Alberta Lawyers Indemnity Association

Financial Statements

June 30, 2026

Independent auditor's report

To the Directors of Alberta Lawyers Indemnity Association

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Alberta Lawyers Indemnity Association (the Association) as at June 30, 2026 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-profit Organizations.

What we have audited

The Association's financial statements comprise:

- the statement of financial position as at June 30, 2026;
- the statement of revenue, expenses and unrestricted net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers LLP
Richardson Building, 1 Lombard Place, Suite 2300
Winnipeg, Manitoba, Canada R3B 0X6
T.: +1 204 926 2400, F.: +1 204 944 1020
Fax to mail: ca_winnipeg_main_fax@pwc.com

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Independence

We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Accounting Standards for Not-for-profit Organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants
Winnipeg, Manitoba
October 6, 2026

Alberta Lawyers Indemnity Association

Statement of financial position

As at June 30, 2026

	June 30, 2026 $	June 30, 2025 $
Assets		
Cash and cash equivalents (note 2)	16,745,249	22,729,873
Investments (note 3, 8)	263,461,308	236,639,516
Accounts receivable (note 4)	6,931,872	7,148,588
Prepaid expenses	2,122,630	14,291
Total Assets	289,261,059	266,532,268
Liabilities and Net Assets		
Accounts payable and accrued liabilities	531,016	1,066,192
Due to related parties (note 7)	2,014	7,805
Prepaid premiums	25,372,800	26,853,763
Provision for claims and related costs – Professional liability (note 6)	156,375,000	160,464,000
Provision for claims and related costs – Misappropriation indemnity (note 6)	1,517,000	1,636,000
Total liabilities	183,797,830	190,027,760
Net Assets		
Unrestricted	105,463,209	76,504,488
Share capital	20	20
Total Net Assets	105,463,229	76,504,508
Total Liabilities and Net Assets	289,261,059	266,532,268

Approved by the Board of the Association

Darlene Scott, KC
Board Chair

Melanie Litoski
Chair of the Audit and Risk Committee

The accompanying notes are an integral part of the financial statements.

Alberta Lawyers Indemnity Association

Statement of Revenue, Expenses and Unrestricted Net Assets

For the year ended June 30, 2026

	July 1, 2025 to June 30, 2026 $	July 1, 2024 to June 30, 2025 $
Revenue		
Premium - Professional liability	24,361,386	23,754,753
Premium – Misappropriation indemnity	1,509,428	1,499,484
Premium – Universal cyber coverage	2,149,481	2,090,430
Civil Litigation Filing Levy (note 13)	2,711,925	2,574,750
Investment income	10,036,045	23,799,116
Unrealized gain (loss) on the fair market value of investments	11,087,643	(7,149,344)
	51,855,908	46,569,189
Expenses		
Provision for claims and related costs – Professional liability (note 6)	9,509,683	24,867,957
Provision for claims and related costs – Misappropriation indemnity (note 6)	11,412	(608,392)
Insurance – Professional liability	1,234,320	1,291,003
Insurance – Misappropriation indemnity	70,950	446,360
Insurance – Universal cyber coverage	1,879,696	1,988,825
Salaries and employee benefits	4,609,453	4,565,246
Management fee (note 7)	3,617,998	3,440,676
Investment fees	1,172,507	853,282
Professional fees	323,914	385,605
Administration	267,166	354,926
Board expenses	130,326	182,709
Banking fees	69,762	119,442
	22,897,187	37,887,639
Excess of revenue over expenses for the year	28,958,721	8,681,550
Total net assets – beginning of year	76,504,508	67,822,958
Total net assets – end of year	105,463,229	76,504,508

The accompanying notes are an integral part of the financial statements.

