



Law Society
of Ontario

Barreau
de l'Ontario

Tab 5

Audit & Finance Committee

Report to Convocation

September 28, 2023

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FOR INFORMATION

Law Society of Ontario Financial Statements for the Six Months Ended June 30, 2023

The Audit & Finance Committee recommends the Law Society of Ontario's financial statements for the six-month ended June 30, 2023 be received by Convocation for information.

The Law Society's financial statements for the first six months of 2023 are provided to Convocation for information. These interim statements are part of the quarterly financial reporting schedule. Unlike annual financial statements, interim statements are not audited.

These financial statements present the financial position and operations of the Law Society and include the General Funds (or operating funds) and the following special purpose or restricted funds:

- The lawyer and paralegal pools of the Compensation Fund are restricted by the Law Society Act and is an externally restricted fund.
- 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 and are internally restricted funds.

Information on General Funds and restricted funds is provided in [Appendix A](#). *This information is included for reference and is not mandatory reading.*

The Financial Statements for the six months ended June 30, 2023, 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

- Schedules of Revenues and Expenses for the Lawyer General Fund, the Paralegal General Fund, the combined General Funds, the Compensation Fund with separate schedules for the lawyer and paralegal pools of the Fund, and the E&O Fund as well as a Schedule of Capital Expenditures

Executive Summary

The combined financial statements of the Law Society to the end of the second quarter, report revenues exceeding expenses by \$3.1 million, increasing the overall fund balances by that same amount.

This is in comparison to the first six months of 2022 where expenses exceeded revenues by \$12.1 million. The negative results of the first half of 2022 were driven by significant unrealized investment losses, increased claims activity in the Compensation Fund and unplanned expenditures related to the Licensing Process.

Five key factors driving the first quarter's positive financial results in 2023 are:

- 1) Total unrealized gains on investments, as of the end of June, of \$3.4 million related to the Law Society's three investment portfolios for the General, Compensation and Errors & Omissions ("E&O") Funds. While positive to date in 2023, these gains do not fully recover the unrealized losses of \$7.5 million in 2022.
- 2) Investment returns notably greater than budgeted influenced by interest rates higher than anticipated in planning the 2023 budget.
- 3) The 2023 budget contemplated a full return to in-person activities including all meetings of Convocation and Committees. The continued use of hybrid and virtual modalities to hold meetings, hearings and functions leads to savings in bench expenses, remuneration and catering/function costs.
- 4) Unbudgeted savings across the organization as a result of continued virtual and hybrid interactions reducing expenses related to meetings, events and travel, and less spending on engaging external counsel. Current labour market conditions resulting in longer lags to fill vacant positions are also contributing to the savings.
- 5) The Law Society budget includes a \$1 million contingency for in-year unforeseen circumstances. These funds have not been used to date in 2023.

These key factors have led to:

- Revenues exceeding expenses in the Lawyer General Fund by \$4.1 million at the end of the second quarter, compared to a budget that planned for expenses to exceed revenues of \$4.1 million for the same period. The positive results are driven by higher than budgeted revenues and lower than budgeted expenses.
- Revenues exceeding expenses in the Paralegal General Fund at the end of the second quarter by \$195,000 compared to a budget that planned for expenses exceeding revenues by \$676,000 for the same period. Similar to the Lawyer General Fund, the positive results are due to improved performance in both revenue and expenses.
- Revenues exceeding expenses in the lawyer pool of the Compensation Fund by \$2.9 million at the end of the second quarter of 2023, compared to a budget that planned for excess expenses over revenues of \$26,000 for the same period. Unrealized gains on investments of \$1.4 million along with a lower than budgeted provision for unpaid grants of \$1.3 million drove the positive results.
- Revenues exceeding expenses in the paralegal pool of the Compensation Fund at the end of the second quarter of \$108,000, compared to a budget that planned excess of expenses over revenues amount of \$27,000. Unrealized investment gains and lower than budgeted provision for unpaid grant expense drove the favourable results.

The balance of this report provides further details and key financial statement highlights.

Financial Statement Highlights

Statement of Revenues and Expenses and Change in Fund Balances

Revenues

The chart below gives a high-level view of the revenues recognized to the end of June 2023 as compared to the same period in 2022 and provides context for the more detailed discussion of the results in this section.

Revenues (in 000's)				
	YTD 2023	YTD 2022	Variance	% Variance
Annual fees	49,596	44,494	5,102	11.5 %
Insurance premiums and levies	53,735	54,345	(610)	(1.1)%
Professional development and competence	12,692	10,943	1,749	16.0 %
Investment income	2,250	485	1,765	363.9 %
Other	3,511	3,819	(308)	(8.1)%
Total Revenue	121,784	114,086	7,698	6.7 %
Change in Fair Value of Investments	3,362	(8,709)	12,071	(138.6)%
Total	125,146	105,377	19,769	18.8 %

Annual Fees

Annual fees of \$49.6 million, recognized in the first six months of 2023, are in line with the 2023 budget and higher than the annual fee revenues in 2022. The 2023 budget incorporated an annual fee increase for lawyers and paralegals of \$168¹ and \$80,² respectively, and anticipated an increase in the number of full-fee equivalent paying

¹ The \$168 increase may be broken down as a \$89 increase for the lawyer pool of the Compensation Fund, \$62 for the Lawyer General Fund and \$17 for the County Libraries Fund.

² The \$80 comprises an increase of \$71 for the Paralegal General Fund and \$9 for the paralegal pool of the Compensation Fund.

lawyers (1,150) and paralegals (400). For financial statement presentation purposes, annual fee revenue is recognized monthly.

Insurance Premium and Levies

Insurance premiums and levies of \$53.5 million are slightly lower than the prior year at \$54.3 million. LAWPRO's base insurance premium rate for 2023 increased from \$3,000 to \$3,250. Revenue increases from the change in the premium rate was offset by a 33% decrease in transactional levies, made up of real estate (38%) and civil litigation (10%) levies.

Professional Development and Competence ("PD&C")

PD&C revenues comprise income from the licensing process and continuing professional development ("CPD"). Total year-to-date revenues of \$12.7 million are in line with the 2023 budget and favourable when compared to revenues of \$10.9 million for the same period in 2022.

The primary driver of the year over year increase in PD&C revenues is attributable to candidate examination fees increasing in 2023 necessitated by the move from online to in-person examinations and the Licensing Process operating on a cost recovery basis.

Change in Fair Value of Investments & Investment Income

The Law Society's three investment portfolios for the General, Compensation and E&O Funds have experienced unrealized gains on investments of \$1.2 million, \$1.5 million, and \$741,000, respectively, totaling \$3.4 million as of the end of June. This is compared to unrealized losses of \$8.7 million for the same period in 2022. The change in fair value of investments is not budgeted and therefore positively impacts the fund balances of the three Funds.

Investment income for the period was \$2.5 million, which is greater than the budget of \$1.1 million and actual results of \$485,000 for the same period in 2022. The main driver of the change is the increase in interest rates from 0.5% to 4.75% that occurred throughout 2022 and into the first half of 2023.

Other Revenues

Other revenues totalling \$3.5 million are higher than the budget of \$2.9 million and in line with 2022 actuals. The favourable performance to budget is largely due to higher than budgeted ordered cost recoveries in the Compensation Fund (\$140,000) and the General Fund (\$205,000) combined with unbudgeted revenue from the Certified Specialist program (\$137,000).

Expenses

The chart below gives a high-level view of the expenses to the end of June 2023 as compared to the same period in 2022 and provides context for the more detailed discussion of the results in this section.

Expenses (in 000's)				
	YTD 2023	YTD 2022	Variance	% Variance
Professional Regulation, Tribunals & Complaints	16,385	15,586	799	5.1 %
Professional Development & Competence	16,607	13,870	2,737	19.7 %
Corporate Services	15,446	14,415	1,031	7.2 %
Convocation, Policy & Outreach	3,664	3,623	41	1.1 %
Services to Licensees & Public	2,944	2,786	158	5.7 %
Compensation Fund	1,655	4,269	(2,614)	(61.2)%
Errors & Omissions Insurance Fund	53,506	54,345	(839)	(1.5)%
Capital Allocation Fund	5,841	2,711	3,130	115.5 %
Other Restricted Funds	5,981	5,940	41	0.7 %
Total Expenses	122,029	117,545	4,484	3.8 %

Professional Regulation, Tribunals, and Compliance

Professional Regulation, Tribunals, and Compliance expenses totalling \$16.4 million are more than the 2022 amount of \$15.6 million but are less than budget by \$1.9 million. This is primarily due to lower than budgeted external counsel fee expenses, savings in travel, office, and document reproduction costs.

Professional Development and Competence

PD&C expenses totalling \$16.6 million are greater than the 2022 amount of \$13.9 million but are less than budget by \$1.1 million. The savings are due to lower travel costs as a significant number of practice audits and reviews continue to be delivered virtually and reduced salary and benefit expense, including a couple positions only filled

to coincide with the timing of activities related to the development of the Practice Essentials Course.

Corporate Services

Total Corporate Services expenses of \$15.4 million are higher than the 2022 expenses of \$14.4 million and are less than budget by \$802,000. The 2023 budget planned for a return to normalized operations, including more onsite meetings and stakeholder events. With virtual and hybrid activities continuing, spending related to building maintenance and operations is lower in areas such as utilities, repairs and alterations, and furniture and equipment.

Convocation, Policy, and Outreach

Total Convocation, Policy, and Outreach expenses of \$3.7 million are in line with the 2022 expenses of \$3.6 million but are less than budget by \$2.1 million.

The 2023 budget assumed a full return to in-person meetings of Convocation and related Committees. To date, meetings of Convocation and Committees have continued in hybrid or virtual formats resulting in savings in benchers expenses and remuneration, and governance functions of \$500,000 in the first half of 2023. The 2024 budget assumes a continuation of these hybrid meetings with resulting savings incorporated into the budget.

In addition, the year-to-date budgeted contingency totalling \$500,000 (\$1 million budgeted for the year) was not utilized in the first half of 2023. The remainder of the variance from budget results from reduced expenses in stakeholder engagement, advisory groups, media relations, and communications.

Services to Licensees and Public

Services to licensees and public expenses of \$2.9 million are slightly higher than the 2022 expenses of \$2.8 million and are less than budget by \$220,000. The main reasons for the lower spending when compared to budget are lower than budgeted costs associated with the Membership Assistance Program (MAP) and continuation of hybrid conferences and meetings by the Federation of Ontario Law Associations³.

