

2003 Membership:

Paul S. Diamond, Esq., *Board Chair**
Carl D. Buchholz, III, Esq., *Board Chair***
Derek C. Hathaway, *Board Vice Chair+*
Zygmunt R. Bialkowski, Jr., Esq.
Joseph H. Jacovini, Esq.
Beth Lang
Kelly Beaudin Stapleton, Esq.
Morris M. Shuster, Esq.++

- * Term expired 3-31-04
- ** Appointed chair effective 4-1-04
- + Appointed vice chair effective 4-1-04
- ++ Appointed 4-1-04

Staff:

Kathryn J. Peifer, Esq., *Executive Director*
Lisa A. Watkins, Esq., *Counsel*
Susan L. Erdman, *Administrative Assistant*

Legal Authorization:

Pa. Constitution, Article V, § 12
Pennsylvania Rules of Disciplinary Enforcement, §501 *et seq.*

About the Board

The Pennsylvania Lawyers Fund for Client Security was established by the Pennsylvania Supreme Court in 1982 as a means of helping clients recover some or all losses of money and/or property stolen from them by their attorneys. It is funded by a special annual assessment (\$45 for 2003-04) paid by any attorney admitted to practice law in Pennsylvania. Clients may receive up to \$75,000 for any claim.

The fund is supervised by the Pennsylvania Lawyers Fund for Client Security Board. This board includes five members of the bar of the Supreme Court and two non-lawyer public members. Each member's term is three years in length, and a member may serve a maximum of two consecutive terms.

Pennsylvania

Lawyers

Fund

for

Client

Security

4909 Louise Drive,
Suite 101
Mechanicsburg, PA 17055
(717) 691-7503
(800) 962-4618
fax (717) 691-9005
www.palawfund.com

2003 Claims Statistics

Statistics for the 2003-04 fiscal year can be found in Table 3.15.1. Chart 3.15.2 on page 87 is a breakdown of amounts claimed by category. Chart 3.15.3 on page 88 gives comparisons of claims awarded versus claims rejected, both in terms of numbers and dollar amounts. Chart 3.15.4 on page 89 is a comparison of claims awarded, rejected and discontinued, both cumulatively and in 2003-04.

<u>Claims</u>	<u>No.</u>	<u>Amount</u>
Received	259*	\$4,920,304
*16 in excess of \$75,000 limit		
Awarded	173	1,484,314
Rejected	60	1,155,017
Discontinued	11	113,130
Total	244	\$2,752,461
Pending	234	\$5,090,557

Table 3.15.1

Claims Categories

Fiduciary funds - Theft of estate funds and trust/escrow funds consistently tops the list of claims filed against attorneys. Combined, these two types of theft during FY 2003-04 cost the fund \$1,117,508, 75.29% of its total award dollars, settling 36 claims. Of this amount \$218,118 went to eight former clients of one attorney.

Lawsuit Settlement Proceeds - Claims of misappropriation of settlement proceeds often occur when an attorney settles a lawsuit without the knowledge or consent of the client. The attorney receives the funds and fails to remit them to the client. Also included in this category are claims involving attorneys who withhold funds from settlement proceeds to pay clients' medical providers and fail to make the payment/s. Payments of \$118,117 to 13 claimants fitting this category were made in 2003-04, 7.96% of the total dollars awarded. Of this, \$56,200 were paid to five former clients of one attorney.

Non-performance* - The acceptance of unearned fees or retainers represented the third highest payment category in 2003-04 with awards to 120 claimants totaling \$149,466, 10.07% of the total dollars awarded. Of this amount, 80 former clients of one attorney received \$89,322.

*Since the fund does not arbitrate fee disputes, for an award to be considered when the attorney performed any services of value, the

claimant typically must first file a complaint with the local bar association's fee dispute committee. If the committee determines that all or a portion of the fees or retainer paid were not earned, and the attorney does not return the fee, the board will consider this type of claim and categorize the award as non-performance by the attorney.

Notwithstanding the award amounts reported, it should be noted that claims are filed against fewer than one percent of all Pennsylvania licensed attorneys.

2003 Activities

During the year the board met in Mechanicsburg, Pittsburgh and Philadelphia.

Restitution and Subrogation Efforts

The fund received \$1,114,399 in restitution payments during FY 2003-04.

Mandatory Overdraft Notification

Pennsylvania Rule of Disciplinary Enforcement 221 requires financial institutions to report to the fund all checks drawn on attorney fiduciary accounts which contain insufficient funds. In 2003-04 the fund received 320 overdraft notices, 280 of which were reviewed

and dismissed and 40 of which were referred to the Office of Disciplinary Counsel. No notices remained pending at the end of the fiscal year.

