LEGAL PRACTITIONERS' LIABILITY COMMITTEE

ANNUAL REPORT 2023–2024

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

I'm pleased to present LPLC's 39th annual report and my first as Chair.

LPLC's insurance scheme continues to deliver an influential, secure and sustainable insurance scheme for the benefit of our stakeholders which include law practices, professional associations, consumers of legal services and the Victorian Government.

We do this through LPLC's four strategic pillars:

1. Dependable cover with a statutory mutual scheme that provides lasting insurance cover to all types and sizes of law practice.

2. Preventing loss through a shared commitment to proactive risk management and risk education as a cornerstone of our insurance scheme.

3. Profession leadership by sharing LPLC's unique insights on current risk trends and emerging exposures with practitioners, regulators and Government, informed by claims experience and attention to emerging risks.

4. Operational excellence, investing in people, systems and processes to deliver a contemporary and efficient insurance scheme, but always retaining the key element of personal service.

Through diligent management, and with the support of insured legal practitioners, I'm pleased to report that our insurance scheme fundamentals remain strong.

We now insure over 24,000 Australian legal practitioners in a variety of practice sizes and structures across all areas of legal practice.

While claim severity continues its inflationary rise, long-term claims frequency remains on a steady downward trajectory.

Our not-for-profit model keeps premiums below the 'break-even' cost, and much lower than would be sustainably charged by commercial market insurers.

This year the Fund delivered a surplus through a combination of prior-year reserve releases and strong investment returns. It followed losses in the two previous years and serves as a reminder of how the scheme's performance is best viewed with reference to longer-term trends, than by one year's results in isolation.

The Fund's investments continue to perform well with a very healthy return of 8.1% for the year. These returns play a vital role in keeping premiums as low as is sustainable over the long-term.

The Fund remains strong and secure, with net equity of $116.2m at the year's end.

These are all good metrics to report. They demonstrate that LPLC's statutory self-insurance scheme, supported by an efficient and stable reinsurance program, remains the best model for delivering a compulsory professional indemnity insurance scheme which at its core exists to serve the public interest.

More details of LPLC's operational highlights and activities for the year are contained in the following pages of this report. This includes claims experience in relation to past property/mortgage/finance transactions, cyber security, class action litigation, foreshadowed anti-money laundering regulation for lawyers, and staff supervision and training in today's hybrid working context.

During the year the Committee was joined by two new members, Fiona Schutt and Lucy Terracall, and continued to bring rigorous oversight and sound decision-making processes to all its deliberations. I thank each member for their contribution throughout the year.

I also extend sincere thanks to our CEO, Justin Toohey and the hardworking management team and staff.

The scheme's success over many years has been in no small way attributable to the dedicated staff whose commitment to serving the needs of the profession is continually displayed, and widely appreciated.

Much of LPLC's work in claims and risk management is complex and highly sensitive. As Chair, and as a practising lawyer for more than 30 years, I see the breadth and excellence of the work produced by staff, and the way in which they manage and resolve significant financial risks which are a daily part of the lives of many practising lawyers. I also see, and am constantly impressed by, the personal support provided by staff to lawyers insured by the scheme.

Michelle Dixon
Chair

FROM THE CEO

This year the scheme insured claims risk from over 24,000 solicitors and barristers, across almost 7,000 law practices who provide more than $10 billion of legal services to clients.

Our staff supported practitioners with expert claims management and high-quality risk management services delivered through a range of channels. These are the hallmarks of our scheme and, based on practitioner feedback, remain highly valued, and guide practitioners through many stressful and professionally challenging circumstances.

Financial results

The scheme reported a surplus of $10.5m for the year, attributable to higher-than-average reserve releases from prior underwriting years, strong investment returns, and a reduction in LPLC's unexpired risk liability.

It is pleasing to report that long-term claims frequency (excluding precautionary notifications) is continuing to fall, from more than 20 claims per thousand practitioners in 2010 to less than 17 in 2024.

That said, an increase in premium rates in 2024 (for the 2024–2025 year) was a matter of necessity rather than choice, to catch up with the continuing escalation in claims costs driven by more expensive claims.

This year's surplus restores some of the losses from the two previous years and ensures LPLC's balance sheet remains strong and secure, with net equity at year's end of $116.2m.

During the year the Committee completed an important capital management review, increasing the target equity range in recognition that today's heightened risk environment is more volatile and necessitates greater financial prudence to ensure sufficient capital is held to provide multi-year resilience against adverse scenarios. The current equity position is within the Committee's target range.