³ The Law Society, through its budget, provides funding to the Federation of Ontario Law Associations based on actual expenses incurred. If their spending is less than requested at the time of budget planning, savings are realized.

Restricted Funds

The Law Society's Restricted Funds report an excess of expenses over revenues of \$1.1 million to June 30, 2023, compared to expenses exceeding revenues by \$12.1 million to June 2022. The three key components are:

- 1) In the Compensation Fund, revenues exceeded expenses by \$3.0 million (2022 – expenses exceeded revenues by \$7.4 million), explained further on in this report.
- 2) In the E&O Fund, revenues exceeded expenses by \$1.0 million (2022 – expenses exceeding revenues by \$2.2 million) due primarily to unrealized gains on long-term investments and increased investment income in 2023.
- 3) In the Capital Allocation Fund, expenses exceeding revenues by \$4.0 million (2022 – \$1.0 million) due primarily to spending on the Business Technology Transformation initiative (“Transformation”) with funding secured in 2022 through Convocation approved interfund transfers from the E&O Fund and the Lawyer General Fund.

The **lawyer pool of the Compensation Fund** had excess revenues over expenses of \$2.9 million to the end of June compared to a budget that planned for revenues to be in line with expenses for the same period. The favourable results are attributable to unrealized gains on investments of \$1.4 million, and lower than budgeted provision for unpaid grants expense with less inquiries and claims than projected for the first half of the year.

In the lawyer pool of the Fund, the provision for unpaid grant expense as of June 30 was \$1.3 million, which is \$1.3 million lower than the budget of \$2.6 million and lower than the \$3.9 million for the same period last year. The claims activity experienced in the first 6 months of 2022 related to two lawyers with the Law Society receiving a notable number of claims. While activity continued into 2023, the number of new inquiries and claims declined in the first half, however, these files continue to be active. The **paralegal pool of the Compensation Fund** had an excess of revenues over expenses of \$108,000 to the end of June, compared to a budget that planned an excess of expenses over revenues of \$27,000. Unbudgeted unrealized gains on the investment portfolio totaling \$73,000 combined with lower than budgeted inquiry and claim volumes led to the positive results.

The **E&O Fund** had net revenues over expenses of \$970,000 as of June 30, 2023, as compared to an excess of expenses over revenues of \$2.2 million for the same period last year. Similarly, unrealized gains are driving the positive outcomes in 2023 thus far.

The **Capital Allocation Fund** had excess expenses over revenues of \$4.0 million to June 30, 2023. The 2023 budget plans for the use of \$1.3 million of the fund balance to offset spending on capital projects. In addition, in 2022, Convocation approved the transfer of additional funds to the Capital Allocation Fund specifically to fund the Transformation. Expenses in the first half were \$5.8 million on the Transformation, Bencher Wing repairs and other approved capital projects.

Fund Balances

The chart below gives a high-level view of the fund balances as at the end of June 2023 as compared to the balances at the end of June 2022 and provides context for the more detailed discussion of the results in this section.

Fund Balances - as at June 30 (in 000's)				
	Current Year	Prior Year	Variance	% Variance
General Fund - Lawyers	38,339	38,127	212	0.6 %
General Fund - Paralegals	2,357	2,731	(374)	(13.7)%
Compensation Fund - Lawyers	24,610	27,631	(3,021)	(10.9)%
Compensation Fund - Paralegals	854	928	(74)	(8.0)%
Capital Allocation	14,646	14,750	(104)	(0.7)%
Errors & Omissions Insurance Fund	45,755	48,616	(2,861)	(5.9)%
Other Restricted Funds	10,975	9,551	1,424	14.9 %
Total Fund Balances	137,536	142,334	(4,798)	(3.4)%

General Funds

Lawyer General Fund

The fund balance of the Lawyer General Fund is \$38.4 million as of June 30, 2023. The fund balance increased slightly from \$38.1 million at the same time last year and is higher than the 2022 fiscal year end balance of \$37.7 million. The increase in the fund balance relates to the excess of revenues over expenses for the period offset by an

interfund transfer of \$3.5 million to the Capital Allocation Fund. The transfer is earmarked for the Transformation, as approved by Convocation and planned for in conjunction with the 2023 budget.

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 2023, the range is \$18.0 million to \$26.9 million.

As the lawyer General Fund balance was projected to be above the benchmark, the 2023 budget planned for the use of \$9.1 million of the fund balance as follows:

- \$4 million to fund operations in 2023 and mitigate annual fee increases,
- \$3.5 million interfund transfer to the Capital Allocation Fund, referenced above, which was completed in the first quarter of 2023, and
- \$1.6 million loan to the Capital Allocation Fund to facilitate the completion (as one tender) of essential preservation work and repairs to the Bencher Wing.

The \$1.6 million loan to the Capital Allocation Fund will allow savings of approximately \$500,000 through contractor economies of scale and will only be initiated when the funding is required. As the project is in its initial stage with a focus on tendering and permits, cash outflows are not expected to begin until the last quarter of the year.

Fund balances are forecast as part of the 2024 budget process and balances outside the range provided by the Fund Balance Management Policy will be considered in developing the 2024 budget.

Paralegal General Fund

The Paralegal General Fund balance is \$2.4 million as of June 30, 2023. This has decreased from \$2.7 million at the same time last year but increased from \$2.2 million at the end of 2022.

The Paralegal General Fund budget for 2023 incorporates the use of \$500,000 in fund balance toward operations and to mitigate the increase in annual fees for 2023.

Lawyer Pool of the Compensation Fund

The lawyer pool of the Compensation Fund ended the first half of 2023 with a fund balance of \$24.6 million compared to the fund balance of \$23.9 million at the same time last year. While this is above the current Fund Balance Management Policy's minimum benchmark of \$19.6 million, unrealized investment losses or notable claims activity could bring the fund balance below the minimum benchmark.

Paralegal Pool of the Compensation Fund

The paralegal pool of the Compensation Fund ended the first half of 2023 with a fund balance of \$854,000 compared to a fund balance of \$680,000 at the same time last year. While the paralegal pool is not included in the Fund Balance Management Policy, the stochastic modelling completed this year suggests that the minimum benchmark should be \$143,000.

Errors & Omissions Insurance Fund

The E&O Fund balance at the end of June 2023 was \$45.8 million which is an increase from a balance of \$44.8 million as of December 31, 2022. The Law Society's investment in LAWPRO of \$35.6 million is a component of the fund balance. The 2023 budget plans for an interfund transfer of \$1.2 million from the E&O Fund to the Lawyer General Fund from surplus investment income. This transfer is usually recorded in the latter part of the year.

Capital Allocation Fund

As at June 30, 2023 the Capital Allocation Fund had a fund balance of \$14.6 million of which \$6.8 million is restricted to fund the Transformation.

Statement of Financial Position

Cash & Short-Term Investments

The total of cash and short-term investments at the end of the first quarter is \$98.5 million (2022 - \$92.3 million). Of this amount, \$17.1 million (2022 - \$12.8 million) pertains to the Compensation Fund and is held in separate bank accounts and short-term investments. The cash balance will decrease during 2023 as the collection of annual fees is highest in the first quarter while disbursements occur 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 are \$51.9 million, an increase from the prior year's balance of \$46.9 million. The increase in the accounts receivable is consistent with the increase in the annual fees and insurance premiums in 2023.

Loan Receivable

In 2018, the Law Society contributed to a subordinated syndicated loan with all other Canadian law societies to fund CanLII's purchase of all the shares of Lexum Informatique Juridique Inc. ("Lexum"). Lexum is a software company that operates online legal information delivery products primarily for CanLII. The total amount of the

loan is \$1.7 million and matured on February 23, 2023. The loan was repaid in full on May 18, 2023. Interest continued to be earned on the loan until the repayment date.

Portfolio Investments

Portfolio investments are shown at a fair value of \$82.3 million (2022 - \$76.2 million). The first half of 2023 has seen unrealized gains of \$3.4 million in the values of the portfolio investments. Of the total portfolio investments at the end of June, \$20.6 million pertains to the General Funds, \$38.9 million pertains to the Compensation Fund, and \$22.8 million pertains to the E&O Fund.

Deferred Revenue

Deferred revenue comprises of annual fees, licensing process revenues, and insurance premiums which are recognized over the full year. The balance at the end of June 2023 is \$104.4 million (2022 - \$94.5 million). The increase in deferred revenue balances is consistent with the increase in the underlying fees in 2023.

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 \$28.3 million increased from \$24.1 million in 2022 as the Fund has received significant inquiries and claims against three lawyer licensees during 2022. The total Compensation Fund provision for unpaid grants includes \$369,000 relating to paralegal unpaid grants and inquires.



Statement of Financial Position

Unaudited

Stated in thousands of dollars

As at June 30

Assets	2023	2022
Current Assets		
Cash	75,045	76,454
Short-term investments	23,450	15,853
Accounts receivable	51,903	46,945
Prepaid expenses	63,105	58,203
Total current assets	213,503	197,455
Investment in subsidiaries	35,642	35,642
Portfolio investments	82,322	76,230
Loan receivable	-	1,701
Capital assets	7,009	6,015
Intangible assets	2,474	2,060
Total Assets	340,950	319,103
Liabilities and Fund Balances		
Current Liabilities		
Accounts payable and accrued liabilities	11,146	10,088
Deferred revenue	104,430	94,515
Due to LAWPRO	50,727	45,812
Total current liabilities	166,303	150,415
Provision for unpaid grants/claims	28,258	24,111
Unclaimed trust funds	8,109	7,613
Lease obligations	744	790
Total Liabilities	203,414	182,929
Fund Balances		
General funds		
Lawyers	38,339	38,127
Paralegals	2,357	2,731
Restricted funds		
Compensation - lawyers	24,610	23,909
Compensation - paralegals	854	680
Errors and omissions insurance	45,755	46,426
Capital allocation	14,646	14,750
Invested in capital and intangible assets	9,483	8,074
County libraries	137	92
Other	1,355	1,385
Total Fund Balances	137,536	136,174
Total Liabilities and Fund Balances	340,950	319,103

Statement of Revenues and Expenses and Change in Fund Balances
Unaudited
Stated in thousands of dollars
For the six months ended June 30