County Bench, Bar Meetings

The board has been holding meetings and dinners with leaders of the county benches and bars in conjunction with the board's quarterly business meetings since 1989. These meetings keep the county bench and bar leaders informed about the fund's activities, both statewide and regionally, and request the assistance of the bench and bar in carrying out the fund's mission. In 2003 and 2004 the fund met with Allegheny, Cumberland and Philadelphia Counties.

Lawyers Concerned for Lawyers

With prior approval of the Supreme Court, the Pennsylvania Lawyers Fund for Client Security may provide funding to nonprofit organizations that assist Pennsylvania lawyers and judges who are impaired by alcohol or drugs. In accordance with this rule, during FY 2003-04 \$240,000 of funding was given to the organization known as Lawyers Concerned for Lawyers. Such assistance complements the fund's mission to ameliorate losses resulting from attorney dishonesty as oftentimes when an attorney converts client funds, the conduct is related to substance abuse. The financial support for Lawyers Concerned for Lawyers helps to mitigate the losses by providing a resource for impaired attorneys. AOPC

Categories of Claims

Amounts Awarded
2003-04

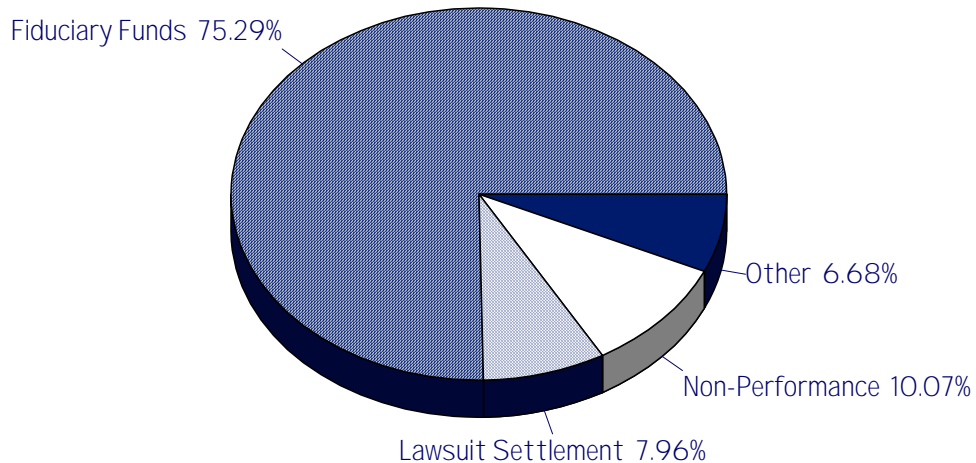
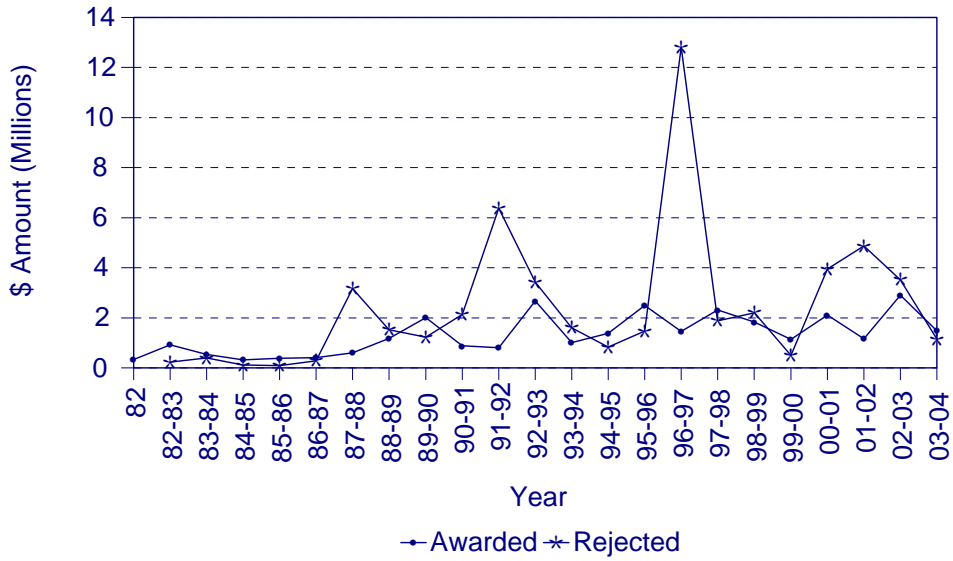


