LEGAL PRACTITIONERS' LIABILITY COMMITTEE

ANNUAL REPORT **2022–2023**

LEGAL PRACTITIONERS' LIABILITY COMMITTEE

About LPLC

The Legal Practitioners' Liability Committee (LPLC) has been insuring legal practitioners practicing in Victoria since 1986. It is the successor body to the Solicitors' Liability Committee. LPLC administers the Legal Practitioners' Liability Fund.

Pursuant to the *Legal Profession Uniform Law Application Act 2014 (Vic)*, LPLC is the insurer to law practices (solicitors and barristers) engaging in legal practice in Victoria, as well as most of Australia's largest national firms.

LPLC is an independent statutory authority, a market leader in a specialised market and insurer of more than 24,000 legal practitioners.

LPLC's statutory scheme is underpinned by the objectives of the Uniform Law in relation to professional indemnity insurance, which are:

- to ensure that Australian legal practitioners are covered by approved professional indemnity insurance
- to ensure that clients of law practices have adequate protection against the consequences of professional negligence.

The functions of LPLC are:

- to provide professional indemnity insurance to law practices
- to undertake liability under contracts of professional indemnity insurance entered into with law practices
- any other functions conferred upon it by the Legal Profession Uniform Law Application Act 2014 (Vic).

LPLC has the power to enter into contracts or arrangements relating to insurance and reinsurance.

LPLC also provides risk management services to law practices.

LPLC reports to the Attorney-General and to the Assistant Treasurer of the State of Victoria.

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FROM THE CHAIR

LPLC's professional indemnity insurance scheme continues to play a vital role supporting Victorian solicitors and barristers and national firms throughout Australia.

As a statutory insurer, our work contributes to the ultimate objective of regulation under the Uniform Law which is to maintain public trust and confidence in the legal profession.

Since 2020 the scheme has experienced a significant rise in claims costs due to higher claim severity (i.e. average claim size). That trend continued during the year, with multiple contributing factors. Among them are:

- lawyers engaged to provide legal services in higher value transactions — due to higher property prices, bigger commercial deals, greater family wealth and larger asset pools
- lawyers undertaking more complex matters
- Courts awarding significantly higher personal injury compensation
- higher expectations from clients and consumers that lawyers will proactively warn and protect them from foreseeable risks of harm
- the cost of litigation in the digital age, in part fed by the higher expectations mentioned above.

The macroeconomic environment was also more uncertain with high inflation, rising borrowing costs, a rise in corporate insolvencies, and declining business and consumer confidence. History shows these conditions are also usually associated with an increase in claims frequency, but thankfully at this stage we are only seeing very small signs of that.

LPLC cushioned the profession from some of the higher claims costs during the pandemic (2020–2022) with an increased premium subsidy from investment returns and accumulated capital reserves, but with the higher claims costs persisting, it was necessary in 2023 for a 10% rise in premium rates to be passed on to meet them.

Notwithstanding the higher claims pressures, the Fund remains strong and secure, with net equity of $105.7m at the close of the year.

Our investments returned 5.9% across the year, albeit with more than usual volatility from month to month. Investment income remains an important source of premium subsidy for the profession, keeping premiums much lower for the profession than would otherwise be required were the risk to be priced at 'break-even' (i.e. without an investment subsidy) or at commercial market rates (i.e. as with private insurers) where an additional profit margin would be charged.

LPLC continues to maintain excellent working relationships with our many stakeholders and the collaborative way in which the organisation works at multiple levels with these groups (in particular the Victorian Legal Services Board + Commissioner, Law Institute of Victoria and Victorian Bar) in sharing statistical data and ideas, addressing legal reforms, preparing educational content for the profession and co-operating in overlapping areas of administration is a great strength of the scheme.

Likewise, the Committee keeps in contact with the Department of Justice & Community Safety on our work and is consulted by the Department on civil justice reforms where potential professional liability issues arise.

I would also like to again acknowledge the continuing support of our panel of global reinsurers. In 2022–2023 we added a number of new participants to bring additional capacity into the program. Reinsurers provide important stability to our balance sheet and also offer valuable insights about the world beyond our shores that help inform our strategic thinking about the future.

I also extend sincere thanks to our CEO, Justin Toohey, and his hardworking staff. For a small and lean organisation LPLC produces extraordinary output, and always with excellence and integrity.

At the end of the year, the Committee farewelled Helen Thornton after 9 years of wonderful service to LPLC. Helen was Chair of the Audit & Risk Committee for the whole of that period, and also served on the Remuneration & Appointments Committee. She made an outstanding contribution to the business with her all-round knowledge and expertise across the full spectrum of finance, insurance, risk, governance and public sector issues and always provided great support to the management team.

I'm also delighted to welcome Fiona Schutt and Lucy Terracall as new Committee members commencing in July 2023. Fiona is an Executive General Manager with Melbourne Water with extensive finance, accounting and insurance experience in both public and private sector organisations. Lucy is a partner with Clayton Utz with a practice specialising in insurance, reinsurance, risk management and dispute resolution. Together they will bring fresh perspectives to the Committee's deliberations.

This report also marks the completion of my term with the Committee. It has been an absolute privilege to serve LPLC for 10 years, including the past 8 years as Chair. In that time, the Committee has written thousands of insurance policies, administered thousands of claims and delivered hundreds of risk management educational events. Legal services have evolved, new risks have emerged and we've witnessed a remarkable transformation to more flexible working. In all that activity and change, I am proud to say that one constant has been LPLC's clear commitment to purpose in delivering an insurance scheme that is efficient, fair, transparent and trusted by the members it serves.

I welcome Michelle Dixon as the next Chair and wish her well for the future. It will be a seamless transition as Michelle has been making a valuable Committee contribution since 2020 and I'm confident LPLC will continue to go from strength to strength under her leadership.

John Corcoran AM
Chair

FROM THE CEO

Our mission is to deliver an influential, secure and sustainable insurance scheme for the benefit of our stakeholders who include solicitors and barristers, professional associations, consumers of legal services, regulators and the Victorian Government.

LPLC now insures 24,000 practitioners in 6,750 law practices, the vast majority of whom practice as sole principals (including barristers) or in small practices. While the Uniform Law enables non-lawyer ownership of firms and a variety of practice structures to accommodate innovation, flexible delivery of services and improve access to justice, at its core the business of law remains a professional calling.

We see this every day in our interactions with practitioners. LPLC staff love the work they do running the profession's insurance scheme. The work is always interesting, it is sensitive and often complex, it can be challenging, but most of all it is hugely rewarding. The opportunity to help practitioners deal with issues and solve problems arising in the course of their daily practice keeps us firmly engaged in our mission.

Claims

Last year we reported on the rising severity of claims observed since 2020. This trend continued again in 2022–2023.

The increase in claims costs is being experienced by all sizes and types of law practices, and across all of the practice areas which traditionally generate claims.

The Chair's report mentions key factors contributing to the rise in claims costs, and more details can be found in the claims report.

The rising claims costs serve as a reminder of the importance of sound systems and processes for reducing claims risk within law practices, particularly when it comes to manageable exposures relating to client and matter engagement, staying within one's area of expertise, communicating with clients about costs, and avoiding conflicts of interest.

Over the course of the year the claims team finalised 484 claims and notifications (solicitors and barristers). Efforts are always made to resolve claims before litigation commences, but in cases where that cannot be achieved most cases resolve at a mediation before trial. In the last year, where matters proceeded to verdict LPLC successfully defended all matters.

Financial results

The scheme reported an overall loss of $4.3m for the year, primarily attributable to the higher recent claims experience and associated risk margins.

Our investments recovered from the prior year with a return of 5.9% ($15.7m) and some better than expected reserve releases from a few prior underwriting years including a significant costs recovery from a successfully defended 2011–2012 claim helping the bottom line.

The Fund remains well capitalised, with net equity at year's end of $105.7m.

Managing the profession's risk

While the vast majority of claims costs come from traditional areas of practice — commercial law, conveyancing, litigation, mortgages — new risks are always emerging. During the year the Committee focused on three of these emerging risk areas in particular.

Cyber

Business email compromise from phishing attacks continues to give rise to claims where funds are fraudulently diverted from the settlement of property transactions, estate distributions or litigation settlements.

For some years LPLC has promoted a 'call before you pay' risk message and recommended firms implement procedures to ensure this is routinely done prior to making any EFT payment relying on email advice of bank account details.

This year LPLC continued with that message but reinforced it with a refreshed cyber security course (commissioned through Law & Cyber) previously offered in 2021. LPLC again offered the course free of charge to all law practices and more than 2,000 practitioners completed it.

LPLC's campaign had also previously encouraged the use of multifactor authentication (MFA) on email accounts to reduce the risk of email compromise, and while many firms had implemented this, we were finding that many had not, and that claims were continuing to arise as a result.

This year the Committee amended the policy wording to introduce a deterrent (double) excess for claims where firms have failed to implement MFA on email accounts. Levels of phone enquiry from practitioners at renewals this year would suggest the inclusion of this provision has prompted more practices to heed the message and work with their IT provider and implement MFA on their email accounts.

We also provided a submission and data to the Law Council of Australia to assist their engagement with the Federal Government to address concerns regarding the impact of payment redirection scams within the legal profession, and to advocate for greater bank controls, such as ensuring a system for matching account numbers and holder names before authorising EFT payments, and account opening procedures to restrict the ease with which criminals can open accounts and engage in money laundering activity.

Windfall Gains Tax

An extensive campaign was conducted through the year to prepare practitioners for the introduction of the new Victorian windfall gains tax (WGT). The tax commences on 1 July 2023 however the tax will impact contracts entered into after 15 May 2021 where such contracts are varied, and thus has some quasi-retrospective operation.

This significant new tax (of at least 50% of the uplift in value of property upon rezoning) adds to the complexity of state duties and taxes across the property industry, which lawyers are now required to navigate in the course of advising clients on conveyancing and property development transactions. Stamp duty and property tax claims are one of the major areas of increased claims activity in recent years.

Our WGT campaign included bulletins, webinars and short videos to explain the tax and alert practitioners to the many risks needing to be addressed in this new context. As we move forward, LPLC has also established a WGT hotline with access to legal advice from external providers to help practitioners through the transitional phase.

Historic institutional abuse claims

The staggering volume of litigation which has erupted in relation to allegations of historic institutional abuse in the wake of legislative reforms between 2015 and 2020 abolishing the Ellis defence, removing limitation periods for commencement of claims, and providing the ability to set aside past settlements has created a new industry for personal injury practitioners.

With that emergence has come a variety of risks for solicitors and barristers associated with the safe handling of such claims.

These include ensuring the correct party(ies) are sued, marshalling the necessary expert medical and financial evidence, investigating and advising on circumstances which occurred decades ago, and ensuring adequate settlements are reached in an area of rapidly developing jurisprudence. Throughout all of this, firms also face new challenges ensuring staff who manage these tragic cases are equipped with the special skills required to take instructions from clients and communicate in a way which is supportive, but at the same time setting realistic expectations about the likely outcome of cases.

This will be a major source of engagement for LPLC with the profession in the coming year.

Stakeholder engagement

Regular face-to-face meetings with small and large firms alike serve as a pulse-check on the many and varied issues confronting the profession, and they help to inform the risk management content we publish.

Among the most pressing risk and compliance issues cited by firms are:

- retaining/recruiting staff in the post-COVID environment
- adapting systems to adjust to more flexible and remote legal work, and specifically the challenges of training early career lawyers in this environment
- cyber risk and data security
- managing conflicts of interest
- increased compliance obligations from clients (e.g. reporting on social policies, supply chain management and sanctions-checking)
- requests for extended third party reliance on a firm's legal advice and
- developing an understanding of the risks and benefits of generative artificial intelligence applications in legal practice, and how to navigate a process of trialling the technology safely and without breaching obligations to clients.

In the course of regular meetings throughout the year with the Victorian Legal Services Board + Commissioner (VLSBC) and the professional associations, we engaged in dialogue about these issues, and others on their respective agendas. This information-flow about matters of importance among the profession is invaluable as it assists with ensuring consistent communication with the profession and also extends the breadth and depth of our understanding of these complex issues.

LPLC was pleased during the year to have the opportunity to provide input to the VLSBC's regular communications with the profession — the quarterly Commissioner Update, the Risk Outlook, and other items of regulatory guidance to the profession about mandatory misconduct reporting, minimum cyber security risk standards, and establishing and maintaining professional boundaries.

We also shared our concerns about the draft Human Source Management Bill 2023 and supported the position adopted by the Law Institute of Victoria and Victorian Bar of the inherent dangers with the legislation as initially proposed. We were relieved that significant amendments were ultimately made to the Bill which, although not prohibiting the use of lawyers as human sources, did establish much more stringent controls on the circumstances in which that can arise again. LPLC is strongly opposed to lawyers being encouraged and recruited by police to act as informants against their clients or to take any step in breach of a lawyer's professional obligations.

Engagement with interstate PII schemes continued during the year with formal meetings of Risk Managers taking place in Adelaide and LPLC hosting the annual CEO Round Table conference in Melbourne in October.

Communication with other regulators and PII schemes also occurs at other intervals during the year, most particularly concerning PII exemptions for interstate firms or when addressing mergers of practices across jurisdictions. Good relationships among all schemes are important to ensure consistent approaches to regulatory issues across jurisdictions, and to share knowledge of practice risks and trends occurring around the country.

Farewells

John Corcoran AM

I would like to pay a special tribute to our Chair, John Corcoran, who will retire from the Committee in July 2023.

John has enjoyed a remarkable career and devoted a lifetime of extracurricular service to the legal profession in addition to his stellar legal career with Russell Kennedy. John has been a consummate professional, a person of the highest integrity who built a wonderful network of relationships across the Australian legal profession and internationally.

John gave 10 years' service (including 8 years as Chair) to LPLC. As Chair, he brought a great spirit of collegiality to the Committee, ensuring busy meetings ran smoothly and efficiently, that all views were heard, and robust consideration given to all decisions.

From a personal perspective, I especially thank John for his steadfast support to me and all staff. John always offered a positive viewpoint when things were difficult. This was most evident in the 'unprecedented' early days of the pandemic when the future was filled with uncertainty. John also encouraged staff to develop strong stakeholder relationships, particularly those with the VLSBC, other interstate PII schemes and Government. He also recognised the importance of our relationship with reinsurers and engaged actively in our treaty negotiations domestically and internationally each year.

Helen Thornton

I would also like to acknowledge Helen Thornton who retired from the Committee at the end of June. The Chair's report notes Helen's contribution to LPLC, but I would also like to extend my personal thanks to Helen for her excellent support to the management team and myself in her role as Audit & Risk Chair. Her expertise in public sector accounting and finance, depth of understanding of risk and compliance, and her quiet encouragement assisted greatly in strengthening the resilience of LPLC's risk, compliance, and governance framework. Like John, Helen was always generous with her time and willing to work patiently through complicated issues.

Heather Hibberd & Phil Nolan

We farewelled Heather Hibberd in August 2022 and Phil Nolan at the end of the year from our Practice Risk Services team. Heather moved interstate to accept a new challenge with the Medical Insurance Group Australia. She achieved a huge amount in her 20 years with LPLC and earned widespread respect of practitioners across the State for her down to earth, practical approach to risk management.

Phil Nolan was a favourite of practitioners as well with his memorable risk management presentations and encyclopaedic knowledge of conveyancing practice in particular. We are pleased that Phil's expertise and energy has not been lost to the profession and he will continue to support practitioners in his new role with the Law Institute.

My final thanks in this report are to all other Committee members, fellow executive leaders at LPLC, our dedicated staff, and all of our outsourced service providers for their commitment and contribution to LPLC's success again this year.

Justin Toohey
Chief Executive Officer

LPLC MISSION AND CORE OBJECTIVES

LEGAL PRACTITIONERS' LIABILITY COMMITTEE

SECURE | SUSTAINABLE | INFLUENTIAL

OUR MISSION

To be an influential, secure and sustainable insurance scheme for our stakeholders, that:

- indemnifies law practices and protects consumers of legal services from financial loss when professional negligence claims are made
- helps law practices pre-emptively manage their professional risk
- works with other bodies to promote excellence in legal practice and supports the objectives of the Legal Profession Uniform Law
- delivers our services using an evidence-based approach, drawing on our data, experience and stakeholder relationships.

DEPENDABLE COVER	PREVENTING LOSS	PROFESSION LEADERSHIP	OPERATIONAL EXCELLENCE
Trustworthy and reliable insurance	**Risk-awareness to risk management**	**Influence legal policy and regulation**	**Innovate and continuously improve**
• financially sustainable • broad cover for legal services, providing consumer protection • transparent and equitable pricing of risk • just, timely and cost-efficient resolution of claims • insuring major national firms • maintaining the confidence of our reinsurers	• identifying emerging professional risks and practical mitigation advice • influencing law practices to embed risk management into workflows • providing best-practice risk guidance and resources for law practices • supporting and promoting quality legal practice	• improving professional standards and quality of legal practice • influencing changes in legal profession regulation relevant to our business • informing practitioners and industry organisations of trends in claims and emerging risks • remaining aware of insurance and risk issues in other jurisdictions	• a flexible, safe and inclusive workplace • a workplace culture where our people are valued, supported and empowered • fit for purpose systems and processes • experienced and skilled people, supported by specialist outsourced service providers • achieving and maintaining a high level of service to our insureds

CLAIMS REPORT

LPLC's aim is to identify the issues in dispute, the underlying cause(s) of the problem, and to reach a fair, prompt and cost-effective resolution of the matter.

LPLC's claims management philosophy encourages practitioners to provide early notification of claims or circumstances which might give rise to claims.

Claims and notifications are managed by LPLC's experienced in-house claims solicitors. Many notifications are precautionary and do not develop into claims. Approximately two-third of matters notified to LPLC are or become claims. Claims solicitors make an early assessment of an insured's potential exposure and, whenever possible, attempt to resolve meritorious claims fairly, promptly and cost-effectively.

In some circumstances it is appropriate for claims to be defended. Specialist legal advice and the defence of litigated claims is provided by external panel solicitors and counsel as and when required. The majority of claims are resolved after investigation of liability and damages via negotiation and often at mediation.

Claims — Solicitors

During the reporting period, 450 claims and notifications across the current and earlier underwriting years were finalised. 70% of notifications and claims were dealt with by LPLC's claims team without the need to engage external legal assistance.

A total of 483 new claims and circumstances were notified to LPLC from solicitors during 2022–2023 with case estimates of $58 million for the year.

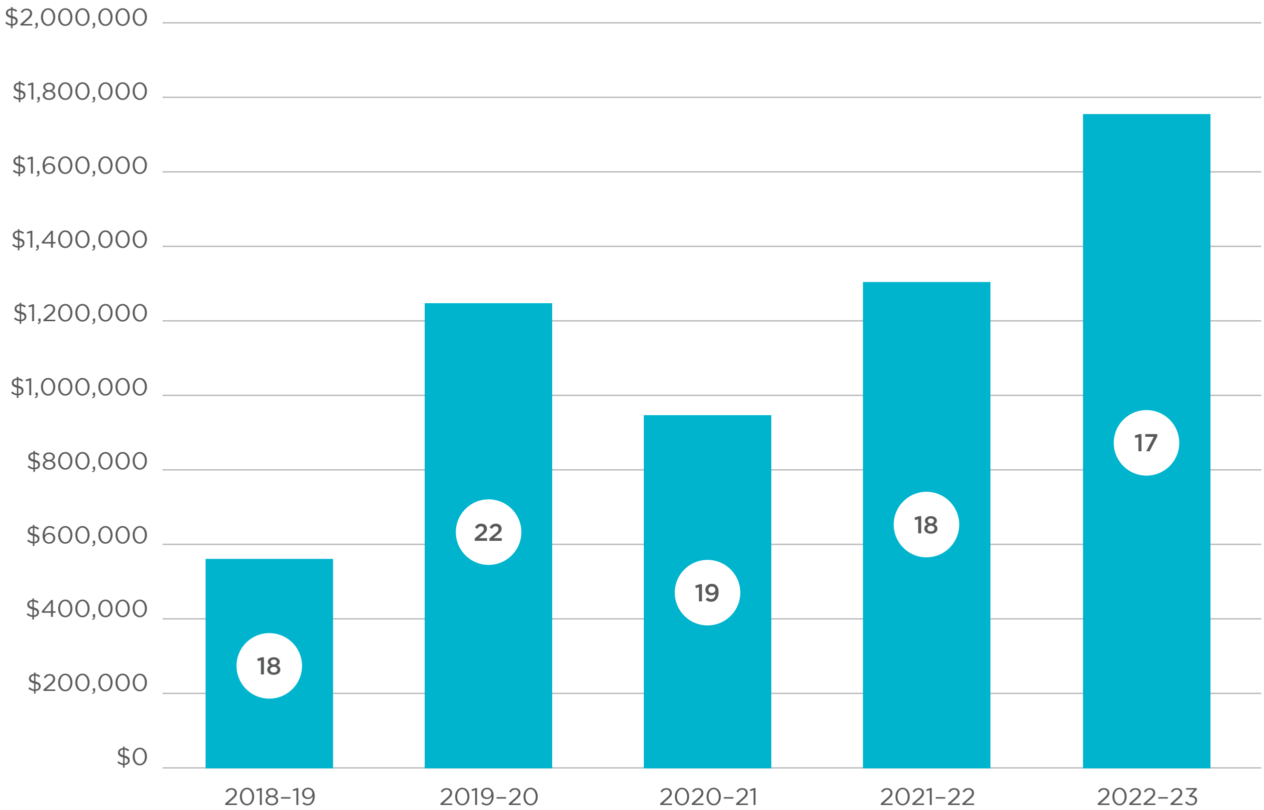
There was a slight increase in claim frequency and a continuation of higher claim severity this year on the back of continued economic uncertainty. Higher average claim sizes were experienced in several practice areas, most notably commercial law, property and conveyancing, mortgage/securities transactions and personal injury litigation.

