

# **AGENDA ITEM**

## **III.D. JULY 2017**

**DATE:** July 13, 2017

**TO:** Members, Regulation and Discipline Committee  
Members, Board of Trustees

**FROM:** Dag MacLeod, Director, Office of Research & Institutional Accountability  
Lori Meloch, Director, Client Security Fund

**SUBJECT:** Monthly RAD Report - Client Security Fund Discussion

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### **EXECUTIVE SUMMARY**

The work plan for the Committee on Regulation and Discipline (RAD) for 2017 includes revising and standardizing reports that RAD members receive from various entities that make up the discipline system. This agenda item provides an overview of data on the Client Security Fund (CSF) with the goal of engaging members of RAD in a discussion about a) the utility of different measures of CSF, and b) the best format for presenting these measures to RAD.

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### **BACKGROUND**

Data on the Client Security Fund (CSF) are reported to RAD every month. A different set of data on the CSF is presented periodically to the Planning & Budget Committee. RAD staff presented a preliminary repackaging of the data historically presented to RAD at the May 2017 RAD meeting. That presentation, however, did not take into account any of the data that are presented to the Planning & Budget Committee.

The importance of reviewing and finalizing new metrics for the discipline system goes beyond the fact that this issue is on the work plan for RAD. One of the key recommendations from that report was that:

The State Bar should, by December 2017, identify key goals and metrics to measure how well its attorney discipline system is meeting the State Bar's core mission to protect the public from attorney misconduct.

This agenda item is intended to give members of RAD sufficient background on the CSF and an overview of data that are available on the Fund so that RAD may guide the work of staff in revising and refining the measures used to evaluate the status of the Fund and the work of the program.

## **DISCUSSION**

Reports from the CSF presented to RAD have historically focused primarily on indicators of program activity with some additional, high-level information on the status of the fund. Pages 1 through 4 of the appendix to this agenda item show the measures that have been presented to RAD. Reports from the CSF presented to the Committee on Planning & Budget focus greater attention – and considerably more detail – on financial indicators of the Fund. Pages 5 through 7 of the appendix show measures that have been presented to Planning & Budget.

Staff from the CSF and the Office of Research & Institutional Accountability (ORIA) have reviewed the measures and will present their findings and an effort to synthesize the data to make them more useful for RAD and Planning & Budget in fulfilling their oversight responsibilities. Any decisions or suggestions made by RAD regarding the presentation of the CSF data should be referred to Planning & Budget for separate review.

## **FISCAL/PERSONNEL IMPACT**

Negligible

## **BOARD GOALS & OBJECTIVES**

Goal 2: Ensure a timely, fair, and appropriately resourced admissions, discipline, and regulatory system for the more than 250,000 lawyers licensed in California

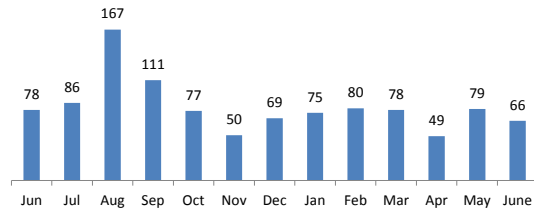
Operational Objective c: Develop and implement transparent and accurate reporting and tracking of the health and efficacy of the discipline system, to include: (a) completion of a workload study for the Office of Chief Trial Counsel, and the State Bar Court; (b) identification of staffing and resource needs based on the results of that study; and (c) development of new metrics for measuring the effectiveness of the discipline system including any needed revisions to the statutory backlog metric.

## **ATTACHMENT(S) LIST**

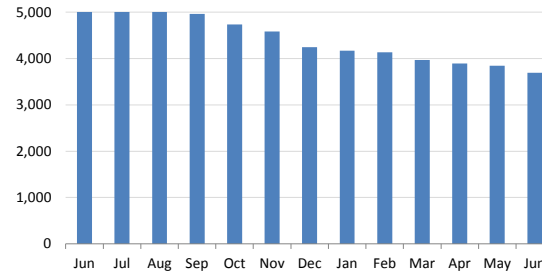
**A.** Measures of the CSF Reported to RAD and P&B

