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Report from the Chair of the Nova Scotia Barristers' Liability Claims Fund.

I am pleased to report on behalf of the Board that the Liability Claims Fund has had another very strong year. The full practising levy for 2003/2004 is \$850.

This represents a \$78 increase for private practitioners over last year.

However, it is the second lowest assessment for members in the last decade, well off the high of \$2700 per member reached in the early 1990s. It is also one of the lowest insurance assessments in the country.

Our actuaries advise us that the true levy necessary to meet our expected liabilities in the coming year would be \$1563 per private practitioner, about 1.8 times the levy being charged to members. We are able to subsidize this amount through the return of excess surplus, in consultation with our actuaries. Since we are gradually depleting our surplus, we can expect the levy to increase over time. Members should not expect the levy to remain at these low rates indefinitely.

Overall the claims experience showed an upward trend last year, with the number of open claims increasing by 10 percent.

As with many organizations, post 9/11 our investment experience has been less than anticipated. We have been fortunate enough to preserve the capital of the fund but we saw little in the way of returns in 2002.

The increase in claims and the less than anticipated returns has required an increase in reserves to meet our anticipated liabilities.

On the positive side, our claims experience with CLIA (which provides coverage of our liability claims in excess of \$300,000 up to a maximum of \$1,000,000 per occurrence) continues to be extraordinarily good. We are once again able to withdraw excess subscribers' equity, this time in the amount of \$1,067,000. This amount has allowed us to increase the credit being offered by the Liability Claims Fund to each insured member. We will continue to return excess surplus over time in keeping with the recommendations of our actuaries.

The Legal Aid rate has been recommended at 50 percent of the private practitioner's rate or \$425 in keeping with a practice started some years ago.

A decision was taken by the Board to recommend government lawyers pay an amount equal to the CLIA premium together with a contribution to administration and a part of their exposure.

The government lawyer rate of \$350 is made up as follows:

CLIA premium \$280
administration and contribution to exposure \$70
Total \$350

The Liability Claims Fund is committed to managing your funds cautiously. We are very pleased with the financial health of the Fund and our consequent ability, through return of surplus, to stabilize rates for members during these difficult times in financial and insurance markets. We can all do our part to keep increases in rates to a minimum, by practising carefully with a view to loss prevention.

The Board has begun the process of strategic planning and has, in consultation with the Executive of the Society, established its mission, vision and strategic directions as follows:

Mission

The Nova Scotia Barristers' Liability Claims Fund is established and operated pursuant to the Barristers & Solicitors Act and Regulations, as part of the Nova Scotia Barristers' Society's public protection mandate.

The Fund conducts the mandatory professional liability insurance program for the benefit of the practising insured members.

Vision

The NSBLCF is recognized by its members and peers for the superior quality of its professional liability insurance program and for its active loss prevention program that is used and valued by its members.

The Fund is managed in a fiscally responsible manner; always ensuring adequate resources are available for the long-term health of the program. Its governance and authorities are clearly specified, and its relationship with the NSBS is exemplary.

The Fund continually meets its goals and objectives.

Strategic Directions

1. Maintain financial stability
2. Implement an effective Loss Prevention Program
3. Ensure member satisfaction
4. Document policies, procedures and governance arrangements
5. Develop and maintain excellent staff and Board

The Board very pleased to continue its activities for the benefit of members. I would like to thank all members of the Board for the commitment and dedication they continue to show to the Fund. I would also like to especially thank your Director of Insurance, Deborah Rozee, and the dedicated staff who work so diligently to assist members. It is indeed a pleasure and an honour to be Chair of the Board of the Fund.

Sandra MacPherson Duncan

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Director's Report

Claims activity increased during 2001-2002 with a total of 281 claims reported to the Fund during the policy year. This is a significant increase over recent years' claims frequency. It is too early to tell whether the increase marks a continuing upward trend.

Indemnity payments are made on approximately 20 % of the files reported each year. The average severity for incurred losses is \$9,268. The areas of law in which claims arise remains fairly constant. However, there is a difference in the average cost of claims by area of law. Corporate, which is one of the areas of law in which claims are least likely to occur, has the highest average severity at \$17,682.

| Area | % of total claims reported | % with loss | average severity |
|------------------|----------------------------|-------------|------------------|
| Real Estate | 52% | 47% | \$8,876 |
| Civil Litigation | 18% | 36% | \$9,283 |
| Matrimonial | 8% | 30% | \$8,090 |
| Estate Planning | 7% | 29% | \$8,182 |
| Commercial | 5% | 40% | \$11,724 |
| Corporate | 3% | 41% | \$17,682 |

The Fund incurs legal expenses on approximately 30 % of the files reported each year. The remaining 70 % of the claims are handled directly by staff. The Fund has a staff of 5, including 2 claims examiners whose primary responsibility is the management and resolution of claims. Claims valued at \$50,000 and over are reviewed on a regular basis with the Claims Committee which provide direction and settlement authority.