The number of cyber claims remained steady during the 2022–2023 policy year with a total of 17 claims, but there is a worrying increase in the value of these claims from $1.3m in the 2021–2022 policy year to $1.76m in the 2022–2023 policy year. Cyber claims come more frequently from small firms, rather than large firms. Claims mostly arise from business email compromise and social engineering targeting vulnerable systems within smaller firms where the resourcing of critical payment functions and training of staff may be weaker than in large firms. The majority of cyber claims continue to arise in property and conveyancing matters, although any practice area which involves the transfer of funds is at risk from a cyber attack.

Recovery of missing funds through the banks continues to produce ad hoc results. However, we welcome the improvements that some banks have introduced in relation to cyber fraud precautions and hope this trend continues.

LPLC also strongly supports the increasing focus of the Federal Government and agencies such as the ACCC and ACSC to make payment systems safer for consumers and harder for cybercriminals to exploit vulnerabilities.

Cyber claims: Numbers and costs



Areas of high claims experience in 2022–2023:

Property and conveyancing
Approximately 26% of claims by number and 24% by cost

Property and conveyancing claims continue to account for the highest number of claims against solicitors, although the cost of these claims decreased slightly from previous policy years. The complexity of conveyancing transactions is often underestimated by practitioners with work routinely delegated to para-legals or conveyancing clerks with a heavy reliance on precedent documents and a lack of appropriate supervision. Stamp duty claims are the most frequent and expensive type of claim, with practitioners failing to provide appropriate advice in relation to what triggers a deemed sub-sale and the eligibility requirements for the spousal transfer exemption. Another persistent problem area is defective section 32 statements.

Commercial law
Approximately 14% of claims by number and 29% by cost

The number of commercial claims remains steady, but the claim estimates are significantly higher than previous years. This is reflective of an increase in claims against larger firms this year and an unusually high number of high-value commercial claims. The underlying causes of commercial claims remain unvaried, although we have seen a significant increase in claims arising from allegedly incorrect or inadequate legal advice. Drafting errors in commercial agreements continue to persist and often result in expensive litigation to determine the meaning of ambiguous contract terms.

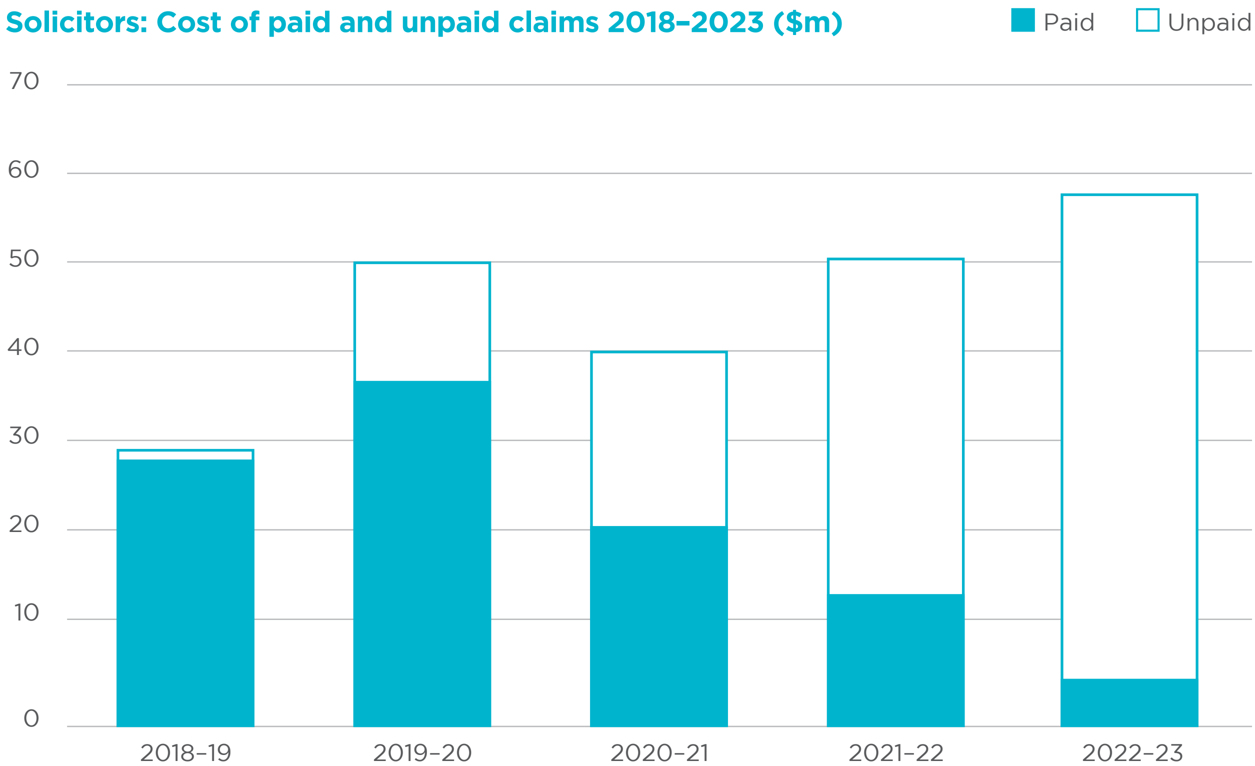
Personal Injury Litigation
Approximately 13% of claims by number and 12% by cost

The frequency and cost of personal injury litigation claims remains steady. Personal injury litigation accounts for 29% of proceedings issued against insureds in the 2022–2023 policy year. The proceedings arise from two main underlying causes: failing to issue proceedings within time and revisited settlements, including historical abuse settlements.

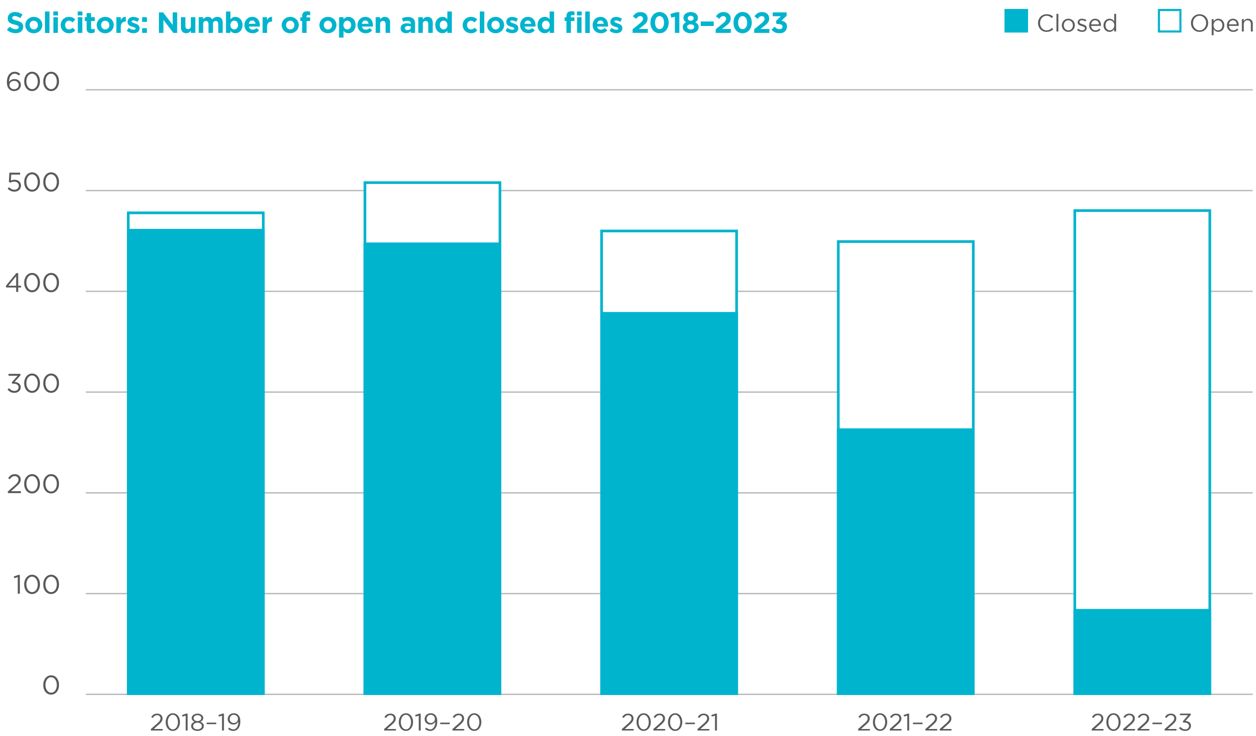
Mortgage Lending
Approximately 7% of claims by number and 14% by cost

There has been a slight increase in the frequency of Mortgage Lending claims, up from 6% in 2021–2022. Claims are brought against practitioners by guarantor clients for failing to provide proper and independent advice in relation to the terms of the security documents they are signing. Claims are also brought by lender clients for failing to ensure that the loans are adequately secured. We have also seen claims arising out of allegedly fraudulently obtained mortgages where appropriate verification of identity checks have not been undertaken.

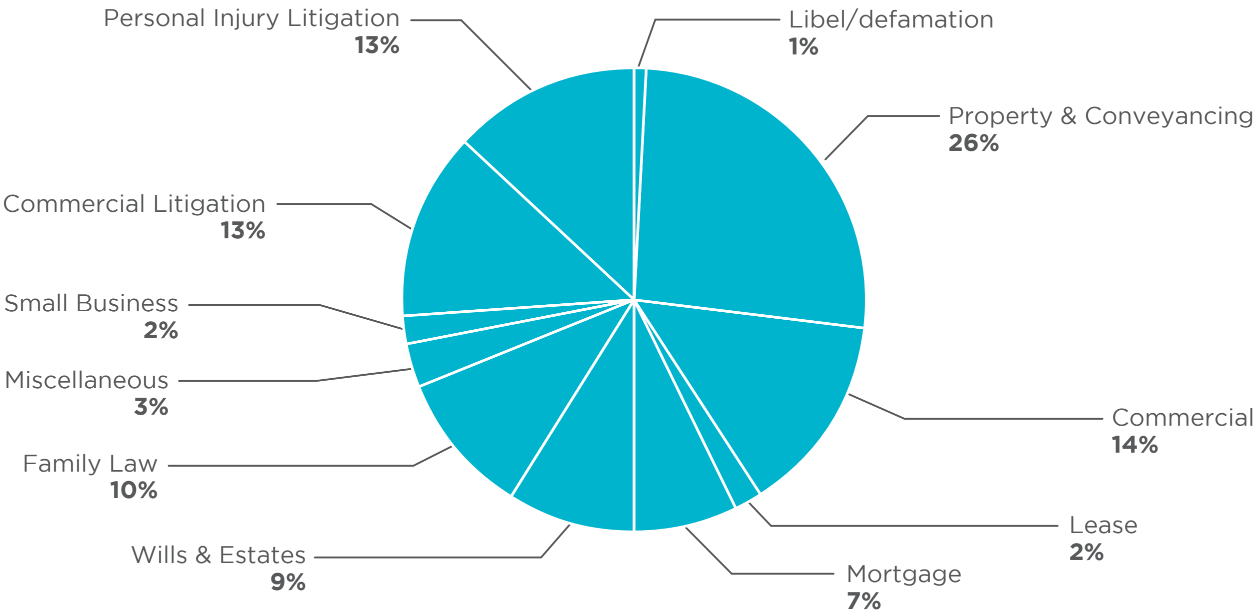
Solicitors: Cost of paid and unpaid claims 2018–2023 ($m)



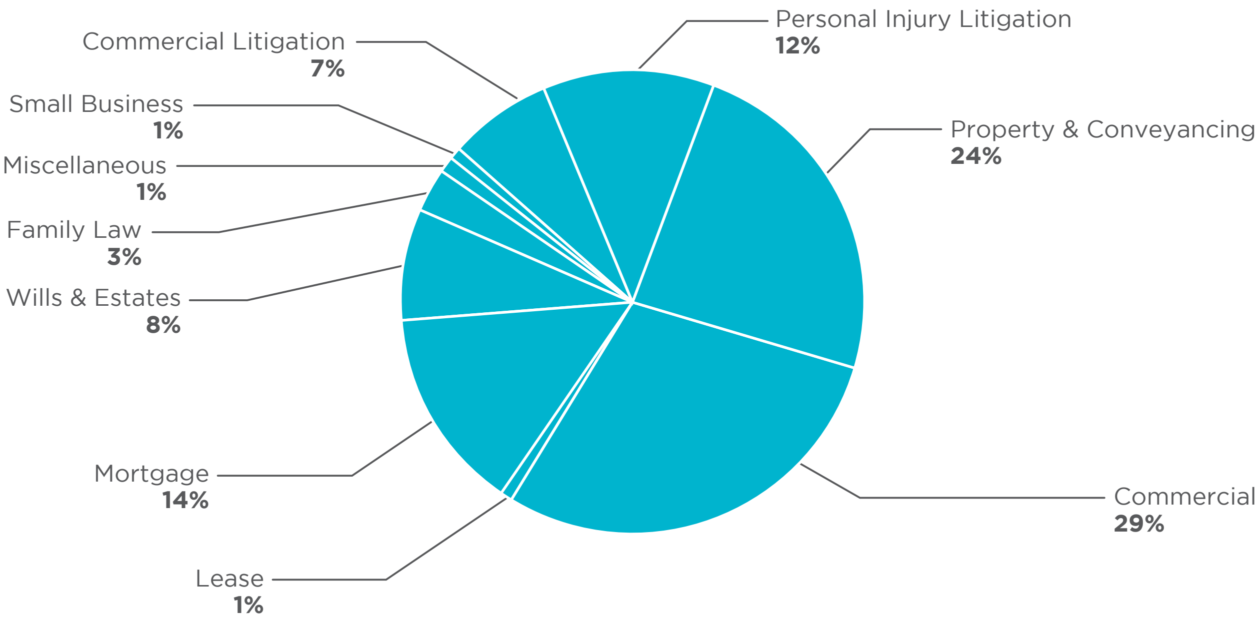
Solicitors: Number of open and closed files 2018–2023



Solicitors: Percentage number of claims by area of practice 2022–2023



Solicitors: Percentage cost of claims by area of practice 2022–2023



CLAIMS REPORT (continued)

Claims — Barristers

During the reporting period, 34 claims and notifications from barristers across the current and earlier underwriting years were finalised.

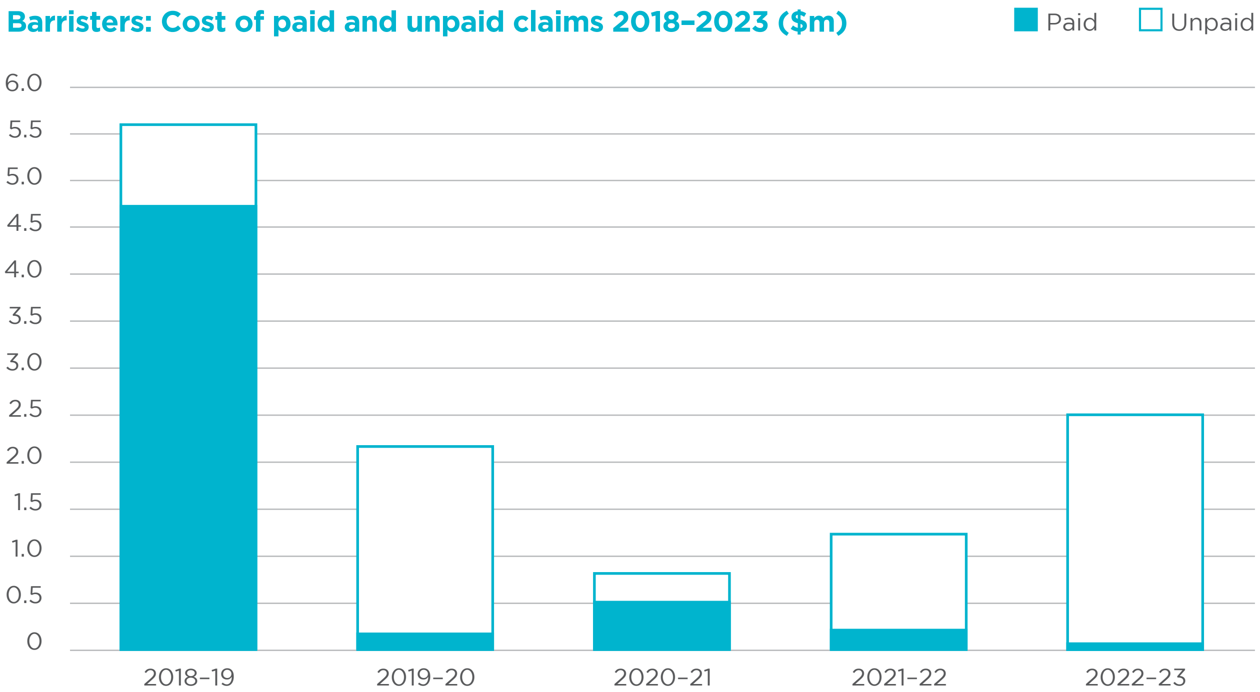
A total of 52 new claims and circumstances were notified by barristers to LPLC in the 2022–2023 underwriting year, with case estimates of $2.52 million.

Approximately 15% of claims against barristers are brought by self-represented litigants. Claims against commercial litigation barristers account for the highest number of claims (40%) and 33% of the cost of claims. However, the impact on revisited historical abuse settlements has meant that claims arising from personal injury litigation account for the joint highest cost at 33%.

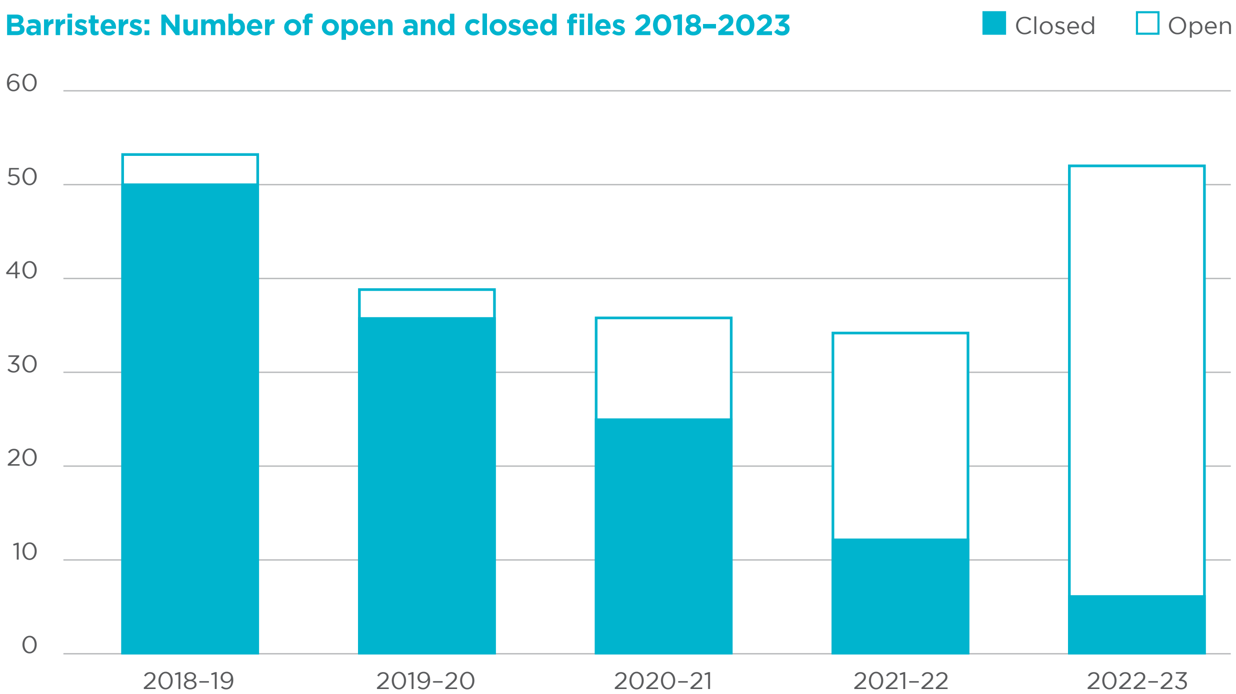
Claims against barristers arose from:

- incorrect legal advice in relation to a variety of areas of law, but predominately commercial law retainers
- general problems with litigation, including missed limitation periods, failing to adduce essential evidence and problems with pleadings
- failing to undertake appropriate checks and give appropriate advice prior to settlement of claims, including in relation to historical abuse settlements
- claims by self-represented litigants who were dissatisfied with the outcomes of their proceedings.

