

INDEMNITY ISSUES:

Program Report

What's in this issue?

- [Annual indemnity fee remains at \\$1,800](#)
- [Indemnification Program overview](#)
- [Download certificates of coverage](#)
- [What's new for 2026?](#)
- [Coverage for claims after retirement](#)
- [A look at 2025 claims](#)
- [Cyber and privacy insurance](#)
- [2025 risk management in review](#)

Since 1986, the Lawyers Indemnity Fund (LIF) has managed the Law Society's Professional Liability Indemnification Program. The Program protects lawyers and their clients from the risk of financial loss due to errors in the ever-changing and challenging practice of law.

2026 INDEMNITY FEE

For the 9th consecutive year, the indemnity fee remains at \$1,800. Despite record volumes of claims reported and dollars paid by the Program, the fee has increased only once since 2011, and then only by \$50. As shown in the chart on the following page, the fee compares very favourably with other provinces and territories, especially considering that BC has the broadest professional liability coverage in the country and some other fees are not shown on the

graph for the same risks.

Our consistently low fee is a product of several factors, including:

- We regularly advise you of important risk management issues via timely alerts, videos, and presentations, helping you avoid errors;
- You report claims promptly, enabling us to repair many errors and mitigate loss – we repaired over 20% of errors reported last year;

- Our experienced staff claims counsel and external repair and defence counsel are incredibly effective and provide you with excellent, efficient service; and

- We invest LIF's assets sensibly, providing significant income to offset claim and operating expenses and maintaining flexible capital that minimizes reliance on costly external insurance.

INDEMNIFICATION PROGRAM OVERVIEW

The Program has two parts:

1. The BC Lawyers Compulsory Professional Liability Indemnification Policy that provides coverage for:

- Part A Professional Liability – if you make a mistake that results in financial loss to a client;
- Part B Trust Protection – if you dishonestly take money or property entrusted to you while acting as a lawyer;
- Part C Trust Shortage Liability – if you incur a trust shortage from depositing a fraudulent certified cheque or are tricked by social engineering into sending trust

funds to a fraudster; and

2. The cyber/privacy insurance policy that applies to common network security and privacy liability risks. This policy, arranged and paid for by LIF, is underwritten by Coalition, Inc. and insures most BC law firms.

Although the policy limits are more than sufficient for the majority of claims, we recommend that you speak with a broker about excess insurance for both professional liability and cyber risks. This is particularly important for cyber as the Coalition policy limits are modest and common exposures are substantial. Contact any of the [brokers listed on LIF's website](#) for information and quotes.

