



Law Society
of Ontario

Barreau
de l'Ontario

Tab 6

Audit & Finance Committee

Report to Convocation

October 1, 2021

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FOR INFORMATION

Law Society of Ontario Financial Statements For the six months ended June 30, 2021

The Audit & Finance Committee recommends that the financial statements of the Law Society for the first six months of 2021 be received by Convocation for information.

This is part of the quarterly financial reporting schedule to Convocation. These interim statements convey the performance of the Law Society before the end of the year. Unlike annual statements, interim statements are not audited.

These financial statements present the financial position and operations of the Society and include the General Funds (or operating funds) and a number of special purpose or restricted funds.

- The Compensation Funds are restricted by the Law Society Act
- The Errors and Omissions Insurance Fund (E&O Fund), the Capital Allocation Fund, the Invested in Capital and Intangible Assets Fund, the County Libraries Fund and the “Other Restricted Funds” (Repayable Allowance Fund, Special Projects Fund and Parental Leave Assistance Fund) are restricted by Convocation.

Information on General Funds and restricted funds is provided in [Appendix A](#).

The Financial Statements for the six months ended June 30, 2021 comprise the following statements:

- Statement of Financial Position
- Statement of Revenues and Expenses and Change in Fund Balances, detailing results of operations for lawyers and paralegals
- Schedule of Restricted Funds
- Supplemental schedules include Statements of Financial Position for the Compensation Fund and E&O Fund, and Schedules of Revenues and Expenses for the Combined General Funds, Lawyer and Paralegal General Funds, the Compensation Funds and the Errors and Omissions Insurance Fund

Financial Statement Highlights

General Fund

The lawyer General Fund shows an excess of revenues over expenses of \$4.9 million at the end of the second quarter of 2021, compared to a budget that planned for excess expenses over revenues of \$4.6 million for the same period. The paralegal General Fund experienced \$224,000 in excess revenues over expenses at the end of the second quarter of 2021 compared to a budgeted excess of expenses over revenues of \$1 million for the same period.

The main reason for the positive financial performance in 2021 compared to budget within the General Funds is expenses being less than budget across all departments driven by the pandemic curtailing operating expenses and numerous staffing vacancies that existed in the first quarter of the year. The variance in salary and benefits that exists across all divisions is attributable to the hiring freeze implemented in 2020 only being lifted at the beginning of 2021 in conjunction with a new budget year. Positions were filled gradually throughout the first six months of the year. In addition, recruitment for some positions took longer than anticipated because of the specialized nature of the positions.

The fund balance of the lawyer General Fund is \$35.2 million as of June 30, 2021 which has increased from \$25.6 million at the same time last year. The increase in fund balance is attributable to:

- Strong performance on the investment portfolio over the past year resulting in significant unrealized gains
- Better than budgeted revenue results related to CPD programs
- the cost containment measures introduced by management in the spring of 2020 in response to the pandemic that continued into 2021, including renegotiated contracts related to building services such as cleaning, maintenance and print and mail services
- circumstantial savings realized because of travel restrictions, a shift to virtual meetings and events, and the resulting effect of no catering costs, with the impact most noted in relation to bench remuneration and expenses, and stakeholder engagement events
- Efficiencies resulting from the implementation of online examinations.

The Law Society's Fund Balance Management Policy is to maintain a lawyer General Fund balance within a minimum and maximum benchmark of two to three months of budgeted General Fund expenses. For 2021, the range is \$16.8 million to \$25.2 million. As the lawyer General Fund balance was projected to be above the benchmark, the 2021 budget planned for the use of \$6.2 million of the fund balance to fund operations and reduce the 2021 lawyer annual fees.

Pandemic related cost reductions continue to result in variances between actual and budgeted expenses. As a result, the lawyer General Fund balance is projected to be above benchmark at the end of 2021 and the draft 2022 budget plans to use a portion of the lawyer General Fund balance to fund operations in 2022.

The paralegal General Fund balance is \$2.1 million as of June 30, 2021 which is an increase from \$485,000 at the same period last year. Similar to the lawyer General Fund, it has experienced the benefits of expense reduction measures. The paralegal General Fund budget for 2021 incorporated the use of \$1.1 million in fund balance to fund operations and reduce annual fees for 2021. The fund balance of the paralegal General Fund will also be considered in planning the 2022 budget.

The Law Society's strong financial position at the end of the second quarter in 2021 provides the flexibility required to maintain operations and temporarily fund the 2021 Annual Fee COVID-19 Deferral Option for licensees.

Restricted Funds

The Law Society's Restricted Funds report an excess of revenues over expenses of \$5.8 million for the first half of 2021, compared to an excess of revenues over expenses of \$3.8 million in 2020. The key components are:

- a. In the Compensation Fund, an excess of revenues over expenses of \$4 million (2020 – excess of revenues over expenses of \$4.5 million) (further explained in this report).
- b. In the E&O Fund, an excess of revenues over expenses of \$1.9 million (2020 – excess of expenses over revenues of \$675,000) due primarily to unrealized gains on long-term investments.
- c. Total Restricted Fund expenses increased from \$55.3 million to \$60.9 million as increased premium revenues collected in the E&O Fund are transferred to LAWPRO as a flow through.

Compensation Fund

The lawyer pool of the Compensation Fund had an excess of revenues over expenses for the six months ended June 30, 2021 of \$4 million compared to a budget that planned an excess of expenses over revenues of \$56,000 for the same period. A combination of unbudgeted unrealized gains of \$2.4 million on the investment portfolio and a lower than budgeted provision for grants expense contributed to this variance. The prorated budget for grants expenses as of June 30, 2021 was \$2.2 million compared to actual grant expenses of \$408,000, resulting in the grants expense being \$1.8 million less than budget. The lawyer pool of the Compensation Fund ended the second quarter with a fund balance of \$34.6 million and is within the benchmarks of the Fund Balance Management Policy, with the minimum of \$19.6 million.

The paralegal pool of the Compensation Fund had excess of revenues over expenses for the first half of the year of \$31,000 compared to a budget that planned an excess of expenses over revenues of \$40,000 for the same period. Unrealized gains on the investment portfolio resulted in unbudgeted revenues of \$124,000. This was offset by the provision for grants expense exceeding budget by \$47,000. The paralegal pool of the Compensation Fund balance is \$990,000 as at June 30, 2021.

Errors & Omissions Insurance Fund

The E&O Fund had net revenues over expenses of \$1.9 million in the first six months of the year due to unrealized gains on the investment portfolio. The E&O Fund balance has increased to \$57.3 million as of June 30, 2021. The 2021 budget includes a transfer of \$1.2 million from the E&O Fund to the lawyer General Fund for operations.

Capital Allocation Fund

The Capital Allocation Fund had net revenues over expenses of \$1.2 million for the first six months of 2021 as some capital projects have been delayed due to pandemic related restrictions and supply shortages. There are several facility and information technology infrastructure projects in progress that will see spending in the latter part of 2021.

Statement of Revenues and Expenses and Change in Fund Balances

Revenues

Annual Fees

Annual fees recognized in the first six months of \$44.5 million decreased by \$2.5 million compared to 2020 but are trending favourably when compared to the 2021 budget. The 2021 budget incorporated an annual fee reduction for lawyers and paralegals of \$193 and \$42, respectively, partially offset by an increase in the number of full-fee equivalent paying lawyers of 1,075. Annual fee revenue is recognized monthly.

Insurance Premium and Levies

Insurance premiums and levies have increased from \$49.2 million in the first six months of 2020 to \$54.2 million in 2021 due to an increase in transaction levy revenues and the net effect of an increase in LAWPRO's base premium from \$2,950 to \$3,000.

Professional Development and Competence

PD&C revenues comprise income from the licensing process and continuing professional development ("CPD"). Total year-to-date revenues of \$9.6 million are higher than the current year-to-date budget of \$9.2 million.

Lawyer licensing process revenues of \$5.7 million are slightly less than the 2021 budget of \$5.9 million. This is primarily driven by the reduced fee for administrative Calls to the Bar. The 2021 budget assumed a partial return to in-person licensing ceremonies, but pandemic restrictions continue to hinder the ability to resume in-person activities.

Paralegal licensing process revenues of \$700,000 are in line with the 2021 budget of \$687,000.