Alberta Lawyers Indemnity Association

Statement of Cash Flows

For the year ended June 30, 2026

	July 1, 2025 to June 30, 2026 $	July 1, 2024 to June 30, 2025 $
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	28,958,721	8,681,550
Items not affecting cash		
Gain on sale of investments	1,695,097	(15,867,023)
Unrealized (gain) loss on fair market value of investments	(11,087,643)	7,149,344
Provision for claims and related costs – Professional liability (note 6)	9,509,683	24,867,957
Provision for claims and related costs – Misappropriation indemnity (note 6)	11,412	(608,392)
	29,087,270	24,223,436
Changes in non-cash working capital items	(3,913,555)	926,560
Claims and related costs paid Professional liability – net of recoveries (note 6)	(13,598,683)	(15,242,957)
Claims and related costs paid Misappropriation indemnity– net of recoveries (note 6)	(130,411)	(277,608)
	11,444,621	9,629,431
Investing activities		
Sale of investments	228,816,879	107,428,116
Purchase of investments	(246,246,124)	(115,266,766)
	(17,429,245)	(7,838,650)
Increase (decrease) in cash and cash equivalents	(5,984,624)	1,790,781
Cash and cash equivalents – beginning of year	22,729,873	20,939,092
Cash and cash equivalents – end of year	16,745,249	22,729,873
Cash and cash equivalents include:		
Cash	15,553,018	18,955,985
Treasury bills and bond cash	1,192,231	3,773,888
	16,745,249	22,729,873
Interest received	3,296,390	5,213,451

1 Nature of operations

Alberta Lawyers Indemnity Association is a wholly owned subsidiary of the Law Society of Alberta (the Law Society). Pursuant to section 99(1) of the *Legal Profession Act of Alberta*, the Association administers a program under which active members of the Law Society in private practice (indemnified lawyers) are required to purchase coverage under the Alberta Lawyers' Professional Liability and Misappropriation Indemnity Group Policy (the Policy).

The Association is incorporated in Alberta and is an entity domiciled in Canada and the address of its registered office is Suite 700, 333 11th Avenue, SW, Calgary, Alberta, T2R 1L9.

The financial statements were authorized for issue by the Board of the Association on October 5, 2026.

Professional Liability Indemnity

Under the Professional Liability section (or Part A) of the Policy, indemnified lawyers have coverage for claims and potential claims arising from negligent acts, errors or omissions for $1,000,000 per occurrence, with an annual aggregate limit of $2,000,000 per indemnified lawyer.

Prior to July 1, 2014, the Association contracted with the Canadian Lawyers Insurance Association (CLIA) for group Professional Liability coverage subject to a group deductible of $500,000 for each claim. The Association was subject to premiums and other assessments that arose from the agreement with CLIA. The Association withdrew from CLIA effective June 30, 2014. In its place, the Alberta Lawyers Insurance Exchange (the Exchange) was created effective July 1, 2014. The Exchange was a reciprocal insurance exchange through which the Law Society, the Association, and the members of the Law Society, entered into agreements of mutual indemnification. The Exchange provided the Association with group coverage subject to a deductible of $500,000 for each claim until June 30, 2019. As at July 1, 2019, the Association assumed coverage for claims under this policy up to the $1,000,000 per occurrence limit.

Since the 2021-2022 policy years (for the period July 1 to June 30 annually), the Association obtained stop-loss insurance in the amount of $10,000,000 to cover annual aggregate payments over $27,000,000 to a maximum of $37,000,000.

Misappropriation Indemnity

Effective July 1, 2014, the Misappropriation Indemnity section (or Part B) of the Policy provides defined coverage for misappropriation of money or other property entrusted to and received by indemnified lawyers in their capacity as barristers and solicitors and in relation to the provision of professional services. For the 2019 and 2020 policy years, there is a $5,000,000 per misappropriation limit and a $25,000,000 profession-wide annual aggregate limit. This coverage is subject to a $3,000,000 group deductible. Until July 1, 2019, the Association paid the first $500,000 of a misappropriation claim and the Exchange paid the next $2,500,000.

Since the 2021-2022 policy years, the Association purchased excess insurance in the amount of $22,000,000 to cover aggregate payments over $3,000,000, up to the profession-wide annual aggregate limit of $25,000,000.

Claims for trust misappropriation arising before July 1, 2014, were covered under the provisions of the Law Society's Assurance Fund.

Cyber Coverage

Effective December 31, 2022, the Association implemented universal cyber coverage for indemnified lawyers under a cyber insurance policy provided by a global insurer and administered by the Association. The aggregate policy limit of liability for each law firm is $350,000 (2025 - $350,000). This includes coverage of $250,000 per claim and aggregate limit per law firm. It also includes first party coverage of $250,000 (2025 - $250,000) per claim and aggregate limit for each law firm for breach costs and cyber extortion.