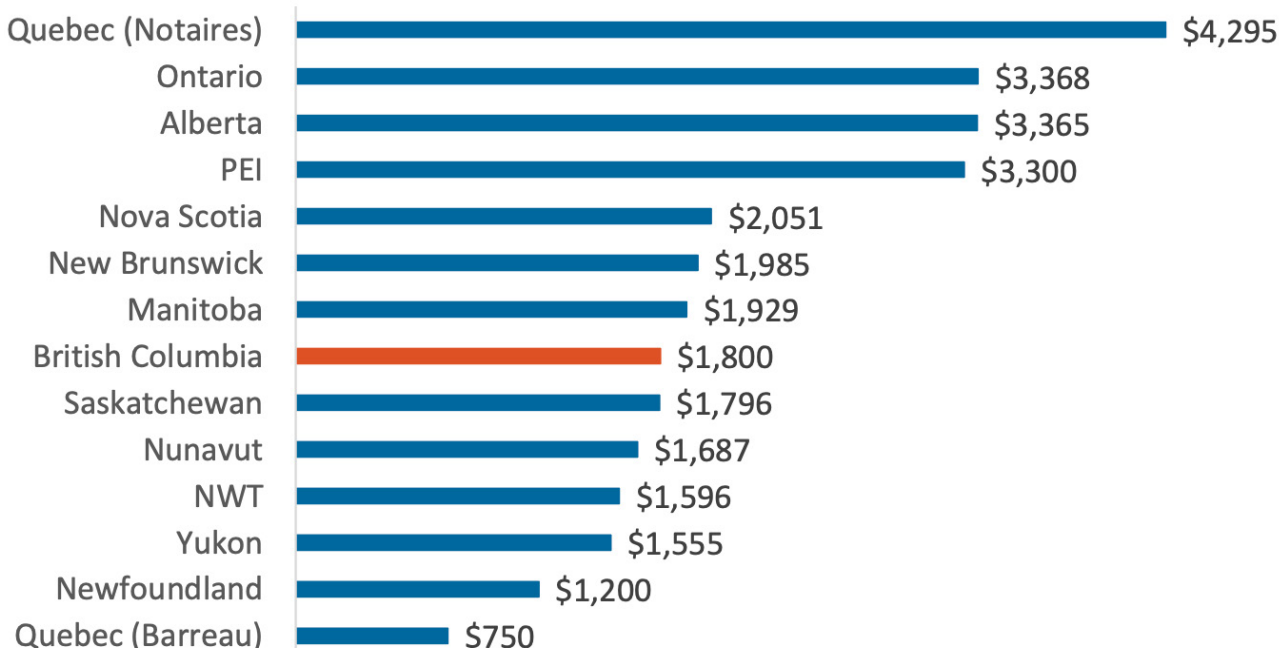
DOWNLOAD CURRENT CERTIFICATES OF COVERAGE

In December of each year, a Certificate of Indemnity for the following year is available for download.

If you need to prove that you have the compulsory indemnity coverage, for instance to support an insurance exemption request in another jurisdiction, you can download a certificate from your Member Portal.

In July, if not before, an updated Certificate of Insurance is available for the Coalition cyber insurance policy. Only the firm's Designated Representative can access a certificate and only firms that participate on the coverage will have a certificate.

2025 INDEMNITY FEES



1. Go to your Member Portal
2. Scroll to “Law firm information”
3. Click your firm name
4. Click on “Cyber Insurance”
5. Download the certificate

If a certificate cannot be found, contact Michael Mulhern at mmulhern@lif.ca or 604-697-5869.

WHAT’S NEW IN OUR POLICY FOR 2026?

The current policy wording is available on our [website](#). Additionally, wordings for all prior years are there, as well as handy information describing material changes in each edition.

For 2026, there were three policy amendments worthy of mention:

- Exclusion 9 regarding privacy breaches was amended to allow coverage for claims arising from your communications that result in a breach of privilege or confidentiality, such as miscategorized documents and misdirected emails.
- The Part C deductible applicable to Funds Transfer Fraud claims was reduced from 35% to 30%, transferring up to \$25,000 of risk from you to LIF. This deductible can be further reduced to 15% if the firm has completed a secondary verification of the payment instructions.
- The \$2 million Part C profession-wide aggregate limit was removed, eliminating the possibility that claims reported early in a year would have more coverage available than claims reported at the end of the same year.



WHAT'S NEW IN YOUR 2026 INDEMNITY POLICY

Other amendments were made to improve clarity.

We also amended the claims surcharge for the first time in 40 years. Any claim reported on or after January 1, 2026 – if indemnity is paid – will draw a \$2,000 annual surcharge for up to five years. Claims reported prior to January 1, 2026 remain subject to the previous \$1,000 annual surcharge, no matter when an indemnity payment is actually made.

INDEMNITY COVERAGE AFTER RETIREMENT

Lawyers considering retirement often ask us about indemnity coverage for claims that may arise from errors made while they were working. This is sometimes referred to as “tail” coverage. LIF makes this easy. Whether you have retired, become exempt, or moved to non-practising status, the policy in force at the time the claim is made

and reported will apply to your past mistakes, as long as you were paying the annual indemnity fee at the time of the error. There is no fee, application, or other notice to LIF required – coverage applies automatically. The coverage will also protect your estate. If you become aware of an actual or potential claim, report to LIF as soon as possible – the notice requirements of the policy apply.

