

The Canadian Medical Protective Association

Consolidated Financial Statements

And Independent Auditor's Report thereon

December 31, 2025



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INDEPENDENT AUDITOR'S REPORT

To the Members of the Canadian Medical Protective Association

Opinion

We have audited the consolidated financial statements of the Canadian Medical Protective Association (the Association), which comprise:

- the consolidated statement of financial position as at December 31, 2025
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Association as at December 31, 2025, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 auditor’s report.

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

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



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 the 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.
- 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 10, 2026

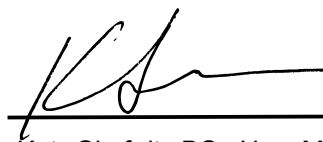
THE CANADIAN MEDICAL PROTECTIVE ASSOCIATION
Consolidated Statement of Financial Position
For the year ended December 31, 2025 with comparative figures for 2024
(Thousands of Canadian dollars)

	2025	2024
ASSETS		
Cash	\$ 41,157	\$ 27,901
Accounts receivable and prepaid expenses	3,089	4,583
Portfolio investments (Note 3)	6,040,940	5,990,260
Investment in Salus Global (Note 4)	4,031	3,812
Receivable from investment sales (Note 3)	9,963	9,782
Post-retirement benefit asset (Note 8)	59,598	48,789
Capital assets (Note 5)	42,608	43,602
	\$ 6,201,386	\$ 6,128,729
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	\$ 198,163	\$ 213,937
Term loan (Note 6)	35,800	38,200
Line of credit (Note 6)	-	85,000
Unearned revenue - prepaid membership fees	1,408	1,027
Investment related liabilities and payables (Note 3)	85,926	105,502
Funds withheld for insurance (Note 9)	134,346	115,302
Post-retirement benefit liability (Note 8)	51,682	48,126
Provision for outstanding claims (Note 9)	4,531,665	4,376,092
	5,038,990	4,983,186
NET ASSETS		
Invested in capital assets	42,608	43,602
Unrestricted net assets	1,119,788	1,101,941
	1,162,396	1,145,543
	\$ 6,201,386	\$ 6,128,729

On behalf of Council



Birinder Singh, MD, LLB, CCFP, FCFP,
Law Society of Ontario
President, CMPA



Katy Shufelt, BSc Hon, MD, FRCPC,
1st Vice-President, CMPA Council

THE CANADIAN MEDICAL PROTECTIVE ASSOCIATION
Consolidated Statement of Operations
For the year ended December 31, 2025 with comparative figures for 2024
(Thousands of Canadian dollars)

	2025	2024
REVENUES		
Membership revenues (Note 10)	\$ 532,382	\$ 500,489
Net investment income		
Portfolio investment income (Note 11)	510,976	712,667
Short-term interest income	552	977
Investment expenses (Note 12)	(110,817)	(130,602)
Net investment income	400,711	583,042
Equity share of Salus Global net income (Note 4)	219	145
Gain on commutation of insurance (Note 9)	-	5,888
	933,312	1,089,564
EXPENSES		
Expenses in support of members		
Compensation to patients	341,259	321,638
Legal costs to defend members in civil legal actions	140,065	132,691
Legal costs to support members in other matters	119,001	107,251
Insurance (Note 9)	25,422	22,792
Expert consultant costs in support of members	22,036	20,317
Net change in provision for outstanding claims (Note 9)	155,573	216,942
	803,356	821,631
Member services and operations		
Assisting physicians	57,998	55,429
Safe medical care	27,173	27,578
Governance and operations support	22,561	21,351
Post-retirement benefits (Note 8)	9,227	10,406
Property management (Note 14)	1,045	1,376
Interest expense net of gain/loss on fair value of interest rate swap (Note 6)	1,409	2,653
Amortization of capital assets	2,127	2,042
	121,540	120,835
	924,896	942,466
EXCESS OF REVENUES OVER EXPENSES	\$ 8,416	\$ 147,098

THE CANADIAN MEDICAL PROTECTIVE ASSOCIATION
Consolidated Statement of Changes in Net Assets
For the year ended December 31, 2025 with comparative figures for 2024
(Thousands of Canadian dollars)

	Invested in Capital Assets (Note 5)	Unrestricted	2025
Balance, beginning of year	\$ 43,602	\$ 1,101,941	\$ 1,145,543
Excess of revenues over expenses	-	8,416	8,416
Re-measurements and other items related to post-retirement benefits (Note 8)	-	8,437	8,437
Amortization of capital assets	(2,127)	2,127	-
Acquisition of capital assets	1,133	(1,133)	-
Balance, end of year	\$ 42,608	\$ 1,119,788	\$ 1,162,396

	Invested in Capital Assets (Note 5)	Unrestricted	2024
Balance, beginning of year	\$ 44,009	\$ 938,770	\$ 982,779
Excess of expenses over revenues	-	147,098	147,098
Re-measurements and other items related to post-retirement benefits (Note 8)	-	15,666	15,666
Amortization of capital assets	(2,042)	2,042	-
Acquisition of capital assets	1,635	(1,635)	-
Balance, end of year	\$ 43,602	\$ 1,101,941	\$ 1,145,543

THE CANADIAN MEDICAL PROTECTIVE ASSOCIATION
Consolidated Statement of Cash Flows
For the year ended December 31, 2025 with comparative figures for 2024
(Thousands of Canadian dollars)

	2025	2024
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 8,416	\$ 147,098
Adjustments for non-cash items:		
Net change in unrealized investment gains	(18,527)	(123,914)
Impairment charges on investments	57,125	55,278
Reversal of impairments	(1,082)	(9,522)
Net increase in investment to Salus Global	(219)	(145)
Amortization of capital assets	2,127	2,042
Increase in funds withheld for insurance	19,044	6,442
Post-retirement expense	9,227	10,406
Decrease in accounts receivable and prepaid expenses	1,494	2,194
(Decrease)/increase in accounts payable and accrued liabilities	(15,774)	11,415
Decrease/(increase) in prepaid membership fees	381	(54)
Funding of post-retirement benefit plans	(8,043)	(7,756)
Increase in provision for outstanding claims	155,573	216,942
	209,742	310,426
FINANCING ACTIVITIES		
Repayment of line of credit	\$ (85,000)	\$ (74,620)
Repayment of term loan	(2,400)	(2,400)
Receipt of loan advances from bank	-	1,000
	(87,400)	(76,020)
INVESTING ACTIVITIES		
Purchase of investments	\$ (1,076,565)	\$ (951,276)
Sale of investments	988,369	720,563
Capital asset acquisitions	(1,133)	(1,635)
(Increase)/decrease in receivable from investment sales	(181)	3,288
(Decrease)/increase in investment related liabilities and payables	(19,576)	16,986
	(109,086)	(212,074)
Net change in cash	13,256	22,332
Cash, beginning of year	27,901	5,569
Cash, end of year	\$ 41,157	\$ 27,901

THE CANADIAN MEDICAL PROTECTIVE ASSOCIATION

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

(All amounts in thousands of Canadian dollars unless otherwise stated)

1. DESCRIPTION OF BUSINESS

The Canadian Medical Protective Association (“CMPA” or the “Association”) is a not-for-profit medical mutual defence organization incorporated by an Act of Parliament in 1913. Its membership is comprised of doctors licensed to practice medicine in Canada. It is governed by a Council elected by its members.