CPD revenues were \$3.2 million at the end of June 2021, which is higher than the 2021 budget of \$2.7 million. The 2021 budget incorporated a reduction of \$2.5 million in CPD revenues from the prior year with the expectation that large group gathering restrictions would continue into 2021. The CPD team has been successfully delivering programs virtually with growth in attendance over the past year.

Change in Fair Value of Investments

The change in fair value of investments show total unrealized gains of \$5.6 million compared to unrealized losses of \$3.0 million in the same period in 2020. The change in

fair value is not budgeted. It is anticipated that with the transition to the new investment manager in the third quarter, the unrealized gains will be realized and reflected as part of investment income. Investment income of \$1.1 million is comparable to last year and close to budget.

Other Revenues

Other revenues totalling \$3.8 million is higher than budget of \$3.1 million and in line with 2020 actuals of \$3.7 million. The notable components of Other revenues in 2021 are ordered costs, Ontario Report revenue, professional corporation fees and pre-authorized payment plan fees.

The favourable performance to budget is due to higher than budgeted ordered cost recoveries, professional corporations' fees, and pre-authorized payment plan fees. These increases were partially offset by catering revenues being under budget due to the continued closure of catering operations.

Expenses

Professional Regulation, Tribunals and Compliance

Professional Regulation, Tribunals and Compliance expenses totalling \$15.0 million are less than the 2020 amount of \$15.6 million and are less than budget by \$1.8 million. This is primarily due to staffing vacancies, lower than budgeted external counsel fees, and the continued impact of work at home protocols that produced savings in travel, office, and document reproduction costs.

Professional Development and Competence

PD&C expenses totalling \$12.9 million are less than the 2020 amount of \$13.8 million and are less than budget by \$2.0 million. The 2021 budget assumed in-person licensing examinations but the decision to continue on-line examinations for the next three years was made by Convocation in February 2021. With this decision, spending is anticipated throughout the rest of the year to improve the infrastructure for longer term administration of online examinations. This will reduce some of the current variance between actual PD&C expenses and budget. Other reasons for lower expenses include staffing vacancies and reduced travel costs as audits and reviews continue to be performed entirely remotely.

Corporate Services

Total Corporate Services expenses of \$13.2 million are in line with 2020 expenses and are less than budget by \$1.3 million. The key drivers for the difference between budget and actual are mainly related to lower security, cleaning and building operational costs with the continuation of work at home protocols. With the planned return of employees to the office in the last quarter of the year, expenses will be incurred related to health and safety protocols, room configuration to support virtual meeting attendance, etc.

Convocation, Policy and Outreach

Total Convocation, Policy and Outreach expenses of \$3.1 million are in line with 2020 expenses and are less than budget by \$2.2 million. The variance from budget relates to reduced expenses in the areas of benchers remuneration, expenses and functions, stakeholder engagement, the unused contingency, and underspending related to policy, media relations and communications.

Services to Licensees and Public

Services to licensees and public expenses are \$2.7 million compared to \$3.2 million in 2020 and are less than budget by \$455,000. The main reason for the lower spending when compared to prior year is due to the closure of the catering operation effective March 2020. The continued closure of the catering operations is also the reason for the lower spending compared to budget.

Statement of Financial Position

Cash & Short-Term Investments

The total of cash and short-term investments at the end of the second quarter is \$93.1 million (2020 - \$73.9 million). Of this amount, \$19.3 million (2020 - \$19.7 million) pertains to the Compensation Fund and is held in separate accounts. The increase in cash over the prior year is attributable to 2021 reflecting the regular collection of licensee annual fees and pre-authorized payment ("PAP") plan amounts monthly that were deferred until August in 2020 because of the pandemic. This cash balance will decrease over the year as the collection of annual fees is highest in the first quarter with spending throughout the year. The Law Society has sufficient working capital on hand to discharge its short- and medium-term obligations.

Accounts Receivable

Accounts receivable at the end of the second quarter is \$49.4 million (2020 - \$57.8 million). The reason for the higher accounts receivable balance in 2020 is primarily due to the relief measures provided to licensees in 2020, specifically, the delay of suspensions for non-payment of annual fees and the deferral of withdrawals related to the monthly PAP plan. Typically, the monthly payments would begin in March of the year and continue for 10 months, but in 2020, instalments under the PAP plan scheduled for April, May, June and July were deferred until August.

Portfolio Investments

Portfolio investments are shown at fair value of \$76.1 million (2020 - \$64.1 million) and reflect unrealized gains of \$5.6 million in the first half of 2021 related to improved financial market conditions. Of the total portfolio investments at the end of June 2021, \$20.1 million pertains to the General Funds, \$33.5 million pertains to the Compensation Fund, and \$22.5 million pertains to the E&O Fund. Portfolio investments were at their lowest point in March 2020 and have recovered throughout 2020 and into 2021 resulting in a large swing within the investment portfolio when compared to the prior year.

Deferred Revenue

Deferred revenue is made up of annual fees, licensing process revenues and insurance premiums which are recognized over the full year. The balance at the end of the second quarter of 2021 is \$95.1 million (2020 - \$95.0 million).

Provision for Unpaid Grants Liability

The provision for unpaid grants liability represents the estimate for unpaid grants and inquiries against the Compensation Fund, supplemented by the costs for processing these grants. The current balance of \$15.1 million has decreased slightly from \$15.5 million in 2020. The paralegal Compensation Fund provision for unpaid grants comprises \$310,000 of the total Compensation Fund provision for unpaid grants.

Appendix A

General Fund & Restricted Fund

General Fund

The General Fund accounts for the Society's program delivery and administrative activities related to the regulation and licensing of lawyers and paralegals. This fund reports unrestricted resources.

The Society's policy is to maintain the General Fund balance at no less than two and no more than three months of General Fund budgeted expenses.

If the General Fund balance exceeds three months of budgeted General Fund expenses, Convocation shall utilize the excess for one or more of the following:

- Mitigate the General Fund fee for the next fiscal year;
- Transfer the excess to another Society fund if the fund balance is below its stated policy benchmark.

If the General Fund balance is less than two months of budgeted General Fund expenses, Convocation shall budget for an annual surplus to restore the fund balance to its minimum policy objective. The minimum policy benchmark should be restored within three fiscal periods.

If the General Fund fund balance is more than two months of budgeted General Fund expenses and less than three months of budgeted General Fund expenses, Convocation may appropriate funds from the General Fund balance for one or more of the following:

- Mitigate the General Fund fee for the next fiscal year;
- Transfer the excess to another Society fund if the fund balance is below its stated policy benchmark.

Restricted Funds

Compensation Fund

The Society maintains the Compensation Fund pursuant to section 51 of the Law Society Act to relieve or mitigate loss sustained by any person in consequence of

dishonesty on the part of a licensee, in connection with the licensee's professional business or in connection with any trust of which the licensee was a trustee. The Compensation Fund is restricted in use by the Law Society Act.

Pursuant to the Law Society Act, the Compensation Fund is supported by licensee annual fees, investment income and recoveries. The Compensation Fund accounts for program delivery, administration and payment of grants and has separate fund balances for lawyer licensees and paralegal licensees.

The Law Society's policy is to maintain the Lawyer Compensation Fund balance at an amount sufficient to provide for a minimum of one 97.5th percentile aggregate claim scenarios (one-in-forty-year event) and a maximum of four 99th percentile aggregate claim scenarios (one-in-one hundred-year event). The estimated amount of aggregate claims is to be actuarially reviewed at least every three years.

If the Lawyer Compensation Fund balance exceeds four one-in-one hundred-year events, Convocation shall utilize some or all of the excess for the following:

- Mitigation of the Lawyer Compensation Fund fee for the next fiscal year; or
- Annual mitigation of the Lawyer Compensation Fund fee shall continue such that within the next three fiscal years, the maximum benchmark shall be achieved.

If the Lawyer Compensation Fund balance is less than the minimum of one one-in-forty-year event, Convocation shall budget for an annual surplus to restore the fund balance to its minimum policy objective. The minimum policy benchmark should be restored within three fiscal periods.

If the Lawyer Compensation Fund balance is more than the minimum of one one-in-forty-year event and less than four one-in-one-hundred-year events Convocation may:

- Mitigate the Lawyer Compensation Fund levy for the next fiscal year;
- Budget for a surplus sufficient to increase the fund balance to its maximum policy objective of four one-in-one-hundred-year events;
- Leave the fund balance at its current balance for the upcoming fiscal year.