## Appendix A

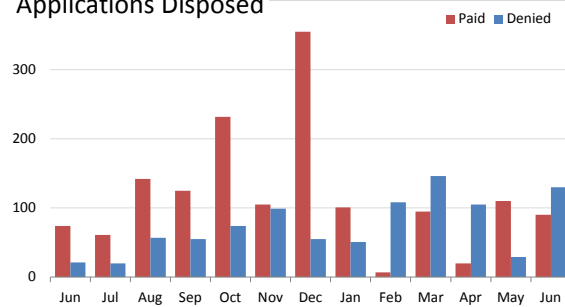
### New Applications Received



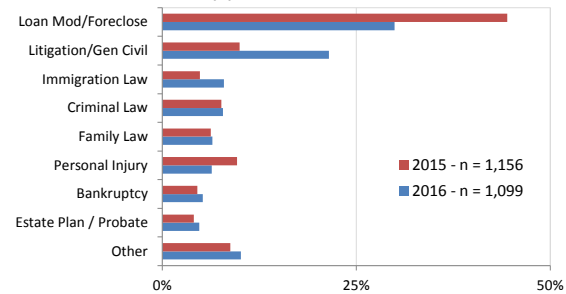
### Inventory



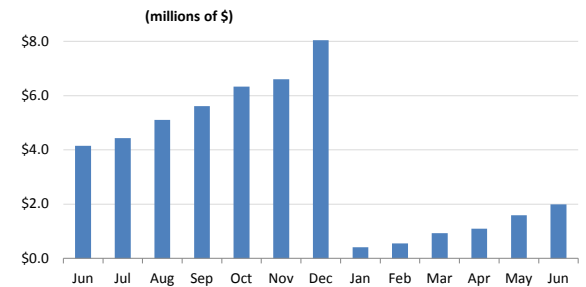
### Applications Disposed



### Area of Law for Applications



### Cumulative Payments (year to date)



	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
New Applications received	78	87	168	112	78	50	70	78	82	78	49	79	66
Applications paid	74	61	142	125	232	105	355	101	7	95	20	110	90
Applications denied/terminated	21	20	57	55	74	99	55	51	108	146	105	29	130
Inventory	5,060	5,065	5,033	4,964	4,737	4,583	4,243	4,168	4,135	3,972	3,896	3,845	3,692
Payments (millions)	\$0.609	\$0.290	\$0.662	\$0.513	\$0.716	\$0.279	\$1.439	\$0.406	\$0.142	\$0.385	\$0.162	\$0.496	\$0.400
Average Payment	\$8,227	\$4,758	\$4,662	\$4,102	\$3,084	\$2,654	\$4,054	\$4,015	\$20,316	\$4,052	\$8,093	\$4,466	\$4,448
Cumulative Payment (Year-to-Date) (millions)	\$4.15	\$4.44	\$5.10	\$5.61	\$6.33	\$6.61	\$8.05	\$0.41	\$0.55	\$0.93	\$1.09	\$1.59	\$1.99
Number of CSF Staff	8	8	8	8	8	8	8	8	8	8	7	7	7

## PRELIMINARY REPORT

Data covering period from June 1, 2017 to June 30, 2017

### Client Security Fund

*The Client Security Fund is designed as a remedy for legal consumers, in addition to, but separate from discipline. Financed by an annual membership assessment, the Client Security Fund reimburses victims up to \$100,000 for losses due to attorney theft or an act equivalent to theft.*

<b>Category</b>	<b>Current Month</b>	<b>YTD</b>
Number of applications received	67*	441*
Number of applications paid	90	423
Amount paid	\$400,335	\$1,990,615
Average Amount Paid	\$4,448	\$4,706
Number of applications denied/terminated	130	569
Number of applications outstanding	3,692	3,692
Number of Staff	7	7
Number of Vacancies	0	0

### 5-Year CSF Summary of Applications Paid

<b>Year</b>	<b>No. of Applications Paid</b>	<b>Applications Paid in Dollars</b>
2013	<b>1,999</b>	<b>\$11,054,352</b>
2014	<b>1,152</b>	<b>\$9,031,386</b>
2015	<b>821</b>	<b>\$6,012,453</b>
2016	<b>1,793</b>	<b>\$8,037,525</b>
2017	<b>423</b>	<b>\$1,990,615</b>