2 Summary of significant accounting policies

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to the periods presented.

a) Basis of preparation

These financial statements are prepared in accordance with Canadian Accounting Standards for not for profit organizations (ASNPO) as issued by the Canadian Accounting Standards Board.

The statement of financial position is presented on a non-classified basis. Assets expected to be realized and liabilities expected to be settled within the Association's normal operating cycle of one year would typically be considered as current, including the following balances: cash and cash equivalents, treasury bills included in investments, prepaid expenses, accrued interest receivable, accounts receivable, due to and due from related parties, accounts payable and accrued liabilities, and unearned premiums.

The following balances are generally comprised of current and non-current amounts: bonds and equity investments included in investments, and the provision for claims and related costs. The current and non-current portions of such balances are disclosed, where applicable, throughout the notes to the financial statements. Some comparative figures from the prior year have changed.

b) Use of estimates and judgment

The preparation of the financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amount of assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

Information about judgments, estimates and assumptions that have the most significant effect on the amounts reflected in the financial statements is included in note 6 – Provision for claims and related costs.

c) Functional and presentation currency

The financial statements are presented in Canadian dollars, which is also the Association's functional currency.

d) Financial instruments

The Association initially measures financial assets and financial liabilities at cost. It subsequently measures its investments at fair value. The financial assets subsequently measured at amortized cost include cash and cash equivalents, accounts receivable and accrued interest receivable. The financial liabilities subsequently recorded at amortized cost include accounts payable and accrued liabilities.

The Association's investments consist of T-bills, pooled bond funds, pooled equity funds, real estate core funds, and global infrastructure funds. The investments in equity securities which are traded on active markets are recorded at fair value. The Association has elected to record investments at fair value. Changes in fair value of the investments are recorded on the statement of revenue, expenses and unrestricted net assets.

Financial assets are tested for impairment at the end of each reporting period and when there are indications that the assets may be impaired.

e) Revenue recognition

The Association follows the deferral method for revenue recognition. Amounts received or receivable from indemnified lawyers that pertain to the period subsequent to fiscal year end are recorded as unearned premiums and recorded as revenue in the next fiscal year.

f) Premium income

Premiums are determined annually prior to July 1st, the commencement of the policy year, and amounts are due from indemnified lawyers prior to that date. Premium revenue is recorded evenly throughout the policy year as the services are rendered.

g) Investment income

Investment income comprises interest, dividends, fund distributions, and gains and losses realized on the disposal of investments. Interest and dividends earned on investments are included as revenue on an accrual basis. The change in fair value of investments is recorded in the statement of revenue, expenses and unrestricted net assets as an unrealized gain (loss) on the fair market value of investments.

h) Provision for claims and related costs

The provision for claims and related costs is based upon the change from year to year in the reserve for claims and related costs. The reserve amount is the actuarially determined discounted cost of possible claims and related costs as at the end of the fiscal year.

The Association has engaged a third-party actuary to provide an annual valuation of the reserve for claims and related costs in accordance with the standards of practice adopted by the Canadian Institute of Actuaries. For the purpose of the actuarial valuation, the actuary uses information contained in the Association's financial records.

i) Insurance

The Association enters into insurance contracts with coverage in excess of certain maximum amounts. Estimates of any amounts recoverable from insurers on unpaid claims will be recorded separately from other estimated amounts payable. Amounts recoverable from insurers are estimated in a manner consistent with the liabilities associated with the insurance policy.

Insurance arrangements do not relieve the Association from its obligations to policyholders.

Insurance assets and liabilities are derecognized when the contractual rights are extinguished or expire, or when the contract is transferred to another party.