	2023	2022	2023	2022	2023	2022	2023	2022
	General Fund Lawyer		General Fund Paralegal		Restricted Funds		Total	
Revenues								
Annual fees	37,502	35,367	3,238	2,947	8,856	6,180	49,596	44,494
Insurance premiums and levies	-	-	-	-	53,506	54,345	53,506	54,345
Professional development and competence	11,567	9,432	1,125	1,511	-	-	12,692	10,943
Investment income	1,410	221	132	21	936	243	2,478	485
Other	2,812	2,859	384	411	316	549	3,512	3,819
Total revenues	53,291	47,879	4,879	4,890	63,614	61,317	121,784	114,086
Expenses								
Professional regulation, tribunals and compliance	15,469	14,723	916	863	-	-	16,385	15,586
Professional development and competence	14,964	12,314	1,643	1,556	-	-	16,607	13,870
Corporate services	13,725	12,826	1,721	1,589	-	-	15,446	14,415
Convocation, policy and outreach	3,313	3,276	351	347	-	-	3,664	3,623
Services to licensees and public	2,731	2,584	213	202	-	-	2,944	2,786
Restricted	-	-	-	-	66,983	67,265	66,983	67,265
Total expenses	50,202	45,723	4,844	4,557	66,983	67,265	122,029	117,545
Excess of revenues over expenses (expenses over revenues) from operations	3,089	2,156	35	333	(3,369)	(5,948)	(245)	(3,459)
Change in fair value of investments	993	(2,262)	160	(287)	2,209	(6,160)	3,362	(8,709)
Excess of revenues over expenses (expenses over revenues)	4,082	(106)	195	46	(1,160)	(12,108)	3,117	(12,168)
Fund balances, beginning of year	37,746	38,333	2,162	2,685	94,511	107,324	134,419	148,342
Interfund transfers	(3,489)	(100)	-	-	3,489	100	-	-
Fund balances, end of period	38,339	38,127	2,357	2,731	96,840	95,316	137,536	136,174

Schedule of Restricted Funds

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

	2023							2022	
	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	21,705	746	44,785	15,191	10,614	177	1,293	94,511	107,324
Revenues									
Annual fees	2,143	34	-	1,796	-	4,783	100	8,856	6,180
Insurance premiums and levies	-	-	53,506	-	-	-	-	53,506	54,345
Investment income	672	35	229	-	-	-	-	936	243
Other	316	-	-	-	-	-	-	316	549
Total revenues	3,131	69	53,735	1,796	-	4,783	100	63,614	61,317
Total expenses	1,621	34	53,506	5,841	1,131	4,823	27	66,983	67,265
Excess of revenues over expenses (expenses over revenues) from operations	1,510	35	229	(4,045)	(1,131)	(40)	73	(3,369)	(5,948)
Change in fair value of investments	1,395	73	741	-	-	-	-	2,209	(6,160)
Excess of revenues over expenses (expenses over revenues)	2,905	108	970	(4,045)	(1,131)	(40)	73	(1,160)	(12,108)
Interfund transfers	-	-	-	3,500	-	-	(11)	3,489	100
Fund balances, end of period	24,610	854	45,755	14,646	9,483	137	1,355	96,840	95,316

Lawyers and Paralegals General Fund

Schedule of Revenues and Expenses

Unaudited

Stated in thousands of dollars

For the six months ended June 30

	2023 Actual	2023 Budget YTD	Variance	2022 Actual
REVENUES				
Annual fees	40,740	40,733	7	38,314
Professional development and competence	12,692	12,491	201	10,943
Investment income	1,542	447	1,095	242
Other	3,196	2,711	485	3,270
Total revenues	58,170	56,382	1,788	52,769
EXPENSES				
Professional regulation, tribunals and compliance	16,385	18,308	1,923	15,586
Professional development and competence	16,607	17,683	1,076	13,870
Corporate services	15,446	16,249	803	14,415
Convocation, policy and outreach	3,664	5,776	2,112	3,623
Services to licensees and public	2,944	3,164	220	2,786
Total expenses	55,046	61,180	6,134	50,280
Excess of revenues over expenses (expenses over revenues) from operations	3,124	(4,798)	7,922	2,489
Change in fair value of investments	1,153	-	1,153	(2,549)
Excess of revenues over expenses (expenses over revenues)	4,277	(4,798)	9,075	(60)



General Fund - Lawyers
Schedule of Revenues and Expenses

Unaudited

Stated in thousands of dollars

For the six months ended June 30

	2023 Actual	2023 Budget YTD	Variance	2022 Actual
REVENUES				
Annual fees	37,502	37,498	4	35,367
Professional development and competence	11,567	11,355	212	9,432
Investment income	1,410	397	1,013	221
Other	2,812	2,395	417	2,859
Total revenues	53,291	51,645	1,646	47,879
EXPENSES				
Professional regulation, tribunals and compliance	15,469	17,317	1,848	14,723
Professional development and competence	14,964	15,839	875	12,314
Corporate services	13,725	14,450	725	12,826
Convocation, policy and outreach	3,313	5,225	1,912	3,276
Services to licensees and public	2,731	2,936	205	2,584
Total expenses	50,202	55,767	5,565	45,723
Excess of revenues over expenses (expenses over revenues) from operations	3,089	(4,122)	7,211	2,156
Change in fair value of investments	993	-	993	(2,262)
Excess of revenues over expenses (expenses over revenues)	4,082	(4,122)	8,204	(106)



General Fund - Paralegals
Schedule of Revenues and Expenses

Unaudited

Stated in thousands of dollars

For the six months ended June 30

	2023 Actual	2023 Budget YTD	Variance	2022 Actual
REVENUES				
Annual fees	3,238	3,235	3	2,947
Professional development and competence	1,125	1,136	(11)	1,511
Investment income	132	50	82	21
Other	384	316	68	411
Total revenues	4,879	4,737	142	4,890
EXPENSES				
Professional regulation, tribunals and compliance	916	991	75	863
Professional development and competence	1,643	1,844	201	1,556
Corporate services	1,721	1,799	78	1,589
Convocation, policy and outreach	351	551	200	347
Services to licensees and public	213	228	15	202
Total expenses	4,844	5,413	569	4,557
Excess of revenues over expenses (expenses over revenues) from operations	35	(676)	711	333
Change in fair value of investments	160	-	160	(287)
Excess of revenues over expenses (expenses over revenues)	195	(676)	871	46

Lawyers and Paralegals Compensation Fund Schedule of Revenues and Expenses

Unaudited

Stated in thousands of dollars

For the six months ended June 30

	2023 Actual	2023 Budget YTD	Variance	2022 Actual
REVENUES				
Annual fees	2,177	2,179	(2)	46
Investment income	707	639	68	214
Recoveries	316	175	141	549
Total revenues	3,200	2,993	207	809
EXPENSES				
Provision for unpaid grants	1,291	2,633	1,342	3,908
Administrative	364	413	49	361
Total expenses	1,655	3,046	1,391	4,269
Excess of revenues over expenses (expenses over revenues) from operations	1,545	(53)	1,598	(3,460)
Change in fair value of investments	1,468	-	1,468	(3,970)
Excess of revenues over expenses (expenses over revenues)	3,013	(53)	3,066	(7,430)



Compensation Fund - Lawyers Schedule of Revenues and Expenses

Unaudited

Stated in thousands of dollars

For the six months ended June 30

	2023 Actual	2023 Budget YTD	Variance	2022 Actual
REVENUES				
Annual fees	2,143	2,144	(1)	42
Investment income	672	607	65	203
Recoveries	316	166	150	549
Total revenues	3,131	2,917	214	794
EXPENSES				
Provision for unpaid grants	1,275	2,550	1,275	3,875
Administrative	346	393	47	343
Total expenses	1,621	2,943	1,322	4,218
Excess of revenues over expenses (expenses over revenues) from operations	1,510	(26)	1,536	(3,424)
Change in fair value of investments	1,395	-	1,395	(3,722)
Excess of revenues over expenses (expenses over revenues)	2,905	(26)	2,931	(7,146)



Compensation Fund - Paralegals
Schedule of Revenues and Expenses

Unaudited

Stated in thousands of dollars

For the six months ended June 30

	2023 Actual	2023 Budget YTD	Variance	2022 Actual
REVENUES				
Annual fees	34	35	(1)	4
Investment income	35	32	3	11
Recoveries	-	9	(9)	-
Total revenues	69	76	(7)	15
EXPENSES				
Provision for unpaid grants	16	83	67	33
Administrative	18	20	2	18
Total expenses	34	103	69	51
Excess of revenues over expenses (expenses over revenues) from operations	35	(27)	62	(36)
Change in fair value of investments	73	-	73	(248)
Excess of revenues over expenses (expenses over revenues)	108	(27)	135	(284)



Compensation Fund

Statement of Financial Position

Unaudited

Stated in thousands of dollars

As at June 30

Assets	2023	2022
Current Assets		
Cash	13,646	12,785
Short-term investments	3,500	-
Total Current Assets	17,146	12,785
Portfolio investments	38,901	36,153
Total Assets	56,047	48,938
Liabilities and Fund Balance		
Current Liabilities		
Accounts payable and accrued liabilities	83	125
Deferred revenue	2,178	46
Due to General Fund	64	67
Total Current Liabilities	2,325	238
Provision for unpaid grants/claims - lawyers	27,889	23,727
Provision for unpaid grants/claims - paralegals	369	384
Total Liabilities	30,583	24,349
Fund balance - lawyers	24,610	23,909
Fund balance - paralegals	854	680
Total Fund Balance	25,464	24,589
Total Liabilities and Fund Balance	56,047	48,938



Errors & Omissions Insurance Fund

Statement of Financial Position

Unaudited

Stated in thousands of dollars

As at June 30

Assets	2023	2022
Current Assets		
Cash	54	303
Accounts receivable	33,193	30,122
Prepaid E&O premiums incurred	61,782	56,131
Total Current Assets	95,029	86,556
Investment in subsidiary	35,642	35,642
Portfolio investments	22,816	21,359
Total Assets	153,487	143,557
Liabilities and Fund Balance		
Current Liabilities		
Due to LawPRO	50,797	45,847
Unearned E&O premiums recovered	46,637	42,684
Due to General Fund	1,200	-
Due to Capital Fund	9,100	8,600
Total Current Liabilities	107,734	97,131
Fund Balance	45,755	46,426
Total Liabilities and Fund Balance	153,489	143,557



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

	2023 Actual	2022 Actual
REVENUES		
Insurance premiums and levies	53,506	54,345
Investment income	229	29
Total revenues	53,735	54,374
EXPENSES		
Insurance	53,506	54,345
Total expenses	53,506	54,345
Excess of revenues over expenses (expenses over revenues) from operations	229	29
Change in fair value of investments	741	(2,190)
Interfund transfers	-	(8,990)
Change in fund balance	970	(11,151)
Fund balance, beginning of year	44,785	57,577
Fund balance, end of period	45,755	46,426



**Active Capital Projects
Schedule of Expenditures**

Unaudited

Stated in thousands of dollars

As at June 30

	2022 Actual	2023 Actual	Total Project Actual	Total Project Budget	Remaining Budget
Capital Expenditures					
Business Technology and Transformation Initiative	888	4,913	5,801	22,300	16,499
Benchers Wing - Phase 1	507	496	1,003	2,800	1,797
Historic Fence Maintenance and Conservation	48	119	167	1,330	1,163
Other Active Capital Projects (less than \$500,000 each)	1,160	313	1,473	1,710	237
Total Capital Expenditures	2,603	5,841	8,444	28,140	19,696

Appendix A

Law Society of Ontario General Funds & Restricted Funds

The Law Society uses separate funds to segregate and account for resources intended for specific activities and programs. Some funds are for general use whereas others are restricted, either by legislation like the Compensation Fund, or by Convocation. Transfers between funds must be approved by Convocation, subject to any applicable policy or restrictions.