CMPA’s mission is to protect the professional integrity of doctors and promote safe medical care in Canada. As part of this mission the Association:

- provides medico-legal, advice, assistance, including legal defense when needed;
- develops and delivers safe medical care learning courses and resources to help support patient safety;
- conducts and shares research and data-driven insights to help prevent harm from occurring;
- advocates for changes to enhance the practice environments of doctors;
- compensates patients proven to have been harmed by negligent medical care.

Assistance is extended to members on an occurrence basis, addressing medico-legal issues arising from the practice of medicine while the doctor was a member of the Association, regardless of when such issues may be reported or actioned. The decision to assist members, and the extent of the assistance, is discretionary and considers the facts and circumstances of each case. Assistance is not subject to a contract that sets out terms or limits.

While the Association has adopted fee-setting policies to maintain a fully-funded operating position, which is defined as holding at least one dollar of assets for each dollar of discounted estimated future liabilities, the Unrestricted Net Asset balance at a point in time may be at a value other than zero. Each year, sufficient funds will be levied from members annually to cover in aggregate (with investment income) all anticipated disbursements, present and future, arising from the occurrences in the same year. In the event that emerging costs and investment experience vary from the estimates used at the time the fees were set, future membership fees will be adjusted to offset any emerging deficiencies or surpluses, per the Association’s practice.

2. ACCOUNTING POLICIES

These consolidated financial statements were prepared in accordance with Part III - Accounting Standards for Not-For-Profit Organizations of the CPA Canada Handbook - Accounting (“Part III”).

(a) Basis of Consolidation

The consolidated financial statements include the accounts and results of operations of Dow’s Lake Court Inc. and CMPA Investment Corporation, both wholly owned subsidiaries of the Association. All intercompany balances and transactions have been eliminated on consolidation.

(b) Recognition and Measurement of Financial Instruments

The Association initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. Purchases and sales of publicly traded investments are recognized on a trade-date basis.

The Association subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in jointly controlled enterprises which are measured using the equity method and the following investments which are measured at fair value: investments in equity instruments that are quoted in an active market, investments in fixed income securities, public loans and hedge funds which the Association has elected to subsequently measure at fair value, and all derivative financial instruments. Realized gains and losses are recognized in the consolidated statement of operations on a trade-date basis. Unrealized gains and losses from changes in the fair value of securities recorded on a mark-to-market basis are also recognized in the consolidated statement of operations.

Financial assets measured at amortized cost include cash, amounts receivable, investments in private equities, private debt and private real assets, which are structured as indirect investments in private funds.

THE CANADIAN MEDICAL PROTECTIVE ASSOCIATION

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

(All amounts in thousands of Canadian dollars unless otherwise stated)

2. ACCOUNTING POLICIES (continued)

(b) *Recognition and Measurement of Financial Instruments (continued)*

Financial liabilities measured at amortized cost include line of credit, term loan, accounts payable, and accrued liabilities.

Subsequent to initial recognition, fair value for financial assets is determined as follows:

- (i) Cash and short-term investments held in the investment portfolio are measured at cost that together with accrued interest or discounts earned approximate fair value.
- (ii) Fixed income securities comprised of publicly traded bonds are measured at year end closing market prices.
- (iii) Public loans are valued at year end closing-market prices from industry standard sources.
- (iv) Public equities comprised of publicly-traded equities are measured at year end closing market prices on the appropriate stock exchange, and publicly-traded pooled funds, which are measured by reference to the latest closing transactional net asset value.
- (v) Derivative financial instruments, including futures, total return swaps, interest rate swaps and forward currency contracts, are valued at year-end quoted market prices where available. If quoted market prices are not available, values are determined using pricing models, which take into account current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the positions.
- (vi) Hedge funds are measured at fair value based on values obtained from each of the funds administrators.
- (vii) Securities sold under agreements to repurchase are accounted for as collateralized borrowing transactions and are recorded at cost, including accrued interest, which due to their short term-to-maturity approximates fair value.

The Association's private equities, private debt, and private real assets are measured at amortized cost. They are structured as indirect investments in private funds whose fair value is calculated using various methods including the discount rate or cash flow method. Based on the structure of these investments, the Association's ability to access information on underlying individual fund investments is limited. Accordingly, the fair value of these investments is based on the net asset value provided by the fund's general partner or investment manager, and therefore, in the absence of specific information to support deviating from this value, no other reasonably possible alternative assumptions could be applied. These values are reviewed by their external auditors on an annual basis and any significant valuation adjustments are reported in their audited financial statements.

At the end of each reporting period, the Association assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. Objective evidence of impairment includes observable data that comes to the attention of the Association, including but not limited to the following events: significant financial difficulties of issuer, a breach of contract, bankruptcy or other financial reorganization proceedings.

When there is an indication of impairment, the Association determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset. When the Association identifies a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it reduces the carrying amount of the financial asset to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset, or the amount the Association expects to realize by exercising its right to any collateral. The amount of the reduction is recognized as an impairment loss in the consolidated statement of operations. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(c) *Investment income and expenses*

Dividends, interest, and realized gains and losses on sales of financial instruments are included in portfolio investment income. Dividend income is recognized on the ex-dividend date. Interest income is recognized using the accrual basis. The change in fair value of investments subsequently measured at fair value is reported as portfolio investment income. Write-downs for impairments in the value of private equities, private debt, and private real assets, and any subsequent reversals are included in portfolio investment income.

THE CANADIAN MEDICAL PROTECTIVE ASSOCIATION

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

(All amounts in thousands of Canadian dollars unless otherwise stated)

2. ACCOUNTING POLICIES (continued)

(c) *Investment income and expenses (continued)*

For investments measured at fair value, the resulting gains or losses from changes in foreign exchange rates at the valuation date are included in portfolio income

Investment expenses include the following items:

- (i) Management and performance fees for external investment managers are expensed as incurred when directly invoiced or information is otherwise available from capital notices or other manager communications. Where fees related to other externally managed investments are not known, they are offset against investment income;
- (ii) partnership expenses incurred with respect to private investment assets;
- (iii) custodian fees;
- (iv) internal salary and other costs incurred to monitor and administer the portfolio;
- (v) costs incurred to operate the Investment Committee of Council;
- (vi) transaction costs associated with the acquisition of financial instruments that are subsequently measured at fair value; and
- (vii) interest expense and stamp fees as line of credit financing cost.