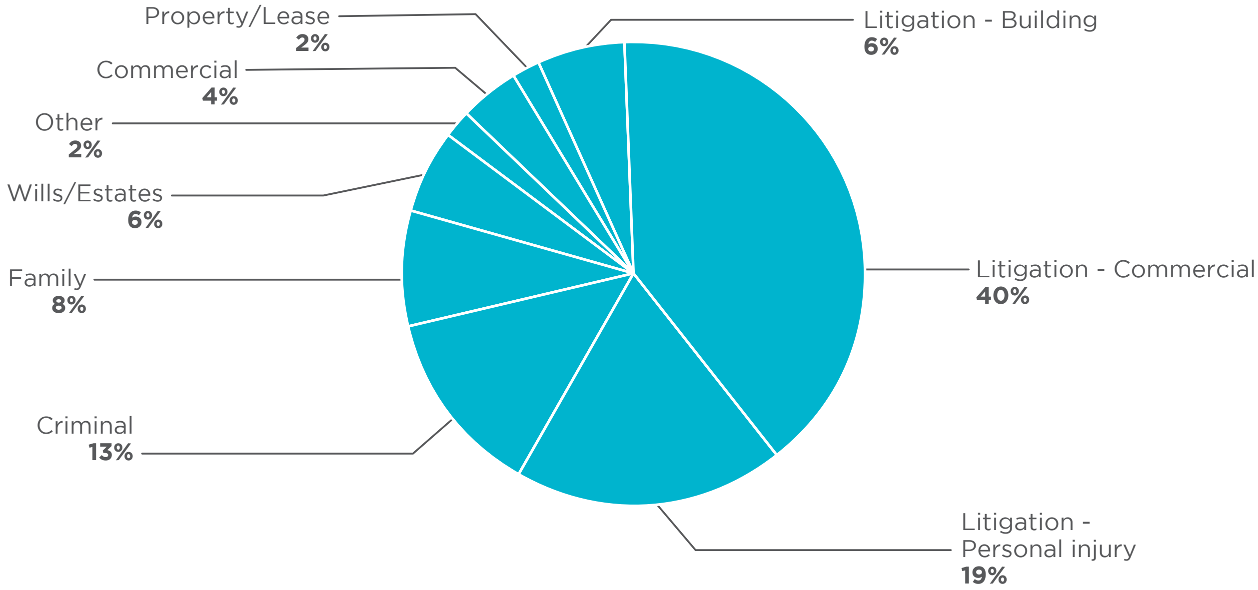
Barristers: Cost of paid and unpaid claims 2018–2023 ($m)



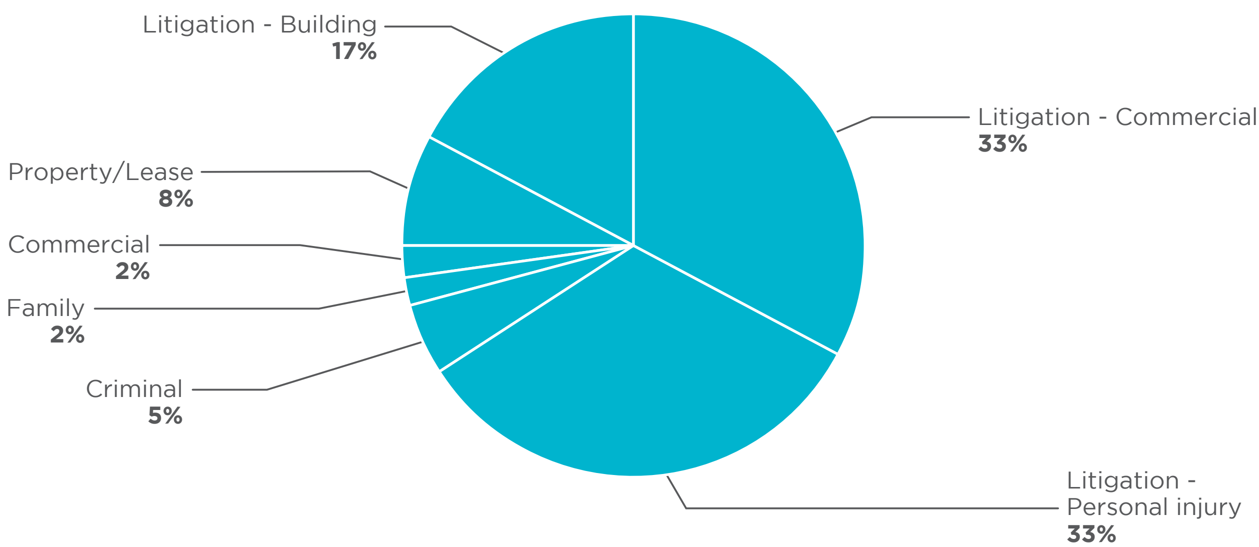
Barristers: Number of open and closed files 2018–2023



Barristers: Percentage number of claims and notifications by area of practice 2022–2023



Barristers: Percentage cost of claims and notifications by area of practice 2022–2023



RISK MANAGEMENT REPORT

LPLC employs a comprehensive and proactive approach to risk management services that targets the known underlying causes of claims and emerging risk areas. Through best-practice risk guidance, education, production of resources and practical mitigation advice, our risk management initiatives aim to protect the interests of legal practitioners and their clients, while upholding public confidence in the legal profession.

During the reporting year our risk management education activities encompassed a range of formats, including face-to-face, hybrid, and online sessions. In response to the post COVID-19 landscape, we have continued offering our free monthly webinars, which have become a preferred mode of education delivery for practitioners. Publications and direct contact with practitioners were also utilised to convey LPLC risk messaging. These initiatives addressed not only legal issues, but also encompassed practice management systems and behavioral factors that contribute to the underlying causes of claims.

PRE-EMPTIVE RISK MANAGEMENT

There were two significant emerging risks we focused on this year — the approaching introduction of the Victorian Windfall Gains tax (WGT) on 1 July 2023, and the evolution of and greater access to generative artificial intelligence in the legal sector via technologies such as ChatGPT.

In relation to WGT, LPLC has provided extensive support to practitioners both through direct and responsive guidance for individual queries, as well as risk management information and support distributed through our digital channels. Our website's dedicated WGT resource hub allowed us to feature and consolidate crucial risk management information developed by LPLC including a Key Fact Sheet, two webinars and a short explainer video series all distributed to our insureds via our weekly email and social media channels.

We commenced research and consultation into the potential risks for legal practitioners associated with the use of ChatGPT and other AI technologies for legal work. We will develop targeted risk management initiatives for lawyers around this technology in 2023–2024.

HIGH RISK AREAS

LPLC's risk management efforts are guided by extensive analysis and monitoring of our claims data. We remain focused on preventing and mitigating known claims areas, particularly in property and conveyancing, mortgages, loans, guarantees, and cyber risks.

Continued focus on conveyancing risks

Property and conveyancing practice are our largest area of claims by number and second largest by cost (see page 14). Our Conveyancing Best Practice Program continued this year, looking at sample contracts and section 32 statements, and providing feedback to practices on their compliance with legislative requirements.

We ran conveyancing specific webinars on topics that are significant risk issues in the claims including the release of deposits, owner-builder obligations, owners corporation issues, purchaser finance, and terms contracts. Our Windfall Gains Tax webinars and short videos series specifically address the implications of the Windfall Gains Tax on conveyancing transactions, providing guidance on

navigating the complexities and potential risks associated with the tax.

Of the nearly 2,000 calls to our inquiry line from practitioners, the majority of queries were in relation to property, including practice management and GST as they related to conveyancing practice.

Addressing evolving cyber risks

As in previous years, cyber fraud remains a continuous and evolving threat to law practices who engage in the transfer of client funds. This year we observed a shift in the tactics of cyber criminals, who are now targeting clients as well as law firms. Although we continue to see instances where law firm emails are compromised, this shift in tactics could be attributed to a greater awareness of cyber threats as firms implement cyber security strategies.

Consequently, our messaging has adapted to emphasise the importance of law firms warning their clients to be aware and vigilant against cyber threats, in addition to continual reinforcement of their own staff training.

Our ongoing cyber security awareness campaign has included publishing articles focused both on reinforcing core messages as well as raising awareness of ongoing risks such as client email compromise and 'bank impersonators'.

Our cyber security resources are consolidated on our website in a 'Cyber Hub' as an easily accessible source of information for practitioners.

LPLC provided a free, interactive online cyber course to insured practitioners developed by Law & Cyber and fine-tuned by LPLC to address risks relevant to our insureds. The comprehensive course provided in-depth insights and contextual understanding of cyber claims, covering the key aspects of what, how, and why they occur. Originally commissioned in 2020, the course was updated this year to address current and emerging cyber risks.

In our efforts to maximise the course's impact, we extensively promoted its accessibility not only to lawyers, but also non-legal support staff such as those working in finance, in recognition that cyber criminals pose a threat to individuals across various roles within a law firm.

More than 2,000 practitioners have completed the course this year.

LPLC presents at all legal practice management courses in Victoria, as well as all the practical legal training courses of the College of Law, Leo Cussen and the new Law Institute of Victoria course. Cyber risk management featured in all these risk management presentations.

Our 'request a speaker' program allows us to provide tailored risk information based on the specific needs of a firm. This year we presented to several insured firms, with a one-hour seminar on cyber risk prevention being the most requested topic.

We also incorporated a cyber risk component into all of the practice management and legal update presentations we gave to various regional and suburban law associations.

From 1 July 2023 LPLC will introduce a deterrent excess for claims arising from unauthorised access to email accounts where access to the email account did not require at least two factors of authentication (MFA) on the insured's email account. The groundwork for this change was implemented during the year, building on prior risk management messaging to practitioners about the importance of cyber security measures such as MFA in protecting their systems, client money and avoiding claims. In the 2022–2023 year we ran a communications campaign to educate and assist insureds with information resources to implement MFA if they were yet to do so. Subsequently, we received many telephone inquiries from insured firms about enabling MFA and have been able to offer telephone support and assistance.

Finally, we have introduced a new cyber incident follow-up call process. For any firm that has had a cyber claim or 'near miss', a risk management team member calls them to help. This approach aims to support the firm and practitioner and provides guidance on how to enhance their cyber safety measures moving forward.

Direct contact with firms

PRIVATE LENDER REVIEW PROGRAM

LPLC continued our Private Lender Review Program, which offers a valuable service to targeted insureds who practice in this high-risk area. This program assists targeted insureds in evaluating current practices, documentation, and process to minimise the likelihood of claims in this area.

HELPING NEWLY ESTABLISHED FIRMS

LPLC uses three risk management contact points with principals establishing new firms:

1. Presentation of the risk management module in each of the practice management courses available for new principals in Victoria offered by the Law Institute Victoria, College of Law and Leo Cussen. The risk management modules were presented through various formats including in-person training sessions, recorded videos, and live webinars.
2. Phone or email contact initiated when a new practice is opened, introducing the range of practice support materials available from LPLC.
3. Invitation to attend one of our revamped Basics for New Firm workshops. The workshops offer valuable guidance on business strategy and emphasise key risk considerations for establishing and developing a sustainable legal practice. These workshops bring together small groups of practitioners, providing them with an opportunity to meet and network. These are held in person and online.

These initiatives establish positive connections with legal practitioners as they embark on a new phase of their careers, offering networking opportunities and assisting them in implementing robust risk management strategies from the outset.

We presented at the Bar Readers Courses again this year to introduce LPLC as their insurer and to provide education about the causes of barristers' claims.

ENGAGEMENT WITH THE PROFESSION

We regularly engage with members of the legal profession where indicated to seek feedback on the risk management content we create. This contact has helped inform and better design our risk management initiatives, build further rapport with the profession, and provides the practitioners involved with a deeper understanding of the risk issues.

RISK ASSISTANCE PROGRAM

Our Risk Assistance Program focuses on the needs of firms facing multiple claims or other risk issues that necessitated our specialised attention. This includes firms or practitioners referred to us by the LPLC claims team, ensuring comprehensive support for firms in need.

Through targeted meetings, we engaged in thorough discussions regarding the firm's specific risk management strategies and provided them with a tailored and comprehensive practice management improvement report. We also follow-up with additional contact to ensure continued support.

Participating firms have reported to us that recommendations made as part of this program have been taken up and implemented such as engaging a mentor, purchasing practice management software, undertaking further legal or risk management education, reducing workload, saying 'no' to work outside their expertise, or employing additional staff.

EARLY CAREER LAWYERS

To engage new lawyers with our risk management messaging, LPLC now presents a risk management module at all practical legal training courses. We have expanded our reach beyond College of Law to include Leo Cussen Centre for Law and the new Law Institute of Victoria course, ensuring that these early career lawyers receive foundational guidance about managing risks in their legal careers.

RISK MANAGEMENT ASSISTANCE

We answered nearly 2,000 matter specific risk enquiries to our general enquiry service and GST enquiry service. These enquiry lines provide practitioners with access to objective risk support and an opportunity to talk through things concerning them.

Through these enquiries we were often able to direct practitioners to resources that not only helped solve their immediate query, but also provided information and resources that improved their understanding of the law.

Ad hoc assistance of this nature helps practitioners make more informed decisions when working on a matter to minimise the risk of claims occurring. It also helps build a greater connection between LPLC and those we insure.

LARGE AND MID-TIER FIRM RISK MANAGERS NETWORK

LPLC provided tailored risk management strategies to large and mid-tier firms in response to the unique challenges they encounter. Whilst there are universal risk management strategies applicable to all practitioners, larger firms can face additional challenges due to the complexity and value of the work, acting on matters over various practice areas and jurisdictions, increased compliance due to client expectations and regulatory obligations, and multifaceted ethical considerations.

Larger firms have dedicated staff or teams responsible for leading risk management initiatives within their firm. LPLC's risk and claims solicitors interact with them in a variety of ways and on a broad variety of topics depending on the needs of the insured firm. LPLC also facilitates the sharing of knowledge and resources though our risk manager discussion groups.

In the 2022–2023 year, LPLC held three risk manager discussion forums.

The first focused on conflicts, information barriers, and explored the implications of anti-money laundering legislation for firms.

LPLC also arranged for lawyers from the professional liability team at Marsh UK, to present on conflicts of interest in large law firms and other 'hot risk topics' from the UK, at in-person presentations in both Melbourne and Sydney.

The third event was a hybrid risk in-person and virtual forum, featuring a presentation on the emerging risks associated with AI/ChatGPT. The forum produced lively discussion around the rooms about the approaches being taken by firms to the use of generative AI, its applications, limitations, benefits and risks in their practices.

Raising awareness of claims and their causes

A core part of our risk management program is the analysis of the root causes of negligence claims made against practitioners during the year. We actively monitor our claims notifications as well as changes and developments in the legal environment. This analysis allows us to gain insights into the risks practitioners are currently facing and informs the topics of LPLC's published content and speaking engagements to raise awareness of the causes and appropriate mitigation strategies for firms to avoid re-occurrence.

Our practice risk guides are flagship publications for the risk issues in the major areas of legal practice. These practice risk guides are regularly reviewed and periodically updated to ensure their content remains up to date and relevant.

Through our mailing list and website, we also published new resources weekly that covered topical risk issues, as well as recommendations for existing resource material on our website.

This weekly email program is designed to assist time poor practitioners with a summary newsletter at the end of each month.

Throughout the year, our written communications aimed to assist lawyers in navigating various risk issues. Some of the topics covered included:

- case developments in will preparation duties
- lessons learned from terminating contracts for major building defects
- understanding GST implications in margin scheme supplies
- review of economic entitlement provisions
- time limitations reminder
- highlighting changes in jurisdiction at Victorian Civil and Administrative Tribunal
- risks associated with acting outside practitioners' area of expertise
- addressing financial agreement risk issues
- trust Deeds Rule in Self Managed Super Funds
- tips on how to avoid Personal Property Securities mistakes
- ensuring clients understand the manner of holding real property
- reiterating overarching obligations for legal practitioners.

LPLC offered a series of monthly webinars to our insureds, each centered around a 'Back to Basics' theme. These free monthly webinars were presented live and then uploaded to our website for future viewing.

The following topics were covered:

- migration law
- family law
- commercial litigation
- practitioner certificates
- private lending
- conveyancing issues
- compliance audits.

Working with regulators and professional associations

We maintained our contact with staff from the Victorian Legal Services Board + Commissioner (VLSBC) and the Law Institute of Victoria, discussing matters of mutual concern, emerging trends, and challenges affecting the legal profession.

In addition, we consistently provided material to the VLSBC for their quarterly Commissioner Update and highlighted its resources such as the Risk Outlook 2023 and Your Right to Ask campaign, both on our website and via social media. As a trusted partner, LPLC is regularly consulted by the VLSBC on forthcoming initiatives.

Our risk staff spoke at various events throughout the year, including those organised by the Law Institute of Victoria and regional and suburban associations. We also presented at the Institute of Legal Executives acknowledging the importance of their role within the firms.

SUPPORTING AUSTLII

The Australasian Legal Information Institute (AustLII) is the largest free-access provider of online Australian legal materials and an invaluable risk management resource for insured solicitors and barristers.

The AustLII databases are widely used by the profession and the Courts on a daily basis and contribute meaningfully to the cost-effective delivery of legal services and access to justice for the broader community.

The AustLII Foundation operates as a charity and relies heavily on public donations to fund its operations. LPLC has been a significant financial contributor to AustLII since 2007 to ensure it continues this vital work.

LPLC and AustLII share the same ideal to serve the public interest, and LPLC again contributed $55,000 to support AustLII's work this year, bringing our total financial contributions to Austlii since 2007 to more than $800,000.

We are proud to be continuing our association with AustLII, austlii.edu.au.

INVESTMENTS

LPLC's primary investment objectives are:

(a) to achieve long term real growth in the investment portfolio

(b) to ensure sufficient funds are available to meet liabilities when they fall due

(c) to generate returns that assist in maintaining competitive and stable premiums

(d) to maintain an appropriate capital adequacy and solvency level.

The Fund seeks to achieve a return of CPI + 3% over a rolling five-year period.

The Legal Practitioners' Liability Fund continued as a balanced fund with an average allocation of 60% to growth assets and 40% to cash, term deposits and high quality Australian government bonds. LPLC maintains a diverse portfolio of investments to achieve its return and risk objectives.

The investment return for the 2022–2023 financial year was 5.9%, with the Fund's average return over the last five years being 4.7%.

Investment markets were volatile across the year with market returns and high inflation over the 12 month period.

The majority of our Australian and international equities Funds yielded strong absolute returns over the 12 months. Equities were weighted in favour of international investments, with a lower exposure to Australian equities. LPLC continued to invest in both hedged and unhedged funds within the international equities class to address currency fluctuation risk.

Returns in the property asset class were impacted by some valuation write-downs in the office and retail portfolios due to higher interest rates and reduced demand for office accommodation flowing from changing work styles post-pandemic.

During the year LPLC repositioned a portion of its property portfolio into a healthcare property fund to provide additional diversity and that subscription will continue to be drawn down over the coming year.

The Committee also subscribed to an infrastructure impact fund focused on investments in energy transition, waste reduction and digital infrastructure, with the capital partly called during the year. This investment enabled the Committee to be more intentional in its approach to environmental and social considerations through the portfolio.

Our cash holdings earnt returns through bank accounts under the Victorian Government Central Banking System.

During the year, LPLC also engaged with the Victorian Funds Management Corporation in relation to potential fund management opportunities with VFMC. That engagement is continuing.

Willis Towers Watson Australia Pty Ltd were investment advisers to the Committee during the reporting period.

Sustainability

LPLC, through its investment advisers, considers material sustainability issues in all investment decisions.

Additionally, a sustainability scorecard is utilised on an annual basis to produce a Risk Exposure Score as an overall measure of portfolio sustainability. The score incorporates metrics for carbon footprint, climate impact and other environmental, social and governance risks (ESG).

This year's score for LPLC's equities and bonds portfolio was broadly in line with the market benchmark.

For unlisted and alternative funds, LPLC relies upon sustainability assessments from our investment adviser of the approach to ESG integration and stewardship of individual fund managers. This is due to the absence of industry-wide sustainability benchmarking data for these asset classes.

Our focus on sustainability reporting from our investment adviser, enables the Committee to be more informed about the existence of ESG risk within the portfolio and to become more deliberate over time in making investment decisions with positive ESG features.