Claims

Rising claims severity (i.e. more expensive claims), is a continued trend which has been evident since 2020 (See page 13 for full Claims data report). There were multiple reasons for this, including:

- Inflation generally — higher property prices, mortgage debt and greater private wealth means that law practices are handling larger transactions and higher sums of money. This means that when claims are made, they are more expensive.
- Mortgage stress from rising interest rates and tighter lending criteria applied by banks — the increase in loan defaults and business insolvencies has produced an increase in finance and securities litigation, with solicitors who advised clients in relation to the underlying transactions often being joined into proceedings.
- Law firm systems and processes not keeping pace with changes in the legal and business environment, particularly as laws become more complex and greater expertise is required to navigate complicated transactions.
- Practitioners and firms are being held to higher standards of care and professional liability risks are now broader than in the past. For example, use of the *Civil Procedure Act* to bring claims and representative actions.

- A large number of claims concerning errors in the application and calculation of stamp duty and land tax laws to property transactions — particularly land development (sub-sales), spousal transfers and foreign purchasers. Increased audit activity by revenue authorities to maximise the collection of government revenue, has exposed many instances of inadequate advice by practitioners to clients about the application of revenue laws to their transactions.
- Professional liability risks arising from cybercrime through payment redirection scams via email hacking and social engineering.
- Instances of fraudulent and/or unethical conduct from a small number of lawyers, causing large losses.

During the year, LPLC continued to receive a significant number of claims and notifications against practitioners alleging negligent under-settlement of past child sexual abuse claims against religious and government institutions, including one commenced by a class action. In these cases, claimants are seeking damages from their previous lawyer for the loss of opportunity to have obtained a better outcome than was achieved by the settlement.

Many of the cases relate to settlements prior to July 2018, in relation to which clients have the right to apply for the earlier Deed of Settlement to be set aside and to seek top-up compensation from the institution. A minority relate to settlements after July 2018, in relation to which there are no ‘set aside’ rights against the Institution.

They all involve complex, highly sensitive circumstances and their resolution (or disposition by the Courts) will continue next year.

Managing the profession’s risk

Every year there are new risks and challenges for legal practice, and this year was no exception. The matters referred to above all demonstrate the increasing complexity of contemporary legal practice.

88% of law practices are sole practitioners (and all barristers) and another 8% comprise only two principals. Given these demographics, the challenge for most law practices of keeping up with changes in legislation, case law and technology can be readily appreciated. They underscore the profession’s need to have an insurer with a clear public commitment to improving legal practice standards through investment in risk management.

This investment is manifest in a wealth of resources, all freely accessible to practitioners and the public on LPLC’s website — detailed Practice Risk Guides, checklists, articles about risk areas, case notes news, alerts, webinars and training resources. They are supported by telephone and email advice which practitioners can access free of charge to speak to LPLC staff or other consultants for expert risk guidance.

During the year, LPLC employed 4 solicitors and 3 support staff doing this vital work, as well as funding paid assistance from a range of external consultants providing specialist legal support. This includes the very popular and longstanding GST Advice Service.

Cyber

LPLC continued to educate practitioners on evolving cyber risks through a range of online resources, as well as boosting our in-house expertise through the recruitment of cyber law expert Fabian Horton as a new Risk Manager.

Publication of the Victorian Legal Services Board + Commissioner's (VLSB+C) *Minimum Cyber Security Expectations* was a welcome regulatory advance in an area in which many practitioners have historically found it difficult to grasp the concept of professional liability extending beyond legal knowledge, into how technology systems they use to deliver legal services need to be secured to prevent cyber fraud. The VLSB+C's expectations reinforce, and extend, the risk guidance LPLC has been providing to the profession for some years.

LPLC continues to closely follow the Federal Government's reform agenda and we continue to support the introduction of regulation that would require banks to match account names and numbers prior to processing electronic funds transfers, and to impose more stringent controls on the opening of 'mule' accounts used for the receipt and disbursement of funds misappropriated through phishing and social engineering scams.

State Property Taxes

We continued a heavy theme of upskilling practitioner knowledge and awareness of laws and common pitfalls in relation to State property taxes, reflecting the ongoing claims activity seen in this area.

We are also delighted to welcome Rachel O'Donnell as our new outsourced legal consultant to continue the GST Advice Service following Derry Davine's retirement. We now also have the opportunity to extend the GST service to cover assistance with State property taxes given Rachel's expertise in this area.