General Funds

The Lawyer General Fund and Paralegal General Fund (General Funds) account for the Law Society's program delivery and operations related to the regulation and licensing of lawyers and paralegals. These funds are not restricted for any specific purpose.

Funding for the General Funds comes from, licensee annual fees, licensing process candidate fees, investment income, royalties and other ancillary revenues.

The Law Society's policy is to maintain the Lawyer General Fund balance at no less than two and no more than three months of General Fund budgeted expenses. Based on the 2023 budget, the lower and upper benchmarks are \$18.0 million and \$26.9 million. There is no corresponding policy for the Paralegal General Fund

- If the Lawyer General Fund balance is more than two months of budgeted General Fund expenses, Convocation may approve use of the funds to Mitigate the Lawyer General Fund fee for the next fiscal year;
- Transfer the excess to another Law Society fund if that fund balance is below its stated policy benchmark.

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

Restricted Funds

Compensation Fund

The Law Society maintains the Compensation Fund 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 under section 51 of the Law Society Act.

The Compensation Fund is funded by licensee annual fees, investment income and recoveries from licensees for whom compensation grants were previously paid. The fund is separated into two separate "pools" — one for lawyer licensees and one for paralegal licensees — as the licensee fees that fund these pools is calculated separately for lawyers and paralegals.

The Compensation Fund may only be used to fund the payment of grants and administrative costs related to the processing of claims and no transfers are permitted to any other Law Society fund.

The policy that sets parameters for the lawyer pool of the Compensation Fund establishes minimum¹ and maximum² balance using an actuarial statistical analysis of historical claims and must be reviewed at least every three years.

Based on the most recent review, the lower and upper benchmarks for the lawyer pool of the Compensation Fund approved by Convocation are \$19.6 million to \$96.3 million.

If the lawyer pool of the Compensation Fund balance exceeds the minimum required balance 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.

If the balance of the Fund exceeds the maximum balance, Convocation must mitigate the lawyer Compensation Fund until the balance falls below the maximum threshold amount. If the lawyer pool of the Compensation Fund balance is less than the

¹ 97.5th percentile aggregate claim scenarios (one-in-forty-year event)

² Four (4) 99th percentile aggregate claim scenarios (one-in-one-hundred-year event)

minimum required balance, Convocation must budget to restore the fund balance to the minimum level within three fiscal periods.

Errors and Omissions Insurance Fund

The Errors and Omissions Insurance Fund (“E&O Fund”) accounts for insurance-related transactions between LAWPRO, the Law 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 Law 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.

The E&O Fund is administered by LAWPRO on behalf of the Law Society under the terms of a management services agreement. Under this arrangement, LAWPRO bills, on behalf of the Law Society³ through the E&O Fund and collects Law Society insurance levies from lawyers and pays the annual insurance premium charged to the Law Society from the E&O Fund to LAWPRO.

Capital Allocation Fund

The Capital Allocation Fund is maintained to provide a source of funds for the acquisition and maintenance of the Law Society’s capital and intangible assets which comprise buildings and major equipment including computers and software. Amounts of assets capitalized, according to the Law 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.

The Capital Allocation Fund is funded by the annual fee paid by all licensees, or by transfers from the General Funds, as approved by Convocation. This fund contains a restricted portion, designated solely for the Business Transformation and Technology Initiative.

³ The invoices are issued in the name of the Law Society of Ontario

Invested in Capital and Intangible Assets Fund

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

County Libraries Fund

The County Libraries Fund records transactions related to the Law Society's support of county law libraries. As approved by Convocation, the fund accumulates funds for county library purposes, which are remitted to LiRN for its operations and for distribution of grants to individual county law libraries.

The County Libraries Fund is funded by annual fees paid by lawyer licensees.

Other Restricted Funds

The Repayable Allowance Fund provides loans to lawyer licensee candidates in financial need to licensing process fees and living expenses. It is funded by Licensing and Accreditation revenues.

The Special Projects Fund is maintained to reserve financing for ongoing special projects approved by Convocation. It is funded through approved transfers from the General Funds. Where the funding for a Convocation approved project is not fully used in the year secured, the amounts are preserved in this fund for the specified project.

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 Law 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.

The Repayable Allowance and the PLAP Funds support initiatives that are specific to lawyers and as such, are funded strictly by lawyer licensee candidate fees and annual fees. The Paralegal Standing Committee considered the impact on paralegal annual fees of offering these two programs to paralegals and decided to not expand the scope to include eligibility for paralegals.

FOR INFORMATION

LiRN Inc. Financial Statements for the Six Months ended June 30, 2023

The Audit & Finance Committee recommends the second quarter financial statements for LiRN Inc. be received by Convocation 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 and have been approved by LiRN’s board of directors.

LiRN is funded by the Law Society through the lawyer’s annual fee. The actual grant to LiRN is determined and approved as part of the Law Society annual budget process. Any variance resulting from the imposition of the per lawyer fee on the actual number of lawyers billed and the grant paid to LiRN is retained in the Law Society’s County Libraries Fund. This Fund Balance is available to mitigate the future LiRN component of the annual fee or to support LiRN operations at the discretion of Convocation. Grants to the 48 county libraries account for most of LiRN’s expenditures, with the balance being centralized expenses such as access to online research products.

A summary of the key highlights is at **Tab 5.2.1** followed by the financial statements at **Tab 5.2.2**.

Financial Report
For the six months ended June 30, 2023

KEY POINT SUMMARY

Overall Results

1. The results for the second quarter show an excess of operating revenues over expenses of \$37,647, before factoring the recovery of excess fund balances¹ from the county law libraries under the Grant Administration Policy implementation plan.
2. Excess fund balance recoveries totalled \$85,909. The funds were recovered by deduction from the current year's quarterly grant amount except for one library that repaid the full amount by cheque.
3. The combination of the excess of revenues over expenses and the excess fund balance recoveries increased the fund balance of the General Fund by \$123,556 to \$485,747.²

The presentation of fund balances for this quarter has changed to combine the Statement of Changes in Fund Balance statement with the Statement of Revenue and Expenses. The change in fund balances, excluding the Reserve Fund, which generally does not change, now appears at bottom of the Statement of Revenues and Expenses and Change in Fund Balances rather than in a standalone statement.

Statement of Revenues and Expenses

4. The excess of revenues over expenses of \$37,646 is lower for this period, compared to the prior year, primarily a result of increased expenses in electronic products and generally across all expense items.
5. The favourable variance from budget in revenues and expenses (exclusive of the fund balance recovery) of \$76,586 for the period is attributed to:
 - lower than planned head office and administrative expenses,
 - lower actual costs for group benefits and administration,

¹ The excess fund balances are the result of grants to the county law associations for library purposes exceeding expenses as identified through the trial balance reporting submitted by each association.

²This amount includes \$50,000 that will be moved to the new Capital Fund, approved by the Board on June 29, 2023. The change will be reflected in the 2023 third quarter financial statements.

- unbudgeted interest income on bank account holdings.
6. The 2023 budget included funding of \$120,000 for Transitional Expenses to engage an independent business analyst to assess LiRN's network and to identify opportunities to enhance interconnectivity and remote access. As funding from the Law Society for the transitional expenses is not contingent on actual spending, unlike in 2022, these expenses are recorded in the General Fund, effectively closing out the Transitional Fund. This portion of the Law Society funding has been combined with LiRN's regular cycle of grants. The associated expense budget was moved to the "Professional Fees" section of the Head Office Administration section of the General Fund expenses. As the actual costs for the network analysis have not yet been incurred, this item represents a significant part of the positive budget variance.

Revenues

7. The Law Society of Ontario grant includes amounts for central administration, transitional expenses and quarterly transfers to the 48 county law libraries. Grant revenue from the Law Society was \$4.82 million. This is higher compared to the revenues for this period in 2022 as a result of the overall funding increase approved as part of the Law Society's 2023 budget.
8. Interest on LiRN's operating bank account for the first six months of 2023 was \$19,224. This is a significant increase over interest earned for this period in 2022 and follows the steady increase in interest rates since the beginning of 2023.

Expenses

9. Total operational expenses were \$4.8 million, approximately \$57,000 less than budget.
10. Head-office administration expenses of \$174,317, which includes staffing related costs and outsourced financial administration, are slightly above budget as actual incurred expenses for salaries and accounting services were higher than anticipated for the period. With the Board's approval, an out-of-budget part-time assistant was hired to support LiRN's administrative needs, to be funded by available fund balance.
11. Professional fees for the period totaled \$8,582, representing costs allocated for the annual audit. The budget includes amounts for the audit as well as other legal/advisory services, with no spending on the latter to date. There is a notable increase in the budget line this quarter as a result of the movement of the

Transitional Fund budget (\$120,000) to the General Fund for the network processes consulting services. The budget was allocated equally across each quarter and it is expected that the variance will edge down as these services are engaged throughout the year.