These costs are recorded as an expense in the year they are incurred.

(d) *Measurement uncertainty*

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the period. In particular, significant estimates are contained in the determination of impairment of private equities, private debt and private real assets investments, provision for outstanding claims, and post-retirement benefits. Actual results may differ from the estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

(e) *Membership fees*

Annual membership fees are recognized as revenue on a pro-rata basis over the membership year. The membership fees are set annually by Council at an amount estimated (with consideration for investment income) to provide full funding of all expenditures of the Association, including the expected future costs for all claims arising out of work done by members during the year. In addition, annual membership fees are adjusted as necessary from time to time to reflect the difference between the actual investment income and overall expenses to the estimated investment income and overall expenses. Membership fees received in advance are recorded as unearned revenue.

(f) *Foreign exchange*

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing at the dates of the transactions. Thereafter, monetary assets and liabilities are adjusted to reflect the exchange rates that are in effect at the consolidated statement of financial position date. Gains and losses resulting from the adjustment are included in the consolidated statement of operations.

THE CANADIAN MEDICAL PROTECTIVE ASSOCIATION

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

(All amounts in thousands of Canadian dollars unless otherwise stated)

2. ACCOUNTING POLICIES (continued)

(g) Compensation to patients

The actual costs of compensation to patients incurred on behalf of members are recognized when paid or when management determines that their payment will become likely. Judgments that were rendered before year end but were unpaid at December 31 are accrued in the year of judgment. Settlements that have been agreed before year end but were unpaid at December 31 are accrued in that year. The amounts recorded are based in part on estimates and assumptions made by management and therefore may be subject to measurement uncertainty. Actual amounts paid, if any, could differ from the amounts accrued at the previous year end. Differences are recognized in the year they are determined.

(h) Provision for outstanding claims

It is not possible to determine precisely the amount of the potential costs to which the Association may be exposed as a result of pending or future litigation against its members for which it exercises its discretion to assist its members. Consequently, an estimate of the Association's potential outstanding claims liabilities, including future compensation to patients and legal and administrative expenses, is prepared by the Association's actuaries on an annual basis.

As the events affecting the ultimate disposition of reported claims have not taken place and may not take place for some time, this estimate is subject to variability, which could be material in the near term but also the long term. In addition, it is anticipated that there remain a number of events that have already occurred, but which have not yet been reported to the member involved or reported to the Association, that may give rise to claims in which the Association may choose to provide assistance. Variability in the estimate can be caused by actual emerging experience being different from the trends used by the actuaries in their forecasting model. Emerging experience gains or losses are recognized in the year they are determined. Estimated recoveries from insurance are calculated and included in the provision for outstanding claims as a reduction in the projected liability.

The provision for outstanding claims has been valued on a discounted basis. In accordance with the standards of practice of the Canadian Institute of Actuaries, the estimate of the Association's provision for outstanding claims includes a provision for adverse deviation which provides comfort over the adequacy of the provision in the event that actual experience differs negatively from the projections used in the actuarial valuation. Any reduction in volatility due to the existence of an insurance contract is included in the provision for adverse deviation.

(i) Insurance premiums

Insurance contracts entered into by the Association could have two components: a deposit premium and a funds withheld premium. Deposit premiums are expensed at the inception of the insurance contract and include any insurance taxes and brokerage fees. The funds withheld premiums are retained by the Association and are credited with interest at rates determined per the contracts. Any amount recovered from an insurance policy will be first paid out using the funds withheld until those funds are depleted, then paid by the insurance companies. Funds withheld premiums are expensed upon inception of the contracts. Interest on balances in the funds withheld account is charged to insurance expense annually.

THE CANADIAN MEDICAL PROTECTIVE ASSOCIATION

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

(All amounts in thousands of Canadian dollars unless otherwise stated)

2. ACCOUNTING POLICIES (continued)

(j) *Post-retirement benefits*

Post-retirement benefits are accounted for on an accrual basis, whereby the actuarially determined obligations under the plan and related costs are recorded net of: the fair value of the plan assets. The cost of pensions and other post-retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on services and management's best estimate assumptions as described in Note 8. The actuarial valuation of the plan's accrued benefit obligation was calculated using a valuation prepared for accounting purposes.

The current cost of pension and other post-retirement benefit plans is charged to the period in which services are rendered.

Re-measurements and other items comprise the aggregate of the difference between the actual return on plan assets and the return calculated using the discount rate; the actuarial gains and losses; the effect of any valuation allowance in the case of a net defined benefit asset; the past service costs; and the gains and losses arising from settlements and curtailments. Re-measurements are recognized directly in net assets.

(k) *Capital assets*

The costs of capital assets are capitalized upon meeting the criteria for recognition as a capital asset; otherwise, costs are expensed as incurred. The cost of a capital asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use. Amortization is computed using the straight-line method over the following terms:

Buildings	5 to 50 years
Building improvements	2 to 12 years
Furniture and equipment	10 years
Computer equipment and software	3 to 8 years
Deferred leasing costs	terms of leases

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be in use. In this event, the recoverability of assets held and used is measured by reviewing the estimated replacement cost of the asset. If the carrying amount of an asset exceeds its estimated replacement cost, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds replacement cost of the asset.

THE CANADIAN MEDICAL PROTECTIVE ASSOCIATION
Notes to the Consolidated Financial Statements
For the year ended December 31, 2025
(All amounts in thousands of Canadian dollars unless otherwise stated)

3. PORTFOLIO INVESTMENTS

Portfolio investments are summarized as follows:

	2025		2024	
	Carrying Value		Carrying Value	
<i>Portfolio investments measured at fair value</i>				
Cash and short-term investments	\$ 88,071	1.5%	\$ 52,186	0.9%
Derivative assets	9,496	0.1%	8,612	0.1%
Investment revenue receivable	7,740	0.1%	7,741	0.1%
Fixed income	1,413,257	23.7%	1,346,359	22.8%
Public loans	664,644	11.1%	696,963	11.8%
Equities	667,668	11.2%	603,994	10.3%
Hedge funds	769,676	12.9%	816,136	13.9%
	3,620,552	60.7%	3,531,991	59.9%
<i>Portfolio investments measured at amortized cost</i>				
Private equities	1,011,083	17.0%	997,330	16.9%
Private debt	853,520	14.3%	963,669	16.4%
Private real assets	555,785	9.3%	497,270	8.4%
	2,420,388	40.6%	2,458,269	41.7%
Total Portfolio Investments	\$ 6,040,940	101.3%	\$ 5,990,260	101.6%
Receivable from investment sales	9,963	0.1%	9,782	0.1%
<i>Investment related liabilities and payables</i>				
Derivative liabilities	(12,503)	(0.2%)	(62,826)	(1.0%)
Securities sold under agreements to repurchase	(47,525)	(0.8%)	-	0.0%
Payable for investment purchases	(25,898)	(0.4%)	(42,676)	(0.7%)
	(85,926)	(1.4%)	(105,502)	(1.7%)
Net Portfolio Investments	\$ 5,964,977	100.0%	\$ 5,894,540	100.0%

Management's estimate of the fair value of the private equities, debt and real asset investments based on the latest available information reported for these investments is as follows:

	2025	2024
	Fair value	Fair value
Private equities	\$ 1,604,184	\$ 1,625,889
Private debt	1,069,664	1,180,880
Private real assets	865,019	765,896
	\$ 3,538,867	\$ 3,572,665

THE CANADIAN MEDICAL PROTECTIVE ASSOCIATION

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

(All amounts in thousands of Canadian dollars unless otherwise stated)

3. PORTFOLIO INVESTMENTS (continued)

The total impairments recognized in 2025 in relation to the private equities, debt and real asset investments was \$57.1 million (2024 - \$55.3 million). The Association reversed impairments of \$1.1 million in 2025 (2024 - \$9.5 million). Investments with an impairment reserve of \$28.0 million (2024 - \$20.7 million) were sold or written off during the year releasing the reserve.

The carrying value of the Association's impaired portfolio investments and the amount of the related allowance for impairments is as follows:

	2025			2024		
	Amortized Cost	Accumulated Impairments	Carrying Value	Amortized Cost	Accumulated Impairments	Carrying Value
Held at Amortized Cost						
Private equities	\$ 89,620	\$ 42,715	46,905	\$ 91,497	\$ 48,837	42,660
Private debt	297,571	75,117	222,454	205,302	43,549	161,753
Private real assets	65,008	37,597	27,411	66,043	35,011	31,032
	\$ 452,199	\$ 155,429	\$ 296,770	\$ 362,842	\$ 127,397	\$ 235,445

Risk Management

The Association follows a diversified asset mix strategy designed to earn the expected investment return at an acceptable level of risk. Some of the risks that the Association's portfolio is exposed to are as follows:

(a) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. Market risk is comprised of interest rate risk, foreign currency risk and other price risk.

- (i) Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in the market interest rates. The exposure of the Association to interest rate risk arises from its interest-bearing assets, term loan, interest rate swap, and line of credit. The Association's cash includes amounts on deposit with financial institutions that earn interest at market rates.

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3. PORTFOLIO INVESTMENTS (continued)

The Association's fixed income investment and public loan portfolios have guidelines on concentration, duration, and distribution which are designed to partially mitigate the risks of interest rate volatility.

The Association's fixed income and public loan investments include variable and fixed interest rates bearing financial instruments. As at December 31, these amounts are as follows::

	2025		2024	
Fixed rate	\$ 1,429,881	68.8%	\$ 1,356,349	66.4%
Variable rate	648,020	31.2%	686,973	33.6%
	\$ 2,077,901	100.0%	\$ 2,043,322	100.0%

The terms to maturity and yield to maturity on fixed income and public loan investments is as follows:

	2025				
	Terms to maturity				
	Within 1 year	Between 1 to 5 years	Between 6 to 9 years	10 years and over	Total
Fixed income and public loan investments	\$ 358,466	957,549	389,463	372,423	\$ 2,077,901

	2024				
	Terms to maturity				
	Within 1 year	Between 1 to 5 years	Between 6 to 9 years	10 years and over	Total
Fixed income and public loan investments	\$ 377,385	882,462	375,649	407,826	\$ 2,043,322

	2025		2024	
	Yield to Maturity		Yield to Maturity	
Federal	\$ 601,823	3.1%	\$ 529,317	3.1%
Provincial	458,836	3.8%	448,540	3.8%
Public loans	664,644	6.4%	696,963	7.5%
Global fixed income funds	352,598	3.8%	368,502	4.2%
Total	\$ 2,077,901	4.4%	\$ 2,043,322	4.9%

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3. PORTFOLIO INVESTMENTS (continued)

- (ii) Foreign currency risk refers to the risk that the carrying value of financial instruments, denominated in a foreign currency or future cash flows associated with these instruments, will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in a positive or negative effect on the fair value of investments.

The following table summarizes the Association's directly held investment holdings and the underlying investments in pooled funds, by currency exposure, the impact of the currency hedging and the net currency exposure.

2025				
	Currency Exposure	Net Currency Hedge ²	Net Currency Exposure	% of Total
United States	\$ 4,034,544	\$ (966,451)	\$ 3,068,093	76%
Euro	1,101,399	(308,003)	793,396	20%
Brazilian Real ¹	137,304	-	137,304	3%
Other International	27,387	-	27,387	1%
Total	\$ 5,300,634	\$ (1,274,454)	\$ 4,026,180	100%
2024				
	Currency Exposure	Net Currency Hedge	Net Currency Exposure	% of Total
United States	\$ 4,000,040	\$ (950,101)	\$ 3,049,939	79%
Euro	995,695	(274,454)	721,241	19%
Brazilian Real ¹	146,454	(109,987)	36,467	1%
Other International	30,274	-	30,274	1%
Total	\$ 5,172,463	\$ (1,334,542)	\$ 3,837,921	100%

¹United States denominated fund investing solely in underlying Brazilian investments

²Net Currency Hedge excludes the 55,176 Japanese Yen exposure utilized as a risk reduction strategy, as it is not hedging an investment currency exposure

- (iii) Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). To mitigate the impact of other price risk, the Association invests in a diversified portfolio of investments based on the asset mix, and within the investment constraints approved by Council.
- (iv) Geopolitical risk refers to the potential for political, economic, and social instability in a country or region that can affect business operations, investments, and financial markets. These risks can arise from various factors such as changes in government policies, political unrest, conflicts, and other events that can impact the stability and predictability of the business environment. Russia's invasion of the Ukraine has led to a breakdown in relations between Russia and the Western economies. Russian securities held amounting to \$10.0 million (2024 - \$7.7 million) have been written down to zero. Private equities, private debt and private real assets have been reviewed and no further impairment is recorded as a result of geopolitical risk. The Association holds various financial instruments, including derivatives, to hedge against risks associated with foreign exchange rates, commodity prices, and interest rates. The imposition of new tariffs could cause significant volatility in these markets, potentially impacting the value and effectiveness of these financial instruments.