Remote work

There is evidence in many claims of remote working arrangements bringing new manifestations of old risks to the conduct of legal services and contributing to the profession's claims experience. It underlines the need for firms to refresh their systems and processes to ensure:

- structured supervision of work undertaken by junior lawyers and paralegals
- control of new client and new matter intake
- adherence to protocols for electronic file-keeping (including recording and retaining file notes)
- training staff in client communication skills to develop stronger client relationships
- when mistakes are made, the firm has a risk culture that encourages and incentivises prompt escalation.

These observations are not reflective of the experience in all practices, but they remind us that the informality of remote working arrangements comes with some clear challenges for firms in managing their professional risk exposures.

During the year the Committee was also pleased to have representatives of LPLC attend many important legal and regulatory stakeholder forums, including many small project-specific groups, law association events and conferences. Particular highlights included the Conference of Regulatory Officers in Hobart, the International Conference of Legal Regulators in Dublin, and the gathering of Australian Professional indemnity Scheme Insurers in Adelaide.

These engagements provided valuable opportunities for LPLC staff to learn of emerging issues in other jurisdictions, exchange ideas for best-practice and network with peers. They ensure that LPLC continues to remain connected to the issues most affecting practising lawyers and clients.

Emerging issues

There is no shortage of other emerging issues on LPLC's radar coming down the pipeline with potential to impact legal practice, legal regulation, and professional indemnity insurance. They include:

- New models of legal practice — (legal contracting, legal tech services and legal information providers) all of which are disrupting the traditional law firm model on which the Uniform Law and insurance requirements are designed
- Information security and anticipated *Privacy Act* reform
- Solicitors mortgage lending — the need for regulatory reform to prevent solicitors from conducting conflicted business models blurring the line between a law practice and a finance broking or investment advisory service. Loan and mortgage businesses should be conducted as separately licensed activity, outside Uniform Law regulation and not as part of, or in association with, the business of a law practice
- Class actions, litigation funding and contingency fees — topical not only for various conflicts of interest they can create between lawyers and their clients, but also for the accumulation of risk which their size and scale poses to law firms, and which LPLC is required to insure
- Anti-money laundering (AML) — reforms currently in the Federal Government consultation phase requiring law firms that will provide 'designated services' to register with AUSTRAC, and comply with new regulations to capture and retain Know Your Customer data, assess AML risks of transactions in which the firm is instructed, and report suspicious matters to AUSTRAC. These new statutory responsibilities will be used to give colour and context to the lawyer's professional duty of care and potentially affect future liability claims. LPLC has commenced risk education for practitioners on this topic and will continue with this as more detail of the legislation is announced
- Generative artificial intelligence (AI) — how will lawyers safely incorporate AI tools into their businesses? How can they take advantage of the benefits, while retaining full responsibility and control?

Operations

Three major projects were completed during the year contributing to LPLC's strategic goal of investing time and resources to strengthen internal team culture and improve the business.

New IT platform

Following completion of extensive due diligence, LPLC completed the move of our IT platform from an on-premises server configuration model to a cloud-based solution with a new managed services provider. This has significantly enhanced the security, governance and support capability of our IT network and improved staff experience and connectivity when working remotely.

ESG Framework

The Investment report (page 29) outlines details of LPLC's ongoing focus on ensuring our ability to monitor and measure the sustainability of our investment portfolio through a range of Environmental, Social and Governance (ESG) measures.

The Committee also developed a revised more holistic overarching ESG Framework for the business, comprising a new ESG Policy, formal Climate Action Plan for the investment portfolio and an Operational ESG Action Plan. This policy work was finalised in May 2024 and establishes specific environmental, social and governance-related initiatives and targets for the forthcoming year.

These reflect the Committee's commitment to reducing LPLC's impact on the environment, aspiring to high standards of governance and becoming a more socially conscious organisation.

New premises

In January 2024 LPLC completed the move to new premises at 140 William Street, (after 15 years at our previous location at 570 Bourke) taking advantage of the competitive office rental market to finalise new lease terms that will result in greater net savings on leasing costs than if we had remained at 570 Bourke.

Staff have embraced the new office and adapted quickly to the open plan format.

Conclusion

Finally, I extend my sincere thanks to members of the Committee, fellow executive leaders at LPLC and to all staff and external service providers for their contribution to LPLC's success once again this year.

In many ways 2023–2024 was more challenging for LPLC than other recent years. A number of staff experienced significant health events during the year and other personal adversity. As ever with LPLC, staff adapted to changed circumstances and stepped up to the plate to share the load. For that, I am both proud and thankful to all concerned.