Errors and Omissions Insurance Fund

The Errors and Omissions Insurance Fund (“E&O Fund”) accounts for insurance-related transactions between LAWPRO, the Society and insured lawyers. The E&O Fund collects premiums and levies from lawyers, reported as revenues, and remits these amounts to LAWPRO, reported as expenses.

Pursuant to section 61 of the Law Society Act, the Society arranges mandatory professional liability insurance for practising lawyers with LAWPRO, and through the E&O Fund, levies the insured lawyers. Each year, the premium for the insurance program is established through a process whereby LAWPRO provides an offer for review and acceptance by Convocation. The offer provides details on the components of the insurance program, including anticipated base premiums, claims history levies, transaction-based levies and amounts to be drawn from the E&O Fund balance.

Capital Allocation Fund

The Capital Allocation Fund is maintained to provide a source of funds for the acquisition and maintenance of the Society’s capital and intangible assets which comprise buildings and major equipment including computers and software. Amounts of assets capitalized, according to the Society’s capital asset policy, are transferred to the Invested in Capital and Intangible Assets Fund. Expenditures not capitalized are expended in the Capital Allocation Fund.

Invested in Capital and Intangible Assets Fund

The Invested in Capital and Intangible Assets Fund records transactions related to the Society’s capital assets and intangible assets, specifically acquisitions, amortization and disposals.

County Libraries Fund

The County Libraries Fund records transactions related to the Society’s support of county law libraries. As approved by Convocation, the fund accumulates funds for county library purposes, which are remitted to LIRN.

Other Restricted Funds

The Repayable Allowance Fund provides loans for tuition and living expenses to candidates in the lawyer licensing process.

The Special Projects Fund is maintained to ensure that financing is available for ongoing special projects approved by Convocation.

The Parental Leave Assistance Fund accounts for the delivery of the Parental Leave Assistance Program (“PLAP”) and is funded by lawyers’ fees. PLAP provides financial assistance to lawyers in firms of five lawyers or fewer who have a net annual practice income of less than \$50,000 and who do not have access to any other parental leave financial benefits. Under PLAP, the Society provides a fixed sum of \$750 a week to eligible applicants for up to 12 weeks to cover expenses associated with maintaining their practice during a maternity, parental or adoption leave.



Statement of Financial Position

Unaudited

Stated in thousands of dollars

As at June 30

	2021	2020
Assets		
Current Assets		
Cash and short-term investments	93,111	73,855
Accounts receivable	49,437	57,779
Prepaid expenses	56,822	57,299
Total current assets	199,370	188,933
Investment in subsidiaries	35,642	35,642
Portfolio investments	76,092	64,128
Loan receivable	1,692	1,436
Capital assets	6,851	7,708
Intangible assets	2,232	2,989
Total Assets	321,879	300,836
Liabilities and Fund Balances		
Current Liabilities		
Accounts payable and accrued liabilities	10,911	10,766
Deferred revenue	95,076	94,950
Due to LAWPRO	46,759	49,017
Total current liabilities	152,746	154,733
Provision for unpaid grants/claims	15,092	15,499
Unclaimed trust funds	6,141	5,743
Lease obligations	777	702
Total Liabilities	174,756	176,677
Fund Balances		
General funds		
Lawyers	35,170	25,533
Paralegals	2,056	1,571
Restricted funds		
Compensation - lawyers	34,590	26,318
Compensation - paralegals	990	916
Errors and omissions insurance	57,307	53,770
Capital allocation	6,632	4,039
Invested in capital and intangible assets	9,083	10,697
County libraries	56	97
Other	1,239	1,218
Total Fund Balances	147,123	124,159
Total Liabilities and Fund Balances	321,879	300,836



Statement of Revenues and Expenses and Change in Fund Balances

Unaudited
Stated in thousands of dollars
For the six months ended June 30

	2021	2020	2021	2020	2021	2020	2021	2020
	General Fund Lawyer		General Fund Paralegal		Restricted Funds		Total	
Revenues								
Annual fees	34,148	33,218	2,734	2,722	7,643	11,118	44,525	47,058
Insurance premiums and levies	-	-	-	-	54,151	49,222	54,151	49,222
Professional development and competence	8,508	7,817	1,066	1,346	-	-	9,574	9,163
Investment income	296	358	38	45	738	761	1,072	1,164
Change in fair value of investments	1,325	(622)	168	(79)	4,146	(2,313)	5,639	(3,014)
Other	3,392	2,894	402	441	32	381	3,826	3,716
Total revenues	47,669	43,665	4,408	4,475	66,710	59,169	118,787	107,309
Expenses								
Professional regulation, tribunals and compliance	14,188	14,260	829	1,293	-	-	15,017	15,553
Professional development and competence	11,512	12,381	1,385	1,389	-	-	12,897	13,770
Corporate services	11,736	11,800	1,443	1,494	-	-	13,179	13,294
Convocation, policy and outreach	2,813	2,763	283	277	-	-	3,096	3,040
Services to licensees and public	2,484	2,989	244	285	-	-	2,728	3,274
Restricted	-	-	-	-	60,887	55,330	60,887	55,330
Total expenses	42,733	44,193	4,184	4,738	60,887	55,330	107,804	104,261
Excess of revenues over expenses (expenses over revenues)	4,936	(528)	224	(263)	5,823	3,839	10,983	3,048
Fund balances, beginning of year	30,301	26,106	1,832	1,834	104,007	93,171	136,140	121,111
Interfund transfers	(67)	(45)	-	-	67	45	-	-
Fund balances, end of period	35,170	25,533	2,056	1,571	109,897	97,055	147,123	124,159



Schedule of Restricted Funds

Unaudited
Stated in thousands of dollars
For the six months ended June 30

	2021						2020		
	Compensation Fund		Errors and omissions insurance	Capital allocation	Invested in capital and intangible assets	County libraries	Other restricted	Total	Total
Lawyer	Paralegal								
Fund balances, beginning of year	30,543	959	55,386	5,458	10,548	85	1,028	104,007	93,171
Revenues									
Annual fees	1,937	3	-	1,873	-	3,580	250	7,643	11,118
Insurance premiums and levies	-	-	54,151	-	-	-	-	54,151	49,222
Investment income	463	24	251	-	-	-	-	738	761
Change in fair value of investments	2,352	124	1,670	-	-	-	-	4,146	(2,313)
Other	30	2	-	-	-	-	-	32	381
Total revenues	4,782	153	56,072	1,873	-	3,580	250	66,710	59,169
Total expenses	735	122	54,151	706	1,465	3,609	99	60,887	55,330
Excess of revenues over expenses (expenses over revenues)	4,047	31	1,921	1,167	(1,465)	(29)	151	5,823	3,839
Interfund transfers	-	-	-	7	-	-	60	67	45
Fund balances, end of period	34,590	990	57,307	6,632	9,083	56	1,239	109,897	97,055



Lawyers and Paralegals General Fund
Schedule of Revenues and Expenses

Unaudited

Stated in thousands of dollars

For the six months ended June 30

	2021 Actual	2021 Budget YTD	Variance	2020 Actual
REVENUES				
Annual fees	36,882	36,531	351	35,940
Professional development and competence	9,574	9,242	332	9,163
Investment income	334	388	(54)	403
Change in fair value of investments	1,493	-	1,493	(701)
Other	3,794	2,956	838	3,335
Total revenues	52,077	49,117	2,960	48,140
EXPENSES				
Professional regulation, tribunals and compliance	15,017	16,849	1,832	15,553
Professional development and competence	12,897	14,912	2,015	13,770
Corporate services	13,179	14,488	1,309	13,294
Convocation, policy and outreach	3,096	5,318	2,222	3,040
Services to licensees and public	2,728	3,183	455	3,274
Total expenses	46,917	54,750	7,833	48,931
Excess of revenues over expenses (expenses over revenues)	5,160	(5,633)	10,793	(791)