12. Other head-office expenses, totaling \$27,981, include individual expense items such as, insurance, costs of governance meetings, staff & travel, and continuing professional development. These items collectively remain under budget due to the continued savings realized through virtual board meetings.
13. Electronic products and services include the costs for licenses to access various electronic legal research products, which totaled \$530,243 for the period. This exceeds the budgeted amount by \$65,243. This negative variance will persist and likely grow throughout the year as the budget did not account for unexpected increases to some contracts. This spending in excess of budget may be offset by savings in other expense areas with positive variances over the course of the year³ or the General Fund balance⁴.
14. Group benefits and insurance expenses of \$179,124 were less than budget, resulting in a positive variance of \$44,874. These savings may dissipate over the course of the year as a result of expected increases in LiRN's property and liability insurance, and group benefit plans. While the renewed property insurance policy resulted in a modest increase to premiums, liability insurance premiums remained almost unchanged. Finally, there will be an increase to group benefit premiums resulting from the plan to expand benefit coverage for LiRN and law library employees.
15. Other centralized expenses of \$30,998 include library courier costs and publications by the Law Society to each of the 48 county law libraries. While the total of these expenses was roughly in-line with the budget, higher expenses associated with publications offset savings in courier costs.
16. County and district law libraries grants of \$3.85 million are roughly \$240,000 higher than the first half of 2022. This is a direct result of the increase in total grant funding from the Law Society to LiRN in 2023.

³ Group benefit costs are underbudget for the first and second quarter and if this trend continues, it will offset some of the unbudgeted spending in electronic products.

⁴ The fund balance of the General Fund increased by \$167,000 at the end of 2022. We could encroach on this balance if required.

Statement of Financial Position

17. Cash and short-term investments of \$1.7 million increased from the same period in 2022 (\$1.0 million) due to the funding received from the Law Foundation of Ontario (LFO) following LiRN's successful grant application. The first installment of \$700,000 was received in June 2023 and is to fund expenses directly related to the Innovation and Equity of Access in Ontario Courthouse Libraries project.
18. Accounts receivable of \$30,033 includes amounts owed to LiRN by various associations for benefits as at the end of the period.
19. Accounts payable and accrued liabilities of \$178,369 are slightly lower than at this time in 2022. Most of the payables are for electronic products.
20. The \$700,000 received from the LFO is recorded as deferred revenue as no expenses have been incurred to date. It will be recognized as revenue in the Statement of Revenues and Expenses as expenses related to the project are incurred to match revenues with expenses.
21. The balance of the General Fund has increased from \$301,756 to \$485,747 as at June 30, 2023. This is a result of the excess of revenues over expenses for the 12-month period, and the movement of the funding from the Transitional Fund to the General Fund noted in paragraph 6, above.
22. The Reserve Fund has a balance at the end of June of both years of \$500,000.



Legal Information and Resource Network

STATEMENT OF FINANCIAL POSITION

Stated in dollars

As at June 30

Unaudited

	2023	2022
Assets		
Current Assets		
Cash	1,730,807	1,016,850
Accounts receivable	30,033	23,885
Prepaid expenses	103,476	102,159
Total Assets	1,864,316	1,142,894
Liabilities, Share Capital & Fund Balances		
Current Liabilities		
Accounts payable and accrued liabilities	178,369	187,160
Deferred revenue	700,000	-
Total Liabilities	878,369	187,160
Share Capital & Fund Balances		
Share capital	200	200
General fund	485,747	301,756
Reserve fund	500,000	500,000
Transitional fund	-	153,778
Total Share Capital & Fund Balances	985,947	955,734
Total Liabilities, Share Capital & Fund Balances	1,864,316	1,142,894



Legal Information and Resource Network

STATEMENT OF REVENUES AND EXPENSES AND CHANGE IN FUND BALANCES

Stated in dollars

For the six months ended June 30

Unaudited

	2023			2022	
	Actual	YTD Budget	Variance	Annual Budget	YTD Actual
Revenues					
Law Society of Ontario grant	4,823,404	4,823,404	-	9,572,427	4,661,066
Interest income	19,224	-	19,224	-	2,600
Total Revenues	4,842,628	4,823,404	19,224	9,572,427	4,663,666
Expenses					
Head Office / Administration					
Administration	174,317	172,013	(2,304)	344,025	155,280
Professional fees	8,582	82,000	73,418	164,000	10,077
Other	27,981	40,131	12,150	83,000	14,106
Total Head Office / Administration Expenses	210,881	294,144	83,263	591,025	179,463
Law Libraries - Centralized Purchases					
Electronic products and services	530,243	465,000	(65,243)	930,000	427,145
Group benefits and insurance	179,124	223,998	44,874	448,000	168,576
IT Infrastructure	2,965	-	(2,965)	-	-
Other	30,998	30,000	(998)	125,000	19,181
Total Law Libraries - Centralized Purchases	743,330	718,998	(24,332)	1,503,000	614,902
County and district law libraries grants	3,850,771	3,849,201	(1,570)	7,698,402	3,608,565
Total County and District Law Libraries Expenses	3,850,771	3,849,201	(1,570)	7,698,402	3,608,565
Total Expenses	4,804,982	4,862,343	57,362	9,792,427	4,402,930
Excess of Revenues over Expenses (Expenses over Revenues)	37,646	(38,939)	76,586	(220,000)	260,736
Combined General & Transitional Fund Balances, Beginning of Year	362,191	-	-	-	194,798
Recovered Excess Fund Balances	85,909	73,333	12,576	220,000	-
Combined General & Transitional Fund Balances, End of Period	485,746	34,394	89,162	-	455,534

FOR INFORMATION

LAWPRO Financial Statements for the Six Months ended June 30, 2023

The Audit & Finance Committee recommends the second quarter financial statements for Lawyers' Professional Indemnity Company (LAWPRO) be received by Convocation 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. LAWPRO provides quarterly financial reporting to the Law Society as its shareholder. These interim financial statements convey the performance of LAWPRO before the end of the year and are provided to the Committee for review. The financial statements are also presented to Convocation for information.

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 LAWPRO 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. The 2023 base premium for professional liability insurance coverage for Ontario lawyers is \$3,250, an increase of \$250 (8.3%) from 2022. The annual policy limits are \$1 million per claim and \$2 million in aggregate per lawyer.

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, 2023

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FINANCIAL OVERVIEW

LAWPRO's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial information presented in this report includes the application of IFRS 17 Insurance Contracts ("IFRS 17") and IFRS 9 ("IFRS 9") Financial Instruments effective January 1, 2023. Further, prior year amounts have been restated to include the impact of these new standards. This summary includes LAWPRO's financial results for the three and six months ended June 30, 2023 ("Q2" and "Q2 YTD", respectively) and the financial position as at June 30, 2023. Reference to prior year is for the same periods in 2022, restated to include the impact of IFRS 17 and 9. References to budget will be limited to either statistical or other amounts that were not impacted by the transition to IFRS 17 & 9. Further, references to gross premium written should be considered non-GAAP as they are not reported on the financial statements.

The previously referred to asset liability matching portfolio, which is managed by CIBC Asset Management ("CAM"), is referred to as the CAM portfolio. The surplus portfolio, which is managed by Fiera Capital ("Fiera"), is referred to as the Fiera portfolio.

LAWPRO's three lines of business are the Ontario primary professional liability program ("Primary E&O"), Ontario excess professional liability program ("Excess E&O"), and the national title insurance program ("TitlePLUS" or "TP").

Individual amounts have been rounded up to the nearest thousand dollars, which may result in slight differences when rounded amounts are added or subtracted. Please refer to exhibits in conjunction with the commentary.

HIGHLIGHTS FOR SIX MONTHS ENDED JUNE 30, 2023

The commentary that follows is from a year-to-date perspective, which is consistent with accounting treatment for insurance contracts under IFRS 17. To the extent that quarter specific events contribute significantly to the overall year-to-date results they are referenced within the relevant area below.

- Total Comprehensive Income of \$10.6M was \$33.6M (or 146%) higher than prior year (\$23.0M loss)
- Insurance Revenue of \$62.2M was 2% higher than prior year (\$61.1M). The variance was primarily driven by higher premium written in Primary E&O (\$4.8M or 4% higher than 2022)
- Insurance Service Expenses of \$57.2M was \$3.0M higher than prior year (\$54.2M). The variance to prior year was largely driven by higher incurred insurance service expenses in Primary E&O and a higher 2023 loss component for Primary E&O partially offset by more favourable development in Primary E&O and TitlePLUS
- Investment Income of \$23.1M was higher than prior year (\$55.8M loss) due to an increase in both the fixed income and equity portfolios. The decrease in the bond yields contributed to \$0.7M unrealized gains in the CAM fixed income portfolio and \$2.7M unrealized gains on Fiera fixed income portfolio. Equity market recovery in Q2 2023 contributed to \$11.7M unrealized gains in the Fiera equity portfolio. In the quarter ended June 30, 2022, Investment Income decreased by \$21M due to aggressive rate increases and deterioration of equities
- Net insurance finance expense of \$6.7M was primarily driven by interest accretion of \$9.2M partially offset by the market yield adjustment of \$2.5M. This was partially offset by unrealized gains of \$0.7M on CAM fixed income portfolio. The upward movement of discount yield curve was bigger than the movement of bond yields of CAM portfolio
- Other general expenses non-insurance related were \$4.0M which was in-line with prior year (\$3.9M)
- At June 30, 2023 Shareholder's Equity was \$290.1M and the MCT ratio was 216%. The MCT ratio at December 31, 2022, under IFRS 4, was 227%. The 25-percentage point decline from December 31, 2022 (IFRS 4 MCT of 227%) to March 31, 2023 (IFRS 17 MCT of 202%) was what was expected. The 14-percentage point build up to 216% at June 30, 2023 (IFRS 17) is directionally consistent with our expectation, given the seasonal nature of unexpired risk.

MINIMUM CAPITAL TEST AND LIQUIDITY

The Minimum Capital Test (“MCT”) is a regulatory solvency test. The most recent Financial Condition Testing (“FCT”) and Own Risk & Solvency Assessment (“ORSA”) exercises were completed in May 2022. The internal target MCT is 170% and the preferred range is 210% to 240%.

The December 31, 2022 MCT was calculated using regulatory guidelines designed to calculate capital available and capital required under IFRS 4. On January 1, 2023, new regulatory capital rules became effective and are based on IFRS 17. The primary changes impacting LAWPRO are highlighted below.