Fund managers

Funds were held with the following managers:

Australian Equities

- Vanguard Australian Shares Index Fund

International Equities

- GQG Global Equity
- Real Index Global Share Fund
- Schroder Emerging Markets Fund
- Ardevora Global Long Only Fund
- Fulcrum Australian Diversified Absolute Return Fund
- Vanguard Ethically Conscious Index Fund
- Vanguard International Shares Index Fund

Property

- Dexus Wholesale Property Fund
- Barwon Institutional Healthcare Property Fund
- Lighthouse Infrastructure Fund Trust

Infrastructure

- Palisade Diversified Infrastructure Fund
- Palisade Impact Fund

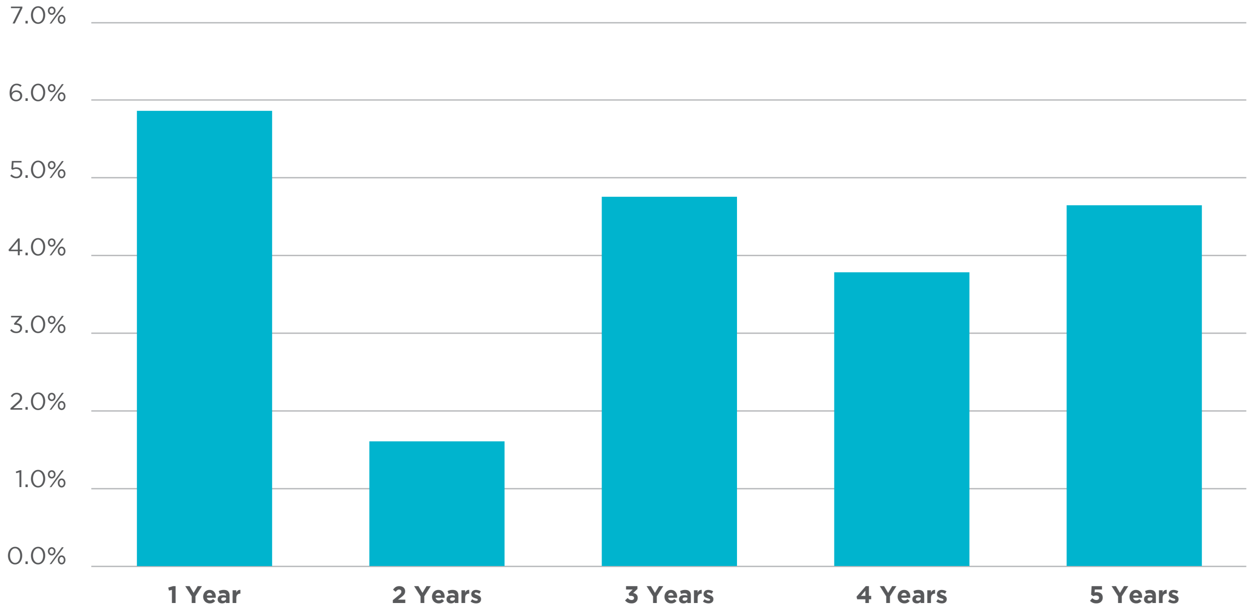
Bonds

- Vanguard Australian Government Bond Index Fund

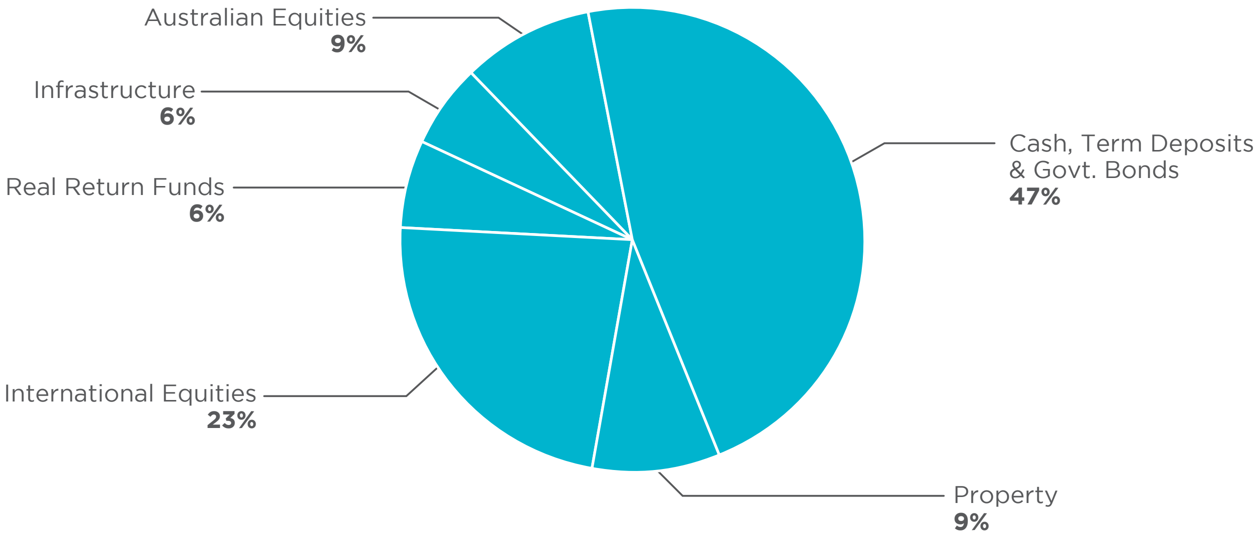
Cash

- Cash is invested via the State Central Banking System
- Term deposits are held with Westpac and National Australia Bank

Investment return over different time horizons (%)



Asset allocation as at 30 June 2023



LEGAL PRACTITIONERS' LIABILITY COMMITTEE

John Corcoran AM
Chairperson

John Corcoran AM is Principal at the law practice of Russell Kennedy and was Chair of that firm for 10 years until 30 June 2017. He is a former board member and Deputy Chair of Mercy Health and remains a member of its Finance, Audit & Risk Committee. He is also a board member of the Foundation for Surgery of The Royal Australasian College of Surgeons.

John is a member of the Executive Advisory Board of the Knowles Group (Arcare).

He has been a board member of the Victorian Legal Services Board as well as the International Bar Association. He is also a past President of the Law Institute of Victoria (2001–2002) and was President of the Law Council of Australia in 2009.

He is a Law Institute of Victoria Accredited Specialist in Commercial Law. His experience as a commercial lawyer is in the areas of commercial property, retirement and aged care, as well as sale and purchase of business and corporate governance.

John was appointed to the Committee in 2013 and has been LPLC's Chair since 2015. John will retire from the Committee in July 2023.

Danny Barlow
Committee Member

Danny has practiced as a solicitor in Victoria since being admitted to practice in 1996. He is currently a director of Dawes & Vary Riordan, a large regional law firm with multiple offices in various regional towns including Shepparton, Kyabram, Rochester and Tatura.

Danny practices primarily in agribusiness, commercial litigation and employment law. In addition to his legal practice, Danny is a former executive member of the Law Institute of Victoria, including serving as President in 2009. He has also served as a director of the Law Council of Australia. He remains a member of the Ethics Committee of the Law Institute of Victoria.

In addition to an honours degree in law from the University of Melbourne, Danny holds a Bachelor of Science from Charles Sturt University for which he was awarded the University Medal.

Danny was appointed to the Committee in 2018.

Adrian Finanzio SC
Committee Member | Chair, Investment Committee

Adrian has served on the Committee since 2016 and is currently the chair of the Investment Sub-Committee. Adrian was admitted in 1996, was called to the Victorian Bar in 1998 and took silk in 2012. He served on the board of Barristers' Chambers Limited for 11 years, including as acting Chair.

He served on the Bar Council in three terms, most recently in 2019 and 2020. He was Counsel Assisting the Royal Commission in relation to the Casino Operator's Licence. Adrian is a member of the Heritage Council of Victoria. He is also a Graduate member of the Australian Institute of Company Directors and serves and has served as a non-executive and executive director on boards over the last 10 years. Adrian has taught at both Monash University and the University of Melbourne, and served as the deputy chair of the Readers' Course Committee of the Bar for 10 years.

Helen Thornton
Committee Member | Chair, Audit and Risk Committee

Helen has been a chartered accountant for over 35 years, has extensive experience in governance, audit and risk management. She has held senior leadership roles at Deloittes, KPMG and BHP Ltd, as well as BlueScope Steel Ltd where she was responsible for the global risk management and insurance program. Helen has been a non-executive director for over 20 years and is an experienced Chair of Audit and Risk Committees. She is currently on the boards of McPherson's Ltd, ISPT Pty Ltd, Arena REIT Ltd, Ansvar Insurance Ltd, Treasury Corporation of Victoria and Yarra Valley Water.

Helen was appointed in 2014 and retired from the Committee at the end of June 2023.

Michelle Dixon
Committee Member | Chair Remuneration and Appointments Committee

Michelle is a partner at Maddocks, an Australian law firm with offices in Melbourne, Sydney and Canberra. She was the firm's CEO between 2014 and 2020.

Michelle is a member of a number of advisory and fiduciary boards including In-Life Independent Living Limited, and The Nature Conservancy.

A strong advocate for women in leadership, Michelle's contribution to the profession was recognised by being awarded both the Victorian Award for Excellence in Women's Leadership and Executive of the year at the Lawyers Weekly Women in Law Awards in 2016, and in 2019 being named as NSW Women Lawyers' Change Champion of the Year.

Michelle was appointed to the Committee in 2020.

Nicole Rich
Committee Member

Nicole is the Executive Director, Regulatory Services and Director, Consumer Affairs at the Victorian Department of Justice & Community Safety. She was formerly the Executive Director Family, Youth and Children's Law and for the Gippsland region at Victoria Legal Aid.

Experienced as a consumer advocate and in the development of legal research and policy, including as a former Director Policy and Campaigns at the Consumer Action Law Centre, Nicole has also worked as a lawyer across private practice and within the community legal sector. Nicole has also served on a number of public interest boards and committees including as Chairperson of CHOICE (2013–2017).

Nicole was appointed to the Committee in 2020.

Mark Valena
Committee Member

Mark has held several leadership roles in the insurance and health sectors, serving as director, CEO and executive.

For 13 years Mark served as CEO of GMHBA Limited, a top 10 health insurer and regional health care provider. Major features of his leadership focused on revitalising the organisation's purpose, strategy, scale and culture.

In addition to his role on the Committee, Mark is now the chair of a general insurer, and a non-executive director of three other entities including a disability services organisation, a medical indemnity insurance organisation and a health insurer.

Mark brings a wealth of experience in insurance, including in professional indemnity. He has a deep understanding of strategy development, capital and financial management, reinsurance, and risk management.

Mark's appointment to the Committee commenced in January 2022.

ORGANISATIONAL STRUCTURE

Committee and sub-committees

LEGAL PRACTITIONERS' LIABILITY COMMITTEE

John Corcoran AM | Chair

Helen Thornton | Danny Barlow

Adrian Finanzio SC

Michelle Dixon | Nicole Rich

Mark Valena

AUDIT AND RISK COMMITTEE

Helen Thornton | Chair

Danny Barlow

Michelle Dixon

Mark Valena

REMUNERATION AND APPOINTMENTS COMMITTEE

Michelle Dixon | Chair

John Corcoran AM

Danny Barlow

INVESTMENT COMMITTEE

Adrian Finanzio SC | Chair

John Corcoran AM

Nicole Rich

LPLC Staff

Chief Executive Officer
Justin Toohey

Robbie Gilbertson
Executive Officer

Chief Operations Officer
Paul Quayle

Claims

Head of Claims
Jodie Potts

Claims Managers
Prue Campton
Bronwyn Hine
John McGirr
Ryan Lee
Alix Osborn

Claims Administration
Jenny Aitken
Jackie Miller
Lauren Dickenson
Helen King

Risk Management

Head of Practice Risk Services
Kirin Mathews

Risk Managers
Stephen Bubb
Phil Nolan
Rebecca Kelton

Practice Risk Services Coordinator
Suzana Bonnici

Administrative Assistant
Lauren Kerr

Communications

Communications Manager
Tracey Johnston

Communications Officer
Emily D'Elia

Corporate Services

Corporate Services Manager
Bernadette Mallia

Administration
Inge Gallery

Insurance & Finance

Chief Financial Officer
Martin Dohnt

Senior Accountant
Carmen Voong

Insurance Officer
Terri Hedt
Sharon Mead

GOVERNANCE

LPLC provides professional indemnity insurance and risk management services for law practices.

The Committee:

- provides professional indemnity insurance for law practices
- oversees and monitors the affairs of the LPLC
- determines the terms of and submits policies of professional indemnity insurance for legal practitioners in Victoria for approval by the Victorian Legal Services Board + Commissioner
- oversees the investment of the Legal Practitioners' Liability Fund (the 'Fund')
- develops policy relating to national practice issues and professional indemnity insurance
- recommends the implementation of effective risk management for legal practitioners.

The Audit and Risk Committee comprised Helen Thornton (Chair until 30 June 2023), Danny Barlow, Michelle Dixon and Mark Valena (appointed Chair from 01 July 2023).

The Audit and Risk Committee oversees LPLC's:

- financial reporting
- finances and budgeting procedures
- actuarial and reserving functions
- internal risk and control environment
- corporate governance and regulatory compliance
- internal and external audits.

The Investment Committee comprised Adrian Finanzio SC (Chair), John Corcoran AM and Nicole Rich.

The Investment Committee:

- makes recommendations to LPLC on benchmarks, asset classes and asset allocation
- monitors the Fund's investment strategies and performance
- makes recommendations to the Committee on the appointment of fund managers and investment advisers.

The Remuneration and Appointments Committee comprised Michelle Dixon (Chair), John Corcoran AM, and Danny Barlow.

The Remuneration and Appointments Committee:

- advises and makes recommendations to LPLC in relation to nominations to the Legal Services Board + Commissioner for appointment of the Chair and Committee members
- advises and makes recommendations to LPLC in relation to the appointment, remuneration and performance review of the CEO
- oversees executive succession planning, staff remuneration and human resource matters.

Committee meeting attendance 2022–2023

	Committee		Investment		Audit & Risk		Remuneration & Appointments	
	Attended	**Eligible**	**Attended**	**Eligible**	**Attended**	**Eligible**	**Attended**	**Eligible**
John Corcoran AM	9	9	3	4	-	-	4	4
Helen Thornton	6	9	-	-	4	4	-	-
Adrian Finanzio SC	7	9	4	4	-	-	-	-
Danny Barlow	9	9	-	-	3	4	4	4
Michelle Dixon	7	9	-	-	4	4	4	4
Nicole Rich	9	9	4	4	-	-	-	-
Mark Valena	9	9	-	-	4	4	-	-

Executive management team

Justin Toohey
Chief Executive Officer

Justin was appointed as Chief Executive Officer in 2018, having previously served as Deputy CEO and Head of Claims at LPLC since 2005.

Prior to joining LPLC, Justin's career spanned five years in a senior executive position with the Institute of Architects' professional indemnity scheme and 15 years in private legal practice; including time as a partner with Tress Cocks & Maddox where he specialised in professional indemnity litigation as a panel solicitor to LPLC.

Paul Quayle
Chief Operations Officer

Paul was appointed as Chief Operations Officer in January 2022. Prior to joining LPLC, Paul's leadership career spanned the healthcare, transport, technology and education sectors, including five years as COO of a private healthcare company in New Zealand.

Paul has a passion for sustainable, people-centric business, and is a strong advocate for the use of technology and data in achieving business goals.

Martin Dohnt
Chief Financial Officer

Martin joined the Committee as Chief Financial Officer in January 2014.

Martin manages LPLC's insurance, accounting, finance and payroll functions. Prior to commencing at LPLC, Martin worked in the financial services industry for over 20 years holding senior finance management positions at Defence Force Credit Union and ASG Friendly Society.

Jodie Potts
Head of Claims

Jodie joined LPLC in 2018 as Head of Claims. Prior to joining LPLC, Jodie was a partner in the professional indemnity team of Moray & Agnew, Melbourne, having joined that firm in 2006 from Herbert Geer & Rundle.

Jodie is an experienced insurance litigator with strong property and commercial dispute resolution experience, having worked for Australian and international insurers across a wide range of business classes.

Kirin Mathews
Head of Practice Risk Services

Kirin has more than 20 years of experience in private legal practice and joined LPLC in 2022 after more than 7 years with Lander & Rogers as their Legal Risk Manager. Prior to that, she was employed at DLA Piper for over 10 years, having previously worked at Maurice Blackburn.

Kirin's experience has been developed across both large and small firms located in country Victoria as well as within the Melbourne CBD.

She is passionate about fostering a proactive culture of risk management within firms and empowering practitioners to take action and stay vigilant about emerging risks.

Tracey Johnston
Communications Manager

Tracey has been with LPLC since 2018 and has worked as a communications professional for 22 years in the not-for-profit sector with a focus on health and Aboriginal and Torres Strait Islander initiatives.

Tracey is responsible for the development, implementation and management of LPLC's communications strategy. With a specialty in online communications, she is responsible for the website, social media and all digital communications produced by LPLC.

SUPPLEMENTARY INFORMATION

Legislation administered by the Committee

The *Legal Practice Act 1996* —
1 July 2005 to 11 December 2005.

The *Legal Profession Act 2004* —
12 December 2005 to 30 June 2015.

The *Legal Profession Uniform Law Application Act 2014* —
1 July 2015 to 30 June 2023.

Financial management regulations

The information specified in the Financial Management Regulations has been prepared and is available on request to the Attorney-General, Members of Parliament and the public.

Public Interest Disclosures

LPLC is committed to the objectives of the *Public Interest Disclosures Act 2012* (Vic).

LPLC recognises the value of transparency and accountability and will support the making of any disclosures pursuant to the *Public Interest Disclosures Act 2012* (Vic).

LPLC has established procedures for protecting people against detrimental action that might be taken in reprisal for making public interest disclosures.

Our policy on how we handle public interest disclosures is available on request. Under this legislation, disclosures of improper conduct or detrimental action by Committee members or Committee staff should be made to the Independent Broad-based Anti-corruption Commission:

Independent Broad-based Anti-corruption Commission

Level 1, North Tower, 459 Collins Street
Melbourne VIC 3000
Tel: 1300 735 135 Fax: 03 8635 6444
Website: www.ibac.vic.gov.au

Compliance with the Building Act 1993 (Vic)

LPLC does not own any buildings and consequently is exempt from notifying its compliance with the building and maintenance provisions of the *Building Act 1993* (Vic).

Categories of documents held by LPLC

- applications by legal practitioners for insurance
- assessment notices
- notifications by legal practitioners of claims or circumstances likely to give rise to claims
- board papers and minutes for LPLC and LPLC sub committees
- management records
- administration records
- accounting records
- library material.

Freedom of information

LPLC received two requests pursuant to the *Freedom of Information Act 1982* (Vic) for the reporting period.

Publications

LPLC continues to publish relevant information on its website **www.lplc.com.au**

Occupational health and safety

LPLC continued its commitment to occupational health and safety (OH&S) compliance during the reporting period and undertook a range of initiatives to support staff health, safety and wellbeing including Safetrac online monthly compliance training, bystander training, complimentary flu vaccinations, and mindfulness/wellness activities.

LPLC offers an Employee Assistance Program to support the psychological wellbeing of staff and their immediate family.

Six staff members are trained mental health first aid officers and four staff are trained first aid officers.

All issues relating to safe workplace practices are regularly considered and reported at staff meetings. LPLC's Audit & Risk Committee also monitors occupational health and safety risks on a quarterly basis.

There were no reported OH&S-related incidents in the reporting year.

Workforce data

The Committee undertakes an annual performance appraisal and salary review of the Chief Executive Officer (CEO). The CEO and Executive Managers conduct annual performance reviews of their respective direct reports.

Internal staff training sessions were held regularly throughout the year addressing a variety of topics including mindfulness, cyber security and risk management. Staff members also attended a variety of virtual external courses and conferences relevant to their roles.

Staff members can raise grievances or other issues privately with the CEO, COO, Corporate Services Manager or LPLC's external HR consultant at any time. Alternatively, matters can be raised with a member of the Committee.

2022–2023

Position	Male	Female	Total
Chief Executive Officer	1		1
Chief Operations Officer	1		1
Chief Financial Officer	1		1
Senior Accountant		1	1
Claims Manager	2	4	6
Risk Manager	2	2	4
Corporate Services Manager		1	1
Communications Manager		1	1
Communications Officer		1	1
Insurance Officer		2	2
Receptionist/Administration		8	8
Total	7	20	**27**

2021–2022

Position	Male	Female	Total
Chief Executive Officer	1		1
Chief Operations Officer	1		1
Chief Financial Officer	1		1
Claims Manager	1	4	5
Risk Manager	2	2	4
Corporate Services Manager		1	1
Communications Manager		1	1
Communications Officer		1	1
Insurance Officer		2	2
Receptionist/Administration		7	7
Total	6	18	**24**

Environmental issues

LPLC has an environmental management plan (EMP) which assists to manage the environmental impact of day to day business activities.

Monitoring the EMP has been allocated to a team within the office led by the Corporate Services Manager.

The plan covers the 2022–2023 reporting year and covers energy consumption, waste generation and paper consumption.

Energy consumption

Total energy usage was approximately 48,941.95 kWh compared to 34,465.65 kWh in 2021–2022 and the energy used per square metre of office area was 69.41kWh compared to 48.88 kWh in 2021–2022. kWh of energy used per FTE was 1926.85.

The increase in energy usage can be attributed to an uptake in return to office by staff in the post COVID-19 landscape. Our 2023–2024 target is to maintain this level for the year.

Waste generation

LPLC monitors the levels of waste generated by its operations and staff. Building management provides a commingled recycling service which assists in reducing waste generated by LPLC sent to landfill.

LPLC reduces electronic waste generation through recycling of all computer components, CDs, DVDs, used printer cartridges, redundant dictating equipment, mobile phones, landline phones and any other computer peripherals by using a not-for-profit recycling service, Byte Back.

Paper consumption

LPLC has a policy to only purchase printers that are capable of double-sided copying, defaulting all communal printers to double sided, and using electronic documents instead of paper whenever possible.

The majority of LPLC's paper and cardboard waste is recycled through a secure paper recycling contractor who recover 98.5% of the material collected.

This year, the consumption increased to 5.35 A4 reams/FTE from 4.22/FTE in the previous year. This increase can be attributed to an uptake in return to office working in a post COVID-19 landscape.

Transport

LPLC does not operate a fleet of vehicles for business use and has a travel policy which includes the purchase of carbon credits for all air travel undertaken.

Competition policy

Until 11 December 2005 section 227A of the *Legal Practice Act* provided:

'For the purposes of the *Trade Practices Act 1974* of the Commonwealth and Competition Code, the entering into and performance of a contract of professional indemnity insurance by a person or firm and the Liability Committee under sections 224, 225, 226 or 227 is authorised by this Act.'

From 12 December 2005 until 30 June 2015 section 3.5.5 of the *Legal Profession Act 2004* provides:

'For the purposes of the *Trade Practices Act 1974* of the Commonwealth and Competition Code, the entering into and performance of a contract of professional indemnity insurance by a law practice and the Liability Committee under this Part is authorised by this Act.'

From 1 July 2015 section 119 of the *Legal Profession Uniform Law Application Act 2014* provides:

'For the purposes of the *Competition and Consumer Act 2010* of the Commonwealth and Competition Code, the entering into and performance of a contract of professional indemnity insurance by a law practice and the Liability Committee is authorised by this Act'.

Consultants

Consultants each year provide specialist advice to assist with decision making and risk management programs. During 2022–2023 total consultant expenditure as defined by the *Financial Management Act 1994 (Vic)* was approximately $442,352.