General Fund - Lawyers
Schedule of Revenues and Expenses

Unaudited

Stated in thousands of dollars

For the six months ended June 30

	2021 Actual	2021 Budget YTD	Variance	2020 Actual
REVENUES				
Annual fees	34,148	33,835	313	33,218
Professional development and competence	8,508	8,235	273	7,817
Investment income	296	340	(44)	358
Change in fair value of investments	1,325	-	1,325	(622)
Other	3,392	2,631	761	2,894
Total revenues	47,669	45,041	2,628	43,665
EXPENSES				
Professional regulation, tribunals and compliance	14,188	15,938	1,750	14,260
Professional development and competence	11,512	13,185	1,673	12,381
Corporate services	11,736	12,906	1,170	11,800
Convocation, policy and outreach	2,813	4,775	1,962	2,763
Services to licensees and public	2,484	2,824	340	2,989
Total expenses	42,733	49,628	6,895	44,193
Excess of revenues over expenses (expenses over revenues)	4,936	(4,587)	9,523	(528)



General Fund - Paralegals
Schedule of Revenues and Expenses

Unaudited

Stated in thousands of dollars

For the six months ended June 30

	2021 Actual	2021 Budget YTD	Variance	2020 Actual
REVENUES				
Annual fees	2,734	2,696	38	2,722
Professional development and competence	1,066	1,007	59	1,346
Investment income	38	48	(10)	45
Change in fair value of investments	168	-	168	(79)
Other	402	325	77	441
Total revenues	4,408	4,076	332	4,475
EXPENSES				
Professional regulation, tribunals and compliance	829	911	82	1,293
Professional development and competence	1,385	1,727	342	1,389
Corporate services	1,443	1,582	139	1,494
Convocation, policy and outreach	283	543	260	277
Services to licensees and public	244	359	115	285
Total expenses	4,184	5,122	938	4,738
Excess of revenues over expenses (expenses over revenues)	224	(1,046)	1,270	(263)



LAW SOCIETY OF ONTARIO
Lawyers and Paralegals Compensation Fund
Schedule of Revenues and Expenses

Unaudited

Stated in thousands of dollars

For the six months ended June 30

	2021 Actual	2021 Budget YTD	Variance	2020 Actual
REVENUES				
Annual fees	1,940	1,918	22	4,759
Investment income	487	500	(13)	499
Change in fair value of investments	2,476	-	2,476	(1,376)
Recoveries	32	175	(143)	381
Total revenues	4,935	2,593	2,342	4,263
EXPENSES				
Provision for unpaid grants	513	2,303	1,790	(539)
Administrative	344	386	42	334
Total expenses	857	2,689	1,832	(205)
Excess of revenues over expenses (expenses over revenues)	4,078	(96)	4,174	4,468



Compensation Fund - Lawyers
Schedule of Revenues and Expenses

Unaudited

Stated in thousands of dollars

For the six months ended June 30

	2021 Actual	2021 Budget YTD	Variance	2020 Actual
REVENUES				
Annual fees	1,937	1,915	22	4,719
Investment income	463	475	(12)	474
Change in fair value of investments	2,352	-	2,352	(1,307)
Recoveries	30	166	(136)	338
Total revenues	4,782	2,556	2,226	4,224
EXPENSES				
Provision for unpaid grants	408	2,245	1,837	(600)
Administrative	327	367	40	324
Total expenses	735	2,612	1,877	(276)
Excess of revenues over expenses (expenses over revenues)	4,047	(56)	4,103	4,500



Compensation Fund - Paralegals
Schedule of Revenues and Expenses

Unaudited

Stated in thousands of dollars

For the six months ended June 30

	2021 Actual	2021 Budget YTD	Variance	2020 Actual
REVENUES				
Annual fees	3	3	-	40
Investment income	24	25	(1)	25
Change in fair value of investments	124	-	124	(69)
Recoveries	2	9	(7)	43
Total revenues	153	37	116	39
EXPENSES				
Provision for unpaid grants	105	58	(47)	61
Administrative	17	19	2	10
Total expenses	122	77	(45)	71
Excess of revenues over expenses (expenses over revenues)	31	(40)	71	(32)



Compensation Fund

Statement of Financial Position

Unaudited

Stated in thousands of dollars

As at June 30

	2021	2020
Assets		
Current Assets		
Cash	18,472	18,868
Short-term investments	862	861
Total Current Assets	19,334	19,729
Portfolio investments	33,481	28,095
Total Assets	52,815	47,824
Liabilities and Fund Balance		
Current Liabilities		
Accounts payable and accrued liabilities	147	237
Deferred revenue	1,966	4,768
Due to General Fund	30	86
Total Current Liabilities	2,143	5,091
Provision for unpaid grants/claims - lawyers	14,782	15,339
Provision for unpaid grants/claims - paralegals	310	160
Total Liabilities	17,235	20,590
Fund balance - lawyers	34,590	26,318
Fund balance - paralegals	990	916
Total Fund Balance	35,580	27,234
Total Liabilities and Fund Balance	52,815	47,824



Errors & Omissions Insurance Fund
Statement of Financial Position

Unaudited

Stated in thousands of dollars

As at June 30

	2021	2020
Assets		
Current Assets		
Cash	456	221
Short-term investments	589	587
Accounts receivable	30,855	31,584
Prepaid E&O premiums incurred	55,984	56,460
Total Current Assets	87,884	88,852
Investment in subsidiary	35,642	35,642
Portfolio investments	22,505	19,159
Total Assets	146,031	143,653
Liabilities and Fund Balance		
Current Liabilities		
Due to LawPRO	46,851	49,054
Unearned E&O premiums recovered	41,873	40,829
Total Current Liabilities	88,724	89,883
Fund Balance	57,307	53,770
Total Liabilities and Fund Balance	146,031	143,653



Errors and Omissions Insurance Fund

Schedule of Revenues and Expenses and Change in Fund Balance

Unaudited

Stated in thousands of dollars

For the six months ended June 30

	2021 Actual	2020 Actual
REVENUES		
Insurance premiums and levies	54,151	49,222
Investment income	251	262
Change in fair value of investments	1,670	(937)
Other income	-	-
Total revenues	56,072	48,547
EXPENSES		
Administrative Expenses	-	-
Insurance	54,151	49,222
Total expenses	54,151	49,222
Excess of revenues over expenses (expenses over revenues)	1,921	(675)
Interfund transfers	-	-
Change in fund balance	1,921	(675)
Fund balance, beginning of year	55,386	54,445
Fund balance, end of period	57,307	53,770

FOR INFORMATION

LiRN Inc. Financial Statements for the Six Months ended June 30, 2021

The Audit & Finance Committee recommends that Convocation receive the second quarter financial statements for LiRN Inc. for information.

LiRN Inc. (“LiRN”) is the central manager of the Ontario county courthouse library system in accordance with the objectives, policies and principles established and approved by the Law Society, in consultation with the Federation of Ontario Law Associations (“FOLA”) and the Toronto Lawyers’ Association (“TLA”), all shareholders of the organization.

LiRN is a wholly-owned subsidiary of the Law Society with two classes of shares: 100 common shares and 100 special shares. The Law Society holds all of the common shares outstanding. Of the special shares outstanding, 25 are held by the TLA and 75 are held by the FOLA.

There is a quarterly financial reporting schedule to the shareholder in compliance with the Unanimous Shareholders Agreement. These interim financial statements convey the performance of LiRN before the end of the year. The financial statements have been approved by LiRN’s Board.

LiRN is fully funded by the Law Society through the lawyer’s annual fee. The LiRN component of the annual fee for 2021 is \$159 per lawyer. Grants to the 48 county libraries comprised most of LiRN’s expenditures with the balance being centralized expenses such as access to online research products.

FINANCIAL REPORT

For the six months ended June 30, 2021

KEY POINT SUMMARY

Overall Results

1. Results for the first half of 2021 identify an excess of expenses over revenues of \$256,276. The prorated budget for the first half projected an excess of expenses over revenues of \$310,873.
2. The positive variance from budget of \$54,597 for the period is due to lower than budgeted group benefit costs, no special grants made to date and the pandemic limiting travel and board of directors' expenses. The primary negative variance was in transition expenses as approved by the Board with the retention of a consultant to support data collection to inform LiRN decision making.

Revenues

3. The Law Society grant includes amounts for central administration and quarterly transfers to the 48 county law libraries. The grant from the Law Society was \$3.6 million in the first six months, in line with budget, and 10% less than the comparable 2020 amount of \$4 million.