Over the past year Fund staff have completed the design of a website which currently hosts a Real Estate Resource page which includes the NSBS Professional Standards for Real Property Transactions. The Fund's website can be found at www.nsblcf.ca

One area of focus for the coming year will be the development of an active loss prevention program. We anticipate that the website will be instrumental in the distribution of loss prevention resources over the coming year.

Deborah Rozee
Director

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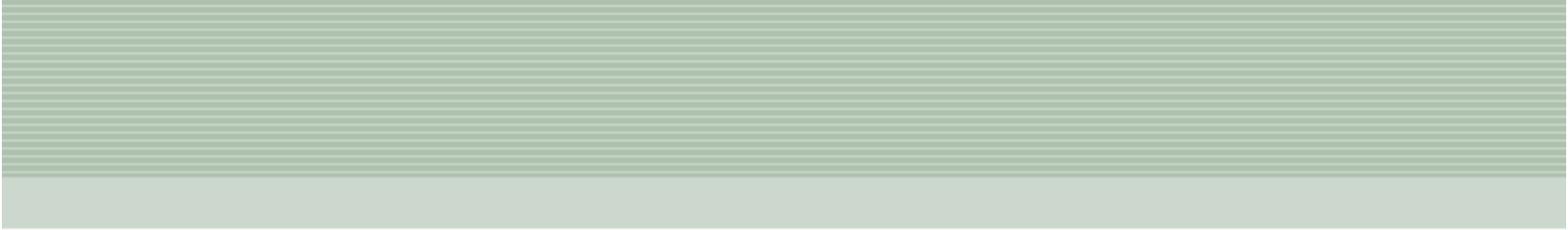
Notes to the Summary of Financial Highlights

The Fund's financial position as at December 31, 2002 was strong with an excess of revenue over expenditures of \$1,053,000. The excess of revenue over expenditure was the result of the return of CLIA surplus subscribers' equity in the amount of \$2,198,000. Reviewing the Statement of revenue, Expenditures and Reserve, net revenue decreased by \$870,000. This decrease was the result of the levy credits provided to members. Total claims and expenses increased by \$122,000 and administration increased by \$55,000.

Prior to taking the return of surplus subscribers' equity from CLIA, the Fund had a deficiency of revenue over expenditures of \$1,145,000. This is consistent with the Fund's application of surplus to reduce members' levy. Although the deficiency was greater than anticipated due in large part to the poor return on investments. The additional revenue, through return of excess subscribers' equity, resulted in an increase in the reserve as at December 31, 2002 from \$6,831,000 to \$7,884,000.

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**NOVA SCOTIA BARRISTERS' LIABILITY CLAIMS FUND
SUMMARY OF FINANCIAL HIGHLIGHTS
FROM DECEMBER 31, 2002 AUDITED FINANCIAL STATEMENTS**

(000's)

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31

| | <u>December 31 2002</u> | <u>December 31 2001</u> |
|--|-----------------------------|-----------------------------|
| Cash | \$ 3,586 | \$ 1,939 |
| Accounts receivable | 26 | 223 |
| Prepays | 285 | 73 |
| Investments | 9,487 | 9,481 |
| Fixed assets | <u>22</u> | <u>38</u> |
| | <u>\$ 13,406</u> | <u>\$ 11,754</u> |
| Accounts payable and deferred revenue | \$ 346 | \$ 463 |
| Provision for unpaid claims and expenses | 5,176 | 4,460 |
| Professional liability insurance reserve | <u>7,884</u> | <u>6,831</u> |
| | <u>\$ 13,406</u> | <u>\$ 11,754</u> |

STATEMENT OF REVENUE, EXPENDITURE AND RESERVE
PERIOD ENDED DECEMBER 31

| | <u>December 31 2002</u> | <u>December 31 2001</u> |
|--|-----------------------------|-----------------------------|
| Revenue | \$ 1,410 | \$ 2,165 |
| Insurance premiums | <u>356</u> | <u>241</u> |
| Net revenue | <u>1,054</u> | <u>1,924</u> |
| Claims and expenses | | |
| Payments | 1,476 | 1,415 |
| Stop loss and group deductible limit reimbursements | <u>(526)</u> | <u>(269)</u> |
| | 950 | 1,146 |
| Increase in provision for unpaid claims and expenses | <u>716</u> | <u>398</u> |
| Total claims and expenses | <u>1,666</u> | <u>1,544</u> |
| Administration | <u>533</u> | <u>478</u> |
| Deficiency of revenue over expenditure before undernoted | (1,145) | (98) |
| Return of C.L.I.A. surplus subscriber's equity | <u>2,198</u> | <u>-</u> |
| Excess (deficiency) of revenue over expenditures | 1,053 | (98) |
| Reserve, beginning of year | <u>6,831</u> | <u>6,929</u> |
| Reserve, end of year | <u>\$ 7,884</u> | <u>\$ 6,831</u> |