A LOOK AT 2025 CLAIMS

Part A – Professional Liability (errors & omissions)

2025 was a very busy year for LIF. We received 1,313 Part A claim reports, a slight but welcome decline from 2024, which was a record year. We paid \$14.3 million in defence costs and settlements in 2025, marking three consecutive years above the \$14 million mark.

The charts on page 4-5 illustrate the relative frequency and anticipated severity among practice areas for 2025 claims. Civil litigation, family law, real estate, and wills and estates remained leading practice areas resulting in the highest number of claims.

Indemnity protects you against financial losses, and in many cases we can help you avoid a claim entirely. You must report immediately when you're aware of a potential error or claim because, when you report early, we are best able to give you helpful advice or effect a repair, possibly avoiding a claim entirely. Do not attempt to fix an error before you report – your efforts may compound the problem and may also put your coverage in jeopardy. Although claims and potential

claims must be reported in writing, our claims counsel are always available to you by [phone or email](#).

The following are two examples of errors we were able to repair:

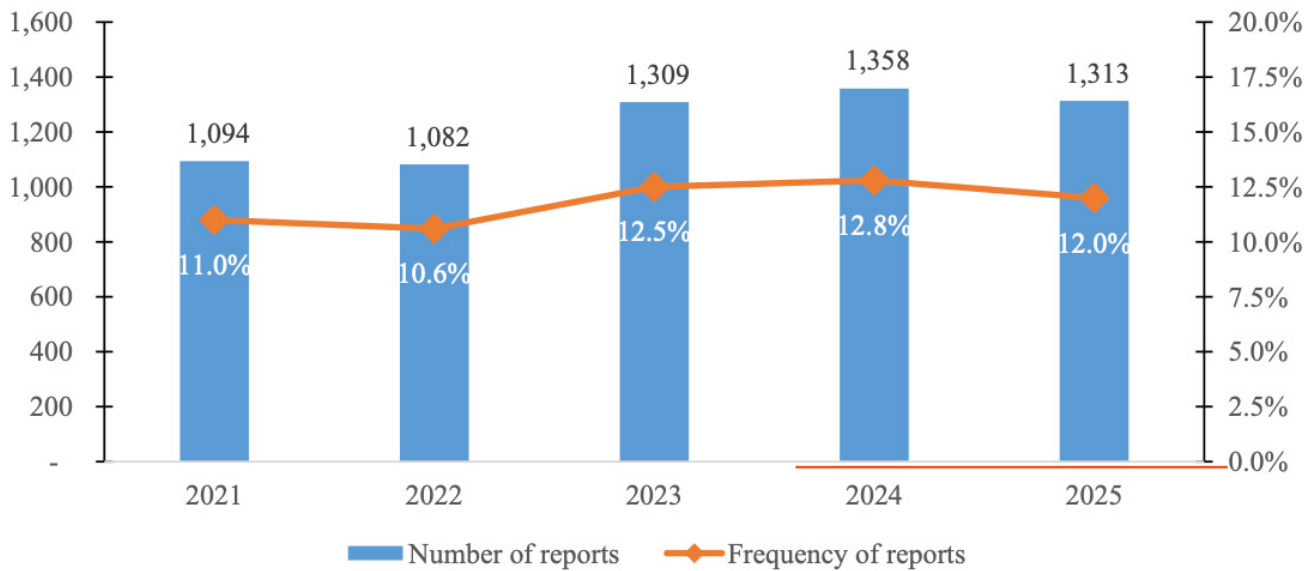
Failure to commence the family action – Missed limitation date