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3. PORTFOLIO INVESTMENTS (continued)

(b) Derivative Instruments

Derivatives are financial contracts, the value of which is derived from changes in the underlying asset, index of prices or rates, interest rate or foreign exchange rate. Derivative contracts are transacted either in the over-the-counter market or on regulated exchanges.

The Association's investment objective for the use of derivatives is to enhance equity and fixed income returns and to manage financial risk. The Association utilizes the following derivative financial instruments:

(i) Forward currency contracts:

Forward currency contracts represent agreements between two parties to exchange currencies at a later date. They are used by the Association to hedge the currency risk related to certain investments denominated in foreign currencies. Realized and unrealized gains and losses are included in income on a mark-to-market basis.

Notional amounts of forward currency contracts represent the contractual amount to which an exchange rate is applied for computing the cash to be paid or received, settled on a net basis. Notional amounts are the basis upon which the returns from, and the fair value of, the contracts are determined. All contracts mature within one year.

(ii) Futures:

Futures are standardized contracts transacted on an exchange, to purchase or sell a specified amount of an interest rate sensitive financial instrument at a predetermined price at a later date. They are used by the Association to adjust exposures to specified assets without directly purchasing or selling the underlying asset. Realized and unrealized gains and losses are included in income on a mark-to-market basis.

Notional amounts of futures represent the contractual amount to which an interest rate is applied for computing the cash to be paid or received, settled on a net basis. Notional amounts are the basis upon which the returns from, and the fair value of, the contracts are determined. All contracts mature within one year.

(iii) Total return swaps:

The total return swaps represent agreements between two counterparties where they agree to pay or receive the total return (realized gains or losses) from a specified reference asset at a specified date. The reference asset for the Association's total return swaps are various equity indexes. Realized and unrealized gains and losses are included in income on a mark-to-market basis.

Notional amounts of the total return swaps represent the contractual amount to which the total return is applied for computing the cash to be paid or received, settled on a net basis. Notional amounts are the basis upon which the returns from, and the fair value of, the swaps are determined. All contracts mature within one year. Government bonds with a value of \$63.6 million (2024 – \$101.1), were pledged as collateral to cover the liability amount with the counterparties.

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3. PORTFOLIO INVESTMENTS (continued)

The notional amount and fair value of derivative financial instruments as at December 31 was as follows:

2025	Notional Amount	Fair Value Assets C\$	Fair Value Liabilities C\$	Net Fair Value C\$
Forward currency contracts ¹	\$ 1,329,630	\$ 7,361	\$ -	\$ 7,361
Futures	12,553	41	-	41
Total return swaps	1,300,305	2,094	(12,503)	(10,409)
	\$ 2,642,488	\$ 9,496	\$ (12,503)	\$ (3,007)

2024	Notional Amount	Fair Value Assets C\$	Fair Value Liabilities C\$	Net Fair Value C\$
Forward currency contracts	\$ 1,334,542	\$ 8,452	\$ (9,448)	\$ (996)
Futures	9,639	30	(4)	26
Total return swaps	1,425,468	130	(53,374)	(53,244)
	\$ 2,769,649	\$ 8,612	\$ (62,826)	\$ (54,214)

¹Notional Amount includes 55,176 Japanese Yen exposure, used as a risk reduction strategy and is not hedging an investment currency exposure

(c) Credit risk

Credit risk arises from the potential for a bond issuer to fail or for a counterparty to default on its contractual obligations to the Association. The Association is exposed to credit risk through its short-term investments, fixed income assets, private debt and forward contracts.

The Association limits credit risk by dealing with counterparties that are considered to be of high quality relative to their obligations, by obtaining collateral where appropriate, through investment diversification and by setting and monitoring compliance with portfolio guidelines. With respect to municipal, provincial or corporate borrowers, the Association has established investment policies which place limits on the exposure to any individual entity.

As at December 31, the fixed income and public loan investments were rated as follows:

Fixed income and public loans	2025	%	2024	%
AAA	\$ 594,978	28.6	\$ 537,033	26.3
AA	345,407	16.6	518,272	25.3
A	247,757	12.0	22,130	1.1
BBB	338,723	16.3	438,909	21.5
BB	405,450	19.5	379,567	18.6
B	135,615	6.5	144,683	7.1
CCC	5,666	0.3	2,303	0.1
Not rated	4,305	0.2	425	0.0
	\$ 2,077,901	100.0	\$ 2,043,322	100.0

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3. PORTFOLIO INVESTMENTS (continued)

(d) Investment risk

The maximum investment risk to the Association is represented by the carrying value of the investments. Diversification provides the most significant measure to control investment risk. The asset mix targets the following diversification for the portfolio exposure, including the range allowed, and remains unchanged from the prior year.

	Target	Range
Fixed income	20%	10% - 30%
Public loans	10%	5% - 15%
Public equities	30%	15% - 50%
(Additional exposure obtained through total return sw aps)		
Hedge Funds	0%	0% - 40%
Private investments	40%	15% - 70%
(15% Private equities, 15% Private debt and 10% Private real assets)		

(e) Concentration risk

Concentrations of risk exist when a significant proportion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political, or other conditions. Management believes that diversification across many sectors will mitigate its concentration risk.

	2025	2024
Cash and short-term investments	1.5%	0.9%
Derivative assets	0.1%	0.1%
Investment revenue receivable	0.1%	0.1%
Federal	10.1%	9.0%
Provincial	7.7%	7.6%
Canadian fixed income	17.8%	16.6%
Global fixed income funds	5.9%	6.2%
Public loans	11.2%	11.8%
Consumer discretionary	1.9%	1.7%
Consumer staples	1.0%	0.1%
Financials	1.2%	1.0%
Industrials	0.9%	1.8%
Information technology	3.2%	2.6%
Materials	1.0%	0.6%
Other	2.0%	2.5%
Equities	11.2%	10.3%
Consumer discretionary	4.0%	3.8%
Financials	9.0%	8.6%
Health care	4.1%	3.8%
Industrials	6.4%	6.5%
Information technology	7.4%	6.7%
Real Estate	3.7%	4.2%
Telecommunication services	2.7%	2.5%
Other	3.3%	5.6%
Private placements	40.6%	41.7%
Hedge funds	12.9%	13.9%
Receivable from investment sales	0.1%	0.1%
Derivative liabilities	(0.2%)	(1.0%)
Securities sold under agreement to repurchase	(0.8%)	0.0%
Payable for investment purchases	(0.4%)	(0.7%)
Net investment portfolio	100.0%	100.0%

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3. PORTFOLIO INVESTMENTS (continued)

(f) Commitments to fund private assets

The Association has set a long-term target allocation of 40% to private assets, comprised of equities, debt and real asset investments. It invests in these assets through private partnerships and private placements. Under the agreements, these commitments are called upon as they are required for investments. As of December 31, 2025, the Association had remaining commitments of \$1,620.9 million (2024 - \$1,449.8 million). The expected future commitment period is for the next six years.