As of June 30, 2026, no insurance assets have been recorded.

j) Recoveries

Recoveries for claims and related costs from insurers and other third parties are recorded when they can be reasonably estimated, and collectability is reasonably assured. Otherwise, the recovery is recorded when received.

k) Cash and cash equivalents

Cash includes cash on deposit with banks and other highly liquid short-term investments comprised of treasury bills and corporate bonds with an original term to maturity of three months or less.

l) Donated services

A portion of the Association's work is dependent on the services of volunteers, in particular the significant contribution of the Benchers of the Law Society, the Advisory Board and committees of the Advisory Board. These services are not normally purchased by the Association and, due to the difficulty in determining their fair value, donated services are not recognized in these financial statements.

m) Unearned and prepaid premiums

Indemnity premiums for each fiscal year are billed in advance and recognized as revenue on a monthly basis during the fiscal year. Unearned premiums represent the portion of premiums remaining to be earned at the reporting date. Prepaid premiums are funds collected for a future policy year that has not started.

n) Post-employment benefits

The Association maintains pension plans which provide defined benefit and defined contribution pension benefits. Pension costs and obligations for the defined benefit pension plans are determined using the projected benefit method and are charged to the statement of revenue, expense and change in fund balances based upon an actuarial valuation.

Pension plan assets of the registered pension plan (RPP) are measured at fair value and the expected return on pension plan assets is determined using market related values. The supplemental retirement plan (SRP) is an unfunded plan and does not hold any assets. The Association recognizes past service costs and actuarial gains and losses in the period they arise within re-measurements and other items. The Association measures the defined benefit obligation as of the balance sheet date using the most recently completed actuarial valuation prepared for accounting purposes.

o) Income taxes

The Association meets the qualifications of a non-profit organization as defined in the *Income Tax Act* and, as such, is exempt from income taxes.

3 Investments

The Association's investments are governed by a Statement of Investment Policies and Goals as approved by the Board of the Association and managed under contracts with investment managers. The Association's investments are carried at fair market value and the statement of revenue, expenses and unrestricted net assets reports both realized and unrealized gains and losses on investments. The Association's investments, which are denominated in Canadian dollars, consist of T-bills, pooled bond funds, pooled equity funds, real estate core funds, and global infrastructure funds. The balance of pooled bond funds and pooled equity investments include undistributed interest and dividends, which are distributed annually and recognized as investment income when deemed receivable.

Investments are as follows:

	June 30, 2026 $	June 30, 2025 $
T-Bills	2,010,786	546,737
Bonds	141,927,214	124,560,398
Equities	83,013,731	78,222,402
Real Estate	11,185,722	10,625,351
Infrastructure	25,323,855	22,684,628
	263,461,308	**236,639,516**

4 Accounts Receivable

Accounts receivable consists of the following amounts:

	June 30, 2026 $	June 30, 2025 $
Premiums due from indemnified lawyers	6,717,944	7,119,145
Insurance refund	169,019	-
Government remittances	36,791	29,443
Miscellaneous	8,118	-
	6,931,872	**7,148,588**

5 Share capital

On January 30, 2006, the Association was converted from a company limited by guarantee to a company limited by shares. As a result of this conversion, share capital of $20 was issued representing four common shares; three shares issued to the Law Society and one common share issued to the person from time to time holding the office of Executive Director of the Law Society, as bare trustee for the Law Society.

6 Provision for claims and related costs

The change in the Professional liability provision for claims and related costs is summarized as follows:

	June 30, 2026 $	June 30, 2025 $
Provision for claims and related costs, Professional liability – beginning of period	160,464,000	150,839,000
Claims paid and accrued	(8,266,322)	(10,599,039)
Related costs paid and accrued	(7,320,699)	(6,193,692)
Recoveries	1,988,338	1,549,774
Increase due to claims experience	9,509,683	24,867,957
	(4,089,000)	9,625,000
Provision for claims and related costs, Professional liability – end of period	156,375,000	160,464,000

Case reserves	113,631,000	106,511,000
Provision for adverse deviation	22,805,000	24,953,000
Provision for incurred but unreported claims	19,939,000	29,000,000
Provision for claims and related costs, Professional liability	156,375,000	160,464,000

The change in the Misappropriation Indemnity provision for claims and related costs is summarized as follows:

	June 30, 2026 $	**June 30, 2025 $**
Provision for claims and related costs, Misappropriation Indemnity – beginning of period	1,636,000	2,522,000
Claims paid and accrued	(104,573)	(247,831)
Related costs paid and accrued	(55,839)	(29,777)
Recoveries	30,000	-
Increase (decrease) due to claims experience	11,412	(608,392)
	(119,000)	(886,000)
Provision for claims and related costs, Misappropriation Indemnity – end of period	1,517,000	1,636,000
Case reserves	253,000	288,000
Provision for adverse deviation	194,000	228,000
Provision for incurred but unreported claims	1,070,000	1,120,000
Provision for claims and related costs, Misappropriation Indemnity	1,517,000	1,636,000

Included in the Provision for claims and related costs on the statement of revenue, expenses and unrestricted net assets is the increase due to claims experience of $9,509,683 for Professional liability (2025 - $24,867,957) and the increase in claims experience of $11,412 for Misappropriation indemnity (2025 – decrease of $608,392).