Our lawyer was retained by the wife shortly after the parties' separation in September 2022. Both parties initially sought to resolve matters amicably and without litigation, engaging in settlement discussions. In August 2024, the wife made a settlement proposal that was rejected. A counter-offer followed, which included a spousal support offer from the husband. In August 2024 the husband sued the wife, seeking equal property division and

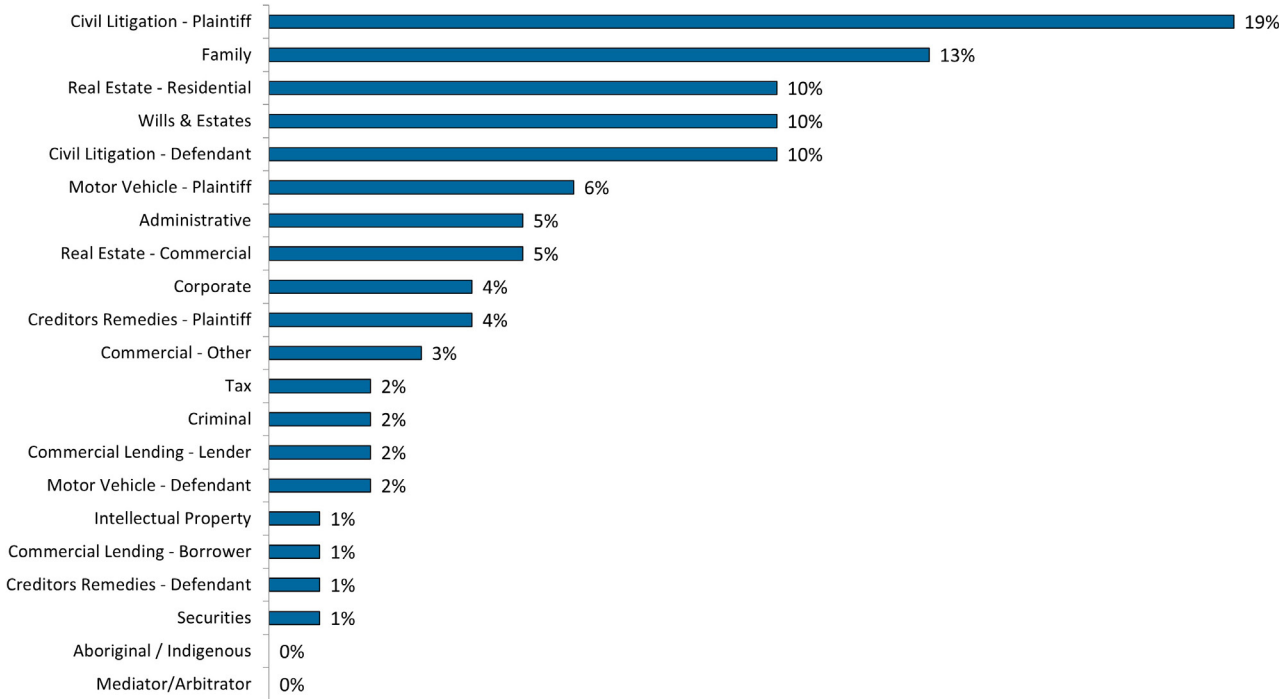
exclusion of some assets. In September 2024, the husband withdrew his previous spousal support offer. Our lawyer filed a Response and Counterclaim in April 2025 seeking spousal support or, in the alternative, an unequal division of property.

The husband asserted that the wife's spousal support claim was limitation-barred. Although the limitation period was partially extended under s.198(5) of the *Family Law Act*, which provides that the running of the limitation period for family law claims is suspended during any period in which the parties are engaged in family dispute resolution with a lawyer, it was not enough to get around the limitation period.