4. INVESTMENT IN SALUS GLOBAL

The Association has a 33.3% interest in Salus Global, a jointly controlled enterprise. The CMPA's share of Salus Global as at December 31 is as follows:

Balance Sheet as at December 31

	2025	2024
Total assets	\$ 4,049	\$ 3,650
Total liabilities	1,353	1,173
Shareholders' equity	2,696	2,477
	\$ 4,049	\$ 3,650

Statements of Income and Deficit Year ended December 31

	2025	2024
Total revenues	\$ 2,173	\$ 2,141
Total expenses	(1,954)	(1,996)
Net income	\$ 219	\$ 145

Statement of Cash Flow s Year ended December 31

	2025	2024
Cash provided by (used in)		
Operating activities	\$ 603	\$ 35
Investing activities	(131)	(8)
Increase in cash	\$ 472	\$ 27

Investment in Salus Global Year ended December 31

	2025	2024
Balance, beginning of year	\$ 3,812	\$ 3,667
Equity share of net income	219	145
Balance, end of year	\$ 4,031	\$ 3,812

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5. CAPITAL ASSETS

	2025			2024		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Land	\$ 7,611	\$ -	\$ 7,611	\$ 7,611	\$ -	\$ 7,611
Buildings	63,579	34,906	28,673	63,309	33,489	29,820
Building improvements	10,474	7,850	2,624	10,473	7,572	2,901
Deferred leasing costs	6,148	3,105	3,043	5,495	2,878	2,617
Furniture and equipment	1,446	1,123	323	1,470	1,114	356
Software	124	99	25	150	109	41
Computer equipment	530	221	309	612	356	256
	\$ 89,912	\$ 47,304	\$ 42,608	\$ 89,120	\$ 45,518	\$ 43,602

During the year, fully depreciated assets with a cost and accumulated amortization of \$0.3 million (2024 - \$0.2 million) were written off.

6. FINANCING

(a) Credit facility

During the year, the Association reduced its credit facility to \$80.0 million from the 2024 available credit of \$230.0 million. The Association can use a line of credit facility, that is due on demand and bears interest at the bank's prime lending rate or enter into a Term CORRA loan (Canadian Overnight Repo Rate Average), that is due in 30 or 90 days. The Association also has an additional accordion feature with its bank enabling it to request an increase in its line of credit by a further \$150.0 million. This additional accordion feature was not utilized as of December 31, 2025. The facility is secured by a General Security Agreement subject to certain conditions on all assets of the Association. Interest expense incurred from the credit facility for the period ending December 31, 2025 amounted to \$2.4 million (2024 - \$7.1 million). As at December 31, 2025 there was \$Nil funds drawn on the credit facility (2024 - \$85.0 million).

(b) Term Loan

In 2015, the Association's subsidiary, Dow's Lake Court Inc. entered into a term loan agreement with a financial institution for \$60.0 million. Security for the term loan consists of the real estate assets of the Association's subsidiary, valued at \$36.2 million in the Capital Assets Note 5, and a \$25.0 million guarantee from the Association. The term loan is repayable on demand and is calculated over an amortization period of 25 years. Principal payments consist of \$0.6 million payable every three months. From August 15, 2024, interest is comprised of the Daily Compounded CORRA from time to time, plus the CORRA Adjustment, plus 0.6% per annum with interest payable monthly.

The term loan is due on demand on a renewable one-year term to which the most recent amendment indicates a maturity date of November 15, 2026.

Management does not believe that the demand feature of the term loan will be exercised in the foreseeable future. In the most recent amendment agreement in November 2024, Dow's Lake Court received an additional loan of \$1 million which was consolidated with existing term loan. The purpose of the loan is to assist in financing capital expenditure and improvements to the property owned by the Association's subsidiary. Interest expense recorded for the term loan and the fair value adjustment related to the interest rate swap for the current period amounts to \$1.4 million (2024 - \$2.6 million). At year end, the principal balance owing was \$35.8 million (2024 - \$38.2 million) and prepaid interest was \$Nil (2024 - \$Nil).

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6. FINANCING (continued)

(c) Interest rate swap

The Association's subsidiary, Dow's Lake Court Inc. entered into an interest rate swap agreement to mitigate interest rate risk on its term loan. The following table outlines the changes to the initial interest rate swap agreement since inception:

Agreement Date	Notional Value	Interest rate	Early Termination Date
15-Nov-24	\$38,200,000	2.99%	15-Nov-27

The Company entered into a swaption agreement whereby the interest rate swap includes an early termination option, November 15, 2027, whereby the swap may be terminated at the option of the counter party. For the previous swaption agreement, this early termination option was exercised on November 15, 2024, and a new swap agreement was entered into with an effective termination date of November 15, 2029.

At year end, the interest rate swap had a notional value of \$35.8 million (2024 - \$38.2 million) and fair value of \$(0.6) million (2024 - \$(0.6) million). This resulted in an unrealized interest rate swap gain of \$0.03 million (2024 - loss of \$1.6 million).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Association's amounts payable and accrued liabilities as at December 31 consist of:

	2025	2024
Accounts payable	\$ 45,677	\$ 45,602
Accruals:		
General	15,503	15,253
Legal fees	15,198	12,961
Compensation to patients	121,785	140,058
Government remittances	-	63
	\$ 198,163	\$ 213,937

8. POST-RETIREMENT BENEFITS

The Association sponsors a number of retirement benefit plans for its employees, which provide pension and post-retirement health and dental benefits. The registered pension plan is funded through a combination of employee and employer contributions with benefits being paid from the funds held in trust by the pension plan. The non-registered pension plan is funded through a combination of employee and employer contributions with benefits being paid from operating cash flows. The other post-retirement benefit plan is not funded with benefits being paid from operating cash flows.

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8. POST-RETIREMENT BENEFITS (continued)

The most recent actuarial valuation of the registered pension plan for funding purposes was performed as at June 30, 2025. The most recent actuarial valuation of the registered pension plan, the non-registered pension plan and the other post retirement benefit plan, for accounting purposes was performed as at December 31, 2025.