Seasonality and timing of loss component recognition

Prior to IFRS 17, the level of LAWPRO’s MCT followed the seasonal pattern of the Unearned Premium Balance (“UPR”). For example: As policies were written January 1, the UPR balance was at its height and MCT at its lowest point at Q1, and as the UPR balance was released throughout the year the MCT peaked at Q4. This was largely driven by the reduction in capital required associated with Unexpired Coverage. Under the new MCT guidelines, this seasonal pattern still exists in the unwind of the LRC for all PAA contracts. However, the recognition of the loss component (“LC”) may preclude Q4 from being the highest MCT point in a calendar year. The LC is recognized when contracts are Bound but Not Incepted (“BBNI”). For Primary E&O, this occurs when convocation accepts the offer of coverage in Q4 of the year prior to the fund year. The LC impacts capital available, whereby it is fully unwound by the end of Q4 and replaced by a new LC for the coming fund year. Based on the unwind of the existing LC (for current fund year) and replacement of a new LC (for upcoming fund year), we expect capital available to be impacted moving from Q3 to Q4. By extension, we expect the Q3 MCT to be the highest point in the year where the new LC is significant. There are several factors that contribute to the magnitude of the LC (i.e., interest rate environment, loss ratio expectations, etc.). However, estimate MCT for Q4 2022 was higher than Q3 2022, because the estimated LC for 2023 at Q4 2022 was not significant.

Capital Available

- Retained Earnings – On transition to IFRS 17, retained earnings increased by \$11M after-tax primarily driven by release in reserves associated with applying the risk adjustment, replacing the Provision for Adverse Deviation (“PfAD”) under IFRS 4.
- Unamortized Insurance Acquisition Expenses – This amount (\$12M) is deducted from capital available. Under the prior MCT guidance, Capital Available did have an adjustment for Directly Attributable Expenses (“DAE”) for A&S business. This did not apply to LAWPRO and was more impactful to longtail contracts under IFRS 4. Under the new guidance, a similar capital available adjustment is now required specifically for title business, as it has become longtail under IFRS 17. This balance will build with new acquisition costs for title and unwind with the Contractual Service Margin (“CSM”).
- Contractual Service Margin – this is unearned profit from groups within our title insurance business. The CSM is a new addition to capital available (\$1.4M).

Capital Required

- Unexpired Coverage – The new capital guideline prescribes a formula to calculate unexpired coverage. For Primary E&O and Excess E&O, this closely aligns to the run-off of UPR. For title, this amount has increased on transition to IFRS 17 and will contribute to MCT drag going forward.
- Liability for Incurred Claims – The liability for incurred claims is lower under IFRS 17; however, in the new OSFI guideline for MCT, a multiplier of 1.1 was introduced on the new lower liabilities, which more than offsets the impact of carrying lower liabilities.
- Interest Rate Risk – The margin of interest sensitive assets over interest sensitive liabilities drives the amount of capital required for interest rate risk. As the liability balance is now lower under IFRS 17, the amount by which assets exceed liabilities, is now higher, driving capital required higher.

The Company's MCT ratio as at June 30, 2023, was 216%. At June 30, 2022, it was 220% (IFRS 4) and estimated to be 216% (IFRS 17). At December 31, 2022 it was 227% (IFRS 4) and estimated to be 221% (IFRS 17). At June 30, 2023, the Company's MCT ratio is above its internal target level of 170%, and within the Company's preferred operating range of 210% to 240%. The MCT ratio is impacted by insurance risk, market risk, credit risk, and operational risk. Insurance risk consists of premium liability and unpaid claims risk. Market risk is made of interest rate, foreign exchange, and equity risks. Credit risk, or counterparty default risk, relates to balance sheet investments and receivables. The elevated level of LRC experienced during the earlier part of the year raises the capital requirements under the MCT and drives down the Company's ratio. By year end the LRC for both the Primary E&O and Optional Excess E&O programs are significantly lower than the beginning of year.

As at June 30, 2023, LAWPRO's liquidity position is strong. Overall, total assets of \$770.8M exceed total liabilities of \$480.8M by \$290.0M.

Finally, cash and cash equivalents of \$40.0M comfortably exceed short-term non-claims liabilities. The Company's established liquidity process is operating as designed. The daily operating cashflow is actively managed and operating effectively.

Financial Statements

Statement of Financial Position (IFRS 17)

Statement of Financial Position

Amounts stated in thousands of Canadian dollars

	June 30	December 31	January 1
	2023	2022	2022
	AS AT	(Restated)	(Restated)
Assets			
Cash and cash equivalents	39,982	35,741	24,473
Investments	666,495	645,130	710,522
Investment income due and accrued	3,654	3,583	2,924
Reinsurance contract assets	29,546	29,714	45,918
Other assets	10,820	14,627	6,000
Fixed, intangible & Right of Use assets	12,606	12,479	12,543
Current income tax asset	2,183	6,754	415
Deferred income tax asset	5,519	4,688	1,422
Total assets	770,805	752,716	804,217
Liabilities			
Insurance contract liabilities	466,447	454,381	493,699
Expenses due and accrued	5,085	9,026	3,267
Lease liabilities	9,217	9,437	9,859
Other taxes due and accrued	-	421	586
	480,749	473,265	507,411
Equity			
Capital stock issued and paid	5,000	5,000	5,000
Contributed surplus	30,645	30,645	30,645
Retained earnings	254,411	243,806	261,161
	290,056	279,451	296,806
Total liabilities and equity	770,805	752,716	804,217

Statement of Profit or Loss (IFRS 17)

Statement of Profit or Loss

Amounts stated in thousands of Canadian dollars

FOR THE 6 MONTHS ENDED JUNE 30	Actual 2023	Actual 2022	Variance to Prior Year	
			\$	%
Insurance Revenue	62,221	61,089	1,132	2
Insurance service expenses	(57,235)	(54,262)	(2,973)	(5)
Net expenses from reinsurance contracts held	(3,110)	(1,720)	(1,390)	(81)
Insurance service result	1,875	5,107	(3,232)	(63)
Investment income - CAM portfolio*	7,155	(21,508)	28,663	133
Investment income - Fiera Capital portfolio	15,981	(34,304)	50,285	147
Investment income	23,136	(55,812)	78,948	141
Insurance finance income (expense)	(7,101)	25,485	(32,586)	(128)
Reinsurance finance income (expense)	428	(2,315)	2,743	119
Net insurance and investment result	18,339	(27,535)	45,874	167
Other expenses	(3,996)	(3,945)	(51)	(1)
Profit (loss) before tax	14,343	(31,480)	45,823	146
Income tax (expense) recovery	(3,738)	8,461	(12,199)	(144)
Profit (loss) after tax	10,605	(23,019)	33,624	146
Total comprehensive income	10,605	(23,019)	33,624	146

* CAM : CIBC Asset Management

Statement of Changes in Equity (IFRS 17)

Statement of Changes in Equity

Stated in thousands of Canadian dollars

	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Equity
Balance at December 31, 2021	5,000	30,645	227,465	22,671	285,781
Opening Balance Sheet Adjustment *	-	-	33,696	(22,671)	11,025
Adjusted Balance at January 1, 2022	5,000	30,645	261,161	-	296,806
Total comprehensive income for the year	-	-	(18,912)	1,557	(17,355)
Transfer of defined benefit remeasurements from OCI to retained earnings			1,557	(1,557)	-
Balance at December 31, 2022	5,000	30,645	243,806	-	279,451
Total comprehensive income for the year	-	-	10,605	-	10,605
Balance at June 30, 2023	5,000	30,645	254,411	-	290,056

* Reference to Exh 1A (Statement of Financial Position) for Opening Balance Sheet Adjustment

Additional Information

Primary E&O: Premiums and Mix Analysis (IFRS 4)

Ontario Primary E&O Program, Premiums

(stated in thousands of dollars)

Year to Date Gross Written Premiums	Actual Jun 30, 2023	2023 Budget	Variance Act'l:Bud \$	Variance Act'l:Bud %	Actual Jun 30, 2022	Variance 2023:2022 \$	Variance 2023:2022 %
Base premium	97,869	99,582	(1,713)	(2)	88,940	8,929	10
Projection: TL-Real Estate Jul - Dec 2023	11,057	11,057	-	-	9,276	1,781	19
Transaction levy - Real Estate	7,463	9,313	(1,850)	(20)	10,223	(2,760)	(27)
Projection: TL-Civil Litigation Jul - Dec 2023	4,117	4,117	-	-	4,202	(85)	(2)
Claims history levy surcharge	2,863	3,030	(167)	(6)	2,877	(14)	-
Transaction levy - Civil Litigation	2,779	3,468	(689)	(20)	4,631	(1,852)	(40)
Real Estate Practice Coverage	926	963	(37)	(4)	926	-	-
Minimum make-up adjustment	844	937	(93)	(10)	798	46	6
Increased run-off coverage	650	966	(316)	(33)	573	77	13
Innocent party buy-up	540	539	1	-	526	14	3
No application surcharge	277	390	(113)	(29)	403	(126)	(31)
Multi-discipline partnerships	233	251	(18)	(7)	219	14	6
Late Application surcharge	34	170	(136)	(80)	169	(135)	(80)
Designated agencies	(167)	(152)	(15)	(10)	(142)	(25)	(18)
Early payment discount	(579)	(506)	(73)	(14)	(544)	(35)	(6)
Risk Management Credit	(586)	(610)	24	4	(629)	43	7
Deductible option	(1,084)	(1,044)	(40)	(4)	(995)	(89)	(9)
Restricted area of practice	(2,908)	(2,914)	6	-	(2,611)	(297)	(11)
Part-time practice	(3,985)	(4,150)	165	4	(3,591)	(394)	(11)
New lawyer discount	(6,366)	(7,813)	1,447	19	(6,037)	(329)	(5)
Total annualized premium	113,977	117,594	(3,617)	(3)	109,214	4,763	4

Ontario Primary E&O Program, Rates and Count

(stated in thousands of dollars)

Base Premium / (Discount) Mix Analysis	Notes	2023 Rate	2022 Rate	Number of Lawyers				
		\$	\$	2023 June	2023 Budget	Variance Act'l: Bud %	2022 June	Variance 2023:2022 %
Base premiums - number of lawyers - FPE	1	3,250	3,000	30,114	30,906	(3)	29,647	2
Deductible option	2	Varies	Varies	330	295	12	327	1
New lawyers (1st Year)	3	Varies	Varies	1,404	2,910	(52)	1,350	4
New lawyers (2nd - 4th year)	3	Varies	Varies	4,377	4,519	(3)	4,533	(3)
Restricted Area of Practice	4	1,625	1,500	1,790	1,793	-	1,741	3
Part-time practitioners	4	1,625	1,500	2,452	2,554	(4)	2,394	2
Designated Agencies	5	813	750	68	62	10	63	8
Innocent party buy-up		125	125	4,323	4,314	-	4,205	3
Early payment discount		50	50	11,589	10,121	15	10,887	6
Real Estate Practice Coverage	6	100	100	9,257	9,633	(4)	9,258	-
Risk Management Credit		50	50	11,713	9,427	24	12,582	(7)

Notes:

1. FPE - full premium equivalents - refers to the equivalent number of full time practitioners based on the total policy premiums written.
2. The premium adjustments vary depending on the deductible options selected.
3. The premium adjustments vary depending on the years in practice for a new lawyer.
4. Allows for a 50% discount on base premium
5. Allows for a 75% discount on base premium - went into effect on January 1, 2017.
6. Applies to real estate practitioners only - went into effect on April 2008.