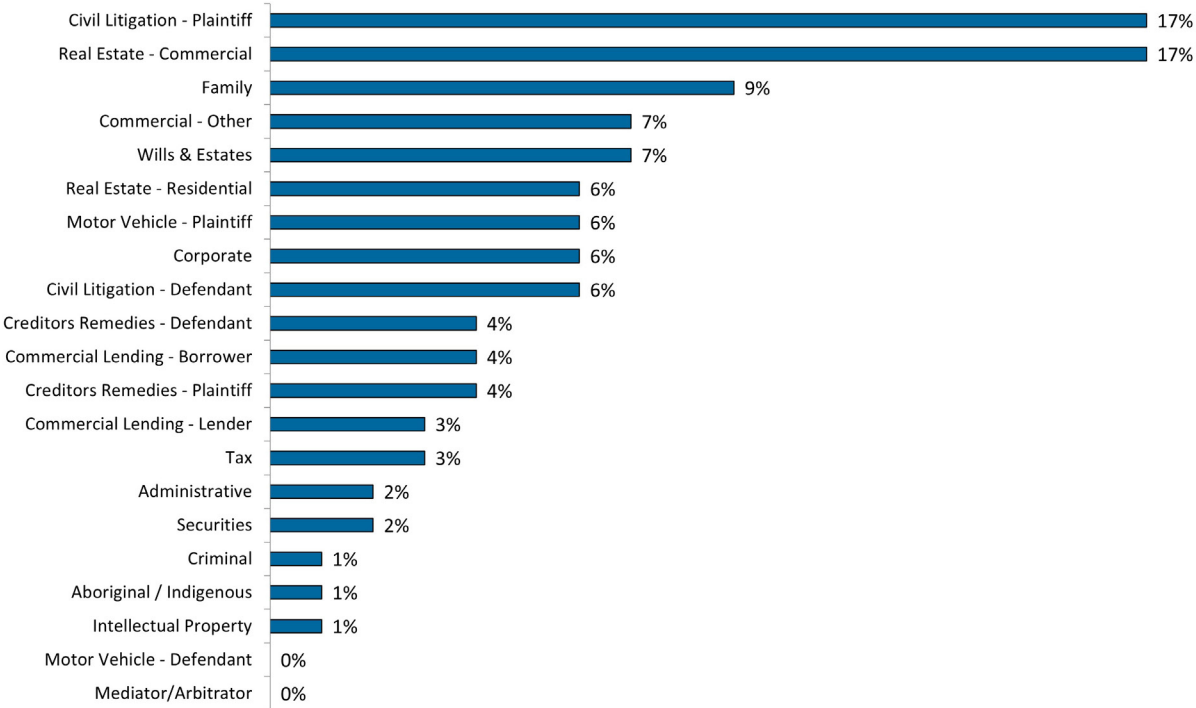
NUMBER AND FREQUENCY OF PART A REPORTS



FREQUENCY OF REPORTS BY AREA OF LAW - 2025



SEVERITY OF REPORTS BY AREA OF LAW - 2025



continued from page 5

However, experienced repair counsel successfully defeated the husband’s application to strike the spousal support claim by demonstrating that section 22 of the *Limitation Act* applied in this case, as the claim was advanced by way of counterclaim.

Failure to take steps in the action – Want of prosecution

Our lawyer reported a want of prosecution application to us immediately upon being served with the application materials. Over four years had elapsed since the filing of the Notice of Civil Claim. The defendants had filed their Response to Civil Claim and the parties exchanged lists of documents. No steps were subsequently taken by the plaintiff to advance the action for almost 2½ years. The plaintiff then filed a notice of intention to proceed and a request for

additional documents.

The defendant responded with a notice of application seeking to strike the action for want of prosecution. Repair counsel was engaged and prepared the responsive material and argued the matter in court. Although the Court found that litigation is not to be left in abeyance indefinitely, particularly where serious allegations are made, the Court found that the explanations provided for the delay did not suggest a deliberate or tactical inaction. Repair counsel was experienced with these applications and filed extensive supportive affidavit evidence. The Court also found that there was no evidence that the passage of time had impaired the ability to defend the claim. In these circumstances, the Court held that fairness required that the plaintiff be afforded an opportunity to have

the claim determined on its merits.