Justin Toohey
Chief Executive Officer

RELIABLE AND SUSTAINABLE INSURANCE, IN THE PUBLIC INTEREST

For 39 continuous years LPLC has provided trustworthy and reliable professional indemnity insurance to Australian legal practitioners. Our unique statutory model has stood the test of time through all insurance market conditions.

The scheme continues to evolve with the times and respond to new risks in the information age. Having a specialist insurer with LPLC's long-term knowledge, expertise and commitment to the profession's standing in the community remains as important today as it ever was.

It is also worth remembering the public benefits of LPLC's scheme, which are:

- Universal cover for all law practices, supporting access to justice
- Simple, transparent pricing of premiums
- Broad civil liability cover (including for dishonesty)
- Automatic run-off cover for retired or deceased practitioners and closed firms, without additional premium
- Centralised profession-wide claims data supporting transparent pricing and enabling targeted risk management to reduce future claims
- Continuous cover every year, eliminating coverage disputes
- Deep expertise in solicitor and barrister liability claims, reaching fair, timely and cost-efficient claims outcomes
- Significant resources invested in long-term profession-wide risk management strategies to reduce claims.
- Deep and regular engagement with legal regulators and professional associations to improve professional standards
- A demonstrably efficient insurance model that features:
  - direct communication with practitioners
  - minimal distribution costs and low administration costs
  - a diversified investment portfolio generating returns and long-term real growth in the fund
  - primary insurance risk is retained by LPLC, supported by a bespoke reinsurance program with high-quality global reinsurers.
- Prudent capital management and publicly accountable scheme governance in the interests of stakeholders.

LPLC 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 MANAGEMENT

LPLC encourages insured practitioners to notify claims and circumstances as soon as they become aware of them.

Early notification has the advantage of enabling the claims team to resolve meritorious claims promptly, fairly and before substantial costs have been incurred. Once notified, the claims team adopts a rigorous, multi-faceted approach to claims management to achieve the fair, timely and cost-efficient resolution of claims.

The claims team is made up of experienced legal practitioners whose skills enable them to identify and accurately reserve circumstances which will become claims. Approximately two-thirds of matters notified to LPLC are, or become, claims.

Where it is appropriate to defend a claim, or when proceedings have been issued, external panel solicitors and counsel are retained to provide specialist legal advice and assistance.

Most claims are resolved after investigation of liability and damages via negotiation and often at mediation. If necessary and appropriate, claims are defended to judgment. LPLC has a strong track record successfully defending those litigated claims which lack merit.

Claims — against insured Solicitors

During the reporting period, 511 claims and notifications across the current and earlier underwriting years were finalised. Approximately 60% of these matters were dealt with by LPLC's claims team without the need to engage external legal advisors.

A total of 473 matters (281 claims and 192 notifications) were notified to LPLC by solicitors during the 2023–2024 policy year with case estimates of $68.7 million for the period. A further 13 claims were opened during the year which registered against earlier policy years.

Claim frequency was slightly lower than last year but claim severity continues to rise. Much of the increase in estimated claims costs for the 2023–2024 year was attributable to a sharp rise in personal injury claims, but claims costs were also high in other traditional claims-prone areas of practice including property and conveyancing, finance and mortgage lending, and commercial transactions. These also partly reflect the slowing economic environment, with persistent inflation and higher interest rates reducing business confidence and creating conditions in which contracts drawn by lawyers are subject to greater scrutiny.

Areas of high claims experience in 2023–2024:

Property and conveyancing
Approximately 28% of claims by number and 28% by cost

Property and conveyancing claims continue to account for the highest number of claims (135) and highest cost of claims ($17.9 million). Conveyancing is a high risk and complex practice area with claims arising from over 20 separate underlying causes.

Stamp duty claims continue to account for the highest frequency of conveyancing errors, with mistakes in relation to sub-sales (giving rise to additional duty) where land development occurs prior to nomination of a substitute purchaser, in relation to formal requirements for duty exemptions and the application of foreign purchaser duty. Increased compliance auditing by the State Revenue Office has resulted in more claims against practitioners for negligent advice in failing to have advised clients of the correct duty/tax payable in relation to a transaction, or how the transaction might have been structured that would have enabled additional duty or surcharges to have been avoided.

We also experienced a spate of claims arising from disputes between vendors and purchasers in relation to high-value terms contracts of sale. This is another technical and complex area of conveyancing with legislative traps for unwary practitioners when drafting contracts or advising clients in relation to contract amendments.

Personal Injury Litigation
Approximately 13% of claims by number and 25% by cost

The number and cost of personal injury claims increased significantly in the 2023–2024 policy year.