Primary E&O: Claims Statistics

Ontario Primary E&O Program - Claims count and payment statistics For the six months ended June 30, 2023

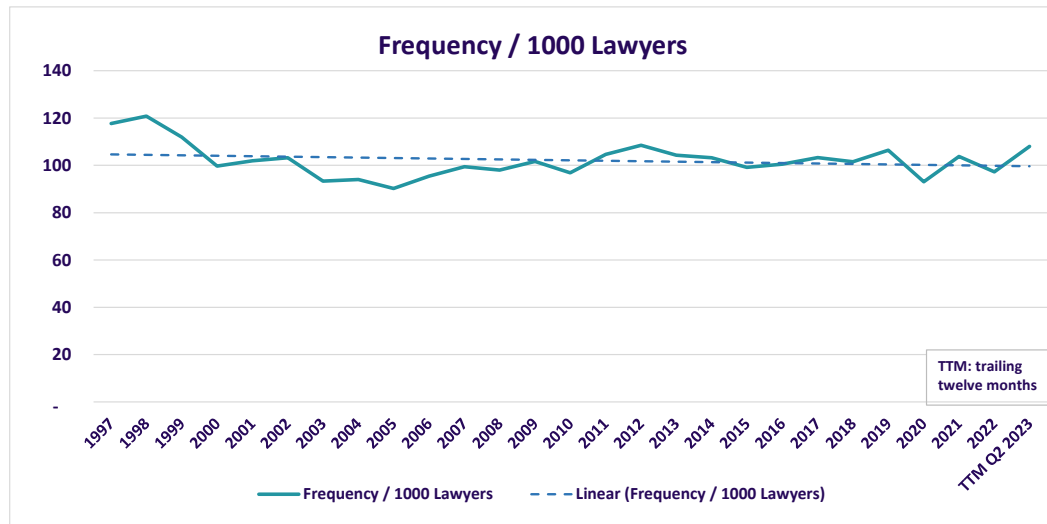
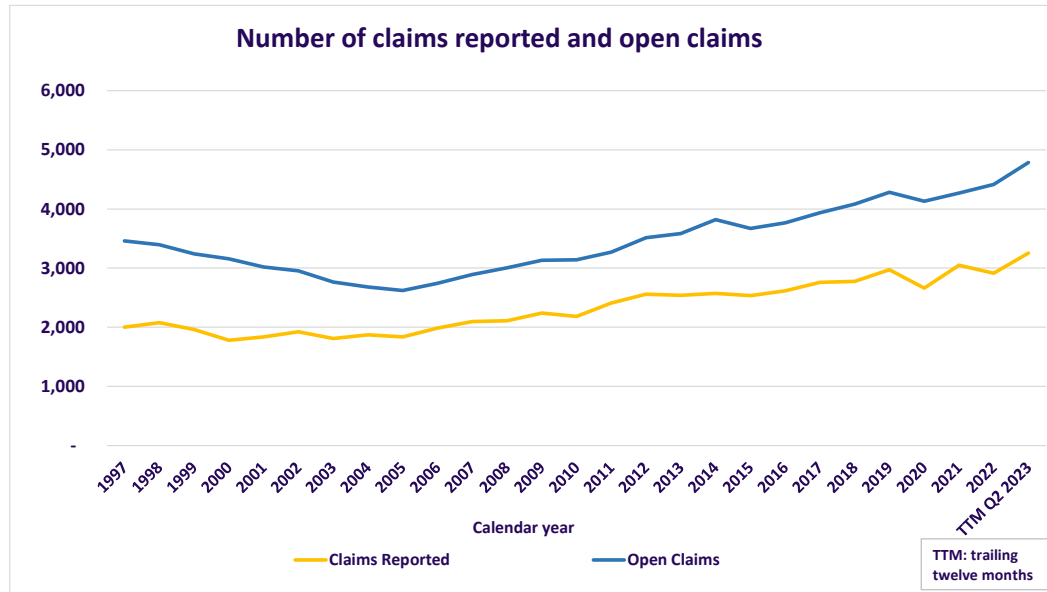
Claims count

Number of Claims	2023	2022	2021	2023 vs 2022 Change	2023 vs 2022 % Change	2023 vs 2021 Change	2023 vs 2021 % Change
Open Claims (All fund years)	4,785	4,566	4,394	219	5%	391	9%
Activated during year:							
new reports*	1,749	1,406	1,615	343	24%	134	8%
reopened	91	96	103	(5)	-5%	(12)	-12%
	1,840	1,502	1,718	338	23%	122	7%
All fund years - Closed during year	1,470	1,203	1,457	267	22%	13	1%
*new reports - current fund year only	1,390	1,155	1,293	235	20%	97	8%

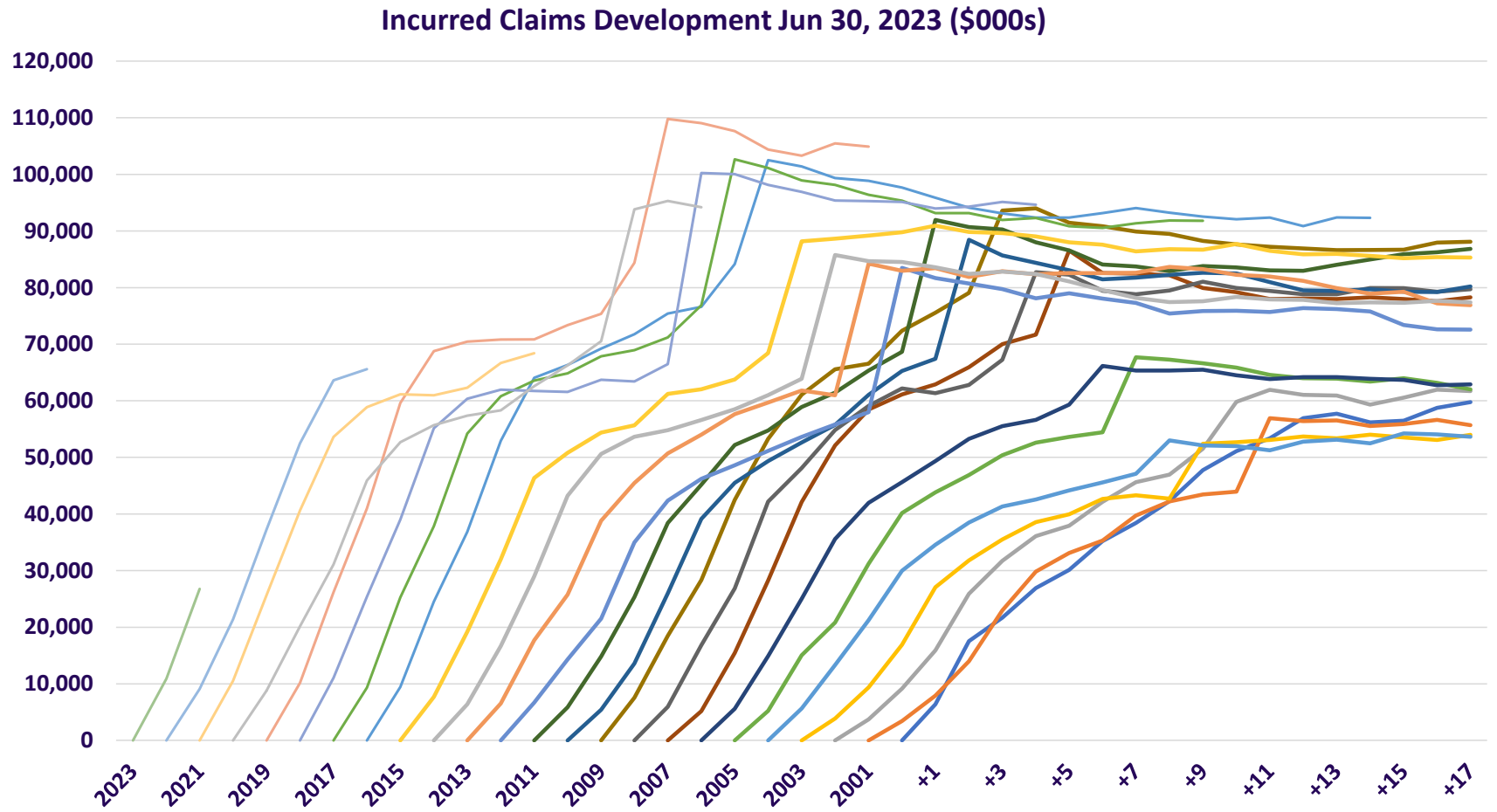
Claim payments

Costs	2023	2022	2021	2023 vs 2022 Change	2023 vs 2022 % Change	2023 vs 2021 Change	2023 vs 2021 % Change
	\$ 000s	\$ 000s	\$ 000s	\$ 000s		\$ 000s	
Indemnity	25,973	17,475	18,352	8,498	49%	7,621	42%
Legal Fees	24,204	20,426	21,888	3,778	18%	2,316	11%
Adjuster Fees	94	148	207	(54)	-36%	(113)	-55%
Other	1,219	1,355	1,231	(136)	-10%	(12)	-1%
Total	51,490	39,404	41,678	12,086	31%	9,812	24%