The discount rate applied by the actuary at June 30, 2026, is 3.50% (2025 – 3.50%) which is based on the expected market yield of the Association's investment portfolio. The Professional liability undiscounted provision balance at June 30, 2026, is $147,961,000 (2025 – $149,943,000) and the Misappropriation indemnity undiscounted provision balance at June 30, 2026, is $1,469,000 (2025 - $1,208,000).

Actuarial analysis

The process of determining actuarial liabilities necessarily involves the risk that actual results may vary from assumed results. The risk varies in proportion to the length of period covered by each assumption and the potential volatility of the actual results.

The provision for incurred but not reported claims has been estimated for the period using actuarial methods and is based on expected claims development patterns and expected losses.

Sensitivity analysis

The sensitivity analysis below is based on a change in assumption while holding all other conditions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may not be correlated. The table below provides the impact on net income of the most significant assumption changes.

Assumption	Income and equity impact June 30, 2026	Income and equity impact June 30, 2025
	$	$
10% increase in incurred but not reported claims	(4,383,000)	(5,514,000)
10% decrease in incurred but not reported claims	4,383,000	5,514,000
1% increase in discount rate impact on claims provision	4,421,000	4,561,000
1% decrease in discount rate impact on claims provision	(4,700,000)	(4,851,000)
1% increase in interest rate impact on bond values	(10,049,000)	(8,929,000)
1% decrease in interest rate impact on bond values	10,049,000	8,929,000

Claims development tables

A review of the historical development of the Association's insurance estimates provides a measure of the Association's ability to estimate the ultimate value of claims. The top half of the following tables illustrates how the Association's estimate of total undiscounted claim costs for each year has changed at successive year-ends. The bottom half of the tables reconcile the cumulative claims to the amount appearing in the statement of financial position.

Professional Liability (Part A)
Net of Stop Loss ($000)

	Policy Year (c)											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
(1) One year later (a)	7,747	9,553	9,238	8,915	11,093	22,020	23,912	23,908	24,415	23,595	24,735	
(2) Two years later (a)	18,984	23,124	18,335	20,207	22,745	22,340	21,526	24,668	25,351	23,763		
(3) Three years later (a)	21,626	22,878	22,447	26,770	23,919	26,693	20,181	27,169	24,270			
(4) Four years later (a)	21,173	26,270	26,344	26,769	22,425	24,945	18,974	25,323				
(5) Five years later (a)	23,449	24,651	25,324	26,450	19,991	22,635	13,393					
(6) Six years later (a)	21,169	22,839	22,704	24,932	17,370	21,037						
(7) Seven years later (a)	20,929	21,847	19,055	24,755	16,905							
(8) Eight years later (a)	20,405	21,203	20,212	24,275								
(9) Nine years later (a)	20,066	22,306	19,321									
(10) Ten years later (a)	20,608	21,628										
(11) Eleven years later (b)	19,799											
(12) Current Estimate of Cumulative Claims (b)	19,799	21,628	19,321	24,275	16,905	21,037	13,393	25,323	24,270	23,763	24,735	234,448
(13) Cumulative payments to date (b)	(16,912)	(17,814)	(15,411)	(15,682)	(10,640)	(6,889)	(4,858)	(10,439)	(6,642)	(3,614)	(691)	(109,593)
(14) Net Liability	2,887	3,813	3,910	8,593	6,264	14,148	8,535	14,884	17,628	20,149	24,044	124,855
(15) Net Liability in Respect of Prior Years												12,135
(16) Net Liability - Internal Claims Admin. Expenses												10,970
(17) Net Liability - Effect of Discounting and PfAD												8,414
(18) Liability recoverable from insurers												0
(19) Total Net Liability												156,374