Most of the increase relates to claims against legal practitioners alleging negligent under-settlement of historic child sexual abuse cases against religious, community and government institutions going back over many years when compensation for such claims was extremely difficult to obtain. These claims are being strenuously defended.

Other areas of personal injury claims related to missed limitation periods for issuing proceedings and other Workcover time limits, revisited workplace injury settlements, and other litigation complaints concerning the conduct of medical negligence and public liability litigation.

Areas of high claims experience in 2023–2024 - continued

Mortgage Lending
Approximately 5% of claims by number and 14% by cost

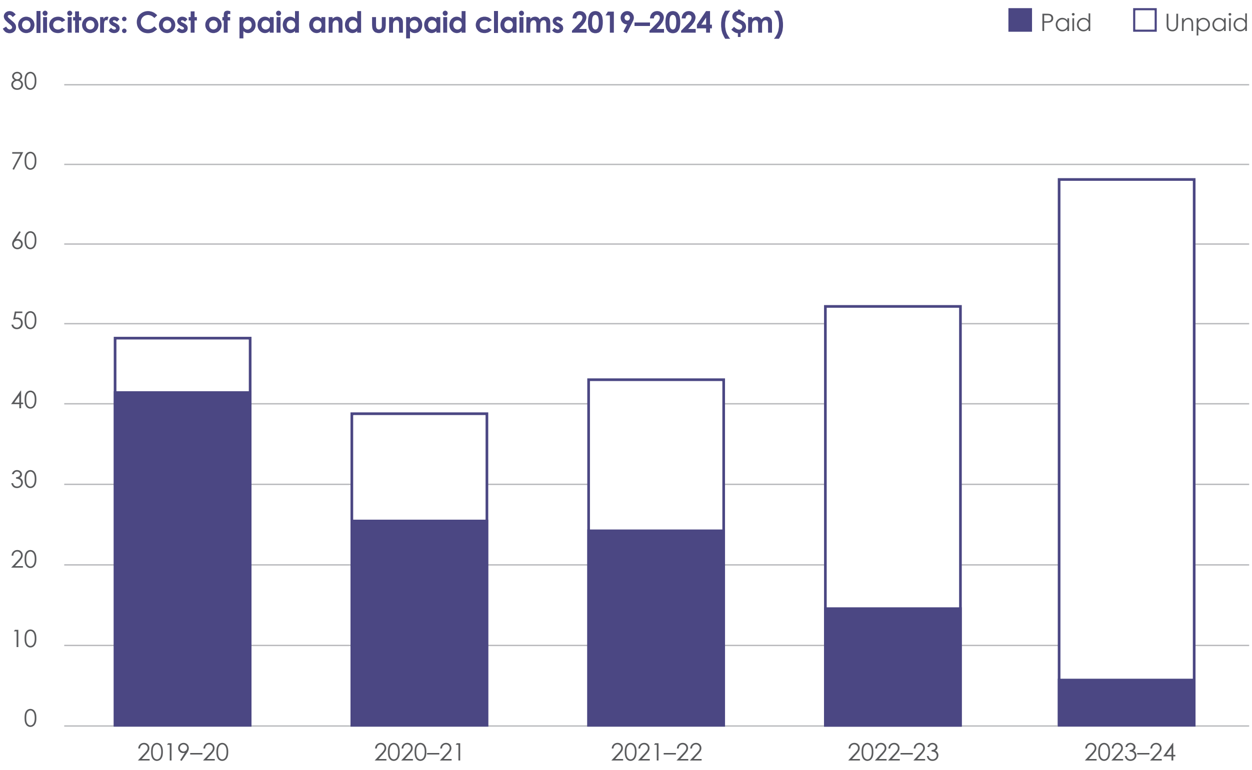
Mortgage and finance-related claims were high again this year, partly reflecting rising loan default rates in the community as higher interest rates and more stringent lending criteria applied by banks exposes pockets of mortgage stress. These are conditions which historically result in more claims against law practices being drawn into litigation between lenders, borrowers and guarantors where the security documentation is under challenge or where borrowers and guarantors allege they did not receive appropriate advice or warnings of risks associated with transactions.