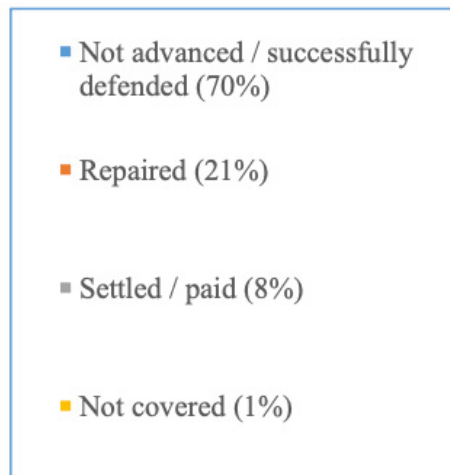
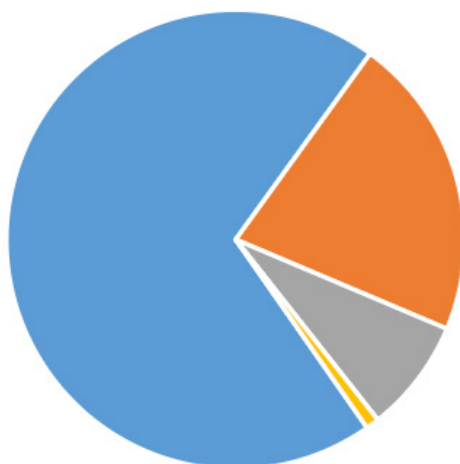
In both of these cases, successful steps taken by repair counsel avoided claims against the lawyers.

Part B – Trust Protection (dishonest appropriation)

In 2025, we opened eight Part B claims involving seven lawyers. Three of the claims were settled in 2025 while the others were closed without payment or remain in progress. Since Part B was introduced in 2004 – replacing the Special Compensation Fund – we have paid over \$6 million to 142 claimants arising from dishonest appropriation.

The purpose of Part B is twofold: to protect the public and to safeguard the profession’s reputation. It’s a fact that most claims are very small, but they are nonetheless painful

DISPOSITION OF PART A CLAIMS OVER 10 YEARS - 2016 TO 2025



for clients, many of whom are already in vulnerable circumstances.

*Part C – Trust Shortage Liability
(bad cheques and funds transfer frauds)*

In 2025, we received only one Part C claim report. The investigation of that matter is ongoing.

Despite the low frequency, lawyers are definitely a target. Funds transfer frauds are always horribly upsetting events that cause incredible stress to lawyers and clients alike. We cannot overstate the importance of awareness, training, and adherence to process when handling wire transfers. Use our checklist, or create your own version of it, and follow it unfailingly. During the year, we were advised of several fraud attempts that were thwarted by alert staff who made the phone call that avoided the loss. We want to hear about these avoided incidents so we can issue alerts and share knowledge of new tricks and methods employed by criminals – please keep sharing.

“Old-fashioned” fraud like passing off forged cheques continues. Beware of cheques you weren’t expecting being dropped off at your office. If you receive a suspicious request from someone seeking to retain you to collect money for them based on agreements you had no part in, be cautious – you may not want this money flowing through your office at all.

Check our [list of names and documents](#) that fraudsters have used in BC.

You can review unfamiliar documents against this list and avoid these frauds.