The components of the post-retirement asset/(liability) are as follows:

	2025				2024			
	Registered Pension Plan	Non-Registered Pension Plan	Other Post-Retirement Benefit Plan	Total	Registered Pension Plan	Non-Registered Pension Plan	Other Post-Retirement Benefit Plan	Total
Fair value of plan assets	\$ 276,085	\$ 8,897	\$ -	\$ 284,982	\$ 251,637	\$ 9,263	\$ -	\$ 260,900
Accrued benefit obligation	(216,487)	(48,695)	(11,884)	(277,066)	(202,848)	(46,308)	(11,081)	(260,237)
Funded status - surplus/(deficit)	\$ 59,598	\$ (39,798)	\$ (11,884)	\$ 7,916	\$ 48,789	\$ (37,045)	\$ (11,081)	\$ 663

Benefit plan expenses, re-measurements and other items recognized in the consolidated statement of operations and consolidated statement of changes in net assets are composed of the following components:

Benefit plan expenses

	2025			2024		
	Pension benefit plans	Other post-retirement benefits plan	Total	Pension benefit plans	Other post-retirement benefits plan	Total
Current service cost (employer portion)	\$ 8,796	\$ 469	\$ 9,265	\$ 9,509	\$ 329	\$ 9,838
Finance cost	(559)	521	(38)	193	375	568
Net periodic pension cost	\$ 8,237	\$ 990	\$ 9,227	\$ 9,702	\$ 704	\$ 10,406

Re-measurements and other items

	2025			2024		
	Pension benefit plans	Other post-retirement benefits plan	Total	Pension benefit plans	Other post-retirement benefits plan	Total
Return on plan assets excluding interest	\$ (6,584)	\$ -	\$ (6,584)	\$ (11,879)	\$ -	\$ (11,879)
Actuarial (gain)/loss on obligations	(1,995)	142	(1,853)	(6,291)	(670)	(6,961)
Past service cost	-	-	-	-	3,174	3,174
Re-measurements and other items recognized	\$ (8,579)	\$ 142	\$ (8,437)	\$ (18,170)	\$ 2,504	\$ (15,666)

Plan assets consist of the following asset categories:

	December 31, 2025	December 31, 2024
	(asset mix)	
Cash	1.1%	1.1%
Canadian fixed income (bonds)	62.4%	61.9%
Canadian equities	19.5%	19.5%
Global equities	14.6%	14.5%
Other	2.4%	3.0%
	100.0%	100.0%

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8. POST-RETIREMENT BENEFITS (continued)

The significant actuarial assumptions adopted in measuring the Association's accrued benefit obligations and benefits expense are as follows:

	<u>2025</u>	<u>2024</u>
Pension benefit plans		
Discount rate for accrued benefit obligations	5.00%	4.70%
Discount rate for plan expense	4.70%	4.60%
General inflation	2.00%	2.60%
Increases in pensionable earnings - 2023	10.00%	10.00%
Increases in pensionable earnings - 2024	4.50%	4.50%
Increases in pensionable earnings - thereafter	3.50%	3.50%
Expected long-term rate of return on plan assets	4.70%	4.60%
Other post-retirement benefit plans		
Discount rate for accrued benefit obligations	5.00%	4.70%
Discount rate for plan expense	4.70%	4.60%
General inflation	2.00%	2.60%
Health care cost indexation	0.95%	2.30%
100% Retirement rate assumption at ¹	age 70	age 70
Termination of employment	age-related values	age-related values
Mortality tables	MI-2024-RPP Public	CPM-RPP Public

¹The normal retirement age under the post-retirement benefit plan is unchanged at age 65.

Other information about the Association's post-retirement benefit plans for the year is as follows:

	<u>2025</u>	<u>2024</u>
Pension benefit plans		
Plan expense	\$ 8,238	\$ 9,702
Remeasurement and other items related to post retirement benefits	(8,579)	(18,170)
Employer contributions		
Normal	7,967	7,481
Employee contributions		
Normal	5,328	5,102
Past service	68	59
Transfers from flexible component	1,700	111
Benefits paid		
Pensioners	8,121	7,245
Lump-sum transfers	398	915
Other post-retirement benefit plans		
Plan expense	990	704
Benefits paid	329	275
Flexible component	652	691

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9. PROVISION FOR OUTSTANDING CLAIMS

The outstanding claims liabilities, calculated by the Association's actuaries in accordance with the standards of practice of the Canadian Institute of Actuaries, as at December 31 are as follows:

	2025	2024
Total Discounted Liabilities	3,916,772	3,731,756
<u>Provision for adverse deviation (PfAD)</u>		
Gross before consideration of insurance	860,530	831,819
PfAD reduction due to insurance contracts	(53,395)	(41,223)
Net provision for adverse deviation	807,135	790,596
<u>Total discounted liabilities plus provision for adverse deviation</u>		
Gross before consideration of insurance	4,777,302	4,563,575
PfAD reduction due to insurance contracts	(53,395)	(41,223)
Expected recovery from insurance	(192,242)	(146,260)
Net total provision after insurance	\$ 4,531,665	\$ 4,376,092

The liabilities have been discounted at a rate of 6.0% (2024 - 6.0%). The provision for adverse deviation for 2025 includes a margin of 175 basis points on the discount rate and a margin of 2.5% to 15% for case development for compensation to patients, legal and expert fees and administrative expenses, and are unchanged from the prior year. The one exception is the compensation to patients component for the Ontario region where the maximum percentage is 20% (to reflect the added volatility) on the claims development variables. For the compensation to patients cost component, the net provision for adverse deviation for case development reflects the impact of the insurance agreements on the compensation to patients estimates. There is no active market for the trading of claims liabilities; however, the present value of the actuarial claims liabilities, including provision for adverse deviation is considered an indicator of fair value.

The discount rate used to estimate the present value of the provision for outstanding claims has a significant effect on the provision at the end of the year. A decrease of one hundred basis-points in the discount rate would have increased the provision by approximately \$303.0 million (2024 - \$294.0 million) and an increase of one hundred basis-points in the discount rate would have decreased the provision by approximately \$270.0 million (2024 - \$261.4 million).

Inherent in the valuation of the provision for outstanding claims is an estimate of the payments required to settle all claims from medico-legal events that occurred prior to year-end. A 10% increase or decrease in the estimate of total payments prior to accrual required to settle all claims would have increased or decreased the provision by approximately \$491.0 million (2024 - \$472.0 million) respectively with all other variables held constant.