\* 1 re-opened applications for the current month and a total of 14 YTD

**CLIENT SECURITY FUND  
NEW APPLICATIONS BY AREA OF LAW**

**JUNE 2017**

<b>AREA OF PRACTICE</b>	<b>NO. OF APPLICATIONS</b>	<b>NO. OF NEW RESPONDENTS</b>
ADA Law / Disability Access Claims		
Administrative / Government		
Arbitrators / Mediators		
Bankruptcy Law	1	1
Class Action	2	
Personal Conduct (not in specific area)		
Criminal Law	8	
Debtor / Creditor	1	1
Escrow Holder		
Estate Planning / Probate	2	3
Family Law	4	1
Healthcare Enrollment		
Immigration Law	7	1
Intellectual Property	1	
Landlord / Tenant Law	1	
Litigation / General Civil Claims	5	
Loan Modification / Foreclosure	23	2
Other	2	1
Personal Injury	5	5
Tax Law	3	1
Transactional Law	1	1
Worker's Compensation Law	0	
<b>TOTAL:</b>	<b>66</b>	<b>17</b>

**CLIENT SECURITY FUND**  
**2017 NEW APPLICATIONS BY AREA OF LAW BY MONTH**

PRACTICE AREA	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	TOTAL	% TO TOTAL
ADA Law / Disability													0	0.0%
Admin / Govt			1										1	0.2%
Arbitrator / Mediator													0	0.0%
Bankruptcy	2	5	2	1		1							11	2.6%
Class Action						2							2	0.5%
Personal Conduct			1										1	0.2%
Criminal Law	5	4	9	5	10	8							41	9.6%
Debtor / Creditor		1	1		2	1							5	1.2%
Escrow Holder		1		1	1								3	0.7%
Estate Plan / Probate	15	7	2	1	4	2							31	7.3%
Family Law	3	7	11	4	2	4							31	7.3%
Healthcare Enroll.													0	0.0%
Immigration Law	4	6	8	3	4	7							32	7.5%
Intellectual Property				1		1							2	0.5%
Landlord / Tenant	1				1	1							3	0.7%
Litigation / Gen. Civil	14	12	12	8	15	5							66	15.5%
Loan Mod / Foreclose	28	23	18	17	26	23							135	31.6%
Other		2			1	2							5	1.2%
Personal Injury	2	8	9	1	12	5							37	8.7%
Tax		3	1			3							7	1.6%
Transactional	1	1	3	7		1							13	3.0%
Worker's Comp					1								1	0.2%
<b>TOTAL:</b>	<b>75</b>	<b>80</b>	<b>78</b>	<b>49</b>	<b>79</b>	<b>66</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>427</b>	<b>100%</b>

# Appendix A

## THE STATE BAR OF CALIFORNIA CLIENT SECURITY FUND CUMULATIVE APPLICATIONS AGING REPORT

As of May 2017

(Cumulative)

YEAR TO DATE

Year Application Filed	Gross Applications Prior Years		Current Year		Applications Paid		Applications Rejected or Withdrawn		Total Applications Processed		Applications Outstanding	
	#	AMOUNT	#	AMOUNT	#	AMOUNT	#	AMOUNT	#	AMOUNT	#	AMOUNT
2007-2008	1	1,605.00			0	-	0	0.00	0	0.00	1	1,605.00
2007-2009	109	333,540.00			(7)	(19,845.00)	(92)	(280,610.00)	(99)	(300,455.00)	10	33,085.00
2007-2010	407	1,552,844.78			(53)	(132,693.50)	(280)	(1,135,238.87)	(333)	(1,267,932.37)	74	284,912.41
2007-2011	615	2,729,452.71			(84)	(242,115.50)	(302)	(1,303,982.87)	(386)	(1,546,098.37)	229	1,183,354.34
2007-2012	1,083	5,849,469.75			(228)	(884,266.47)	(353)	(1,751,912.82)	(581)	(2,636,179.29)	502	3,213,290.46
2007-2013	1,424	10,472,621.03			(286)	(1,247,808.14)	(375)	(2,137,229.34)	(661)	(3,385,037.48)	763	7,087,583.55
2007-2014	2,355	23,099,466.91			(319)	(1,463,247.86)	(391)	(2,301,966.69)	(710)	(3,765,214.55)	1,645	19,334,252.36
2007-2015	3,265	36,027,165.88			(320)	(1,488,247.86)	(396)	(2,421,476.52)	(716)	(3,909,724.38)	2,549	32,117,441.50
2007-2016	4,253	50,930,955.06			(331)	(1,564,574.69)	(420)	(2,748,183.52)	(751)	(4,312,758.21)	3,502	46,618,196.85
2007-2017			<b>374</b>	<b>\$7,207,153.37</b>	(333)	(1,590,279.69)	(438)	(3,294,801.98)	(771)	(4,885,081.67)	3,856	53,253,026.76
			<b>374</b>	<b>\$7,207,153.37</b>	<b>(331)</b>	<b>(1,590,279.69)</b>	<b>(420)</b>	<b>(3,294,801.98)</b>	<b>(751)</b>	<b>(4,885,081.67)</b>	<b>3,856</b>	<b>53,253,026.76</b>

As of 5/31/2017 8,303,396

\*The number of rejected applications only reflects those applications that were 100% rejected or withdrawn.