Table 3.15.2

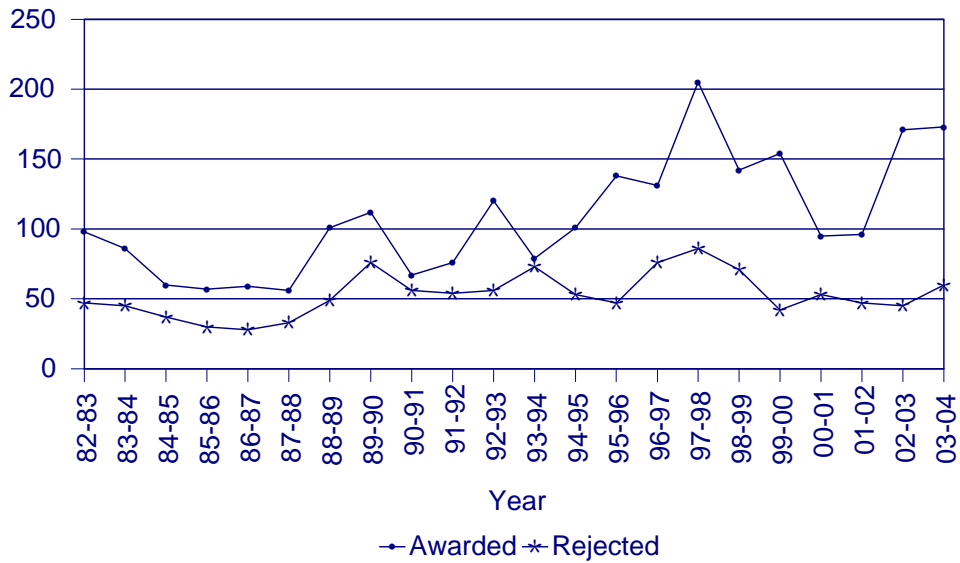
Claim Awards v. Rejections

1982-2004



Claims Awarded v. Rejections

1982-2004

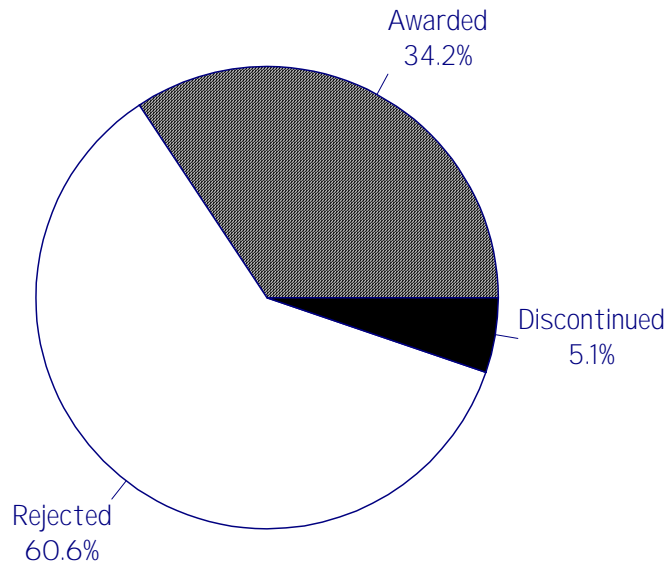


Effective 7-1-00, the maximum reimbursable amount was raised from \$50,000 to \$75,000.

Table 3.15.3

Comparison of Claim Dispositions

Cumulative



2004

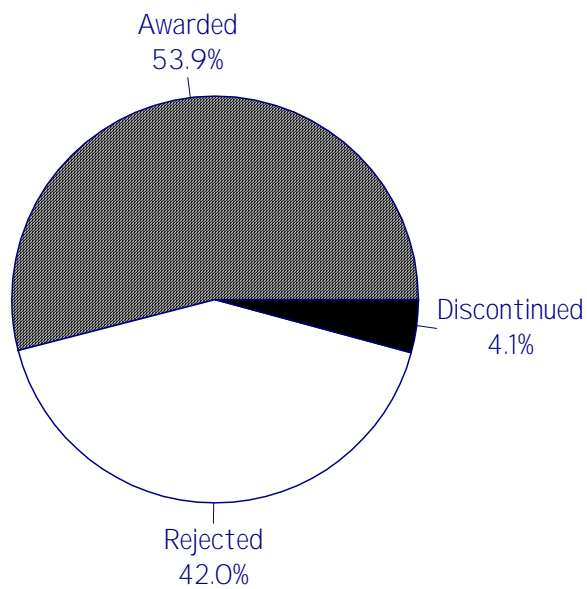


Table 3.15.4