Expenses

4. Total expenses were \$3.9 million, materially in line with budget.
5. Administration expenses of \$110,295 have increased significantly from 2020 with staffing and associated operations in place for 2021 with no comparable expenses in 2020 until August.
6. The transition expense of \$45,391 is approximately \$20,000 over budget and relates to the data analyst retained on a fee-for-service basis as approved by the Board. The transition expense budget for the year of \$50,000 is projected to be exceeded by at least \$40,000 predominantly related to data collection efforts expected to continue to the end of 2021.
7. Other head-office expenses primarily include governance meetings, staff & travel and continuing professional development which have all been curtailed because of the pandemic resulting in a positive variance from budget of \$29,331.

8. Group benefits and insurance expenses have a positive variance of \$18,904. The timing of renewals requires conservative budgeting for these two items.
9. Other centralized expenses of \$38,265 primarily includes library courier costs and publications provided by the Law Society to each of the 48 county law libraries. The comparative figure in 2020 was \$9,765 with expenses, especially publication purchases, reduced because of the pandemic.
10. County and district law libraries grants of \$3.3 million are slightly more than half the budget for the year after being weighted towards the beginning of the year to assist libraries in adjusting to the reduction of annual funding for 2021.

Statement of Financial Position

11. Cash and short-term investments of \$827,000 have decreased from the same period in 2020 (\$993,000) primarily due to the excess of expenses over revenues in the intervening period.
12. Accounts payable and accrued liabilities of \$167,000 are higher than 2020 (\$43,000) because of the timing of payment for insurance premiums and the current year total including accruals related to accounting and data analysis services, new in 2021.
13. The fund balance of the General Fund has decreased from \$559,000 at the end of June 2020 to \$277,000 at the end of June 2021 as a result of the excess of expenses over revenues in the intervening period. The 2021 budget envisaged \$455,580 being drawn from the fund balance of the General Fund for the year.
14. The Reserve Fund has a balance at the end of June of both years of \$500,000.

Statement of Financial Position

Stated in Dollars

June 30, 2021

Unaudited

	2021	2020
Assets		
Current Assets		
Cash and short-term investments	826,757	993,049
Accounts receivable	23,990	24,420
Prepaid expense	93,600	84,230
Total Assets	944,347	1,101,699
Liabilities, Share Capital and Fund Balances		
Liabilities		
Accounts payable and accrued liabilities	166,732	42,617
Total Liabilities	166,732	42,617
Share Capital and Fund Balances		
Share capital	200	200
General fund	277,415	558,882
Reserve fund	500,000	500,000
Total Share Capital and Fund Balances	777,615	1,059,082
Total Liabilities, Share Capital and Fund Balances	944,347	1,101,699

This statement includes the financial resources of the LiRN Inc. entity only.



Legal Information and Resource Network

Statement of Operating Revenues and Expenses

Stated in Dollars

For the six months ending June 30, 2021

Unaudited

	2021 Actual	YTD Budget	Variance	Annual Budget	2020 Actual
REVENUES					
Law Society of Ontario grant	3,608,596	3,608,596	-	7,217,194	4,009,546
Interest income	1,745	-	1,745	-	4,997
Total revenues	3,610,341	3,608,596	1,745	7,217,194	4,014,543
EXPENSES					
Head office / administration					
Administration	110,295	119,250	8,955	238,500	7,261
Transition	45,391	25,000	(20,391)	50,000	39,927
Other	10,207	39,538	29,331	75,300	10,720
Total head office / administration expenses	165,893	183,788	17,895	363,800	57,908
Law libraries - centralized purchases					
Electronic products and services	187,013	187,500	487	375,000	181,568
Group benefits and insurance	167,577	186,480	18,904	373,000	169,086
Other	38,265	42,332	4,067	145,100	9,765
Total law libraries - centralized purchases	392,855	416,312	23,457	893,100	360,419
County and district law libraries - grants	3,307,869	3,307,869	-	6,393,274	3,530,332
Capital and special needs grants	-	11,500	11,500	22,600	15,000
Total county and district law libraries expenses	3,307,869	3,319,369	11,500	6,415,874	3,545,332
Total expenses	3,866,617	3,919,469	52,852	7,672,774	3,963,659
Excess of (expenses over revenues) revenues over expenses	(256,276)	(310,873)	54,597	(455,580)	50,884

This statement includes the revenues and expenses of the LiRN Inc. entity only.



Legal Information and Resource Network

Statement of Changes in Fund Balances

Stated in Dollars

For the six months ending June 30, 2021

Unaudited

	2021			2020
	General Fund	Reserve Fund	Total	Total
Balance, beginning of year	533,691	500,000	1,033,691	1,007,998
Excess of (expenses over revenues) revenues over expenses	(256,276)	-	(256,276)	50,884
Balance, end of period	277,415	500,000	777,415	1,058,882

FOR INFORMATION

LAWPRO Financial Statements
for the Six Months ended June 30, 2021

The Audit & Finance Committee recommends that Convocation receive the second quarter financial statements for Lawyers' Professional Indemnity Company (LAWPRO) for information.

The Law Society provides mandatory professional liability insurance to lawyers through LAWPRO, a provincially licensed insurer and wholly-owned subsidiary of the Law Society. There is quarterly financial reporting to the shareholder conveying the performance of LAWPRO before the end of the year.

The professional liability insurance program generally requires practising lawyers to pay premiums and levies to the Law Society's Errors & Omissions Fund that contribute toward the premium paid by the Law Society to fund the anticipated costs of professional liability claims made in each annual policy period.

In addition to providing mandatory lawyers professional liability insurance, LAWPRO also sells optional excess lawyers professional liability insurance and title insurance.

In September 2020, LAWPRO reported directly to Convocation on changes to the Law Society's professional liability insurance program for 2021.

The base premium for professional liability insurance coverage for Ontario lawyers is \$3,000 for 2021. The annual policy limits are \$1 million per claim and \$2 million in aggregate per licensee.

The statements have been approved by LAWPRO's Board.



**Lawyers' Professional Indemnity Company
("LAWPRO" or "the Company")**

UNAUDITED FINANCIAL RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2021

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Financial Overview

Financial information presented in this report includes LAWPRO's financial results for the six months ended June 30, 2021 ("Q2 YTD 2021"), three months ended June 30, 2021 ("Q2"), and the financial position as at June 30, 2021. Reference to budget is for the same period Q2 YTD 2021, and reference to prior year is for the same period in Q2 YTD 2020. Please refer to exhibits at the end of this report in conjunction with the commentary.

Lines of Business: Ontario primary professional liability program is referred to as "Primary E&O", Ontario excess professional liability program is referred to as "Excess E&O", and the national title insurance program is referred to as "TitlePLUS".

Financial results for the six months ended June 30, 2021

- **Net Earned Premiums YTD** of \$57.7M were 11% higher than budget (\$52.0M) and 13% greater than prior year (\$51.0M). Variance to budget was due to higher transaction levies for Primary E&O and higher TitlePLUS premium. Q2 YTD 2021 was higher than prior year due to more FPEs for Primary E&O and higher TitlePLUS premiums. Q2 Net Earned Premiums of \$29.8M was 14% higher than budget (\$26.2M)
- **Net Claims Incurred YTD** of \$51.8M was 14% or \$8.1M lower than budget (\$59.9M) and 23% or \$15.5M lower than prior year (\$67.3M). The changes in discount rate (\$4.4M) and PfAD rate (\$0.6M) contributed to a net favorable development of \$5.0M. Q2 Net Claims Incurred of \$22.6M was 24% or \$7.3M lower than budget (\$29.9M)
- **Underwriting Loss YTD** of \$6.8M was \$14.9M or 69% better than budget (\$21.7M loss), and significantly better than prior year (\$27.7M loss). The significant drivers for underwriting results were favorable premiums, claims and general expenses. Q2 Underwriting Income of \$1.0M was \$11.4M or 110% better than budget (\$10.4M loss).
- **Investment Loss YTD** of \$0.3M was \$11.5M lower than the prior year (\$11.2M income), and \$7.0M lower than budget income (\$6.7M income). The \$2.3M loss in the Asset Liability Matching portfolio was the main driver. Q2 Investment Income of \$2.7M was \$0.9M or 26% lower than budget (\$3.6M income)
- **Net loss before Tax YTD** of \$7.1M was better than budget by \$7.9M (\$15.0M loss) and better than prior year (\$16.5M loss). The \$7.9M difference between actual and budget is attributable to underwriting income (\$14.9M of the difference) partially offset by investment loss (\$7.0M of the difference). Q2 Net Income Before Tax of \$3.6M was \$10.4M better than budgeted Net Loss Before Tax of \$6.8M
- **Net Loss YTD** of \$4.8M was \$6.0M better than budget (\$10.8M loss) and \$7.1M better than prior period (\$11.9M loss). Q2 Net Income of \$3.1M was \$8.0M better than budgeted Net Loss of \$4.9M