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9. PROVISION FOR OUTSTANDING CLAIMS (continued)

The provision for outstanding claims changed throughout the year as follows:

	2025	2024
Payments on claims relating to occurrences in prior years	\$ (625,058)	\$ (565,697)
Revaluation of the provision for outstanding claims relating to occurrences in prior years	420,772	436,588
Change in provision for outstanding claims in respect of occurrences in current year	605,496	533,533
Total reduction due to insurance contracts	(245,637)	(187,482)
Increase during the year	155,573	216,942
Provision for outstanding claims - beginning of year	4,376,092	4,159,150
Provision for outstanding claims - gross before consideration of insurance	4,777,302	4,563,574
Provision for outstanding claims - net of insurance	\$ 4,531,665	\$ 4,376,092

Insurance Program

In 2016, with the objective of reducing the volatility inherent in the compensation to patients component of the provision for outstanding claims, the Association initiated an insurance program to address the compensation to patients component for occurrences prior to December 31, 2015, subject to policy limits. Every year since 2016, the Association purchased insurance policies to address the compensation to patients component for occurrences in calendar years 2016 to 2025, subject to policy limits.

Several contracts purchased by the Association provide coverage for cases occurring between 1976 to 2015 if the total compensation to patients paid reaches a specified level ("attachment point"). As of the end of 2025, the total expected compensation to patients payments for those years is estimated to be greater than the attachment point. As a result, subject to the terms of the contracts, it is estimated these insurance contracts may result in future recoveries amounting to \$192.2 million (2024 – \$146.3 million).

During 2023, the insurance policies related to occurrence years 2016 to 2020 were commuted. Consistent with the insurance contracts, the balance in the funds withheld account relating to 2016 to 2020 were shared equally with insurers in line with the underlying agreement. Commutation was fully completed 2024, and no further commutation adjustments related to the 2016 to 2020 prospective contract were required during 2025.

The premiums expensed in 2025 for the insurance policies totaled \$25.4 million (2024 - \$22.8 million) and were comprised of a deposit premium paid of \$6.4 million (2024 - \$5.6 million) and funds withheld of \$19.0 million (2024 - \$17.2 million). The premium allocated to the funds withheld account will grow at 5.5% interest each year until paid out according to the terms of the policies.

In line with the underlying agreements, the balance in the funds withheld account upon commutation of the insurance policies for occurrence years 2021 to 2025 will be shared equally with the insurers. As of December 31, 2025, \$67.6 million (2024 - \$52.1 million) is recorded as funds withheld for occurrence years 2021 to 2025.

The purchase of these insurance policies subjects the Association to credit risk. Credit risk arises from the potential for an insurer to fail to meet their obligations under the policies. The Association limits credit risk by dealing with insurance companies rated by AM Best as A+ or A which is assigned to insurance companies that have, in AM Best's opinion, a superior to excellent ability to meet their ongoing insurance obligations.

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9. PROVISION FOR OUTSTANDING CLAIMS (continued)

The breakdown of ratings and insurers was as follows:

AM Best Rating	2025		2024	
	Number of Insurers	Insurer's Potential Maximum Liability	Number of Insurers	Insurer's Potential Maximum Liability
A+ Superior	9	\$ 825,500	9	\$ 739,500
A Excellent	3	\$ 78,500	3	\$ 78,500
		\$ 904,000		\$ 818,000

10. MEMBERSHIP REVENUES

The Association has adopted fee-setting policies to maintain a fully funded operating position, and to levy sufficient funds from members annually to cover the discounted anticipated liabilities related to occurrences in the same year. Actuarial models and calculations are used to determine the occurrence year costs that represent the anticipated future disbursements. The occurrence year cost requirement is adjusted up or down to amortize the actual emerging cost and investment experience from previous years to set the net fees charged to members. The net fees charged to members are recognized as membership revenues during the year.

The membership revenue split by region is as follows:

	2025	2024
Ontario	\$ 341,955	\$ 331,046
Québec	10,207	5,151
British Columbia and Alberta	157,484	152,705
Saskatchewan, Manitoba, the Atlantic provinces and Territories	22,736	11,587
Total Membership Revenues	\$ 532,382	\$ 500,489

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11. PORTFOLIO INVESTMENT INCOME

Portfolio investment income was derived from the following sources:

	2025	2024
Income from investments measured at fair value		
Interest income	\$ 102,372	\$ 101,812
Dividend income	-	5,889
Net realized gains ¹	108,610	227,401
Change in net unrealized gains	18,527	123,914
Other income	15,011	13,441
Withholding taxes	(96)	(873)
	244,424	471,584
Income from investments measured at amortized cost		
Interest income	110,772	101,633
Dividend income	37,813	16,124
Net realized gains	177,243	173,876
Impairment charges	(57,125)	(55,278)
Reversal of impairments	1,082	9,522
Other income	3,665	4,548
Withholding taxes	(6,898)	(9,342)
	266,552	241,083
Total portfolio investment income	\$ 510,976	\$ 712,667

¹Net of certain performance fees

12. INVESTMENT EXPENSES

Investment expenses were comprised of the following items:

	2025	2024
Investment managers' fees ¹	\$ 90,355	\$ 92,906
Internal management costs	7,956	8,625
Other investment expenses	10,103	21,974
Interest expense and stamp fees ²	2,403	7,097
	\$ 110,817	\$ 130,602

¹Includes known performance fees and carried interest paid

²Line of credit financing costs

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13. LIQUIDITY RISK

Liquidity risk is the risk that the Association will be unable to meet a demand for cash or fund its obligations as they come due. The Association is exposed to liquidity risk through its responsibility to pay capital calls (see Note 3) on a timely basis to fund its outstanding investment commitments, as well as meeting the day-to-day disbursements requirements arising from protecting members. Accounts payable and accrued liabilities have contractual maturities within normal trade terms of 30 days and the line of credit is due on demand. The provision for future claims has no contractual maturity and the timing of settlement will depend on actual claims experience in the future.

The Association's primary source of liquidity is the collection of fees charged to active members. The Association forecasts its cash requirements over the near term in order to determine whether sufficient funds will be available from fee income to meet forecast disbursements. In addition, the Association mitigates liquidity risk by holding various income producing assets and managing exposure to non-liquid asset classes.

The Association manages its current operating cash flow requirements by drawing from the current year's membership fees received. Any surplus cash is transferred to portfolio investments. In the event that current cash inflows from membership fees are insufficient to cover current outflows, funds are drawn from the line of credit or drawn from the portfolio investments.

14. PROPERTY MANAGEMENT

Property management for the year comprises expenses of \$4.8 million (2024 - \$4.7 million) net of \$3.8 million (2024 - \$3.4 million) revenue received from unrelated third parties.

15. CONTINGENCIES

The Association itself may be subject, from time to time, to disputes and lawsuits in the ordinary course of business. Management estimates that the ultimate liability, if any, arising from these matters will have no material impact on the consolidated financial statements.

16. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform with the current year's presentation.