Finity Consulting Pty Ltd — Actuaries

During the reporting year Finity Consulting was engaged to provide pricing advice and other ad hoc actuarial consulting services. Expenditure for the reporting period was $113,769.

Cumpston Sarjeant — Actuaries

During the reporting year LPLC obtained half-yearly valuation reports of outstanding liabilities and other ad hoc actuarial advice from Cumpston Sarjeant.

The consulting fee paid to this firm for the reporting period was $59,631.

Willis Towers Watson — Investment advisors

Willis Towers Watson continued to be engaged as LPLC's Investment advisers for which consulting fees of $268,952 were paid.

Contact details

Legal Practitioners' Liability Committee
Level 31, 570 Bourke Street
MELBOURNE VIC 3000
ABN: 45 838 419 536
Telephone: (03) 9672 3800
Facsimile: (03) 9670 5538
Website: www.lplc.com.au

Declarations of pecuniary interests

Declarations of pecuniary interests have been duly completed by Committee members and relevant staff.

Legal Practitioners Liability Committee Financial Management Compliance Attestation Statement

I John Corcoran AM, on behalf of the Responsible Body, certify that the Legal Practitioners' Liability Committee has no Material Compliance Deficiency with respect to the applicable Standing Directions under the Financial Management Act 1994 and Instructions.

Asset Management Accountability Framework (AMAF) maturity assessment

The following sections summarise the LPLC's assessment of maturity against the requirements of the Asset Management Accountability Framework (AMAF). The AMAF is a non-prescriptive, devolved accountability model of asset management that requires compliance with 41 mandatory requirements.

These requirements can be found on the DTF website.

LPLC's target maturity rating is 'competence', meaning systems and processes fully in place, consistently applied and systematically meeting AMAF requirement, including a continuous improvement process to expand system performance above AMAF minimum requirements.

Leadership and Accountability (requirements 1–19)

LPLC has met or exceeded its target maturity level in this category.

Planning (requirements 20–23)

LPLC has met or exceeded its target maturity level in this category.

Acquisition (requirements 24 & 25)

LPLC has met or exceeded its target maturity level in this category.

Operation (requirements 26–40)

LPLC has met its target maturity level in this category.

Disposal (requirement 41)

LPLC has met its target maturity level in this category.

LEGAL PRACTITIONERS' LIABILITY COMMITTEE

FINANCIAL REPORT

For the Financial Year Ended 30 June 2023

CONTENTS

DECLARATION BY MEMBERS OF THE COMMITTEE

LEGAL PRACTITIONERS' LIABILITY COMMITTEE

DECLARATION BY COMMITTEE MEMBERS, CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

The attached financial statements for the Legal Practitioners' Liability Committee have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the Financial Management Act 1994 (FMA), applicable Financial Reporting Directions, Australian Accounting Standards, including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2023 and financial position of the Legal Practitioners' Liability Committee at 30 June 2023.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial report to be misleading or inaccurate.

We authorise the attached financial statements for issue on 13 September 2023.

....

Michelle Dixon - Chair

....

Nicholas J Toohey - Chief Executive Officer

....

Martin Dohnt - Chief Financial Officer

Dated this 13th day of September 2023

AUDITOR-GENERAL'S REPORT

VAGO
Victorian Auditor-General's Office

Independent Auditor's Report

To the Committee of the Legal Practitioners' Liability Committee

Opinion	I have audited the financial report of the Legal Practitioners' Liability Committee which comprises the: • balance sheet as at 30 June 2023 • statement of comprehensive income for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • declaration by committee members, chief executive officer and chief financial officer. In my opinion the financial report presents fairly, in all material respects, the financial position of the Legal Practitioners' Liability Committee as at 30 June 2023 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.
Basis for opinion	I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. My independence is established by the *Constitution Act 1975.* My staff and I are independent of the Committee in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
The Committee's responsibilities for the financial report	The Committee is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Committee determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error. In preparing the financial report, the Committee is responsible for assessing the Legal Practitioners' Liability Committee'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 it is inappropriate to do so.

Level 31 / 35 Collins Street, Melbourne Vic 3000
T 03 8601 7000 enquiries@audit.vic.gov.au www.audit.vic.gov.au

AUDITOR-GENERAL'S REPORT (CONTINUED)

Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994,* my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, 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 my 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 Legal Practitioners' Liability Committee's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Committee
- conclude on the appropriateness of the Legal Practitioners' Liability Committee'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 Legal Practitioners' Liability Committee's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Legal Practitioners' Liability Committee to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
15 September 2023

Timothy Maxfield
as delegate for the Auditor-General of Victoria

Statement of Comprehensive Income
for the Financial Year Ended 30 June 2023

	Note	2023 $	2022 $
UNDERWRITING			
Premium revenue	2.2	39,415,730	36,699,069
Outwards reinsurance expense	3.2	(1,200,000)	(1,000,000)
Net earned premiums		38,215,730	35,699,069
Claims expense	3.3	(50,457,411)	(36,948,064)
Reinsurance and other recoveries	2.5	3,194,333	1,827,000
Net claims incurred	3.3	(47,263,078)	(35,121,064)
Movement in unexpired risk liability	5.4	(2,833,300)	464,574
UNDERWRITING RESULT		**(11,880,648)**	**1,042,579**
Investment income/(expense)	2.3	15,648,352	(7,004,713)
Other income	2.4	25,952	19,908
Employment expenses	3.1.1	(4,759,924)	(4,186,449)
Depreciation and amortisation	4.1.1	(411,069)	(382,215)
Other operating expenses	3.4	(2,895,579)	(2,617,672)
Net Operating Result		**(4,272,916)**	**(13,128,562)**
Other Comprehensive Income/(Loss)		-	-
Total Comprehensive Loss		**(4,272,916)**	**(13,128,562)**

Notes to and forming part of these financial statements are set out in pages 53 to 114

Balance Sheet
as at 30 June 2023

	Note	2023 $	2022 $
CURRENT ASSETS			
Cash and cash equivalents	6.1	15,923,079	17,702,203
Receivables	5.1	834,318	3,167,664
Other financial assets	4.2	70,438,992	59,873,286
Other assets	5.3	166,144	1,898,953
Total Current Assets		**87,362,533**	**82,642,106**
NON-CURRENT ASSETS			
Other financial assets	4.2	213,283,046	199,128,502
Receivables	5.1	3,600,000	-
Property, plant & equipment	4.1	334,554	650,835
Total Non-Current Assets		**217,217,600**	**199,779,337**
TOTAL ASSETS		**304,580,133**	**282,421,443**
CURRENT LIABILITIES			
Outstanding claims liability	5.5	43,190,000	40,211,000
Payables	5.2	1,812,452	3,399,641
Unearned premium liability	5.4	63,962,000	53,824,000
Lease liability	6.3	164,443	362,962
Provisions	3.1.2	795,396	761,321
Total Current Liabilities		**109,924,291**	**98,558,924**
NON-CURRENT LIABILITIES			
Outstanding claims liability	5.5	88,761,000	73,636,000
Lease liability	6.3	115,255	207,131
Provisions	3.1.2	69,258	36,143
Total Non-Current Liabilities		**88,945,513**	**73,879,274**
TOTAL LIABILITIES		**198,869,804**	**172,438,198**
NET ASSETS		**105,710,329**	**109,983,245**
EQUITY			
Accumulated funds	8.1	105,710,329	109,983,245
TOTAL EQUITY		**105,710,329**	**109,983,245**

Notes to and forming part of these financial statements are set out in pages 53 to 114

Cash Flow Statement

for the Financial Year Ended 30 June 2023

	Note	2023 $	2022 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Premium revenue received		56,242,395	47,743,254
Other income		27,997	19,908
Dividend received		107,620	103,400
Interest received		1,606,754	499,467
Other income from investments		6,257,292	1,037,516
Interest paid on lease liabilities	6.3.1c	(15,863)	(28,178)
Claims paid		(33,500,123)	(39,339,190)
Outward reinsurance premium paid		(1,320,000)	(1,080,000)
Reinsurance and Other recoveries received		1,421,333	-
Payments to suppliers and employees		(15,684,127)	(13,922,650)
Net cash provided by/(used in) operating activities	6.1.1	**15,143,278**	**(4,966,473)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4.1.2	(25,808)	(14,273)
Sale of investments		889,912	15,000,000
Purchase of investments		(6,861,425)	(8,618,572)
Net cash (used in)/provided by investing activities		**(5,997,321)**	**6,367,155**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of principal portion of lease liabilities	6.3.1c	(359,375)	(336,366)
Net cash used in financing activities		**(359,375)**	**(336,366)**
Net increase in cash held		8,786,582	1,064,316
Cash and cash equivalents at beginning of period		77,575,489	76,511,173
Cash and cash equivalents at end of period	6.1	**86,362,071**	**77,575,489**

Notes to and forming part of these financial statements are set out in pages 53 to 114

Statement of Changes In Equity
for the Financial Year ended 30 June 2023

	Note	Accumulated funds $	Total $
At 1 July 2021		123,111,807	123,111,807
Net result for the year		(13,128,562)	(13,128,562)
Other comprehensive income for the year		-	-
At 30 June 2022		**109,983,245**	**109,983,245**
Net result for the year		(4,272,916)	(4,272,916)
Other comprehensive income for the year		-	-
At 30 June 2023	8.1	**105,710,329**	**105,710,329**

Notes to and forming part of these financial statements are set out in pages 53 to 114

Notes to the Financial Statements
for the year ended 30 June 2023

1. ABOUT THIS REPORT

The reporting entity is the Legal Practitioners' Liability Committee (LPLC). The Legal Practitioners' Liability Committee is a statutory authority established under the *Legal Profession Act 2004* (from 1 July 2015 *The Legal Profession Uniform Law Application Act 2014*). The Committee administers the transactions of the Legal Practitioners' Liability Fund. The Legal Practitioners' Liability Committee is specifically regulated out of the Commonwealth Insurance Act and is not regulated by the Australian Prudential Regulatory Authority. The LPLC has the power to impose a levy in the event of insolvency. The assets, liabilities and financial transactions of the Legal Practitioners' Liability Fund are reported in this financial report.

Its principal address is: Legal Practitioners' Liability Committee
Level 31, 570 Bourke Street
Melbourne, Vic 3000

Basis of Preparation

These financial statements are in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

LPLC makes estimates and assumptions in respect of certain key assets and liabilities. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates are applied are described below.

The ultimate liability arising from claims made under insurance contracts.

Provision is made at the year end for the outstanding claim liability at the balance date and for projected reinsurance recoveries in applicable years. The estimated cost of claims include direct expenses to be incurred in settling claims. The Fund takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing claims provisions it is likely that the final outcome will prove to be different from the original liability established. For assumptions and methods used refer to Note 8.7.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in applying AAS that have significant effects on the financial statements and estimates are disclosed in Note 7.

Notes to the Financial Statements
for the year ended 30 June 2023

1. ABOUT THIS REPORT (CONTINUED)

These financial statements cover the Legal Practitioners' Liability Committee as an individual reporting entity and included all the controlled activities of the Committee.

Amounts in the financial statements have been rounded to the nearest dollar unless otherwise stated.

Compliance Information

These general purpose financial reports have been prepared in accordance with the Financial Management Act 1994 (FMA) and applicable Australian Accounting Standards (AASs) which includes interpretations, issued by the Australia Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of AASB 1049 Whole of Government and General Government Sector Financial Reporting (AASB 1049).

Where appropriate, those AASs paragraphs applicable to not-for-profit entities have been applied. Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or events is reported.

Income Tax

The Fund is exempt from income tax pursuant to item 5.2 of section 50-25 of the *Income Tax Assessment Act 1997.*

Goods and Services Tax (GST)

Revenues and expenses are recognised net of the amount of GST, except where the amount of GST is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the item of expense.

Receivables and payables in the Balance Sheet are shown inclusive of GST.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from or payable to the taxation authority, are presented as operating cash flow.

Going Concern

The financial statements were prepared on a going concern basis. The Committee considered this view notwithstanding the working capital deficiency as at 30 June 2023 of $22,561,758 (2022: $15,916,818). The net deficiency in working capital includes unearned premium liability of $63,962,000 (2022: $53,824,000) and the majority of which will be brought to account as income in the 2023/24 year. LPLC has a surplus in net assets of $105,710,329 as of 30 June 2023. Budgets prepared for the year ending 30 June 2024 indicate that the entity is expected to achieve a loss from activities. Notwithstanding this the Committee has sufficient reserves to continue as a going concern. On this basis the Committee members believe the going concern basis is appropriate for preparation of the financial statements.

Notes to the Financial Statements
for the year ended 30 June 2023

2. FUNDING DELIVERY OF OUR SERVICES

Introduction

LPLC is the professional indemnity insurer to Victorian legal practices and the insurer to many national law firms. In addition, LPLC provides a comprehensive program of risk management services to legal practices that insure with us. LPLC's long-held values are; equity and fairness, transparency, probity, stability.

To enable LPLC to fulfil its values and provide outputs, it receives income (predominantly premium revenue).

Structure

2.1 Summary of income that funds the delivery of our services

	Note	2023 $	2022 $
Premium revenue	2.2	39,415,730	36,699,069
Investment income/(expense)	2.3	15,648,352	(7,004,713)
Other income	2.4	25,952	19,908
Reinsurance and other recoveries	2.5	3,194,333	1,827,000
Total income		**58,284,367**	**31,541,264**

Premiums from direct business arise from contracts when a policy holder transfer significant insurance risk to an insurer.

The recognition of investment income, other income and reinsurance and other recoveries are disclosed at notes 2.3, 2.4 and 2.5 respectively.

Notes to the Financial Statements

for the year ended 30 June 2023

2. FUNDING DELIVERY OF OUR SERVICES (CONTINUED)

2.2 Premium revenue

	2023 $	2022 $
Gross written premiums	46,720,430	39,628,643
Movement in unearned premium	(7,304,700)	(2,929,574)
Net premium revenue	**39,415,730**	**36,699,069**

Premium revenue comprises amounts charged to solicitors and barristers, excluding amounts collected on behalf of third parties, principally stamp duties and goods and services tax.

Premium revenue is recognised in the Statement of Comprehensive Income when it has been earned. Premium revenue is recognised in the Statement of Comprehensive Income from the attachment date over the period of the contract.

The proportion of premium received or receivable not earned in the Statement of Comprehensive Income at the reporting date is recognised in the Balance Sheet as an unearned premium liability.

2.3 Investment income / (expense)

	2023 $	2022 $
Net fair value gains/(loss) on financial assets at fair value through profit or loss - refer to note 7.3 and 4.2	4,820,293	(16,438,325)
Managed fund distributions	8,357,889	8,741,594
Other investment income	356,349	363,858
Dividend income	107,620	103,400
Interest income	2,006,201	224,760
Total investment income / (expense)	**15,648,352**	**(7,004,713)**

Managed fund distributions are accured and include declared investment distributions. Any managed fund distribution income relating to the current period that is not received during the accounting year is accrued to that accounting year.

Interest income includes interest received on bank term deposits and other investments and the unwinding over time of the discount on financial assets. Interest income is recognised using the effective interest method, which allocates the interest over the relevant period.

Other investment income includes management fee rebates received from managed investment funds.

Managed fund distributions are recognised when the right to receive payment is established. Managed fund distributions represent the income arising from investments in financial assets.

Notes to the Financial Statements
for the year ended 30 June 2023

2. FUNDING DELIVERY OF OUR SERVICES (CONTINUED)

2.4 Other income

	2023 $	2022 $
Seminar income	17,015	14,500
Other miscellaneous income	8,937	5,408
Total other Income	**25,952**	**19,908**

Seminar income is income received for seminars, webinars and workshops held during the financial year. Seminars, webinars and workshops are aimed at assisting practitioners to avoid risks and minimise their exposure to claims. Income is recognised when the seminar, webinar or workshop has been completed.

2.5 Reinsurance and other recoveries

	2023 $	2022 $
Reinsurance recoveries	1,773,000	1,827,000
Other recoveries	1,421,333	-
Total reinsurance and other recoveries	**3,194,333**	**1,827,000**

Reinsurance recoveries receivable on paid claims, reported claims not yet paid, claims incurred but not reported are recognised as revenue. Reinsurance recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

Other recoveries comprise insurance costs recovered from third paties by LPLC under the insurance contract.

Notes to the Financial Statements
for the year ended 30 June 2023

3. THE COST OF DELIVERING SERVICES

Introduction

This section provides an account of the expenses incurred by Legal Practitioners' Liability Committee in delivering services and outputs. In section 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded.

Structure

3.1 Expenses incurred in delivery of services

	Note	2023 $	2022 $
Employee benefit expenses	3.1.1	4,759,924	4,186,449
Outwards reinsurance expense	3.2	1,200,000	1,000,000
Net claims incurred	3.3	47,263,078	35,121,064
Other operating expenses	3.4	2,895,579	2,617,672
Total expenses incurred in delivery of services		**56,118,581**	**42,925,185**

3.1.1 Employee benefits expense

	2023 $	2022 $
Defined contribution superannuation expense	414,620	346,349
Salaries and wages, annual leave and long service leave	4,345,304	3,840,100
Total employee benefit expenses	**4,759,924**	**4,186,449**

Employee expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, termination payments and WorkCover premiums.

The amount recognised in the Statement of Comprehensive Income in relation to superannuation is employer contributions for members of defined contribution superannuation plans that are paid or payable during the reporting period.

Notes to the Financial Statements
for the year ended 30 June 2023

3. THE COST OF DELIVERING SERVICES (CONTINUED)

3.1.2 Employee benefits in the balance sheet

Provision is made for the Fund's liability for employee benefits arising from services rendered by employees to balance date and recorded as an expense during the period the services are delivered.

	2023 $	2022 $
CURRENT PROVISIONS		
Annual Leave		
unconditional and expected to settle within 12 months	173,381	188,630
unconditional and expected to settle after 12 months	14,378	12,814
Long Service Leave		
unconditional and expected to settle within 12 months	37,766	24,488
unconditional and expected to settle after 12 months	456,860	431,760
Provisions for on-costs		
unconditional and expected to settle within 12 months	34,968	33,580
unconditional and expected to settle after 12 months	78,043	70,049
Total current provisions	**795,396**	**761,321**
NON-CURRENT PROVISIONS		
Employee benefits	59,418	31,223
On-costs	9,840	4,920
Total non-current provisions	**69,258**	**36,143**
Total provisions for employee benefits	**864,654**	**797,464**

Reconciliation of movement in on-cost provision

	2023 $
Opening balance	108,549
Additional provisions recognised	72,835
Reductions arising from payments/other sacrifices of future economic benefits	(58,533)
Closing balance	**122,851**
Current	**113,011**
Non-current	**9,840**

Notes to the Financial Statements
for the year ended 30 June 2023

3. THE COST OF DELIVERING SERVICES (CONTINUED)

3.1.2 Employee benefits in the balance sheet (continued)

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits annual leave and on costs, are all recognised in the provision for employee benefits as current liabilities, because the Legal Practitioners' Liability Committee does not have an unconditional right to defer settlements of these liabilities.

The liability for wages and salaries are recognised in the balance sheet at remuneration rates which are current at the reporting date. As the Legal Practitioners' Liability Committee expects the liabilities to be wholly settled within 12 months of reporting date, they are measured at undiscounted amounts.

The annual leave liability is classified as a current liability and measured at the undiscounted amount expected to be paid, as the Legal Practitioners' Liability Committee does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

No provision has been made for sick leave as all sick leave is non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the Statement of Comprehensive income as it is taken.

Employment on-costs such as payroll tax, workers compensation and superannuation are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

Long Service Leave (LSL)

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where the Legal Practitioners' Liability Committee does not expect to settle the liability within 12 months because it will not have an unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- undiscounted value - if expected to wholly settle within 12 months: or
- present value - if not expected to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL Liability is measured at present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction through profit and loss.

Provisions for on-costs such as payroll tax, workers compensation and superannuation are recognised separately from the provision for employee benefits.

Notes to the Financial Statements
for the year ended 30 June 2023

3. THE COST OF DELIVERING SERVICES (CONTINUED)

3.1.3 Superannuation contributions

Employees of LPLC are entitled to receive superannuation benefits and the LPLC contributes to defined contribution plans on their behalf.

Superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the Statement of Comprehensive Income of LPLC.

	Paid contribution for the year		Contribution outstanding at year end	
	2023	**2022**	**2023**	**2022**
DEFINED CONTRIBUTION PLANS				
Legal Super	72,787	92,790	-	-
Other	341,833	253,559	-	-
Total	**414,620**	**346,349**	-	-

3.2 Outwards reinsurance expense

	2023 $	**2022 $**
Outwards reinsurance expense	1,200,000	1,000,000
Total	**1,200,000**	**1,000,000**

Premium paid to reinsurers is recognised as an expense in accordance with the expected pattern of risk. Where applicable, a portion of outwards reinsurance premium is treated at the reporting date as a prepayment. Reinsurance recoveries are recognised as revenue for claims incurred.

The Legal Practitioners' Liability Fund carries a stop loss insurance policy, with a defined sum insured, to cover the payment of claims made during the year ended 30 June 2023 in excess of $54.0m (90% at $54m and 10% at $63m) (2022: $50.5m).

Notes to the Financial Statements
for the year ended 30 June 2023

3. THE COST OF DELIVERING SERVICES (CONTINUED)

3.3 Claims expense

Claims expense recognises the estimated cost of claims incurred for the current year, less or plus any adjustment for the improvements/deterioration in prior policy/accounting years.