Misappropriation Indemnity (Part B)
Net of Stop Loss ($000)

	Reported/Calendar Year (c)											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
(1) After 6 months (a)	373	489	349	500	1,105	382	367	334	211	206	180	
(2) One year later (a)	319	299	331	1,521	1,081	561	590	383	379	286		
(3) Two years later (a)	241	335	907	1,477	658	327	375	289	221			
(4) Three years later (a)	264	213	847	1,173	487	229	263	220				
(5) Four years later (a)	156	188	755	1,087	407	155	244					
(6) Five years later (a)	145	154	720	1,023	377	146						
(7) Six years later (a)	108	156	688	1,005	372							
(8) Seven years later (a)	108	151	683	1,014								
(9) Eight years later (a)	106	150	677									
(10) Nine years later (a)	107	262										
(11) Ten years later (a)	386											
(12) Current Estimate of Cumulative Claims (b)	386	262	677	1,014	372	146	244	220	221	286	180	4,008
(13) Cumulative payments to date (b)	(380)	(242)	(661)	(989)	(362)	(132)	(189)	(112)	(49)	0	0	(3,115)
(14) Net Liability	6	20	16	25	10	14	55	108	172	286	180	892
(15) Net Liability in Respect of Prior Years												0
(16) Net Liability - Internal Claims Admin. Expenses												577
(17) Net Liability – Effect of Discounting and PfAD												48
(18) Liability recoverable from insurers												0
(19) Total Net Liability												1,517

7 Related party transactions

As described in note 3 the Association is a wholly owned subsidiary of the Law Society. During the period, the Association paid the Law Society $3,617,998 (2025 – $3,440,676) for management fees. The balance payable to the Law Society at June 30, 2026, of $2,014 is non-interest bearing and due on demand (2025 – $7,805).

The elected Benchers of the Law Society and members of the Board include lawyers drawn from law firms across the province. These law firms may at times be engaged by the Association in the normal course of business. During the period ended June 30, 2026, expenses of $1,126,568 (2025 - $1,199,169) were incurred with these law firms. The Benchers and Board members are not involved in retaining these firms.

8 Financial instruments

The Association recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Association has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation is discharged, cancelled, or has expired.

The Association's investments are classified as held for trading or designated at Fair Value Through Profit or Loss (FVTPL) at inception. A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the short term; or if, on initial recognition, it is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

Gains and losses arising from changes in the fair value of FVTPL financial instruments are presented in the statement of revenue, expenses and unrestricted net assets as net changes in unrealized gain (loss) on fair market value of investments in the period in which they arise.

All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate.

Fair value hierarchy

A fair value hierarchy presented below distinguishes the significance and objectivity of the inputs used in determining the fair value measurements of financial instruments. The hierarchy contains the following levels based on the nature of the pricing inputs:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that are publicly available at the measurement date.

Level 2 – Inputs other than quoted prices that are observable for the assets or liabilities either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 – Inputs that are largely unobservable. Fair value requires significant management estimate and judgment.

The following table illustrates the fair value classification of the Association's financial instruments within the fair value hierarchy as at June 30, 2026:

	Estimated fair value (June 30, 2026)			Estimated fair value (June 30, 2025)		
	Level 1	Level 2	2026 Total	Level 1	Level 2	2025 Total
	$	$	$	$	$	$
T-Bills	-	2,010,786	2,010,786	-	546,737	546,737
Bonds	-	141,927,214	141,927,214	-	124,560,398	124,560,398
Equities	-	83,013,731	83,013,731	-	78,222,402	78,222,402
Real Estate	-	11,185,722	11,185,722	-	10,625,351	10,625,351
Infrastructure	-	25,323,855	25,323,855	-	22,684,628	22,684,628
Total Investments	-	263,461,308	263,461,308	-	236,639,516	236,639,516

Investments classified as Level 2 are held in pooled funds, the underlying assets of which are traded in active markets. The pooled funds are valued based on the net asset value per share of the pooled fund. There were no transfers between levels in the period ended June 30, 2026. There were no level 3 investments in 2025 or 2026.

9 Insurance

The Association entered into stop loss and excess insurance contracts as described in Note 1.