- **Other Comprehensive Income** YTD of \$7.9M was \$7.3M better than budget (\$0.6M Income) and \$22.5M better than prior period (\$14.6M loss). Prior year experienced a large loss in equity markets due to the pandemic. Q2 Other Comprehensive Income of \$8.5M was \$8.2M better than budget (\$0.3M income)
- **Comprehensive Income** YTD of \$3.1M versus budgeted comprehensive loss of \$10.2M, and a prior period comprehensive loss of \$26.5M. Q2 Comprehensive Income of \$11.6M was significantly better than budget of \$4.6M loss

Financial Position as at June 30, 2021

- **Shareholder's equity** was \$272.7M compared with \$269.6M at December 31, 2020. The \$3.1M increase was made up of a \$7.9M increase in Accumulated Other Comprehensive Income (AOCI) partially offset by a \$4.8M decrease in Retained Earnings
- The \$4.8M Retained Earnings decrease represents the net loss for Q2 YTD 2021. Q1 had a net loss of \$7.9M, whereas Q2 had net income of \$3.1M
- The \$7.9M AOCI increase represents an increase in unrealized gains as at June 30, 2021, as compared to December 31, 2020. The \$7.9M was made up of an after-tax increase in market value of \$10.4M in equity securities, partially offset by a reduction in the after-tax market value of \$2.5M in bonds and debentures
- **Margin of \$225.1M of insurance assets greater than liabilities.** Insurance assets (cash and cash equivalents, investments, investment income due and accrued) of \$741.2M, (\$26.4M increase from December 31, 2020) to cover claims liabilities of \$516.1M (\$3.9M increase from December 31, 2020)
- The **MCT ratio at June 30, 2021, was 219%**, compared with 229% at December 31, 2020, 205% at June 30, 2020, and 242% at December 31, 2019
- The lower MCT ratio at June 30, 2021, compared to December 31, 2020, is mainly due to the temporarily elevated Unearned Premium Revenue and Accounts Receivable related to the new 2021 fund year program, as well as a substantial increase in equities. This was offset by less capital required for interest sensitive assets and reduced liabilities relative to budget

Statement of Financial Position

in \$000s

AS AT	June 30 2021	December 31 2020
Assets		
Cash and cash equivalents	10,259	7,748
Investments	728,293	704,018
Investment income due and accrued	2,630	2,977
Due from reinsurers	36	22
Due from insureds	4,630	3,652
Due from the Law Society of Ontario	46,848	7,936
Reinsurers' share of provisions for:		-
Claims liabilities (Exhibit 14a)	52,125	50,189
Unearned premiums	3,588	-
Deferred policy acquisition expenses	1,732	-
Other receivables	4,815	796
Other assets	2,840	1,466
Property and equipment	11,223	11,690
Intangible assets	1,335	1,006
Current tax assets	5,195	4,938
Deferred income taxes	5,650	5,958
Total assets	881,199	802,396
Liabilities		
Claims liabilities (Exhibit 14a)	516,095	512,155
Unearned premiums	59,031	1,130
Unearned reinsurance commissions	764	-
Due to reinsurers	3,091	831
Due to insureds	57	110
Expenses due and accrued	18,952	7,866
Lease liabilities	10,063	10,263
Other taxes due and accrued	453	471
Total liabilities	608,506	532,826
Shareholders' Equity		
Capital stock issued and paid	5,000	5,000
Contributed surplus	30,645	30,645
Retained earnings	219,167	223,967
Accumulated other comprehensive income	17,881	9,958
Total shareholder's equity	272,693	269,570
Total liabilities and shareholders' equity	881,199	802,396

Statement of Profit or Loss

in \$000s

FOR THE 6 MONTHS ENDED JUNE 30	Actual	Budget	Variance to Budget		Actual	Variance to Prior Year	
	2021	2021	\$	%	2020	\$	%
Gross written premiums							
Ontario	109,009	103,843	5,166	5	104,586	4,423	4
Excess	6,034	6,100	(66)	(1)	5,961	73	1
Title	4,059	2,564	1,495	58	2,258	1,801	80
Total GWP	119,102	112,507	6,595	6	112,805	6,297	6
Change in unearned premium revenue							
Ontario	(54,858)	(53,858)	(1,000)	(2)	(55,364)	506	1
Excess	(3,043)	(3,050)	7	-	(3,004)	(39)	(1)
Total change in UPR	(57,901)	(56,908)	(993)	(2)	(58,368)	467	1
Gross earned premiums	61,201	55,599	5,602	10	54,437	6,764	12
Reinsurance ceded							
Ontario - Clash (Gross)	1,619	1,619	-	-	1,558	61	4
Less: Change in unearned ceded	(809)	(810)	1	-	(779)	(30)	(4)
Excess (Gross)	5,430	5,490	(60)	(1)	5,365	65	1
Less: Change in unearned ceded	(2,738)	(2,745)	7	-	(2,704)	(34)	(1)
TitlePLUS - Clash (Gross)	81	81	-	-	92	(11)	(12)
Less: Change in unearned ceded	(41)	(41)	-	-	(46)	5	11
Total reinsurance ceded	3,542	3,594	(52)	(1)	3,486	56	2
Net earned premiums							
Ontario	53,341	49,176	4,165	8	48,443	4,898	10
Excess	299	305	(6)	(2)	296	3	1
Title	4,019	2,524	1,495	59	2,212	1,807	82
Total NEP	57,659	52,005	5,654	11	50,951	6,708	13
Gross claims incurred							
Ontario	50,906	52,600	(1,694)	(3)	47,756	3,150	7
Excess	2,414	2,440	(26)	(1)	2,384	30	1
Title	275	1,154	(879)	(76)	767	(492)	(64)
Total	53,595	56,194	(2,599)	(5)	50,907	2,688	5
Reinsurer's share of claims incurred							
Ontario	11	-	11	100	(18)	29	161
Excess	2,172	2,196	(24)	(1)	2,145	27	1
Title	24	-	24	100	(8)	32	400
Total	2,207	2,196	11	1	2,119	88	4
Net claims incurred	51,388	53,998	(2,610)	(5)	48,788	2,600	5
Claims discount change	(4,420)	(488)	(3,932)	(806)	9,701	(14,121)	(146)
PfAD change	(567)	645	(1,212)	(188)	3,864	(4,431)	(115)
Subtotal	46,401	54,155	(7,754)	(14)	62,353	(15,952)	(26)
Add: ULAE	5,396	5,726	(330)	(6)	4,935	461	9
Total NCI	51,797	59,881	(8,084)	(14)	67,288	(15,491)	(23)
Reinsurance commission earned							
Excess	753	769	(16)	(2)	745	8	1
Profit commission earned (expensed)							
Ontario	8	-	8	100	(14)	22	157
Premium taxes	1,842	1,668	174	10	1,638	204	12
Operating expenses	16,782	18,416	(1,634)	(9)	15,189	1,593	10
Less: ULAE	(5,396)	(5,726)	330	6	(4,935)	(461)	(9)
General expenses	11,386	12,690	(1,304)	(10)	10,254	1,132	11
Finance Costs	200	200	-	-	208	(8)	(4)
Underwriting income (loss)	(6,805)	(21,665)	14,860	69	(27,706)	20,901	75
Investment income (before net unrealized gains)	9,322	6,712	2,610	39	883	8,439	956
Change in unrealized gains and losses	(9,622)	-	(9,622)	(100)	10,318	(19,940)	(193)
Investment income (loss)	(300)	6,712	(7,012)	(104)	11,201	(11,501)	(103)
Net income (loss) before taxes	(7,105)	(14,953)	7,848	52	(16,505)	9,400	57
Income taxes	(2,305)	(4,125)	1,820	44	(4,650)	2,345	50
Net income (loss)	(4,800)	(10,828)	6,028	56	(11,855)	7,055	60
Other comprehensive income (loss)	7,923	647	7,276	1,125	(14,566)	22,489	154
Total comprehensive income (loss)	3,123	(10,181)	13,304	131	(26,421)	29,544	112
U/W Combined Ratio (discounted basis)	111%	141%			154%		
Claims Ratio (discounted basis)	90%	115%			132%		
U/W Combined Ratio (undiscounted basis)	119%	142%			135%		
Claims Ratio (undiscounted basis)	97%	116%			113%		