Commercial
Approximately 14% of claims by number and 11% by cost

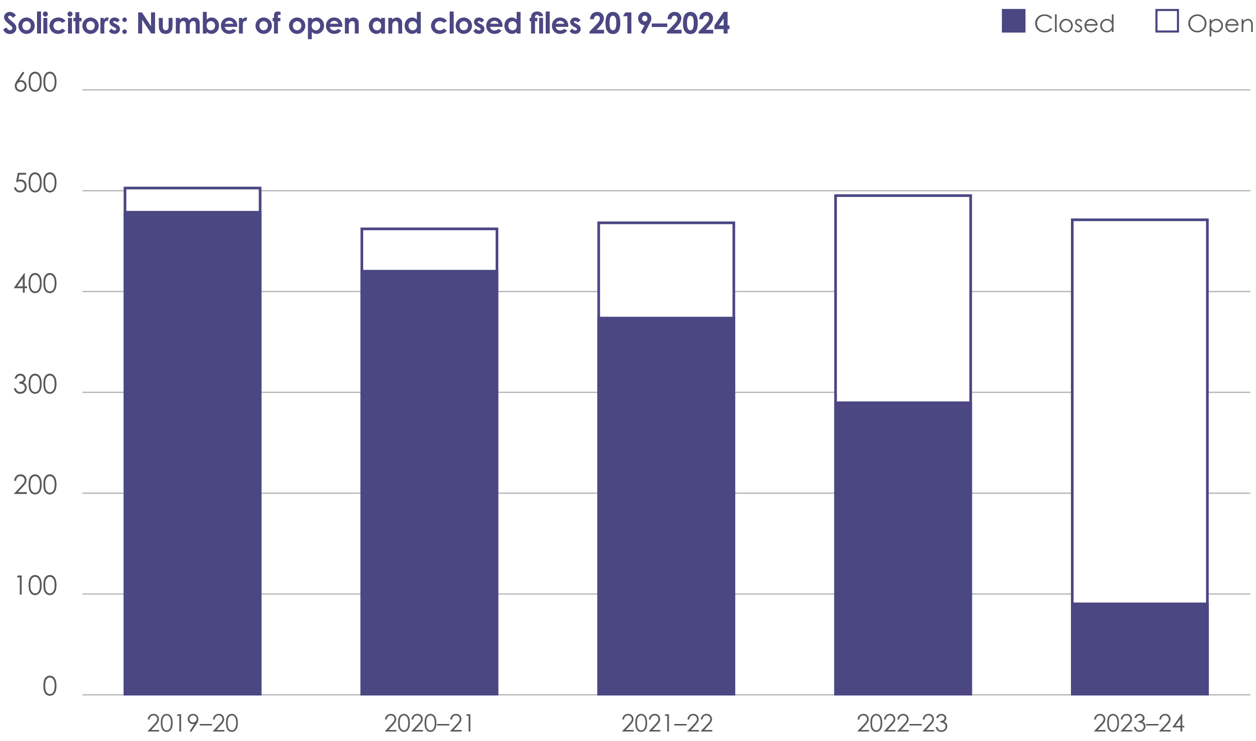
Trends in commercial claims this year related to alleged drafting errors in transaction agreements where the drafting was ambiguous or contrary to the client's instructions, claims where contractual time limits or other 'condition precedent' provisions were not observed with adverse consequences for the client, and claims where it is alleged that practitioners gave flawed strategic advice, either because of a lack of commerciality (not understanding the client's needs) or because of too much commerciality (identifying too closely with the client and losing professional independence).

There was also an increasing trend of notifications and claims arising from the failure to register Personal Properties Security Register financing statements in relation to security interests contained in commercial documents.

