Society of Newfoundland and Labrador - 1983 to 1987 Self-Insurance Funds** as at December 31, 2006 and the statement of revenue, expenses and surplus for the year then ended. These financial statements are the responsibility of the society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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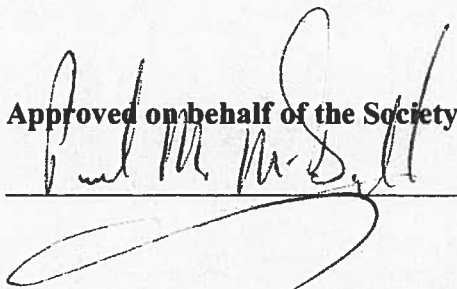
**Law Society of Newfoundland and Labrador -
1983 to 1987 Self-Insurance Funds**

Balance Sheet

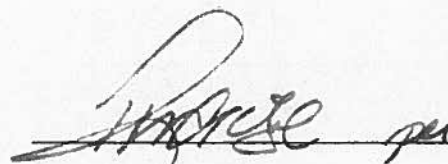
As at December 31, 2006

	2006 \$	2005 \$
Assets		
Current assets		
Cash (note 2)	200,702	105,226
Current portion of long-term receivable	37,680	46,000
	<u>238,382</u>	<u>151,226</u>
Other receivable		
4% unsecured advance receivable from the Law Society of Newfoundland and Labrador	1,421,114	1,467,562
Less: current portion of long-term receivable	37,680	46,000
	<u>1,383,434</u>	<u>1,421,562</u>
	<u>1,621,816</u>	<u>1,572,788</u>
Liabilities		
Current liabilities		
Accounts payable	5,450	7,750
Due to Law Society of Newfoundland and Labrador Assurance Fund	150,000	150,000
	<u>155,450</u>	<u>157,750</u>
Surplus	<u>1,466,366</u>	<u>1,415,038</u>
	<u>1,621,816</u>	<u>1,572,788</u>

Approved on behalf of the Society



President



Vice-President

**Law Society of Newfoundland and Labrador -
1983 to 1987 Self-Insurance Funds**

Statement of Revenue, Expenses and Surplus
For the year ended December 31, 2006

	2006 \$	2005 \$
Revenue		
Interest	51,367	49,708
Expenses		
Interest and bank charges	39	381
Professional fees	-	3,050
	39	3,431
Excess of revenue over expenses	51,328	46,277
Surplus – Beginning of year	1,415,038	3,083,650
	1,466,366	3,129,927
Transfers to:		
1988 - 1994 Self Insurance Funds	-	(410,671)
1995 - 2004 Self Insurance Funds	-	(1,304,218)
Surplus – End of year	1,466,366	1,415,038

Law Society of Newfoundland and Labrador - 1983 to 1987 Self-Insurance Funds

Notes to Financial Statements
December 31, 2006

1 Accounting policies

Method of operations

The 1986 and 1987 Funds insure all practising members up to \$30,000 (1983 to 1985 funds - \$20,000) after an initial deductible of \$5,000 per member per claim. Claims exceeding \$35,000 (1983 to 1985 Funds - \$25,000) are insured up to an additional \$65,000 (1983 to 1985 Funds - \$75,000) by a separate liability insurance policy purchased by the Funds.

This insurance applies to acts or omissions committed by an Insured in connection with his/her practice as a member of the Law Society of Newfoundland and Labrador provided the original claim or suit for damages is brought during the policy period.

The 1986 and 1987 Funds are responsible for total annual claims up to \$300,000 (1983 and 1984 Funds - \$175,000, 1985 Fund - \$200,000) after which the insurance company pays all claims in excess of \$5,000. The Funds are responsible for any adjusting and legal fees involved in settling claims.

Reserve for claims

The adjusting company is responsible for consulting with the Chairman of the Self-Insurance Claims Committee in arriving at an estimate of the reserve required for claims outstanding. The reserve includes potential claims, legal and adjusting fees attributable to the outstanding matters minus any possible recovery.

Any changes in subsequent periods relating to these reserves is a result of:

- a) Indemnity and legal and adjusting fees paid; and,
- b) Adjustments as to the potential liability which would also increase or decrease the current period reserve expense.

Any cost, for which no reserve had been previously set up, is treated as a claims expense in the current period.

2 Cash investment

The cash account earns interest calculated on the consolidated average daily balance at the Toronto Dominion Bank's weighted average prime lending rate less 2 ½%. This is the rate paid on investments of less than one year. Interest on the cash account is paid monthly.