NET CLAIMS INCURRED

	2023 Current year $	**Prior years $**	**Total $**	**2022 Current year $**	**Prior years $**	**Total $**
Gross claims expense	58,737,000	(4,558,589)	54,178,411	56,395,000	(14,100,936)	42,294,064
Discount movement	(4,522,000)	801,000	(3,721,000)	(3,235,000)	(2,111,000)	(5,346,000)
	54,215,000	**(3,757,589)**	**50,457,411**	**53,160,000**	**(16,211,936)**	**36,948,064**
Reinsurance and other recoveries revenue						
Reinsurance and other recoveries revenue - undiscounted	(3,418,333)	-	(3,418,333)	(2,467,000)	-	(2,467,000)
Discount movement	224,000	-	224,000	640,000	-	640,000
	(3,194,333)	-	(3,194,333)	(1,827,000)	-	(1,827,000)
Net claims incurred	**51,020,667**	**(3,757,589)**	**47,263,078**	**51,333,000**	**(16,211,936)**	**35,121,064**

Current year amounts relate to risks borne in the current financial year. Prior periods amount relate to a reassessment of the risks borne in all previous financial years.

Notes to the Financial Statements
for the year ended 30 June 2023

3. THE COST OF DELIVERING SERVICES (CONTINUED)

3.4 Other operating expenses

	2023 $	2022 $
Administration expenditure	2,166,849	1,995,550
Consulting & professional services expenditure	728,730	622,122
Total other operating expenses	**2,895,579**	**2,617,672**

Other operating expenses generally represent the day-to-day running costs incurred in normal operations.

Adminstration expenditure are recognised as an expense in the reporting period in which they are incurred.

Variable lease payments that are not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate and which are not, in substance fixed) such as those based on performance or usage of the underlying asset, are recognised in the Statement of Comprehensive Income (except for payments which has been included in the carrying amount of another asset) in the period in which the event or condition that triggers those payments occur.

Notes to the Financial Statements
for the year ended 30 June 2023

4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

Introduction

The Legal Practitioners' Liability Committee controls assets and investments that are utilised in fulfilling its objectives and conducting its activities. They represent the resources utilised by the LPLC for delivery of those outputs.

Significant judgement: Classification of investments as 'key assets'

The LPLC has made the judgement that investments and other financial assets are key assets utilised to support the LPLC's objectives and outputs.

Fair Value measurement

Where the assets included in this section are carried at fair value, additional information is disclosed in Note 7.3 in connection with how those fair values were determined.

Structure

4.1 Property, plant and equipment

	2023 $	2022 $
Property, plant & equipment:		
Fair value	1,765,729	1,831,772
Accumulated depreciation	(1,445,076)	(1,218,132)
	320,653	613,640
Leasehold Improvements:		
Fair value	241,471	232,521
Accumulated depreciation	(227,570)	(195,326)
	13,901	37,195
Total property, plant and equipment	**334,554**	**650,835**

Notes to the Financial Statements
for the year ended 30 June 2023

4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)

4.1 Property, plant and equipment (continued)

The following tables are subsets of property, plant and equipment by right-of-use assets.

4.1a Right of use assets: Property, plant and equipment

	2023 $	2022 $
Property, plant and equipment		
Gross carrying amount	1,404,916	1,487,816
Accumulated depreciation	(1,125,218)	(917,723)
Net carrying amount	**279,698**	**570,093**

	2023 $	2022 $
Opening balance - 1 July	570,093	906,459
Additions	146,381	-
Disposals	(77,401)	-
Depreciation	(359,375)	(336,366)
Closing balance - 30 June	**279,698**	**570,093**

Initial recognition

All non-current physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment.

The cost of leasehold improvements is capitalised and depreciated over the shorter of the remaining term of the lease and their estimated useful lives.

Right-of-use assets acquired by lessees - initial measurement

LPLC recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any incentives received; plus
- any initial direct costs incurred and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

Notes to the Financial Statements
for the year ended 30 June 2023

4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)

4.1 Property, plant and equipment (continued)

4.1a Rght of use assets: property, plant and equipment (continued)

Subsequent measurement

Property, plant and equipment (PPE) as well as right-of-use assets under leases are measured at cost less accumulated depreciation and impairment, which is deemed to be a proxy for the fair value and deemed to be appropriate given the short useful lives of the assets.

Right-of-use asset - Subsequent measurement

LPLC depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

4.1.1 Depreciation and amortisation

Charge for the period	2023 $	2022 $
Property, plant and equipment	378,825	354,855
Leasehold improvements	32,244	27,360
Total depreciation expense	**411,069**	**382,215**

Property, plant and equipment is depreciated on a straight-line basis over their useful life to the Fund commencing from the time the assets are held ready for use.

The depreciation rates used for current and prior years are:

Class of asset	Straight-line depreciation rate
Property, plant & equipment	20 - 40%
Leasehold improvements	10 - 25%

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term and their useful lives.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term. Where the LPLC obtains ownership of the underlying leased asset or if the cost of the right-of-use asset reflects that the entity will exercise a purchase option, the entity depreciates the right-of-use asset over its useful life.

Notes to the Financial Statements
for the year ended 30 June 2023

4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)

4.1 Property, plant and equipment (continued)

4.1.1 Depreciation and amortisation (continued)

Impairment

Non-financial assets, including items of property, plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired.

The assets concerned are tested as to whether their carrying value exceeds the recoverable amount. Where an asset's carrying value exceeds its recoverable amount the difference is written off in the Statement of Comprehensive Income as an "other economic flow", except to the extent that it can be debited to an asset revaluation surplus amount applicable to that class of asset.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less cost to sell. Recoverable amount for assets held primarily to generate cash inflows is measured at the higher of the present value of future cash inflows expected to be obtained from the asset and fair value less costs to sell.

4.1.2 Reconciliation of movements in carrying amount of property, plant and equipment

	Property, furniture equipment $	Leasehold improvements $	Total $
2023			
Balance at the beginning of the year	613,640	37,195	650,835
Additions of right to use assets	146,381	-	146,381
Disposals of right to use assets	(77,401)	-	(77,401)
Additions	16,858	8,950	25,808
Depreciation expense	(378,825)	(32,244)	(411,069)
Carrying amount at the end of the year	**320,653**	**13,901**	**334,554**
2022			
Balance at the beginning of the year	954,222	64,555	1,018,777
Additions	14,273	-	14,273
Disposals	-	-	-
Depreciation expense	(354,855)	(27,360)	(382,215)
Carrying amount at the end of the year	**613,640**	**37,195**	**650,835**

Notes to the Financial Statements

for the year ended 30 June 2023

4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)

4.2 Investments and other financial assets

	2023 $	2022 $
CURRENT INVESTMENTS AND OTHER FINANCIAL ASSETS		
Term deposits:		
Australian dollar term deposits > three months	70,438,992	59,873,286
Total current investments and other financial assets	**70,438,992**	**59,873,286**
NON-CURRENT INVESTMENTS AND OTHER FINANCIAL ASSETS		
Managed unit trusts		
- Overseas equities	68,057,598	59,338,170
- Property fund	25,700,763	23,016,892
- Infrastructure fund	19,326,012	20,273,392
- Australian equities	28,550,860	24,966,328
- Diversified funds	18,170,854	18,477,356
- Government securities	53,476,959	53,056,365
Total non-current investments and other financial assets	**213,283,046**	**199,128,502**
Total investments and other financial assets	**283,722,038**	**259,001,788**

Other financial assets

For financial assets that are held for trading or designated at fair value through the profit or loss, the net gain or loss is calculated by taking the movement in the fair value of the financial asset and this gain or loss is recognised in the Statement of Comprehensive Income.

Net market values have been determined as follows:

1. Units in managed equity funds by reference to the unit redemption price at the end of the reporting period as determined by the respective constitutions governing each fund.
2. Units in infrastrucutre funds by reference to the unit redemption price at the end of the reporting period as determined by the respective constitutions governing each fund.
3. Units in a managed property fund by reference to unit redemption price at the end of the reporting period which is 98% of the current asset value which has been the basis of recent sales.

Asset backing general insurance liabilities

As part of its investment strategy the Fund actively manages its investment portfolio to ensure that the investments mature in accordance with the expected pattern of future cash flows arising from general insurance liabilities.

The Fund has determined that other financial assets are held to back general insurance liabilities and their accounting treatment is described above. As these assets are managed under the Fund's Risk Management Statement on a fair value basis and are reported to the Committee on this basis, they have been valued at fair value through profit or loss.

Notes to the Financial Statements
for the year ended 30 June 2023

5. OTHER ASSETS AND LIABILITIES

Introduction

This section sets out those assets and liabilities that arose from the LPLC's operations.

Structure

5.1 Receivables

	2023 $	2022 $
CONTRACTUAL		
Accrued investment income	834,318	1,340,664
Reinsurance receivable	-	1,827,000
Total current receivables	**834,318**	**3,167,664**
Reinsurance receivable	3,600,000	-
Total non-current receivables	**3,600,000**	-
Total receivables	**4,434,318**	**3,167,664**

Contractual receivables are classified as financial instruments and categorised as "financial assets at amortised cost". They are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost using the effective interest rate method, less any impairment.

Notes to the Financial Statements
for the year ended 30 June 2023

5. OTHER ASSETS AND LIABILITIES (CONTINUED)

5.1 Receivables (continued)

Ageing analysis of contractual receivables

	Carrying amount	Not past due and not impaired	Past due but not impaired			
			Less than 1 month	1-3 months	3 months - 1 year	1-5 years
2023						
Accrued investment income	834,318	834,318	-	-	-	-
Reinsurance receivable	3,600,000	3,600,000	-	-	-	-
Total	**4,434,318**	**4,434,318**	-	-	-	-
2022						
Accrued investment income	1,340,664	1,340,664	-	-	-	-
Reinsurance receivable	1,827,000	1,827,000	-	-	-	-
Total	**3,167,664**	**3,167,664**	-	-	-	-

5.2 Payables

	2023 $	2022 $
CONTRACTUAL		
Other investment payable	-	1,745,300
Supplies and services	225,003	180,948
Deferred other income	2,045	4,062
STATUTORY		
GST payable	707,798	619,383
Other taxes payable	877,606	849,948
	1,812,452	**3,399,641**
Represented by:		
Current payables	1,812,452	3,399,641
Non-current payables	-	-

Notes to the Financial Statements
for the year ended 30 June 2023

5. OTHER ASSETS AND LIABILITIES (CONTINUED)

5.2 Payables (continued)

Payables consist of:

- contractual payables, classified as financial instruments and measured at amortised cost. Accounts payable represent liabilities for goods and services provided to Legal Practitioners' Liability Committee prior to the end of the financial year that are unpaid, and arise when Legal Practitioners' Liability Committee becomes obliged to make future payments in respect of the purchase of those goods and services.

The other investment payable comprises contractual commitments to invest in a managed fund in respect of which a drawdown notice exists as at balance date.

Maturity analysis of contractual payables

	Carrying amount	Nominal amount				Maturity dates
			Less than 1 month	1-3 months	3 months - 1 year	1-5 years
2023						
Supplies and services	225,003	225,003	225,003	-	-	-
Deferred other income	2,045	2,045	2,045	-	-	-
Total	**227,048**	**227,048**	**227,048**	-	-	-
2022						
Other investment payable	1,745,300	1,745,300	1,745,300			
Supplies and services	180,948	180,948	180,948	-	-	-
Deferred other income	4,062	4,062	4,062	-	-	-
Total	**1,930,310**	**1,930,310**	**1,930,310**	-	-	-

Notes to the Financial Statements
for the year ended 30 June 2023

5. OTHER ASSETS AND LIABILITIES (CONTINUED)

5.3 Other assets

	2023 $	2022 $
CURRENT OTHER ASSETS		
Prepayments	166,144	153,653
Other financial asset	-	1,745,300
Total current other assets	**166,144**	**1,898,953**

Prepayments represent payments in advance of receipt of goods or services or the payment made in one accounting period covering a term extending beyond that period.

The other financial asset commitment comprises a commitment right over units in a managed fund in respect of which a drawdown notice exists as at balance date.

5.4 Unearned premium liability

	2023 $	2022 $
Unearned premium liability 1 July	53,824,000	51,359,000
Earning of premiums written in previous periods	(38,618,040)	(35,688,466)
Deferral of premium contracts written in period	45,922,740	38,618,040
Unexpired risk liability recognised for year ending 30 June (note 7.5.1)	2,833,300	(464,574)
Unearned premium liability 30 June	**63,962,000**	**53,824,000**

Notes to the Financial Statements
for the year ended 30 June 2023

5. OTHER ASSETS AND LIABILITIES (CONTINUED)

5.4 Unearned premium liability (continued)

Deferral of premium contracts

Deferral of premium contracts includes consideration received in advance from practitioners in respect of the upcoming insurance period. This deferred premium balance will be recognised as premium revenue in the forth coming financial period.

Unexpired risk liability

At each reporting date the Fund assessed whether the unearned premium liability is sufficient to cover all the expected future cash flows relating to the future claims against current insurance contracts. This assessment is referred to as the Liability Adequacy Test.

If the present value of the expected future cash flows relating to future claims plus the additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned premium liability less any related intangible assets and deferred acquisition costs then the unearned premium liability is deemed to be deficient. The Fund applies a risk margin to achieve the same probability of sufficiency for future claims as is achieved by the estimate of the outstanding claims liability, see note 5.5.

The entire deficiency, gross and net of insurance, is recognised immediately in the Statement of Comprehensive Income. The deficiency is recognised first by writing down any related intangible assets and then related deferred acquisition costs, with any excess being recorded in the balance sheet as an unexpired risk liability.

5.5 Outstanding claims liability

The liability for outstanding claims is measured as the central estimate of the present value of expected future payments against claims made at the reporting date under general insurance contracts issued by the Fund, with an additional risk margin to allow for the uncertainty in the central estimate.

Claims handling costs include costs that can be associated directly with individual claims, such as legal and other professional fees and other costs that can only be indirectly associated with individual claims, such as claims administration expense.

The expected future payments are discounted to present value using a risk free rate.

A risk margin is applied to the outstanding claims liability, net of reinsurance and other recoveries, to reflect the inherent uncertainty in the central estimate of the outstanding claims liability.

Notes to the Financial Statements
for the year ended 30 June 2023

5. OTHER ASSETS AND LIABILITIES (CONTINUED)

5.5 Outstanding claims liability (continued)

5.5.1 Net outstanding claims liability

	2023 $	2022 $
Central estimate of claims still to be paid, net of reinsurance recoveries	128,461,000	107,042,000
Discount to present value	(10,597,000)	(6,876,000)
	117,864,000	100,166,000
Present value of claims handling costs	9,193,000	7,813,000
Risk margin	4,894,000	5,868,000
Gross outstanding claims liability	**131,951,000**	**113,847,000**
Reinsurance recoveries on outstanding claims liability	(3,600,000)	(1,827,000)
Net outstanding claims liability	128,351,000	112,020,000
Gross outstanding claims liability - undiscounted	142,549,000	120,723,000
Current	43,190,000	40,211,000
Non-current	88,761,000	73,636,000
Gross outstanding claims liability	**131,951,000**	**113,847,000**

5.5.2 Risk margin applied	**11.000%**	**11.000%**

5.5.3 Reconciliation of movement in discounted outstanding claims liability

	2023 $	2022 $
Brought forward	113,847,000	115,129,000
Decrease in claims incurred/recoveries anticipated over the year	(4,558,589)	(14,100,936)
Incurred claims recognised in the Statement of Comprehensive Income	58,737,000	56,395,000
Claims payments during the year	(32,353,411)	(38,230,064)
Movement in net present value adjustment	(3,721,000)	(5,346,000)
Carried forward	**131,951,000**	**113,847,000**

Notes to the Financial Statements
for the year ended 30 June 2023

5. OTHER ASSETS AND LIABILITIES (CONTINUED)

5.5 Outstanding claims liability (continued)

5.5.4 Claims development table ($m)

Policy year	2019	2020	2021	2022	2023	Total
Estimate of ultimate claim cost at end of policy year	35.321	39.637	40.720	50.512	51.629	
One year later	34.887	44.493	38.979	47.016		
Two years later	36.130	45.020	38.951			
Three years later	34.191	50.713				
Four years later	33.963					
Current estimate	33.963	50.713	38.951	47.016	51.629	222.272
Cumulative payments	(32.428)	(37.185)	(20.849)	(12.332)	(3.543)	(106.337)
Undiscounted central estimate	1.535	13.528	18.102	34.684	48.086	115.935
Discount						(10.597)
Inflation to future values						6.799
Present value of claims handling expenses						9.193
Undiscounted central estimate prior years						5.727
Risk margin						4.894
Total outstanding claims						**131.951**

5.5.5 Net present value adjustment to outstanding claims

	2023 $	2022 $
Opening balance	6,876,000	1,530,000
Prior year	(801,000)	2,111,000
Current year	4,522,000	3,235,000
Closing balance	**10,597,000**	**6,876,000**

Notes to the Financial Statements
for the year ended 30 June 2023

6. HOW WE FINANCED OUR OPERATIONS

Introduction

This section provides information on the sources of finance utilised by the Legal Practitioners' Liability Committee during its operations, along with interest expenses (the cost of borrowing) and other information related to financing activities of the department.

Structure

6.1 Cash flow information and balances

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in term deposits, typically with an original maturity of seven months or less that are held for the purpose of meeting short-term cash commitments rather than for investment purposes, and are readily convertible to known amount of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents at end of the financial year as shown in the cash flow statement is reconciled to items in the Balance Sheet as follows:

Notes to the Financial Statements
for the year ended 30 June 2023

6. HOW WE FINANCED OUR OPERATIONS (CONTINUED)

6.1 Cash flow information and balances (continued)

	2023 $	2022 $
Cash and cash equivalents	15,923,079	17,702,203
Cash trusts & deposits	70,438,992	59,873,286
	86,362,071	**77,575,489**

6.1.1 Reconciliation of operating result for the year to the net cash flows from operations:

Operating result/(loss)	(4,272,916)	(13,128,562)
Depreciation	411,069	382,215
Reinvestment of share distributions	(3,362,738)	(6,922,040)
Changes in net market value of investments	(4,820,293)	16,438,325
Unexpired risk liability	2,833,300	(464,574)
Increase in provision for long service and annual leave	67,190	73,146
(Increase)/decrease in receivables & other assets	466,155	(4,260,714)
Increase/(decrease) in creditors	(1,587,189)	1,268,157
Increase/(decrease) in premiums received in advance	7,304,700	2,929,574
Increase/(decrease) in claims outstanding	18,104,000	(1,282,000)
Net cash and cash equivalents provided by/(used in) operating activities	**15,143,278**	**(4,966,473)**

Notes to the Financial Statements
for the year ended 30 June 2023

6. HOW WE FINANCED OUR OPERATIONS (CONTINUED)

6.2 Commitments for expenditure

Commitments for future expenditure include operating capital commitments arising from contracts. These commitments are recorded below at their nominal value and inclusive of GST payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

6.2.1 Total commitments payable

Nominal amounts 2023	Less than 1 year	1 - 5 years	5+ years	Total
Other commitments payable	280,492	-	-	280,492
Investments in funds	4,000,000	4,138,575	-	8,138,575
Total commitments (inclusive of GST)	**4,280,492**	**4,138,575**	-	**8,419,067**
Less GST recoverable	25,499	-	-	25,499
Total commitments (exclusive of GST)	**4,254,993**	**4,138,575**	**-**	**8,393,568**

2022	Less than 1 year	1 - 5 years	5+ years	Total
Other commitments payable	269,964	-	-	269,964
Investments in funds	-	13,255,000	-	13,255,000
Total commitments (inclusive of GST)	**269,964**	**13,255,000**	-	**13,524,964**
Less GST recoverable	24,542	-	-	24,542
Total commitments (exclusive of GST)	**245,422**	**13,255,000**	**-**	**13,500,422**

Other commitments payable include an ongoing agreement with Willis Towers Watson for the provision of investment advice and future investments in funds.

Investment in Managed Funds represents a commitment of behalf of LPLC to invest in Managed Funds as at balance date. The commitment will be drawn down as the Managed Fund's source appropriate assets. The commitment is expected to be fully drawn down over the next three years. As the commitment is drawn down LPLC will be issued with units in the Fund.

Notes to the Financial Statements
for the year ended 30 June 2023

6. HOW WE FINANCED OUR OPERATIONS (CONTINUED)

6.3 Leases

	2023 $	2022 $
CURRENT LIABILITIES		
Lease liabilities	164,443	362,962
Total current liabilities	**164,443**	**362,962**
NON-CURRENT LIABILITIES		
Lease liabilities	115,255	207,131
Total non-current liabilities	**115,255**	**207,131**
Total lease liabilities	**279,698**	**570,093**
MATURITY ANALYSIS - CONTRACTUAL UNDISCOUNTED CASH FLOWS		
One year or less	171,878	378,158
Two years to five years	126,270	210,423
Total undiscounted lease liabilities	**298,148**	**588,581**

6.3.1 Leases

Information about leases for which LPLC is a lessee is presented below.

LPLC leasing activities

LPLC leases property and equipment. The lease contracts are typically made for fixed periods of 1-10 years with an option to renew the lease after that date.

6.3.1 (a) Right-of-use assets

Right-of-use assets are presented in note 4.1 (a).