CYBER AND PRIVACY INSURANCE

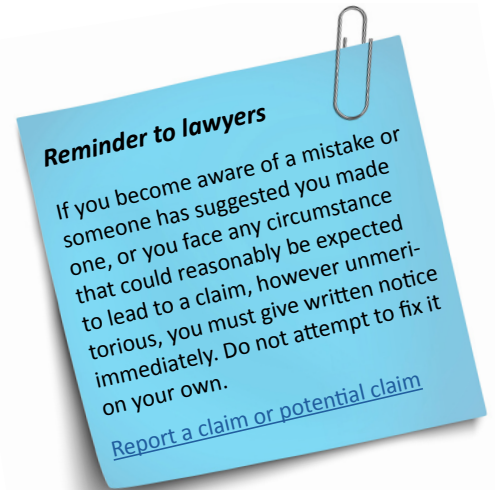
The cyber/privacy group insurance policy from Coalition, Inc. began June 1, 2021. Coverage protects firms against common cyber risks and privacy breaches. To qualify, your firm must have at least one BC location and at least one lawyer who is paying the annual indemnity fee. Limits are pro-rated for interprovincial firms. The firm must also meet Coalition’s security requirements, which is confirmed when the firm first joins the Program and annually thereafter.

Claims range from inconvenient security breaches to terrifying ransomware events. Apart from the indemnity, perhaps the greatest value of a cyber insurance policy is the assistance of an experienced claims professional or breach coach, bringing calm guidance to a chaotic and distressing situation.

Since policy inception, Coalition has handled over 75 claims and incurred (paid or reserved) almost \$3.3 million in losses – not an insignificant amount.

Cyber crime is said to be the world’s 3rd largest economy. Staying abreast of risks and constantly improving your network security is the best strategy for avoiding cyber attacks.

Coalition offers a free risk-monitoring service with Coalition



Control to aid firms. LIF and Coalition also provide risk management resources online, with links to further resources, all aimed at helping you avoid common threats.

2026 AND BEYOND

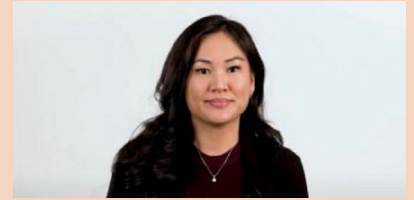
Effective risk management is a combination of professional service, prudent standards and procedures, and insurance that is tailored to your needs. Review all of your insurance annually to ensure it is keeping up with your practice risks.

2025 Risk Management in Review

Our 2025 risk management advisories will give you a head start in 2026

CLICK BELOW

1. Attention family law lawyers: Record high claims continue in 2024



[January 30, 2025 Notice to Lawyers](#)
[February 2025 E-Brief](#)

2. New draft regulations for immigration lawyer

[February 2025 E-Brief](#)

3. Two reminders for real estate lawyers

Two reminders for real estate lawyers

FEBRUARY 14, 2025

1. GST and residential real estate transactions

The previous BC Standard Form Contract of Purchase and Sale did not specify which party would pay GST and whether it was included in, or additional to, the purchase price. However, as of November 2024, the contract has been updated to provide that (i) the seller will pay GST if it applies, and (ii) GST is inclusive of the purchase price.

Review the updated contract to become familiar with the new terms. Of course, the parties are free to negotiate different terms (e.g., GST will instead be paid by the buyer, which would then need to be set out in the contract). Take three minutes to watch this video of [Caitlin Leonard-Martin-Song](#) describing common GST traps and tips.

2. BC home flipping tax

The [Residential Property Short-Term Capital Gains Tax](#) is effective January 1, 2025. Unless an exemption applies, the BC home flipping tax applies to profit earned from selling property in BC (including private contracts) if the property was owned for less than 730 days. Property purchased before the tax's effective date may still be subject to the tax if sold on or after January 1, 2025 and owned for less than 730 days.