Statement of Comprehensive Income

in \$000s

FOR THE 6 MONTHS ENDED JUNE 30	2021	2020
Profit (loss)	(4,800)	(11,855)
Other comprehensive income, net of income tax:		
<u>Items that will not be reclassified subsequently to profit or loss:</u>		
Remeasurements of defined benefit plans, net of income tax expense (recovery) of \$0 [2020: \$0]	-	-
<u>Items that may be reclassified subsequently to profit or loss:</u>		
<i>Available-for-sale assets</i>		
Net changes unrealized gains (losses), net of income tax expense (recovery) of \$2,935 [2020: (\$7,670)]	8,141	(21,273)
Reclassification adjustment for (gains) losses recognized in profit or loss, net of income tax (expense) recovery of (\$78) [2020: (\$854)]	(218)	(2,368)
Reclassification adjustment for impairments, recognized in profit or loss, net of income tax expense of \$0 (2020: \$3,272)	-	9,075
Other comprehensive income	7,923	(14,566)
Comprehensive income	3,123	(26,421)

Statement of Changes in Equity

in \$000s

	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Equity
Balance at December 31, 2019	5,000	30,645	203,480	32,176	271,301
Total comprehensive income for the year	-	-	21,010	(22,741)	(1,731)
Transfer of defined benefit remeasurements from OCI to retained earnings			(523)	523	-
Balance at December 31, 2020	5,000	30,645	223,967	9,958	269,570
Total comprehensive income for the year	-	-	(4,800)	7,923	3,123
Transfer of defined benefit remeasurements from OCI to retained earnings			-	-	-
Balance at June 30, 2021	5,000	30,645	219,167	17,881	272,693

Insurance Ratios

TEST	TARGET	JUN 2021	DEC 2020	JUN 2020	DEC 2019	DEC 2018
SOLVENCY RATIOS						
Minimum Capital Test <i>Measures the excess of capital available to capital required based on a risk-based capital adequacy framework. Used to determine capital adequacy of a company</i>	Preferred = 210-240% [Minimum: 170%]	219%	229%	207%	242%	237%
Net Claims Liabilities / Equity <i>Measures Net Claims Liabilities as a % of Equity and provides a simple test of the leveraged position of the company</i>	< 200%	170%	171%	192%	164%	171%
Liabilities / Liquid Assets <i>Liabilities as a % of Cash & Equivalents and Investments measures company's ability to meet its financial demands</i>	< 105%	75%	68%	78%	66%	66%
Net Underwriting leverage <i>Measures the company's ability to absorb financial shocks. Equal to net written premiums as a percentage of equity</i>	< 100%	41%	40%	43%	40%	42%
PROFITABILITY RATIOS						
Return on equity <i>Net Income (last twelve months) as a percentage of equity</i>	> 0%	10.8%	7.8%	-3.1%	1.8%	6.6%
Comprehensive return on equity <i>Comprehensive income (last twelve months) as a percentage of equity</i>	> 0%	10.7%	-0.6%	-6.7%	6.8%	-0.1%
Combined Operating Ratio <i>Total underwriting expenses as a percentage of net earned premium</i>	110%	111%	117%	154%	115%	97%
Claims (or Loss) Ratio <i>Net Claims Incurred as a percentage of Net Earned Premium</i>	75%	90%	94%	132%	92%	75%
Expense ratio <i>Measures general expenses, excluding commissions, as a % of net earned premiums</i>	28%	23%	24%	23%	24%	24%

in target

worse than target

Claims Payments & Statistics – Ontario Primary E&O

Ontario Primary E&O Program - Claims count and payment statistics
For the six months ended June 30, 2021

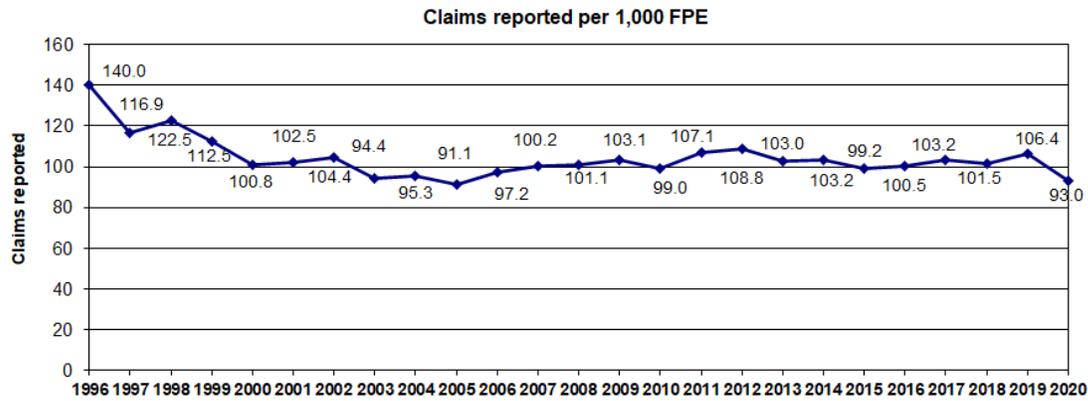
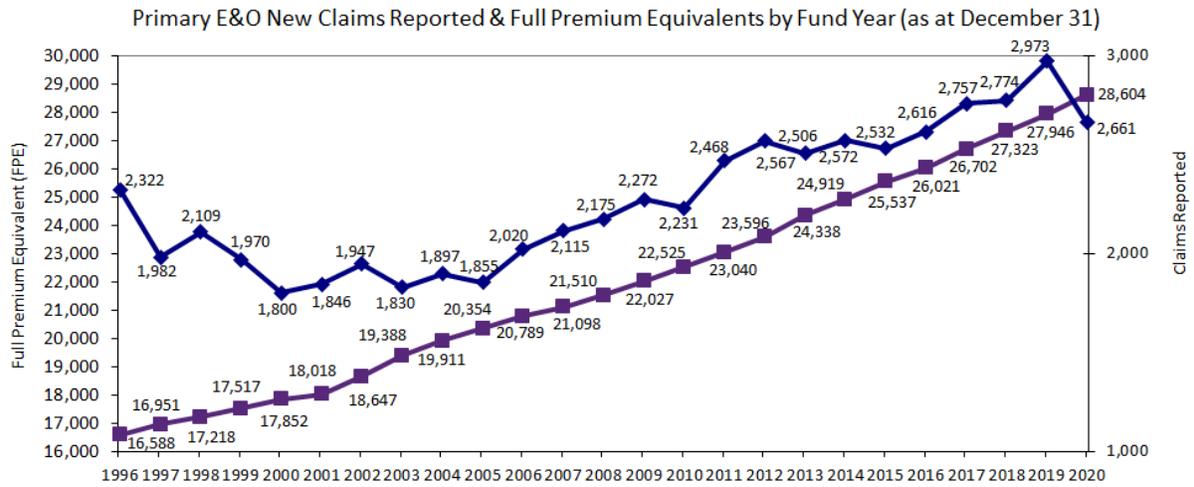
Claims count

Number of Claims	2021	2020	2019	2021 vs 2020 Change	2021 vs 2020 % Change	2021 vs 2019 Change	2021 vs 2019 % Change
Open Claims (All fund years)	4,394	4,202	4,140	192	5%	254	6%
Activated during year:							
new reports*	1,615	1,292	1,437	323	25%	178	12%
reopened	103	76	98	27	36%	5	5%
	1,718	1,368	1,535	350	26%	183	12%
All fund years - Closed during year	1,457	1,449	1,384	8	1%	73	5%
*new reports - current fund year only	1,293	979	1,197	314	32%	96	8%

Claim payments

Costs	2021	2020	2019	2021 vs 2020 Change	2021 vs 2020 % Change	2021 vs 2019 Change	2021 vs 2019 % Change
	\$ 000s	\$ 000s	\$ 000s	\$ 000s		\$ 000s	
Indemnity	18,352	14,177	18,275	4,175	29%	77	0%
Legal Fees	21,888	21,635	18,447	253	1%	3,441	19%
Adjuster Fees	207	84	111	123	146%	96	86%
Other	1,231	1,390	1,796	(159)	-11%	(565)	-31%
Total	41,678	37,286	38,629	4,392	12%	3,049	8%

New Claims Reported and FPEs by Fund Year – Ontario Primary E&O





CIBC Asset Management Inc.
161 Bay Street, Suite 2230
Toronto ON M5J 2S8
Tel: 416-364-5620
Fax: 416-364-4472

Confidential

July 22, 2021

Subject: Quarterly Compliance Report as at June 30, 2021
for Lawyers' Professional Indemnity Company

As of and for the quarter ending June 30, 2021, we hereby certify that to the best of our knowledge the investments in the Lawyers' Professional Indemnity Company portfolio were in compliance, based on our records which are issued on a trade date basis, in accordance with the Investment Policy Statement dated January 1, 2020.

