

Increased Investment Loss Impacts Insurance Levy

Increased investment loss in an adverse business economy is the major factor impacting the 2009/2010 insurance levy.

In calculating the levy, the actuary for the Alberta Lawyers Insurance Association takes into account several factors, including the requirement to reduce ALIA's accrued surplus, which has accumulated primarily through investment income.

For this year, significant market losses have dramatically reduced the surplus. As a result, ALIA is not in a position to subsidize the levy to the extent it has in previous years.

ALIA is a separate corporate entity from the Law Society of Alberta, and is a member of a reciprocal insurance exchange called the Canadian Lawyers Insurance Association (CLIA). ALIA is not an insurance company. It was established to manage the professional liability insurance program of the LSA. On behalf of the CLIA and the LSA, ALIA handles all claims against insured Alberta lawyers.

ALIA's revenues come from two sources:

1. Insurance levies (premiums) which the approximately 5600 Alberta lawyers in private practice are required to pay, and
2. Investment income.

In past years, the levy has been subsidized by investment returns earned on the ALIA surplus.

For each lawyer, the 2009/2010 insurance levy has been set at \$2,600 plus GST.

In calculating the insurance levy, the ALIA actuary takes the following factors into account:

- Expected number of claims,
- Provision for damages and defence costs,
- General administration,
- Internal claim administration,
- Loss prevention,
- CLIA premium, and
- Impact of surcharges and administration fees.

ALIA anticipates higher levies for the next two to three years due to the declining investment climate in 2009