[Learn more about the BC home flipping tax.](#)

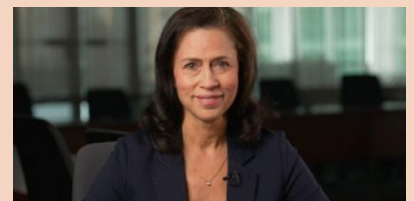
[February 2025 E-Brief](#)

4. Who exactly is your client?



[February 26, 2025 Notice to Lawyers](#)

5. It's Mental Health Week – Let's support each other



[May 6, 2025 Notice to lawyers](#)



6. Vacation alerts and precautions

[July 2025 E-Brief](#)

7. Don't let your guard down! Funds transfer frauds continue



[July 2025 E-Brief](#)

<p>8. Fraudsters strike two BC firms amid summer surge in attacks</p>	<p>Fraudsters strike two BC firms amid summer surge in attacks</p> <p><small>AUGUST 16, 2025</small></p> <p><small>LIF has received reports of one funds transfer fraud and one identity fraud in BC so far this summer. Here are the details:</small></p> <p>Funds transfer fraud</p> <p><small>A lawyer in the Interior recently escaped a funds transfer fraud. The lawyer was representing a client in a civil litigation matter and had successfully reached a settlement. Shortly thereafter, she received an email appearing to originate from her client but was actually from the fraudster, requesting that the settlement funds be wired to a Citibank bank account. The payment instructions came from the client's email address, and the bank details provided matched the information previously used by the client, but the account details were different. Fortunately, the lawyer followed secondary verification protocols. She initiated a telephone confirmation and, due to her suspicions, also arranged an in-person meeting with the client. During that meeting, she hand-delivered a cheque to the client for the settlement funds and confirmed the fraud attempt. Luckily, she believed that only the client's email had been compromised. However, after thorough post-incident analysis, we concluded both her IT service provider and Citibank. A subsequent investigation revealed that her firm's IT system had in fact been breached and several other potential fraud attempts were stopped.</small></p> <p>August 6, 2025 Notice to Lawyers August 2025 E-Brief</p>
<p>9. Reminder: The bad cheque scam continues</p>	<p>August 2025 E-Brief</p>
<p>10. What can you do about funds transfer fraud?</p>	<p>August 2025 E-Brief</p>
<p>11. Attention Real Estate Lawyers: BCGEU job action causing delays in issuing property tax deferral loan payout statements</p>	<p>September 18, 2025 Notice to Lawyers September 2025 E-Brief</p>
<p>12. Attention criminal lawyers: Claims trending up</p>	 <p>October 23, 2025 Notice to Lawyers</p>
<p>13. Spoofed websites and phishing emails</p>	<p>November 2025 E-Brief</p>
<p>14. Indemnity fee unchanged, surcharge increases for first time in 40 years</p>	<p>November 2025 E-Brief</p>
<p>15. The buck stops with you: Avoid common</p>	 <p>December 3, 2025 Notice to Lawyers</p>
<p>16. Important Notice to Real Estate Lawyers: Updated title insurance agency agreements and client consent agreement</p>	<p>Important Notice to Real Estate Lawyers: Updated title insurance agency agreements and client consent agreement</p> <p><small>DECEMBER 11, 2025</small></p> <p><small>The Law Society provided a Notice to real estate lawyers on August 1, 2025 advising that effective October 1, 2025 title insurers are required to report to FIDREC. The notice contained important cautions for lawyers who were considering it along with the insurer's agent to provide a client's confidential information to the title insurer, and its entering into a written agreement with the title insurer to provide non-legal services – to verify a client's identity to minimize insurers' liability from FIDREC obligations.</small></p> <p>Updated agency agreement with enhanced protections for lawyers</p> <p><small>To address lawyer concerns regarding potential risks that may arise from entering into agency agreements with title insurers, we negotiated new agreements with three title insurers to provide BC lawyers with greater protections. Please ensure that you enter into a new agreement, as the earlier version may not fully align with your professional obligations. In addition, the new agreement now includes enhanced protections – a broader indemnity, a covenant not to sue, and limited disclosure obligations – to better safeguard your interests while ensuring compliance with your professional obligations.</small></p> <p>December 11, 2025 Notice to Lawyers</p>
<p>17. Stay alert: Holiday season is prime time for fraud</p>	<p>December 2025 E-Brief</p>