Yours truly,

A handwritten signature in blue ink, appearing to read "B. Lancaster", with a small blue dot at the end of the signature.

Brian Lancaster, CFA, CAIA
Vice-President

Compliance Statement

The undersigned confirms that, throughout the 3-month period ending June 30th, 2021:

The portfolio managed by Fiera Capital Corporation for Lawyers' Professional Indemnity Company (the "Account") was in compliance with the investment guidelines and restrictions applicable to the Account.

The Fiera Funds held in the Account (the "Funds") were in compliance with the investment guidelines and restrictions applicable to the Funds.

The undersigned confirms that, to the best of his knowledge, no investigation or disciplinary action has been commenced against Fiera Capital Corporation during the period by any securities regulatory authority.

Dated July 14th, 2021

A handwritten signature in blue ink, appearing to read "Thomas Di Stefano".

Thomas Di Stefano, CFA
Head of Compliance - Canada

FOR INFORMATION

**Investment Compliance Reports for the
Quarter ended June 30, 2021**

The Committee recommends the Investment Compliance Reports for the quarter ended June 30, 2021 be received by Convocation for information.

Under the Law Society Investment Policy, Law Society management shall report quarterly on compliance with the Policy.

The Law Society, and its investment manager, has complied with the Investment Policy for the quarter ending June 30, 2021.

LAW SOCIETY OF ONTARIO
STATEMENT OF INVESTMENT COMPLIANCE
SHORT TERM INVESTMENTS
As at June 30, 2021

Investment Parameters	Guidelines	Compliance
1. Asset Mix		
Federal and provincial treasury bills	Allowed	Yes
Bankers acceptances	Allowed	Yes
Commercial paper	Allowed	Yes
Investment Manager Money Market Fund	Allowed	Yes
Premium Savings Account	Allowed	Yes
FGP Money Market Fund	Allowed	Yes
2. Quality Requirements		
Commercial paper rating	Min. R1	N/A
Liquidity	Max term to maturity of 365 days	Yes
3. Quantity Restrictions		
Commercial paper of a single corporate issuer	Max 8% of fund	Yes
4. Other Restrictions		
Equity Securities	None	Yes
Direct investments in:		
Resource properties	None	Yes
Mortgages and mortgage-backed securities	None	Yes
Real estate	None	Yes
Venture capital financing	None	Yes
Derivatives	None	Yes

Christianne Abou-Saab

Christianne Abou-Saab
 Director, Finance

**Law Society of Ontario
General Fund
Manager: Foyston, Gordon & Payne Inc.
Compliance Report
(Period ending June 30, 2021)**

1. Asset Mix:	Min.	Mid-Point	Max.	Compliance* (Y/N)
Cash & Short Term	0%	0%	15%	Y
Bonds	45%	70%	80%	Y
Total Fixed Income	60%	70%	80%	Y
Canadian Equity	20%	30%	40%	Y
Minimum bond rating "BBB" or better by the Dominion Bond Rating Service or equivalent rating by another recognized bond rating service.				Y
Each bond portfolio may be invested within the following parameters:				
Bond Holdings	Asset Mix			
	Maximum	Target	Minimum	Compliance* (Y/N)
Federal and Federally Guaranteed Bonds	100%	46%	26%	Y
Provincials, Provincially Guarantees and Municipals	38%	18%	0%	Y
Total Corporate Issues	56%	36%	0%	Y
Total BBB Issues with Corporate Issues	18%	8%	0%	Y
Cash or Money Market	5%	0%	0%	Y
Investment in any one security or issuer shall not exceed 10% of each Bond portfolio with the exception of those guaranteed by the Government of Canada and/or a provincial government.				Y
Bond portfolio duration 1 to 5 years.				Y
The Market value of any one common equity issuer cannot represent more than 10% of the market value of the total portfolio, or that equity's weight in the S&P/TSX Composite Index, whichever is greater.				Y

Investment policy dated February 23, 2017. *If policy not complied with, comment on specifics.

September 1, 2021
Date: _____



**Philip Stathopoulos
Manager, Compliance**

**Law Society of Ontario
Compensation Fund
Manager: Foyston, Gordon & Payne Inc.
Compliance Report
(Period ending June 30, 2021)**

1. Asset Mix:	Min.	Mid-Point	Max.	Compliance* (Y/N)
Cash & Short Term	0%	0%	15%	Y
Bonds	45%	70%	80%	Y
Total Fixed Income	60%	70%	80%	Y
Canadian Equity	20%	30%	40%	Y
Minimum bond rating "BBB" or better by the Dominion Bond Rating Service or equivalent rating by another recognized bond rating service.				Y
Each bond portfolio may be invested within the following parameters:				
Bond Holdings	Asset Mix			
	Maximum	Target	Minimum	Compliance* (Y/N)
Federal and Federally Guaranteed Bonds	100%	46%	26%	Y
Provincials, Provincially Guarantees and Municipals	38%	18%	0%	Y
Total Corporate Issues	56%	36%	0%	Y
Total BBB Issues with Corporate Issues	18%	8%	0%	Y
Cash or Money Market	5%	0%	0%	Y
Investment in any one security or issuer shall not exceed 10% of each Bond portfolio with the exception of those guaranteed by the Government of Canada and/or a provincial government.				Y
Bond portfolio duration 1 to 5 years.				Y
The Market value of any one common equity issuer cannot represent more than 10% of the market value of the total portfolio, or that equity's weight in the S&P/TSX Composite Index, whichever is greater.				Y

Investment policy dated February 23, 2017.

*If policy not complied with, comment on specifics.

September 1, 2021

Date:



**Philip Stathopoulos
Manager, Compliance**

**Law Society of Ontario
E&O Insurance Fund
Manager: Foyston, Gordon & Payne Inc.
Compliance Report
(Period ending June 30, 2021)**

1. Asset Mix:	Min.	Mid-Point	Max.	Compliance* (Y/N)
Cash & Short Term	0%	0%	15%	Y
Bonds	45%	70%	80%	Y
Total Fixed Income	60%	70%	80%	Y
Canadian Equity	20%	30%	40%	Y
Minimum bond rating "BBB" or better by the Dominion Bond Rating Service or equivalent rating by another recognized bond rating service.				Y
Each bond portfolio may be invested within the following parameters:				
Bond Holdings	Asset Mix			
	Maximum	Target	Minimum	Compliance* (Y/N)
Federal and Federally Guaranteed Bonds	100%	46%	26%	Y
Provincials, Provincially Guarantees and Municipals	38%	18%	0%	Y
Total Corporate Issues	56%	36%	0%	Y
Total BBB Issues with Corporate Issues	18%	8%	0%	Y
Cash or Money Market	5%	0%	0%	Y
Investment in any one security or issuer shall not exceed 10% of each Bond portfolio with the exception of those guaranteed by the Government of Canada and/or a provincial government.				Y
Bond portfolio duration 1 to 5 years.				Y
The Market value of any one common equity issuer cannot represent more than 10% of the market value of the total portfolio, or that equity's weight in the S&P/TSX Composite Index, whichever is greater.				Y

Investment policy dated February 23, 2017.

*If policy not complied with, comment on specifics

September 1, 2021

Date:



**Philip Stathopoulos
Manager, Compliance**