As of June 30, 2026, there were no claims above the Professional Liability and Misappropriation Indemnity coverage of $27,000,000 and $3,000,000 respectively and no claims above these levels considered to be incurred but not reported as determined by the appointed actuary (2025 - NIL). As such, no assets for the insurance or excess insurance contracts have been recognized in the statement of financial position.

10 Insurance and financial risk management

In the normal course of business, the Association enters into contracts that transfer insurance risk or financial risk or both. The Association monitors and manages these risks relating to the operations of the Association through internal risk reports which analyze exposures by degree and magnitude of risk.

Insurance risk

The insurance risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The key risk related to insurance is that the actual claims payment amounts or timing are different from expectations.

The Association manages insurance risk rating within an overall risk management framework that includes a focus on rating, use of insurance and surplus management. Insurance is purchased to mitigate the effect of potential loss to the Association from individual large events. Insurance policies are written with insurers who meet the Association's standards for financial strength. Insurers and insurer security are monitored on a continuous basis.

Financial risk

The Association is exposed to a range of financial risks. The key financial risk is that in the long term its investment proceeds are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are market risk, credit risk and liquidity risk.

Market risk

Market risk is the risk that the fair value of financial instruments will fluctuate due to changes in market prices. The Association separates market risk into three categories: foreign exchange risk, price risk, and interest rate risk.

Foreign exchange risk

Foreign exchange risk arises from the possibility that changes in the price of foreign currencies will result in losses. The Association holds assets and liabilities, including cash and investments, in Canadian dollars. The Association is exposed to foreign exchange risk through its investments in pooled funds.

Price risk

General economic conditions affect the market value of equity investments and currency exchange rates impact the market value of the investments denominated in currencies other than the Canadian dollar. The risk is managed by engaging an investment manager for the long-term portfolio investments and by investing other funds in short term fixed rate products with high credit ratings. The Association's investment policy specifies limits to the exposure to equity markets.

A 10% increase in the market value of equities would result in an increase in the excess of revenue over expenses for the period ended June 30, 2026, of $8,301,373 (2025 - $7,822,240). A 10% decrease in the market value of equities would result in a decrease in the excess of revenue over expenses for the period ended June 30, 2026, of $8,301,373 (2025 - $7,822,240).

Interest rate risk

Interest rate risk is the risk of financial loss arising from changes in interest rates. Fluctuations in interest rates will impact the market value of the fixed income portion of the investment portfolio. The Association is exposed to interest rate risk if the cash flows from investments are not matched to the liabilities they support. The Association manages the interest rate risk on fixed income bonds by engaging an investment manager who operates subject to investment parameters designed to mitigate this risk.

An interest rate sensitivity analysis is provided in Note 6.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Association's financial assets exposed to credit risk consist of investments in bonds, accrued interest receivable and accounts receivable. The maximum exposure of the Association to credit risk is the carrying amount of these financial instruments as disclosed in the financial statements at June 30, 2026.

The Association manages credit risk by maintaining bank accounts with reputable financial institutions, only investing in securities that are highly rated and traded in active markets. Accounts Receivable are from indemnified lawyers for their annual assessments.

The credit quality of the Association's investment in bonds, which is held in a pooled fund, is described in the following table:

Securities:	**June 30, 2026 $**	**June 30, 2025 $**
Bonds – AAA rating	43,156,473	33,390,967
Bonds – AA rating	44,056,088	34,395,505
Bonds – A rating	33,726,576	36,295,620
Bonds – BBB rating	20,988,077	20,478,306
	141,927,214	124,560,398

Liquidity risk

Liquidity risk is risk that the Association will be unable to meet its obligations when they fall due, or that it may be required to settle its obligations on terms that are disadvantageous. The Association engages an investment manager to administer the investments it plans to hold for a long period of time. These investments are subject to liquidity risk if the Association is required to sell at a time the market for these investments is unfavourable or the investments are illiquid.