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As of 5/31/2017 8,303,396

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# Appendix A

## THE STATE BAR OF CALIFORNIA CLIENT SECURITY FUND

### 24 MONTH ROLLING AVERAGE OF APPLICATIONS PAID RATIO

Period of: June 15 through May17

PAID APPLICATIONS					REJECTED / WITHDRAWN APPLICATIONS				PROCESSED	
Month Covered	Amount	Mo. Ave. Payout Ratio	24 Mo. Rolling Average	Cumulative Paid Total	Amount	Cum. Rej./ Withdrawn Total	% To Total	Amount	Cumulative Total Amount	Total Percentage
Jun15	439,778	35.28%		36,577,320	806,642	53,203,166	64.72%	1,246,420	89,780,487	100.00%
Jul15	136,556	44.92%		36,713,876	167,453	53,370,620	55.08%	304,009	90,084,496	100.00%
Aug15	603,625	30.26%		37,317,501	1,391,476	54,762,096	69.74%	1,995,101	92,079,597	100.00%
Sept 15	1,507,143	71.86%		38,824,644	590,210	55,352,306	28.14%	2,097,353	94,176,950	100.00%
Oct 15	485,367	53.03%		39,310,011	429,944	55,782,251	46.97%	915,311	95,092,262	100.00%
Nov15	1,138,956	83.32%		40,448,967	228,042	56,010,292	16.68%	1,366,998	96,459,260	100.00%
Dec 15	339,721	19.68%		40,788,688	1,386,523	57,396,816	80.32%	1,726,244	98,185,504	100.00%
Jan 16	585,226	49.06%		41,373,914	607,752	58,004,568	50.94%	1,192,979	99,378,482	100.00%
Feb16	886,832	67.24%		42,260,746	432,125	58,436,693	32.76%	1,318,957	100,697,439	100.00%
Mar16	828,661	56.07%		43,089,407	649,255	59,085,948	43.93%	1,477,916	102,175,355	100.00%
Apr16	710,863	28.12%		43,800,271	1,816,690	60,902,638	71.88%	2,527,553	104,702,908	100.00%
May16	529,062	60.57%		44,329,332	344,346	61,246,984	39.43%	873,408	105,576,316	100.00%
Jun16	608,802	49.98%		44,938,134	609,260	61,856,243	50.02%	1,218,061	106,794,377	100.00%
Jul16	290,255	47.71%		45,228,389	318,127	62,174,370	52.29%	608,382	107,402,759	100.00%
Aug16	659,281	57.19%		45,887,670	493,532	62,667,902	42.81%	1,152,812	108,555,572	100.00%
Sept16	512,805	45.75%		46,400,474	608,055	63,275,957	54.25%	1,120,860	109,676,431	100.00%
Oct16	710,552	53.13%		47,111,026	626,746	63,902,702	46.87%	1,337,297	111,013,729	100.00%
Nov16	278,690	26.44%		47,389,716	775,523	64,678,226	73.56%	1,054,213	112,067,942	100.00%
Dec16	1,438,997	67.20%		48,828,713	702,246	65,380,472	32.80%	2,141,244	114,209,185	100.00%
Jan17	405,553	45.15%		49,234,266	492,720	65,873,192	54.85%	898,272	115,107,458	100.00%
Feb17	142,213	23.90%		49,376,479	452,886	66,326,078	76.10%	595,099	115,702,557	100.00%
Mar17	384,925	23.98%		49,761,404	1,219,948	67,546,026	76.02%	1,604,873	117,307,430	100.00%
Apr17	161,862	19.52%		49,923,265	667,375	68,213,400	80.48%	829,236	118,136,666	100.00%
May17	495,727	51.74%		50,418,993	462,373	68,675,773	48.26%	958,100	119,094,766	100.00%
	14,281,450		46.73%		16,279,249			30,560,700		