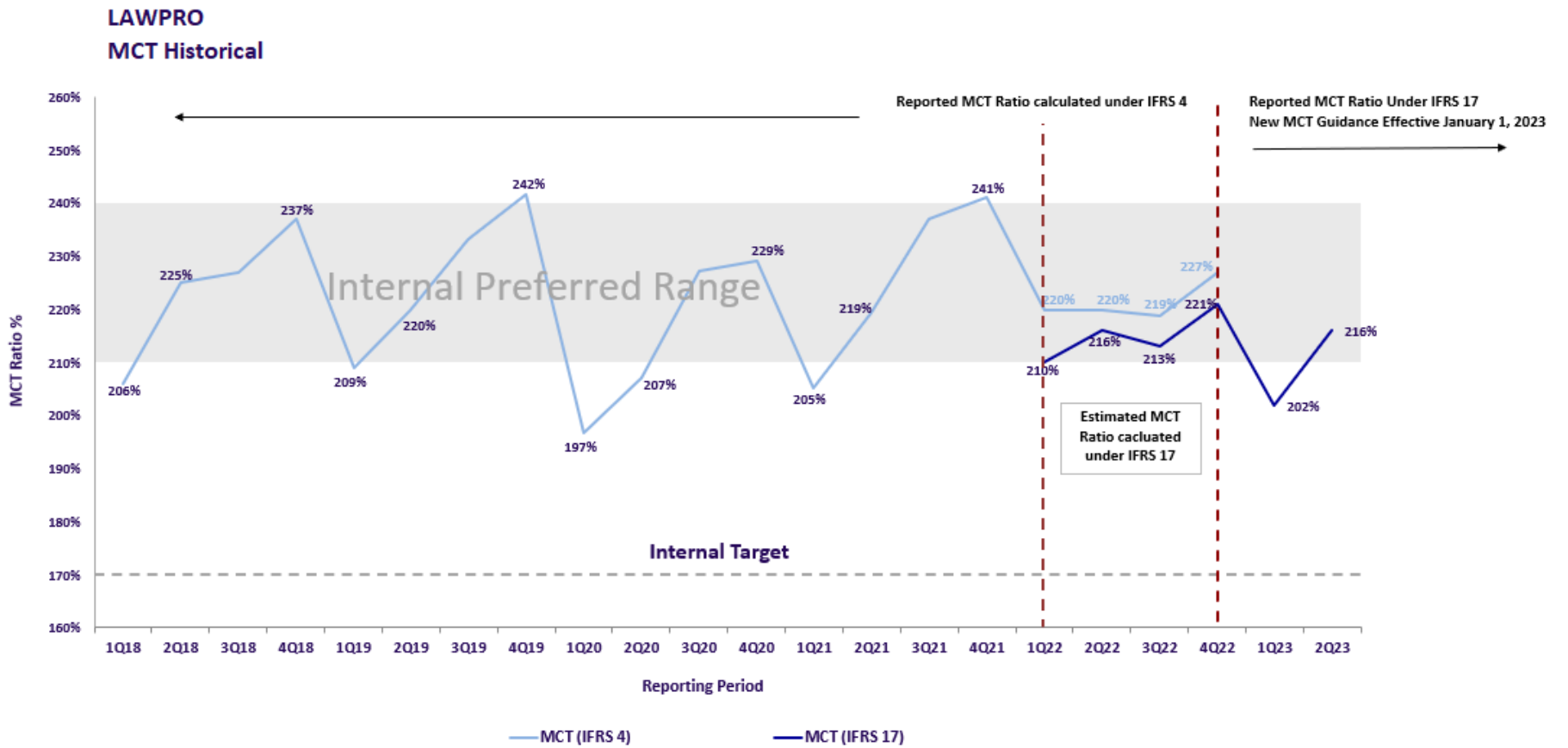
Primary E&O: Reported Claims and Open Claims



Primary E&O: Undiscounted Case Incurred Losses by Age and Fund Year



Minimum Capital Test (MCT) Historical





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

Confidential

July 25, 2023

Subject: Quarterly Compliance Report as at June 30, 2023
for Lawyers' Professional Indemnity Company

As of and for the quarter ending June 30, 2023, 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 dot at the end.

Brian Lancaster, CFA, CAIA
Vice-President

Q2 2023

Compliance Statement

The undersigned confirms that, throughout the 3-month period ending June 30th, 2023:

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, 2023

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, 2023

The Audit & Finance recommends the Investment Compliance Reports for the quarter ended June 30, 2023 be received by Convocation for information.

Under section 5 of the Law Society Investment Policy (“Policy”), Law Society Management shall report quarterly to the Committee on compliance with the Policy.

The Committee receives for information the quarterly report on compliance with the Policy and it is presented to Convocation for information.

The Law Society and its investment manager have complied with the investment objectives of the Policy for the quarter ending June 30, 2023, as set out in the following reports:

- **Investment Compliance Report – Short Term Investments – Q2**
- **CCL Investment Compliance Report – Q2**

Statement of Investment Compliance Short-Term Investments
For the Quarter Ended June 30, 2023

Short Term Investment Parameters	Guidelines	Compliance
Allowable Investments		
Treasury bills issued by the Government of Canada, Provincial governments, and their agencies	Allowed	Yes
Bankers acceptances	Allowed	Yes
Commercial paper issued by Canadian corporations with a rating of "R1 low" or better as established by The Dominion Bond Rating service or equivalent rating	Allowed	Yes
Pooled Money Market Fund	Allowed	Yes
Concentration Tests		
Securities of any one single issuer	Maximum 10% of each	Yes
Maximum term to maturity	1 year	Yes



Christianne Abou-Saab
 Director, Finance

June 30, 2023

All percentages set out below are based on market values except if noted otherwise.

Law Society of Ontario

Concentration Tests	Guidelines	Actual	Compliance	
Cash				
Cash as a % of the CC&L Short Term Bond Fund (excluding any cash designated to collateralize derivatives exposure)		25.0 %	1.2 %	Yes
Fixed Income				
Single corporate issuer (excluding Schedule 1 Banks) as a % of the CC&L Group Money				
Market Fund		10.0 %	5.1 %	Yes
Government of Canada and guaranteed bonds as a % of the CC&L Short Term Bond Fund		100.0 %	65.7 %	Yes
Provincial securities as a % of the CC&L Short Term Bond Fund		80.0 %	0.0 %	Yes
Municipal securities as a % of the CC&L Short Term Bond Fund		10.0 %	0.0 %	Yes
Non-government securities as a % of the CC&L Short Term Bond Fund		70.0 %	32.9 %	Yes
Mortgage-backed securities as a % of the CC&L Short Term Bond Fund		25.0 % max	0.0 %	Yes
Asset-backed securities as a % of the CC&L Short Term Bond Fund		25.0 % max	0.0 %	Yes
Corporate bonds as a % of the CC&L Short Term Bond Fund		65.0 % max	32.9 %	Yes
Corporate bonds with a BBB credit rating as a % of the CC&L Short Term Bond Fund		20.0 % max	13.4 %	Yes
Single corporate issuer (excluding Schedule 1 Banks) as a % of the CC&L Short Term Bond		10.0 % max	1.9 %	Yes
Duration of the CC&L Short Term Bond Fund	1.0 yrs to	5.0 yrs	2.6 yrs	Yes
Equities				
Securities of a single issuer for the global equity portfolio will not exceed the greater of 10% of the market value of the total global equity portfolio or that equity's weight in the MSCI World Index				Yes
Securities of a single issuer for the Canadian equity portfolio will not exceed the greater of 10% of the market value of the total Canadian equity portfolio or that equity's weight in the S&P/TSX Capped Composite Index				Yes
Total Portfolio				
Leverage is prohibited				Yes
Exclusion Tests			Compliance	
Cash				
Maximum effective term to maturity of Floating Rate Notes cannot exceed 3 months				Yes
Maximum term to maturity of short term securities (excl FRNS) cannot exceed 1 year				Yes
Cash securities must have a minimum R1-Low credit rating at time of purchase				Yes
Fixed Income				
Minimum BBB- credit rating allowed				Yes
Minimum P2 preferred share rating allowed				Yes

All percentages set out below are based on market values except if noted otherwise.

Law Society of Ontario (General Fund)

Concentration Tests	Min	Target	Max	Actual	Compliance
Asset Mix					
Fixed income as a % of the total portfolio	40.0 %	50.0%	60.0 %	49.0 %	Yes
Total Equities as a % of the total portfolio	40.0 %	50.0%	60.0 %	51.0 %	Yes
NS Partners Global Equity Fund as a % of the total portfolio	23.0 %	33.0%	43.0 %	34.1 %	Yes
CC&L Canadian Equity Fund as a % of the total portfolio	7.0 %	17.0%	27.0 %	17.0 %	Yes
CC&L Group Money Market Fund as a % of the total portfolio	0.0 %	0.0%	15.0 %	0.0 %	Yes
CC&L Short Term Bond Fund as a % of the total portfolio	35.0 %	50.0%	60.0 %	49.0 %	Yes

All percentages set out below are based on market values except if noted otherwise.

Law Society of Ontario (Compensation Fund)

Concentration Tests	Min	Target	Max	Actual	Compliance
Asset Mix					
Fixed income as a % of the total portfolio	55.0 %	65.0%	75.0 %	64.1 %	Yes
Total Equities as a % of the total portfolio	25.0 %	35.0%	45.0 %	35.9 %	Yes
NS Partners Global Equity Fund as a % of the total portfolio	13.0 %	23.0%	33.0 %	23.9 %	Yes
CC&L Canadian Equity Fund as a % of the total portfolio	2.0 %	12.0%	22.0 %	12.1 %	Yes
CC&L Group Money Market Fund as a % of the total portfolio	0.0 %	0.0%	15.0 %	0.0 %	Yes
CC&L Short Term Bond Fund as a % of the total portfolio	50.0 %	65.0%	75.0 %	64.1 %	Yes

All percentages set out below are based on market values except if noted otherwise.

Law Society of Ontario (Errors & Omissions)

Concentration Tests	Min	Target	Max	Actual	Compliance
Asset Mix					
Fixed income as a % of the total portfolio	60.0 %	70.0%	80.0 %	69.1 %	Yes
Total Equities as a % of the total portfolio	20.0 %	30.0%	40.0 %	30.9 %	Yes
NS Partners Global Equity Fund as a % of the total portfolio	10.0 %	20.0%	30.0 %	20.8 %	Yes
CC&L Canadian Equity Fund as a % of the total portfolio	0.0 %	10.0%	20.0 %	10.1 %	Yes
CC&L Group Money Market Fund as a % of the total portfolio	0.0 %	0.0%	15.0 %	0.0 %	Yes
CC&L Short Term Bond Fund as a % of the total portfolio	55.0 %	70.0%	80.0 %	69.1 %	Yes