6.3.1 (b) Amounts recognised in the Statement of Comprehensive Income

The following amounts are recognised in the Statement of Comprehensive Income relating to leases:

	2023 $	2022 $
Interest expense on lease liabilities	15,863	28,178
Total amount recognised in the statement of comprehensive income	**15,863**	**28,178**

Notes to the Financial Statements

for the year ended 30 June 2023

6. HOW WE FINANCED OUR OPERATIONS (CONTINUED)

6.3 Leases (continued)

6.3.1 (c) Amounts recognised in the Cash Flow Statement

The following amounts are recognised in the Cash Flow Statement for the year ending 30 June 2023 relating to leases:

	2023 **$**	**2022** **$**
Interest expense on lease liabilities	15,863	28,178
Principal payments on lease liabilities	359,375	336,366
Total cash outflow for leases	**375,238**	**364,544**

For any new contracts entered into, LPLC considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition LPLC assesses whether the contract meets three key evaluations which are:

a) whether the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to LPLC and for which the supplier does not have substantive substitution rights;

b) whether LPLC has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract and LPLC has the right to direct the use of the identified asset throughout the period of use; and

c) whether LPLC has the right to take decisions in respect of 'how and for what purpose' the asset is used throughout the period of use.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

Separation of lease and non-lease components

At inception or on reassessment of a contract that contains a lease component, the lessee is required to separate out and account separately for non-lease components within a lease contract and exclude these amounts when determining the lease liability and right-of-use asset amount.

Notes to the Financial Statements
for the year ended 30 June 2023

6. HOW WE FINANCED OUR OPERATIONS (CONTINUED)

6.3 Leases (continued)

6.3.1 (c) Amounts recognised in the Cash Flow Statement (continued)

Recognition and measurement of leases as a lessee

Lease liability – initial measurement

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily determinable or LPLC's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

a) fixed payments (including in-substance fixed payments)

b) variable payments based on an index or rate, initially measured using the index or rate as at the commencement date

c) amounts expected to be payable under a residual value guarantee; and

d) payments arising from purchase and termination options reasonably certain to be exercised.

Lease liability – subsequent measurement

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or the Statement of Comprehensive Income if the right of use asset is already reduced to zero.

Short-term leases and leases of low value assets

The LPLC has elected to account for short-term leases and leases of low value assets using the practical expedients basis. Instead of recognising a right of use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Presentation of right-of-use assets and lease liabilities

The LPLC presents right-of-use assets as 'property plant equipment' unless they meet the definition of investment property, in which case they are disclosed as 'investment property' in the balance sheet. Lease liabilities are presented as 'lease liability' in the balance sheet.

Notes to the Financial Statements
for the year ended 30 June 2023

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

Introduction

The LPLC is exposed to risk from its activities and outside factors. In addition it is necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the LPLC related mainly to fair value determination.

The Fund's principal financial instruments comprise of unquoted unit trusts and cash and cash equivalents. The main purpose of these financial instruments is to ensure that there is sufficient ability to meet the obligations under the policies of insurance that have been issued. These instruments are managed by the Investment Committee who utilise the services of our external advisor - Willis Towers Watson. The main risk arising from the Fund's financial instruments are interest rate risk, equity market risk, foreign currency risk and credit risk which are discussed in note 7.1.3 below. There are no significant concentrations of credit risk within the Fund.

Structure

7.1 Financial instruments specific disclosures

Introduction

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the Fund's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 Financial Instruments: Presentation.

Notes to the Financial Statements
for the year ended 30 June 2023

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1 Financial instruments specific disclosures (continued)

Categories of financial instruments

Financial assets at amortised cost

Financial assets are measured at amortised cost if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by the LPLC to collect the contractual cash flows, and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interest.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

LPLC recognises the following assets in this category:

- cash and deposits
- receivables (excluding statutory receivables)
- term deposits

Financial assets at fair value through net result

Equity instruments that are held for trading are classified as fair value through the net result. Other financial assets are required to be measured at fair value through net result unless they are measured at amortised costs or fair value through other comprehensive income.

However, as an exception to those rules above, the LPLC may, at initial recognition, irrevocably designate financial assets as measured at fair value through net result if doing so eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on a different bases.

LPLC recognises listed equity securities as mandatorily measured at fair vale through net result and designated all of its managed investment schemes as fair value through net result.

Notes to the Financial Statements
for the year ended 30 June 2023

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1 Financial instruments specific disclosures (continued)

Categories of financial instruments (continued)

Financial assets and liabilities at fair value through the net result.

Financial assets are categorised as fair value through profit or loss at trade date if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through net result on the basis that the financial assets form part of a group of financial assets that are managed by the entity concerned based on their fair values, and have their performance evaluated in accordance with documented risk management and investment strategies.

Financial instruments at fair value through net result are initially measured at fair value and attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as economic flows. Any dividend or interest on a financial asset is recognised in the net result from transactions.

Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability, using the effective interest rate method.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group or similar assets) is derecognised when:

- the right to receive cash flows from the asset have expired;
- the Fund retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Fund has transferred its rights to receive cash from the asset and either (a) has transferred substantially all the risk and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Notes to the Financial Statements
for the year ended 30 June 2023

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1 Financial instruments specific disclosures (continued)

7.1.1 Financial instruments: Categorisation

	Cash and deposits	Financial assets/ liabilities designated at fair value through profit /loss (FVTPL)	Financial assets at amortised cost (AC)	Financial liabilities at amortised cost (AC)	Total
2023					
CONTRACTUAL FINANCIAL ASSETS					
Cash and deposits	15,923,079	-	-	-	15,923,079
Receivables					
Accrued investment income	-	-	834,318	-	834,318
Reinsurance receivable	-	-	3,600,000	-	3,600,000
Investments and other contractual assets					
Term deposits	-	-	70,438,992	-	70,438,992
Managed unit trusts	-	213,283,046	-	-	213,283,046
Total contractual financial assets	**15,923,079**	**213,283,046**	**74,873,310**	-	**304,079,435**
CONTRACTUAL FINANCIAL LIABILITIES					
Payables (a)					
Supplies and services	-	-	-	225,003	225,003
Other Investment payable	-	-	-	-	-
Total contractual financial liabilities	-	-	-	**225,003**	**225,003**

Note: (a) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian government and GST input tax credit recoverable and taxes payable).

Notes to the Financial Statements

for the year ended 30 June 2023

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1 Financial instruments specific disclosures (continued)

7.1.1 Financial instruments: Categorisation (continued)

	Cash and deposits	Financial assets/ liabilities designated at fair value through profit /loss (FVTPL)	Financial assets at amortised cost (AC)	Financial liabilities at amortised cost (AC)	Total
2022					
CONTRACTUAL FINANCIAL ASSETS					
Cash and deposits	17,702,203	-	-	-	17,702,203
Receivables					
Accrued investment income	-	-	1,340,664	-	1,340,664
Reinsurance recoveries	-	-	1,827,000	-	1,827,000
Investments and other contractual assets					
Term deposits	-	-	59,873,286	-	59,873,286
Managed unit trusts	-	199,128,502	-	-	199,128,502
Other financial asset	-	-	1,745,300	-	1,745,300
Total contractual financial assets	**17,702,203**	**199,128,502**	**64,786,250**	-	**281,616,955**
CONTRACTUAL FINANCIAL LIABILITIES					
Payables (a)					
Supplies and services	-	-	-	180,948	180,948
Other investment payable	-	-	-	1,745,300	1,745,300
Total contractual financial liabilities	-	-	-	**1,926,248**	**1,926,248**

Note: (a) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian government and GST input tax credit recoverable and taxes payable).

Notes to the Financial Statements
for the year ended 30 June 2023

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1 Financial instruments specific disclosures (continued)

7.1.2 Financial instruments - net holding gain/(loss) on financial instruments by category

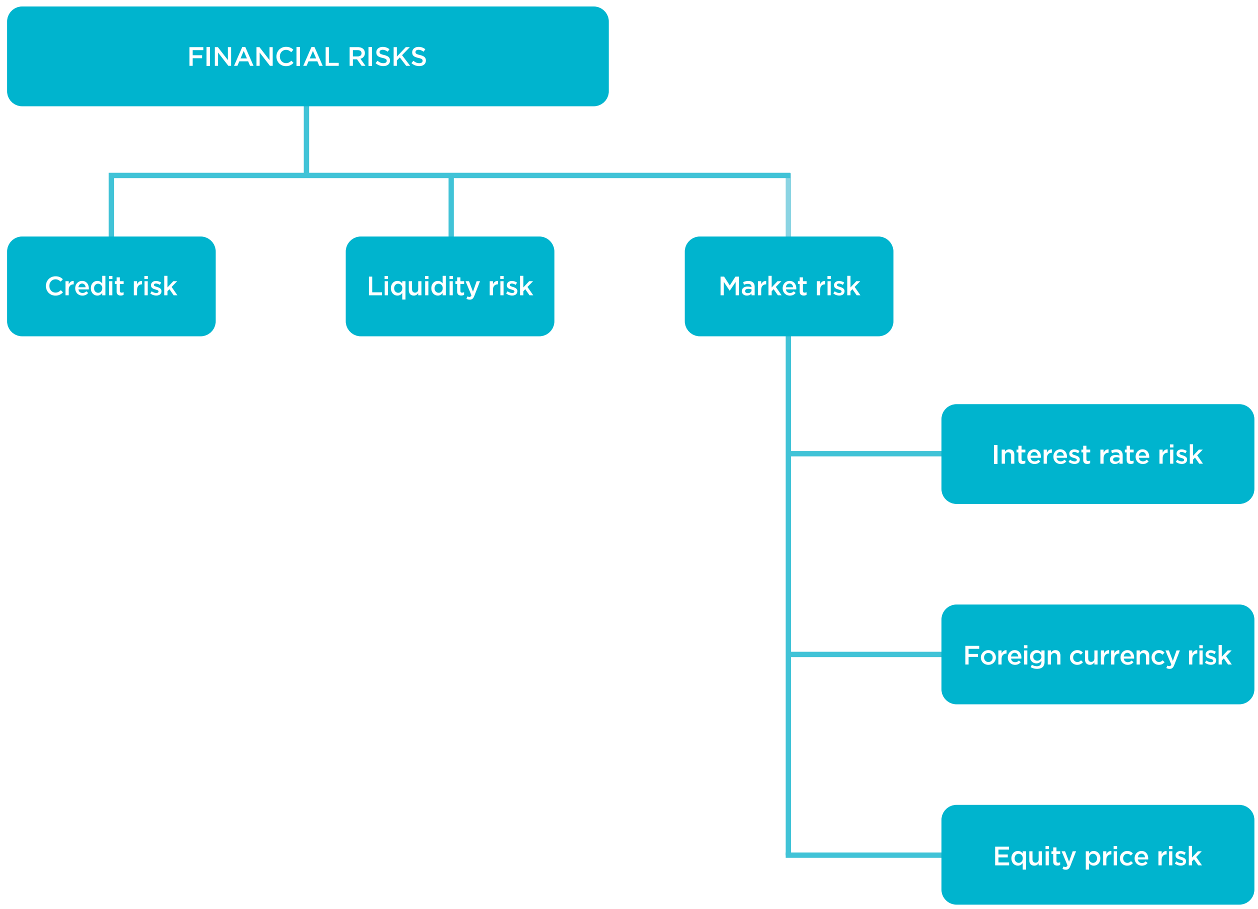
	Net holding gain/(loss)	Total interest income/(expense)	Total
2023			
CONTRACTUAL FINANCIAL ASSETS			
Financial assets at amortised cost - other than on derecognition	-	2,006,201	2,006,201
Equity investments designated at fair value through profit/loss	4,820,293	-	4,820,293
Total contractual financial assets	**4,820,293**	**2,006,201**	**6,826,494**
2022			
CONTRACTUAL FINANCIAL ASSETS			
Financial assets at amortised cost - other than on derecognition	-	224,760	224,760
Equity investments designated at fair value through profit/loss	(16,438,325)	-	(16,438,325)
Total contractual financial assets	**(16,438,325)**	**224,760**	**(16,213,565)**

Notes to the Financial Statements
for the year ended 30 June 2023

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1 Financial instruments specific disclosures (continued)

7.1.3 Financial risk management objectives and policies



As a whole the LPLC's financial risk management program seeks to manage these risks and the associated volatility of its financial performance.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument above are disclosed in Note 1 to 3 and Note 7.3 to the financial statements.

Notes to the Financial Statements
for the year ended 30 June 2023

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1 Financial instruments specific disclosures (continued)

7.1.3 Financial risk management objectives and policies (continued)

Financial instruments: Credit risk

Credit risk arises from the contractual financial assets of the Fund, which comprise cash and deposits and other financial assets. The Fund's exposure to credit risk arises from potential default of a counter party on their contractual obligations resulting in financial loss to the Fund. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the Fund's contractual financial assets is minimal because the main assets are cash at bank and other investments. It is the Fund's policy to only deal with entities with high credit ratings.

The Fund has an investment policy detailing controls in regard to credit risk. Any investments in a financial institution must be approved by the Committee. Investments are monitored regularly by management and an external investment advisor and are reported to the Committee on a monthly basis. Any investment deposit or redemption is approved by the Committee.

The Fund's contractual financial assets that are primarily cash at bank but also includes funds invested by the Committee in approved fund managers having considered advice from an independent expert investment advisor. There has been no material change to LPLC's credit risk profile in 2022–2023.

Impairment of financial assets under AASB 9

LPLC records the allowance for expected credit loss for the relevant financial instruments applying AASB 9's Expected Credit Loss approach. Subject to AASB 9 impairment assessment includes the LPLC's contractual receivables.

Equity instruments are not subject to impairment under AASB 9. Other financial assets mandatorily measured or designated at fair value through net result are not subject to impairment assessment under AASB 9. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

Contractual receivables at amortised cost

The LPLC applies AASB 9 simplified approach for all contractual receivables to measure expected credit losses using a lifetime expected loss allowance based on the assumptions about risk of default and expected loss rates. The LPLC has grouped contractual receivables on shared credit risk characteristics and days past due and select the expected credit loss rate based on the LPLC's past history, existing market conditions, as well as forward-looking estimates at the end of the financial year.

Notes to the Financial Statements
for the year ended 30 June 2023

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1 Financial instruments specific disclosures (continued)

7.1.3 Financial risk management objectives and policies (continued)

Contractual receivables at amortised cost (continued)

On this basis, the LPLC has determined the closing loss allowance at the end of the financial year.

Contractual receivables are written off when there is no reasonable expectation of recovery and impairment losses are classified as a transaction expense.

Subsequent recoveries of amounts previously written off are credited against the same line item.

Financial instruments: Liquidity risk

Liquidity risk arises from being unable to meet financial obligations as they fall due. LPLC is exposed to liquidity risk mainly through the outstanding claims liability, as disclosed in the balance sheet.

To ensure adequate liquidity to meet cash outflows the Fund maintains the necessary funds in cash and term deposits.

While the receipt of the annual premium provides sufficient cash to meet most if not all of the Fund's requirements during the year, additional cash is held in reserve.

Financial instruments: Market risk

The Fund is exposed to the risk of market movements in the local and overseas equity markets through its investment in managed unit trusts. The exposure to market risk are primarily through interest rate risk, foreign currency risk and equity price risk.

Sensitivity Disclosure Analysis

Taking into account past performance, future expectations and management's knowledge and experience of the financial markets, the Fund believes the following movements are 'reasonably possible' over the next 12 months

- a shift of +.5% or -.25% in market interest rates from year end rates of 4.10%
- a shift of + 10% or - 10% in the average weighted market value of local equities, overseas equities and local property unquoted unit trusts.

The tables that follow show the impact on the LPLC's net result and equity for each category of financial instrument held by the LPLC at the end of the reporting period, if the above movements were to occur.

Notes to the Financial Statements
for the year ended 30 June 2023

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1 Financial instruments specific disclosures (continued)

7.1.3 Financial risk management objectives and policies (continued)

Interest rate risk

The Fund's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

30 June 2023			Fixed Interest maturing in:				
	Weighted average interest rate	Floating interest rate	Within year	1 to 5 years	Over 5 years	Non interest bearing	Total
Financial assets:							
Cash	4.25%	15,923,079	-	-	-	-	15,923,079
Receivables	n/a	-	-	-	-	834,318	834,318
Units in managed funds	n/a	-	-	-	-	213,283,046	213,283,046
Term deposits	4.68%	-	70,438,992	-	-	-	70,438,992
Total financial assets		**15,923,079**	**70,438,992**	-	-	**214,117,364**	**300,479,435**
Financial liabilities:							
Creditors - contractual	n/a	-	-	-	-	225,003	225,003
Lease liability	4.23%	-	-	279,698	-	-	279,698
Outstanding claims	n/a	-	-	-	-	131,951,000	131,951,000
Total financial liabilities		-	-	**279,698**	-	**132,176,003**	**132,455,701**

Notes to the Financial Statements

for the year ended 30 June 2023

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1 Financial instruments specific disclosures (continued)

7.1.3 Financial risk management objectives and policies (continued)

30 June 2022			**Fixed Interest maturing in:**				
	Weighted average interest rate	**Floating interest rate**	**Within year**	**1 to 5 years**	**Over 5 years**	**Non interest bearing**	**Total**
Financial assets:							
Cash	0.00%	17,702,203	-	-	-	-	17,702,203
Receivables	n/a		-	-	-	3,167,664	3,167,664
Units in managed funds	n/a	-	-	-	-	199,128,502	199,128,502
Term deposits	1.65%	-	59,873,286	-	-	-	59,873,286
Total financial assets		**17,702,203**	**59,873,286**	-	-	**202,296,166**	**279,871,655**
Financial liabilities:							
Creditors - contractual	n/a	-	-	-	-	180,948	180,948
Lease liability	3.73%	-	-	570,093	-	-	570,093
Outstanding claims	n/a	-	-	-	-	113,847,000	113,847,000
Total financial liabilities		-	-	**570,093**	-	**114,027,948**	**114,598,041**

Notes to the Financial Statements
for the year ended 30 June 2023

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1 Financial instruments specific disclosures (continued)

7.1.3 Financial risk management objectives and policies (continued)

Interest rate risk (continued)

The Fund's exposure to the risk of change in market interest rates relate primarily to the Fund's investments in cash and cash equivalents.

The Fund's policy is to invest cash and cash equivalents with a recognised bank. Banks are selected on recommendation of our external advisors and their performance is monitored.

Interest rate risk sensitivity

		Interest rate risk				Other price risk			
2023	Carrying	**-0.25%**		**+.5%**		**-10%**		**+10%**	
Financial assets	amount	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Cash and cash equivalents	86,362,071	(215,905)	(215,905)	431,810	431,810				
Units in managed funds	213,283,046					(21,328,305)	(21,328,305)	21,328,305	21,328,305
2022	Carrying	**-0.25%**		**+.5%**		**-10%**		**+10%**	
Financial assets	amount	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Cash and cash equivalents	77,575,489	(193,939)	(193,939)	387,877	387,877				
Units in managed funds	199,128,502					(19,912,850)	(19,912,850)	19,912,850	19,912,850

Notes to the Financial Statements
for the year ended 30 June 2023

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1 Financial instruments specific disclosures (continued)

7.1.3 Financial risk management objectives and policies (continued)

Foreign currency risk

The Fund's exposure to the risk of change in exchange rates relate primarily to the Fund's investments in overseas equities. A combination of partially and fully hedged funds are used.

Managers are selected on recommendation of our external advisors and their performance is monitored.

Equity Market Risk

The Fund's exposure to the risk of change in equity markets relate primarily to the Fund's investments in local and overseas equities.

The Fund's policy is to use independent investment managers to manage our exposure to local and overseas equities.

Managers are selected on recommendation of our external advisors and their performance is monitored.

7.2 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

Contingent Assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

There are no contingent assets.

Contingent Liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- present obligations that arise from past events but are not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
  - the amount of the obligations cannot be measured with sufficient reliability.

There are no contingent liabilities.

Notes to the Financial Statements
for the year ended 30 June 2023

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.3 Fair value determination

This section sets out information on how the LPLC determined fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following assets and liabilities are carried at fair value:

- financial assets and liabilities at fair value through profit and loss.
- property, plant and equipment

Fair Value hierarchy

In determining fair values a number of inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy. The levels are as follows:

Level 1 — quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 — valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, Legal Practitioners' Liability Committee has determined classes of assets and liabilities on the basis of nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

7.3.1 Fair value determination of assets and liabilities

Financial assets:

The financial instruments recognised at fair value in the Balance Sheet have been analysed and classified using a fair value hierarchy reflecting the significance of inputs used in making the measurements. The fair value hierarchy consists of the following levels:

Level 1 — the fair value of financial instrument with standard terms and conditions and traded in active markets are determined with reference to quoted market prices;

Level 2 — the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and

Level 3 — the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

Notes to the Financial Statements
for the year ended 30 June 2023

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.3.1 Fair value determination of financial assets and liabilities (continued)

Property, plant and equipment:

Plant and equipment is held at carrying value (depreciated cost). When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method. Unless there is market evidence that the current replacement costs are significantly different from the original acquisition cost, it is considered unlikely that depreciated replacement cost will be materially different from the carrying value.

There are no changes in valuation techniques throughout the period to 30 June 2023. For all assets measured at fair value, the current use is considered the highest and best use.

Financial assets measured at fair value

	Level 1 $	Level 2 $	Level 3 $	Total $
30-Jun-23				
FINANCIAL ASSETS				
- Units in managed funds	-	213,283,046	-	213,283,046
30-Jun-22				
FINANCIAL ASSETS				
- Units in managed funds	-	199,128,502	-	199,128,502

Included in Level 2 are the managed equity funds and the managed property fund. Their market value has been determined as per note 4.2.

There have been no transfers between levels during the period.

Notes to the Financial Statements

for the year ended 30 June 2023

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.4 Insurance contracts - risk management and procedures

The financial condition and operation of the Fund are affected by a number of key risks including insurance risk, interest rate risk and credit risk.