The maturity dates and interest rate ranges of the underlying bond holdings are as follows:

	June 30, 2026		June 30, 2025	
Maturity dates (from balance sheet date)	**Interest rate range**	**Market value $**	**Interest rate range**	**Market value $**
Within five years	0.00-7.34%	59,677,929	1.90-5.23%	52,058,241
Greater than five years but less than ten years	0.73-6.50%	48,405,960	1.10-5.68%	46,519,314
Greater than ten years	0.00-6.75%	33,843,325	0-5.8%	25,982,843
		141,927,214		124,560,398

The following tables present a comparison of the estimated maturities of the assets and liabilities of the Association as at June 30, 2026:

Terms to maturity of assets	**Less than 1 year**	**From 1 to 5 years**	**Over 5 years**	**No specific maturity**	**Total**
Cash and cash equivalents	16,745,249				16,745,249
Investments	2,010,786	59,677,929	82,249,285	119,523,308	263,461,308
Accounts receivable	6,931,872				6,931,872
Prepaid expenses	2,122,630				2,122,630
Total	27,810,537	59,677,929	82,249,285	119,523,308	289,261,059

Terms to maturity of liabilities and equity	**Less than 1 year**	**From 1 to 5 years**	**Over 5 years**	**No specific maturity**	**Total**
Accounts payable and accrued liabilities	531,016				531,016
Due to related parties	2,014				2,014
Unearned premiums	25,372,800				25,372,800
Claims liabilities – Professional liability	41,526,000	96,051,000	18,798,000		156,375,000
Claims liabilities – Misappropriation indemnity	419,000	902,000	196,000		1,517,000
Equity				105,463,229	105,463,229
Total	67,850,830	96,953,000	18,994,000	105,463,229	289,261,059

11 Pension Plan

a. Pension plan payable

	June 30, 2026 $	**June 30, 2025 $**
Pension accrued liability	-	-

Prior to June 1, 2006, the Association provided a non-contributory defined benefit pension plan (the Plan) to eligible management employees based on earnings and years of service. The Plan is closed to new members and there were no active members of the Plan at June 30, 2026. Effective January 1, 2014 the Association adopted CICA 3463 and decided to use accounting valuation results.

As of June 30, 2026, and on advice of the actuary, the details of the Plan are as follows:

	June 30, 2026 $	June 30, 2025 $
Reconciliation of fair value of plan assets		
Fair value of plan assets – beginning of year	1,329,267	1,259,369
Actual return on plan assets	121,790	144,619
Less benefits paid during period to retirees	(75,619)	(74,721)
Fair value of plan assets – end of period	1,375,438	1,329,267
Reconciliation of the accrued benefit obligation		
Accrued benefit obligation – beginning of period	1,111,879	1,105,066
Interest on accrued benefit obligation	50,481	52,851
Actuarial loss (gain) during period	1,774	28,683
Less benefits paid during period to retirees	(75,619)	(74,721)
Accrued benefit obligations – end of period	1,088,515	1,111,879
Plan surplus	286,923	217,388
Pension cost		
Interest cost on accrued benefit obligation	50,481	52,851
Actual return on plan assets	(121,790)	(144,619)
Net actuarial losses (gains) losses	1,774	28,683
Change in valuation allowance	69,535	63,085
Pension cost recognized during period	-	-

Plan assets

The plan assets are invested in a balanced fund that consists of the following asset mix:

	June 30, 2026	June 30, 2025
Fixed income	35.8%	32.0%
Foreign equities	41.9%	40.4%
Canadian equity	20.4%	16.8%
Cash and cash equivalents	1.9%	10.8%
	100.0%	100.0%

Assumptions

The actuary used the following rates in their calculations:

	June 30, 2026	June 30, 2054
Discount rate – beginning of period	4.70%	4.95%
Discount rate – end of period	4.75%	4.70%
Expected long-term rate of return on plan assets	4.75%	4.70%
Rate of compensation increase	2.50%	2.50%

12 Equity management

As at June 30, 2026, the Association's equity was $105,463,229 (2025 - $76,504,508). The Association's objectives for managing the equity are for the prudent operation of the Association and to provide relatively stable premiums for indemnified lawyers over time.

13 Civil Litigation Filing Levy (CLFL)

Effective July 1, 2021, the Association implemented the CLFL, on a two-year pilot project basis which has been extended, to generate revenue to be applied against the Professional Liability premium. The CLFL involves charging a levy of $75 (plus GST) for commencing and responding to civil litigation in the Court of King's Bench of Alberta, which is self-reported by ALIA's subscribers. As at June 30, 2026, the Association's CLFL revenue was $2,711,925 (June 30, 2025 – $2,574,750).