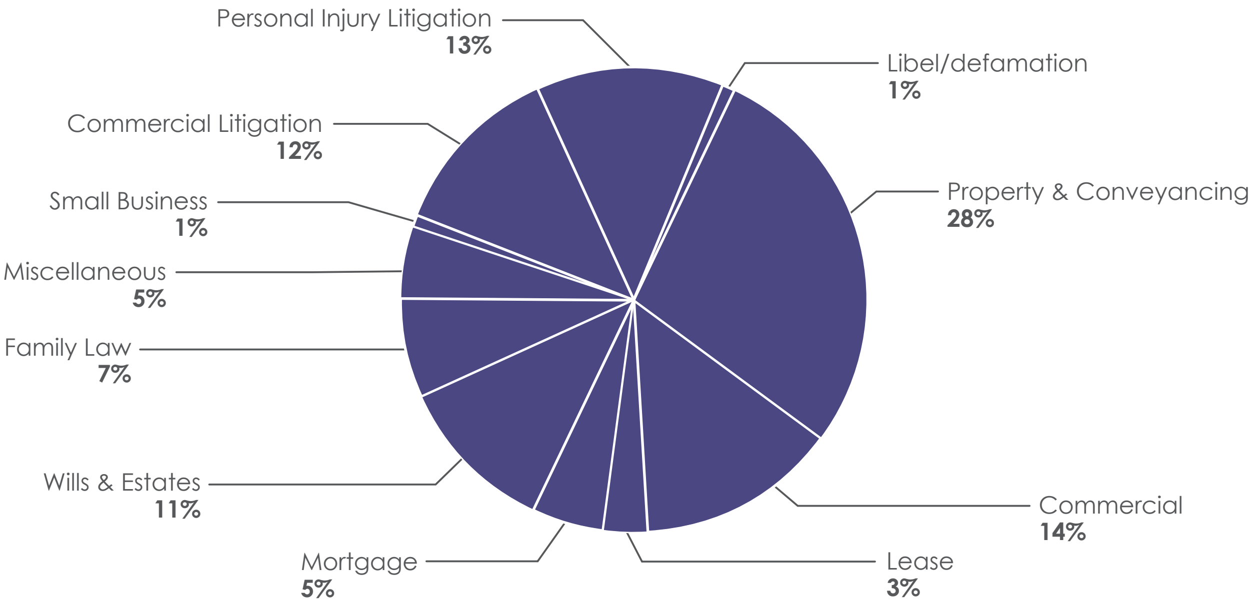
Solicitors: Cost of paid and unpaid claims 2019–2024 ($m)



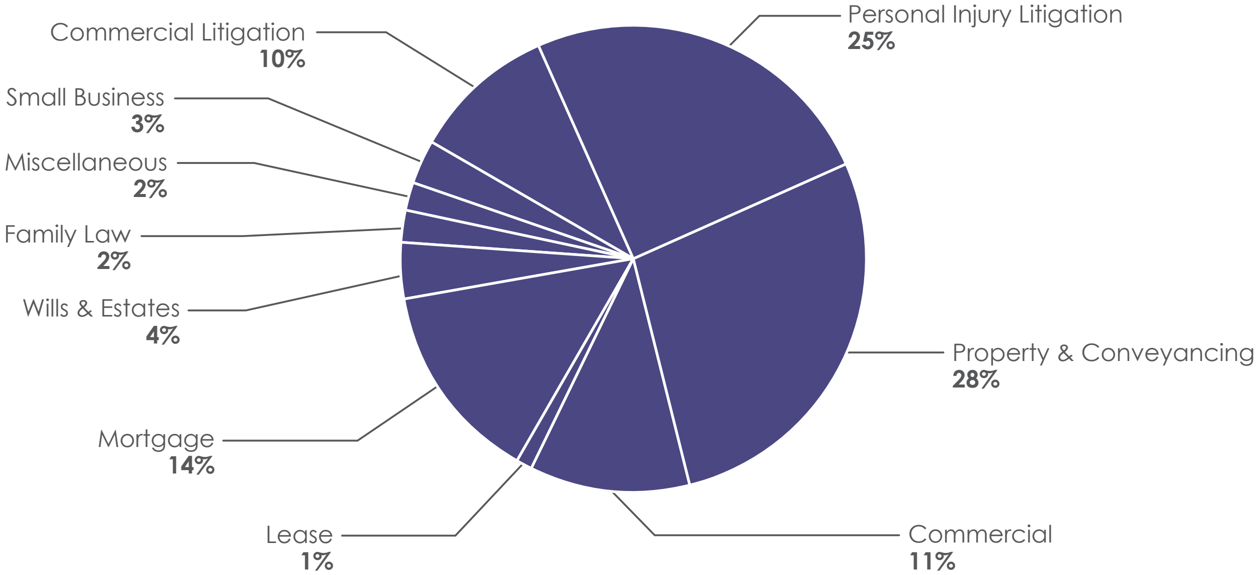
Solicitors: Number of open and closed files 2019–2024



