



Lawyers' Fund for Client Protection of the Hawai'i Supreme Court

2020 Annual Report

History & Purpose:

The Hawai'i Lawyers' Fund (formerly known as the Client Security Fund) was established in 1981 as a trust by the Supreme Court of Hawai'i. The Hawai'i Lawyers' Fund provides a remedy for clients of attorneys who have suffered financial losses as a result of the dishonest conduct of their attorney.

The Hawai'i Lawyers' Fund is financed entirely by assessments from attorneys in private practice. No taxpayer dollars are involved. Our legal profession is one of the few professions that take on the challenge and responsibility of making victims of dishonest conduct whole. The Fund exists because of the good lawyers who practice law in our state.

The overwhelming majority of the members of Hawai'i's legal profession are honest, hardworking professionals who do their best for their clients. However, despite the profession's best efforts to establish and maintain high ethical standards, there are a few dishonest lawyers who take advantage of their clients. And unfortunately, these lawyers usually do not have the financial wherewithal to make restitution to their victims. This is the gap that the Hawai'i Lawyers' Fund attempts to address.

The Hawai'i Lawyers' Fund considers all claims resulting from the dishonest conduct of a member of the Hawai'i State Bar, provided that:

- The dishonest conduct occurred while the attorney was a licensed member of the Bar of Hawai'i;
- The claim originates from the attorney providing legal services in the state of Hawai'i;
- The Claimant engaged the attorney in the state of Hawai'i;
- The claim stems from an attorney-client relationship or a fiduciary relationship such as when an attorney acts as an administrator, executor, or trustee of a trust or estate; and
- The attorney has either:
 - ✓ Died
 - ✓ Become bankrupt
 - ✓ Been declared incompetent or incapacitated
 - ✓ Has been disbarred or suspended from the practice of law
 - ✓ Voluntarily resigned from the practice of law
 - ✓ Has become a judgment debtor of the claimant because of his or her dishonest conduct
 - ✓ Has been judged guilty of a crime based on his or her dishonest conduct
 - ✓ Left the state of Hawai'i and cannot be found.



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There are several types of conduct under which the Hawai'i Lawyers' Fund does not reimburse. They are:

- We do not reimburse claims occurring outside of an attorney-client relationship nor outside of a lawyer's fiduciary role.
- The loss must be the result of a lawyer's dishonest conduct.
- The Fund does not reimburse for losses due to negligence nor malpractice.

The lawyer's failure to refund unearned legal fees account for the majority of reimbursement applications.

Claims Experience:

	2020	2019	2018	2017	2016	2015
# Claims Opened during year	38	16	6	15	7	8
# Claims Disposed of during year	12	8	13	4	7	8
# Claims Pending at Year End	57	31	23	30	19	19
\$ Claims Pending at Year End	\$2,286,205	\$1,516,783	\$181,574	\$293,794	\$438,351	\$401,090
# Claims Approved and Reimbursed	3	4	6	0	2	2
\$ Claims Approved and Reimbursed	\$15,544	\$20,877	\$21,050	\$0	\$200,000	\$33,980
# Claims Dismissed – Fee Disputes	0	3	3	2	5	5
# Claims Dismissed – Lack of Cooperation from Claimant	0	0	0	0	0	1
# Claims Dismissed – Restitution by Atty or Other	1	1	4	1	0	1

Claims Approved in 2020:

Attorney	Type	Number of Claims	Amount
Volquardsen, Lisa M.	Unearned Retainer	2	\$1,450
Taylor, Jeffrey	Unearned Retainer	1	\$14,094.44



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2020 Considerations:

Although the specific cause is indeterminable at this time, during this COVID-19 pandemic year, the Fund saw a doubling of the number of claims opened compared to 2019 (i.e., 38 vs. 16). With the ramp-up of a new Fund Administrator from 2018 and the hiring of a Fund Counsel in June 2020, the Fund was able to dispose of 1.5 times more cases (i.e., 12 vs. 8). That said, the uptick in claims resulted in a growing backlog of pending claims. The monetary value of claims pending has likewise increased by 1.5 times (i.e., \$2.28 million vs. \$1.5 million).

The Fund continues to keep a watchful eye on claims considering the \$100,000 per claim and \$300,000 per attorney caps, as well as the Fund’s financial balance (approximately \$601,000 as of December 2020). The Fund could potentially be exhausted by a few attorneys with multiple claims. To ensure the continuity of the Fund, the Trustees anticipate increases in assessments may become necessary when and if the fund balance falls below \$300,000.

Over the last few years, the Fund experienced a significant increase in the number of claims involving attorneys who were transferred to Inactive Status – Medical, as the respondent attorneys were considered to be incapable of defending themselves because of underlying health issues. The Fund continues to monitor the aging demographic of the Hawai’i State bar. We expect incapacity issues related to aging to continue into the foreseeable future.

Age Range	2020	2019	2018	2017
70+	13.3%	12.5%	11.2%	9.9%
60 – 69	25.5%	25.4%	26.1%	26.2%
Aggregate of 60 – 70+	38.8%	37.9%	37.3%	36.1%

Note: Calculations above based on statistics from:

[https://hsba.org/images/hsba/Misc/2020 Bar Statistics and Summaries FINAL.pdf](https://hsba.org/images/hsba/Misc/2020_Bar_Statistics_and_Summaries_FINAL.pdf)