Notes on the Fund's policies and procedures in respect of managing these risks are set out in this note.

(a) Objectives in managing risks arising from insurance contracts and policies for mitigating those risks

The Fund has an objective to control insurance risk thus reducing the volatility of operating profit. In addition to the inherent uncertainty of insurance risk, which can lead to significant variability in the loss experience, profit from insurance business is affected by market factors, particularly the movement in asset values.

The Committee and senior management of the Fund have developed, implemented and maintain a sound and prudent Risk Management Strategy (RMS).

Key aspects of the processes established in the RMS to mitigate risk include:

- the maintenance and use of sophisticated management information systems, which provide up to date, reliable data on the risks to which the business is exposed at any point in time.
- actuarial models, using information from the management information systems, are used to calculate premiums and monitor claim patterns.

Past experience and statistical methods are used as part of the process.

- Reinsurance is used to limit the Fund's exposure to catastrophes.
- The mix of assets in which the Fund invests is driven by the nature and term of its insurance liabilities.

(b) Terms and conditions of insurance

- the terms and conditions attached to insurance contracts affect the level of insurance risk accepted by the Fund. All direct insurance contracts are entered into on a standard form basis.

(c) Concentration of risk insurance

- in the event of a catastrophe, the Legal Practitioners' Liability Fund carries a stop loss insurance policy to cover the payment of total claims made during the year ended 30 June 2023 in excess of $54.0m (90% at $54m and 10% at $63m).

(d) Development of claims

- There is a possibility that changes may occur in the estimate of our obligations at the end of a contract period. The table in note 5.5.4 shows the estimate of total claims outstanding for each underwriting year at successive year ends with the current year being an estimate provided by our external actuarial consultant.

Notes to the Financial Statements
for the year ended 30 June 2023

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.4 Insurance contracts - risk management and procedures (continued)

(e) Interest rate risk

- none of the financial assets or liabilities arising from insurance or reinsurance contracts entered into by the Fund are directly exposed to interest rate risk.
- insurance and reinsurance contracts are entered into annually. At the time of entering into the contract all terms and conditions are negotiable or, in the case of renewals, renegotiable.

(f) Credit risk

- financial assets and liabilities arising from insurance and reinsurance contracts are stated in the balance sheet at the amount that best represents the maximum credit risk exposure at balance date.

LPLC manages credit risk through the maintenance of a well diversified investment portfolio, with advice provided by an external investment advisor and oversight provided by LPLC's Investment Committee. Significant levels of concentration in LPLC's investment portfolio are as follows: Vanguard Investments Australia Limited (comprising three managed funds) 34.15% and Westpac Banking Corporation (term deposits) 13.45% and 100% of cash.

7.5 Unexpired risk liability

When the amount of the premium pool to be collected for the next insurance year is set, it is 'subsidised' on the basis that a proportion of LPLC's retained equity is offset against the premium pool which would otherwise have been collected. As a result the unearned premium liability is deficient as at 30 June 2023.

At each reporting date the Fund assessed whether the unearned premium liability is sufficient to cover all the expected future cash flows relating to the future claims against current insurance contracts. This assessment is referred to as the Liability Adequacy Test.

If the present value of the expected future cash flows relating to future claims plus the additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned premium liability less any related intangible assets and deferred acquisition costs then the unearned premium liability is deemed to be deficient. The Fund applies a risk margin to achieve the same probability of sufficiency for future claims as is achieved by the estimate of the outstanding claims liability, see note 5.5.

The entire deficiency, gross and net of insurance, is recognised immediately in the Statement of Comprehensive Income. The deficiency is recognised first by writing down any related intangible assets and then related deferred acquisition costs, with any excess being recorded in the balance sheet as an unexpired risk liability.

Notes to the Financial Statements
for the year ended 30 June 2023

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.5 Unexpired risk liability (continued)

7.5.1 Unexpired risk liability	**2023 $**	**2022 $**
Unexpired risk liability as at 1 July	15,205,960	15,670,534
Recognition of (reduced)/additional unexpired risk liability in the period	2,833,300	(464,574)
Unexpired risk liability as at 30 June	**18,039,260**	**15,205,960**
7.5.2 Calculation of deficiency		
Unearned premium liability relating to insurance contracts	45,922,740	38,618,040
Central estimate of present value of expected future cash flows arising from future claims	56,371,000	52,989,000
Risk Margin of 14.5%	7,591,000	835,000
	63,962,000	53,824,000
Net deficiency	**18,039,260**	**15,205,960**

The process of determining the overall risk margin is discussed in Note 5.5. As with outstanding claims the overall risk margin is intended to achieve a 75% probability of adequacy.

Notes to the Financial Statements
for the year ended 30 June 2023

8. OTHER DISCLOSURES

Introduction

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of the financial report.

Structure

8.1 Reserves

	2023 $	2022 $
Accumulated funds at the beginning of the year	109,983,245	123,111,807
Operating income/(loss) for the year	(4,272,916)	(13,128,562)
Accumulated funds at the end of the year	**105,710,329**	**109,983,245**

Notes to the Financial Statements
for the year ended 30 June 2023

8. OTHER DISCLOSURES (CONTINUED)

8.2 Remuneration of auditors

	2023 $	2022 $
VICTORIAN AUDITOR-GENERAL'S OFFICE		
- auditing the financial report	86,000	67,000
Total remuneration of auditors	**86,000**	**67,000**

Audit fees paid or payable to the Victorian Auditor-General's Office for audit of the Fund's financial report:

	2023 $	2022 $
Paid as at 30 June	-	10,000
Payable as at 30 June	86,000	57,000
	86,000	67,000

8.3 Responsible persons

In accordance with the Ministerial Directions issued by the Assistant Treasurer under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

Names

The persons who held the positions of Responsible Minister, Committee Member and Accountable Officer in the Fund are as follows:

Attorney-General	The Hon. Jaclyn Symes, MP	1 July 2022 to 30 June 2023
Accountable Officer	Mr Nicholas J Toohey	1 July 2022 to 30 June 2023
Committee Member - Chair	Mr John Corcoran	1 July 2022 to 30 June 2023 (retired with effect 21 July 2023)
Committee Member	Ms Helen Thornton	1 July 2022 to 30 June 2023 (retired with effect 30 June 2023)
Committee Member	Mr Adrian Finanzio	1 July 2022 to 30 June 2023
Committee Member	Mr Daniel Barlow	1 July 2022 to 30 June 2023
Committee Member	Ms Michelle Dixon	1 July 2022 to 30 June 2023 (Chair with effect 22 July 2023)
Committee Member	Ms Nicole Rich	1 July 2022 to 30 June 2023
Committee Member	Mr Mark Valena	1 July 2022 to 30 June 2023

Appointments subsequent to 30 June 2023

Committee Member	Ms Lucy Terracall	Appointed with effect 22 July 2023
Committee Member	Ms Fiona Schutt	Appointed with effect 01 July 2023

Notes to the Financial Statements
for the year ended 30 June 2023

8. OTHER DISCLOSURES (CONTINUED)

8.3 Responsible persons (continued)

Remuneration

Remuneration received or receivable by the Committee members and Accountable Officer in connection with the management of the Legal Practitioners' Liability Committee during the reporting period was in the range:

$	2023 No.	2022 No.
0 - 9,999 (a)	1	1
10,000 -19,999	-	2
30,000 - 39,999	5	4
60,000 - 69,999	1	1
400,000 - 410,000	-	1
420,000 - 430,000	1	-
Total numbers	**8**	**9**
Total Remuneration	**$676,442**	**$648,612**

(a) Represents Committee members employed in public service roles and ineligible to receive remuneration.

Amounts relating to Ministers are reported in the financial statements of the Department of Premier and Cabinet. For information regarding related party transactions of ministers, the register of members' interests is publicly available from: www.parliament.vic.gov.au/publications/register-of-interests.

8.4 Remuneration of executives

The number of Senior Executive Service (SES), other than ministers and accountable officers, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provides a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits (as defined in AASB119 Employee Benefits) in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories:

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods and services.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Notes to the Financial Statements
for the year ended 30 June 2023

8. OTHER DISCLOSURES (CONTINUED)

8.4 Remuneration of executives (continued)

Other long-term benefits include long service leave, other long service benefits or deferred compensation.

Termination benefits include termination of employment payments, such as severance packages.

Remuneration of SES's (including key management personnel disclosed in Note 8.5)	Total remuneration 2023 $	2022 $
Short-term employee benefits	1,651,326	1,431,100
Post-employment benefits	143,490	119,202
Other long-term benefits	22,731	20,639
Total remuneration	**1,817,547**	**1,570,941**
Total number of executives	**12**	**12**
Total annualised employee equivalents	**12**	**12**

Notes:

(a) The total number of SES's includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 8.5).

(b) Annualised employee equivalent is based on the time fraction worked over the reporting period.

Notes to the Financial Statements
for the year ended 30 June 2023

8. OTHER DISCLOSURES (CONTINUED)

8.5 Related parties

The Legal Practitioners' Liability Committee (LPLC) is a statutory authority established under the *Legal Profession Act 2004* (from 1 July 2015 *The Legal Profession Uniform Law Application Act 2014*).

Related parties of the Legal Practitioners' Liability Committee include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over); and
- all cabinet ministers and their close family members.

Significant transactions with government-related entities.

During the year the LPLC had the following government-related entity transactions:

- there were no significant transactions with government related entities, other than statutory payments relating to stamp duty on insurance premiums and Goods and Services Tax (GST).

Key Management personnel of the Legal Practitioners' Liability Committee includes the Attorney General, the Hon. Jaclyn Symes MP and members of the LPLC and senior executive team, which includes:

Chief Executive Officer	Mr Nicholas J Toohey
Chief Operations Officer	Mr Paul Quayle
Committee Member - Chair	Mr John Corcoran
Committee Member	Ms Helen Thornton
Committee Member	Mr Adrian Finanzio
Committee Member	Mr Daniel Barlow
Committee Member	Ms Michelle Dixon
Committee Member	Ms Nicole Rich
Committee Member	Mr Mark Valena

Notes to the Financial Statements
for the year ended 30 June 2023

8. OTHER DISCLOSURES (CONTINUED)

8.5 Related parties (continued)

The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives. The Minister's remuneration and allowances is set by the Parliamentary Salaries and Superannuation Act 1968 and is reported within the States Annual Financial report.

	Total remuneration	
Compensation of KMP's	**2023 $**	**2022 $**
Short-term employee benefits	620,214	597,191
Post-employment benefits	49,648	45,035
Other long-term benefits	6,580	6,386
Total Compensation:	**676,442**	**648,612**

Notes: (a) Note that KMP's are also reported in the disclosure of remuneration of SES (note 8.4)

Transactions and balances with key management personnel and other related parties

Transactions between related parties are on normal commercial terms and conditions unless otherwise stated.

Members of Key Management personnel and their related parties who are practising solicitors and barristers are required, pursuant to the Legal Profession Uniform Law Application Act 2014, to enter into a contract of insurance, on standard terms and conditions, with the Legal Practitioners' Liability Committee.

In the ordinary course of business LPLC provides Committee members with a Deed of Indemnity. The Deed indemnifies the Committee member against all liabilities, penalties, losses, damages, expenses and costs that the member may sustain or incur in the capacity of a member of the Committee.

8.6 Subsequent events

At 30 June 2023, LPLC had committed to a property lease which had not yet commenced. Accordingly, the property lease contract is not included in the calculation of the LPLC's lease liabilities. LPLC has estimated that the potential future lease payments for the lease contract as at the end of the financial period would result in an increase in undiscounted lease liabilities of $3,150,660.

There were no other material matters or circumstances after balance date that require disclosure.

Notes to the Financial Statements
for the year ended 30 June 2023

8. OTHER DISCLOSURES (CONTINUED)

8.7 Actuarial assumptions and methods

Under 17.6.1c of AASB 1023, the following describes the method and main assumptions that have the greatest effect on the calculated insurance liabilities provisions.

The Legal Practitioners' Liability Fund has provided professional indemnity insurance to solicitors since 1/1/86, and to barristers since 30/06/05. Incurred development and payment patterns derived from the average experience for solicitors over the last 5 complete policy years were assumed to apply to solicitor and barrister claims outstanding at 30/6/23.

Development year	Ultimate claims incurred as % of current estimate	Payments to end of year, as % of ultimate claims
0	83.6%	13.4%
1	89.4%	38.3%
2	94.1%	64.0%
3	97.0%	78.4%
4	98.5%	87.0%
5	99.5%	92.2%
6	100.0%	95.3%
7	100.0%	97.2%
8	100.0%	98.3%
9	100.0%	99.0%

* Ratio of ultimate incurreds for the 2023 policy year includes 25% weight given to average costs per $m GFI.

Other main assumptions used in calculating insurance provisions and their sources are:

- discount rates based explicitly on medium term Commonwealth bond yields
- claim administration expenses of 7.8% of net claim payments based on forecasted expenses of LPLC
- wage inflation based explicitly on Victorian AWE and state government forecasts.

Notes to the Financial Statements
for the year ended 30 June 2023

8. OTHER DISCLOSURES (CONTINUED)

8.7 Actuarial assumptions and methods (continued)

Claims incurred estimates are made by applying the above claims incurred development ratios to current claims incurred data and applying wage inflation and payment patterns. Outstanding claims at 30 June 2023 are estimated by deducting payments to date.

Gross payments in 2022–2023 for solicitors are estimated by determining an average, inflation adjusted claim incurred estimate per $m of gross fee income (GFI) from the last 5 complete policy years and applying to expected GFI in 2022–2023.

Gross payments in 2022–2023 for barristers are estimated as a ratio of solicitor incurreds.

Premium liabilities are determined by applying wage inflation and payment patterns and allowing for reinsurance and overhead claim administration expenses.

The calculations used to estimate outstanding claim and unexpired premium liabilities for solicitors were repeated as at each prior balance date back to 31 December 1987 and compared with the actual outcomes estimated at 30 June 2023. Log normal distributions were fitted to the resulting percentages, and used to estimate the risk margins needed to provide varying probabilities of adequacy.

Sensitivity analysis as at 30/6/23

Risk variable	Base	Altered	Outstanding claims ($m)	Premium liability ($m)
Discount rate (% pa)	4.25%	5.25%	(2.330)	(1.596)
	4.25%	3.25%	2.439	1.681
Claim administration expenses (% of claims)	7.80%	8.80%	1.179	
	7.80%	6.80%	(1.179)	
Wage inflation (% pa)	3.50%	4.50%	0.930	0.832
	3.50%	2.50%	(0.788)	(1.888)
“Regular” solicitor claims per principal equivalent	6,167	6,784	0.343	0.772
	6,167	5,551	(0.294)	(4.090)
“Large” claims ($m)	$15.0m	$16.5m		0.920
	$15.0m	$13.5m		(1.655)

Notes to the Financial Statements
for the year ended 30 June 2023

8. OTHER DISCLOSURES (CONTINUED)

8.7 Actuarial assumptions and methods (continued)

Sensitivity analysis as at 30/6/22

Risk variable	Base	Altered	Outstanding claims ($m)	Premium liability ($m)
Discount rate (% pa)	2.5% to 4.0%	3.5% to 5.0%	(2.062)	(1.286)
	2.5% to 4.0%	1.5% to 3.0%	2.157	1.352
Claim administration expenses (% of claims)	7.80%	8.80%	1.002	
	7.80%	6.80%	(1.002)	
Wage inflation (% pa)	2.5% to 3.0%	3.5% to 4.0%	1.063	0.227
	2.5% to 3.0%	1.5% to 2.0%	(1.166)	0.036
"Regular" solicitor claims per principal equivalent	6,174	6,791	0.176	0.462
	6,174	5,556	(0.191)	0.104
"Large" claims ($m)	$14.9m	$16.3m		0.246
	$14.9m	$13.4m		(0.069)

Under AASB 1023 17.7.1(b)(i), the insurer has to disclose sensitivity to insurance risk.
The above table gives the changes in central estimates for changes in various risk variables.

Notes to the Financial Statements
for the year ended 30 June 2023

8. OTHER DISCLOSURES (CONTINUED)

8.8 Australian Accounting Standards issued that are not yet effective

A number of Australian Accounting Standards, which have been issued or amended and are not yet effective have not been adopted for the annual reporting period ended 30 June 2023. Their details are disclosed below.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector financial statements
AASB 17 *Insurance Contracts*	AASB 17 replaces AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts for not-for-profit public sector entities for annual reporting periods beginning on or after 1 July 2026. AASB 2022-9 amends AASB 17 to make public sector-related modifications (for example, it specifies the pre-requisites, indicators and other considerations in identifying arrangements that fall within the scope of AASB 17 in a public sector context). This Standard applies for annual reporting periods beginning on or after 1 July 2026. AASB 2022-8 makes consequential amendments to other Australian Accounting Standards so that public sector entities are permitted to continue to apply AASB 4 and AASB 1023 to annual periods before 1 July 2026.	1 Jan 2026	It is expected that the impact from the introduction of AASB17 will be minimal and primarily in the nature of additional disclosures. Further analysis of the impact of AASB 17 on LPLC will be undertaken as guidance and advice is received.

Notes to the Financial Statements
for the year ended 30 June 2023

8. OTHER DISCLOSURES (CONTINUED)

8.8 Australian Accounting Standards issued that are not yet effective (continued)

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector financial statements
AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants	This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current and was applicable to annual reporting periods beginning on or after 1 January 2022. AASB 2020-6 subsequently amended AASB 2020-1, deferring the mandatory effective date of AASB 2020-1 from 1 January 2022 to 1 January 2023. AASB 2022-6 was applicable for annual reporting periods beginning on or after 1 January 2022. AASB 2022-6 amends and clarifies the requirements contained in AASB 2020-1. Among other things, it: • clarifies that only those covenants that an entity must comply with at or before the reporting date affect a liability's classification as current or noncurrent; and • requires additional disclosures for non-current liabilities that are subject to an entity complying with covenants within twelve months after the reporting date.	1 Jan 2023	The standard is not expected to have a significant impact on the public sector.

Notes to the Financial Statements
for the year ended 30 June 2023

8. OTHER DISCLOSURES (CONTINUED)

8.8 Australian Accounting Standards issued that are not yet effective (continued)

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector financial statements
AASB 2022-5 Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback	AASB 2022-5 amends AASB 16 Leases to add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements for sale in AASB 15 Revenue from Contracts with Customers. The amendments ensure that a seller-lessee subsequently remeasures lease liabilities arising from a leaseback in a way that does not recognise any amount of gain or loss that related to the right of use it retains.	1 Jan 2024	The standard is not expected to have a significant impact on the public sector.

Notes to the Financial Statements
for the year ended 30 June 2023

8. OTHER DISCLOSURES (CONTINUED)

8.8 Australian Accounting Standards issued that are not yet effective (continued)

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector financial statements
AASB 2022-10 Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector	AASB 2022-10 amends AASB 13 Fair Value Measurement by adding authoritative implementation guidance and illustrative examples for fair value measurements of non-financial assets of not-for-profit public sector entities not held primarily for their ability to generate net cash inflows. The Standard: • specifies that an entity needs to consider whether an asset's highest and best use differs from its current use only when it is held for sale or held for distributions to owners under AASB 5 Non-current Assets Held for Sale and Discontinued Operations or if it is highly probable that it will be used for an alternative purpose; • clarifies that an asset's use is 'financially feasible' if market participants would be willing to invest in the asset's service capacity, considering both the capacity to provide needed goods or services and the resulting costs of those goods and services; • specifies that if both market selling price and some market participant data required to fair value the asset are not observable, an entity needs to start with its own assumptions and adjust them to the extent that reasonably available information indicates that other market participants would use different data; and • provides guidance on the application of the cost approach to fair value, including the nature of costs to be included in a reference asset and identification of economic obsolescence.	1 July 2026	The standard is not expected to have a significant impact on the public sector.

Notes to the Financial Statements
for the year ended 30 June 2023

8. OTHER DISCLOSURES (CONTINUED)

8.9 Glossary

Amortisation is the expense that results from the consumption, extraction or use over time of a non-produced physical or intangible asset.

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

Depreciation is an expense that arises from the consumption through wear or time of a produced physical or intangible asset.

Effective interest method is the method used to calculate the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period.

Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, defined benefits superannuation plans, and defined contribution superannuation plans.

Financial asset is any asset that is:

(a) cash;

(b) an equity instrument of another entity;

(c) a contractual right:

- to receive cash or another financial asset from another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or

(d) a contract that will or may be settled in the entity's own equity instruments and is:

- a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Notes to the Financial Statements
for the year ended 30 June 2023

8. OTHER DISCLOSURES (CONTINUED)

8.9 Glossary (continued)

Financial liability is any liability that is:

(a) a contractual obligation:

- to deliver cash or another financial asset to another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or

(b) a contract that will or may be settled in the entity's own equity instruments and is:

- a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Financial statements comprises:

(a) a balance sheet as at the end of the period;

(b) a statement of comprehensive income for the period;

(c) a statement of changes in equity for the period;

(d) a cash flow statement for the period;

(e) notes, comprising a summary of significant accounting policies and other explanatory information;

(f) comparative information in respect of the preceding period;

(g) a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

Leases are rights conveyed in a contract, or part of a contract, the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Net result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those classified as 'other non-owner movements in equity'.

Payables includes short and long-term trade debt and accounts payable, grants, taxes and interest payable.

Receivables include amounts owing from government through appropriation receivable, accounts receivable, accrued investment income, taxes and interest receivable.

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LEGAL PRACTITIONERS' LIABILITY COMMITTEE