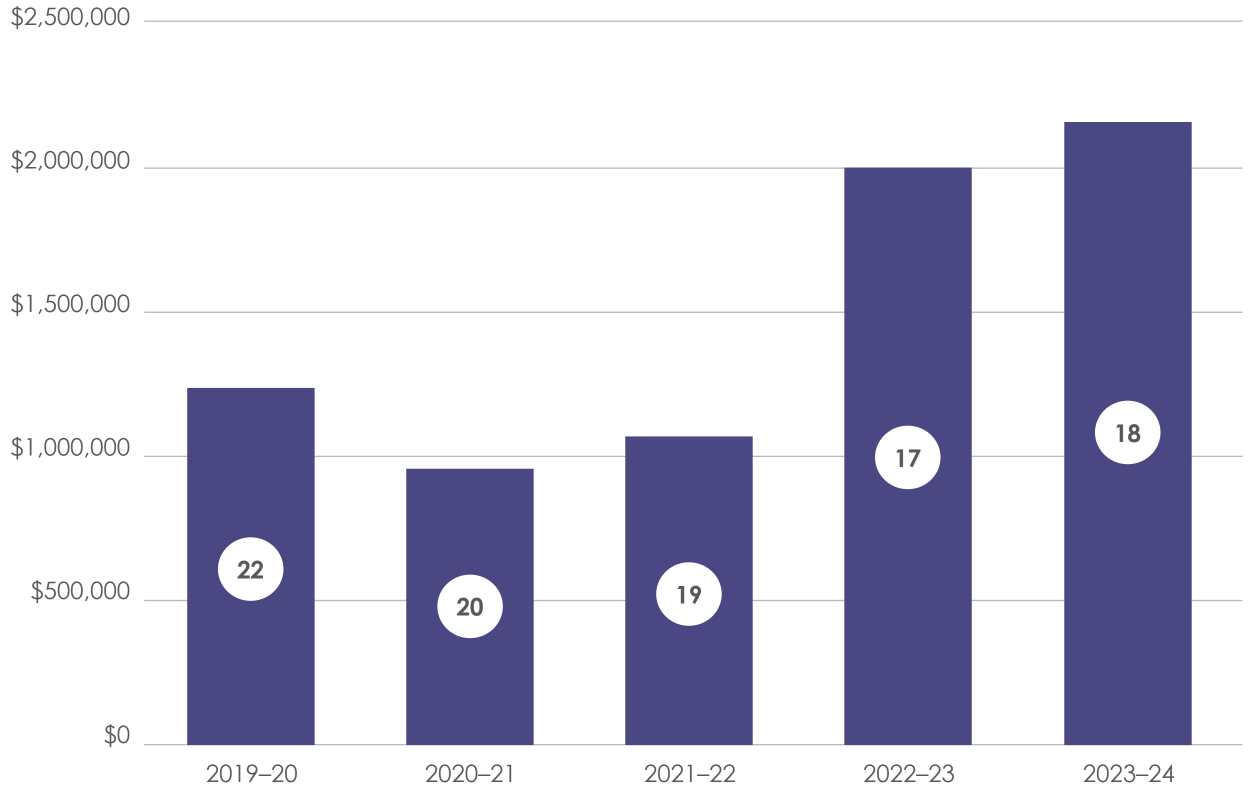
Solicitors: Percentage number of claims by area of practice 2023–2024



Solicitors: Percentage cost of claims by area of practice 2023–2024



Cyber claims: Numbers and costs



Cyber-related claims continue to be a constant part of the solicitors' claims portfolio as law firms and their clients continue to fall victim to scams and cyber fraud.

During the 2023–2024 policy year, we received 18 claims and notifications at an estimated cost of $2.14 million. While the number of claims remained steady, there was an increase in the cost of claims, including a slight deterioration in earlier policy years due to late notification of claims.

Cyber claims continue to come mostly from small firms, although there was a small percentage of claims from large firms in this policy year. Claims arise predominantly from business email compromise and social engineering targeting vulnerable systems within smaller firms.

The recovery of funds lost due to cyber fraud from financial institutions remains unpredictable and is often no longer related to how quickly a recipient account is frozen. There is very little, if any transparency from the banks regarding recovery processes.

In February 2024, the Victoria Legal Services Board + Commissioner (VLSB+C) introduced Minimum Cybersecurity Expectations (MCE) for legal practitioners and law practices. LPLC provided input to the VLSB+C in their development of the MCE and our Cyber Security Risk Guide and resources are referenced as support to practitioners. The MCE helps practitioners to address the key list of both technical and behavioural controls. The MCE assists law practices to understand the key risk measures that need to be implemented to protect client data, avoid becoming victims of scams and meet their own legal and ethical obligations.

LPLC promotes the MCE and our own cyber security resources at every opportunity.

CLAIMS MANAGEMENT (continued)

Claims — against insured Barristers

During the reporting period, 66 claims and notifications from barristers across the current and earlier underwriting years were finalised.

A total of 49 new claims and circumstances were notified by barristers to LPLC in the 2023–2024 underwriting year, with case estimates of $1.11 million. Many notifications were precautionary matters which are unlikely to become claims, with only a handful of litigated claims matters at this stage.

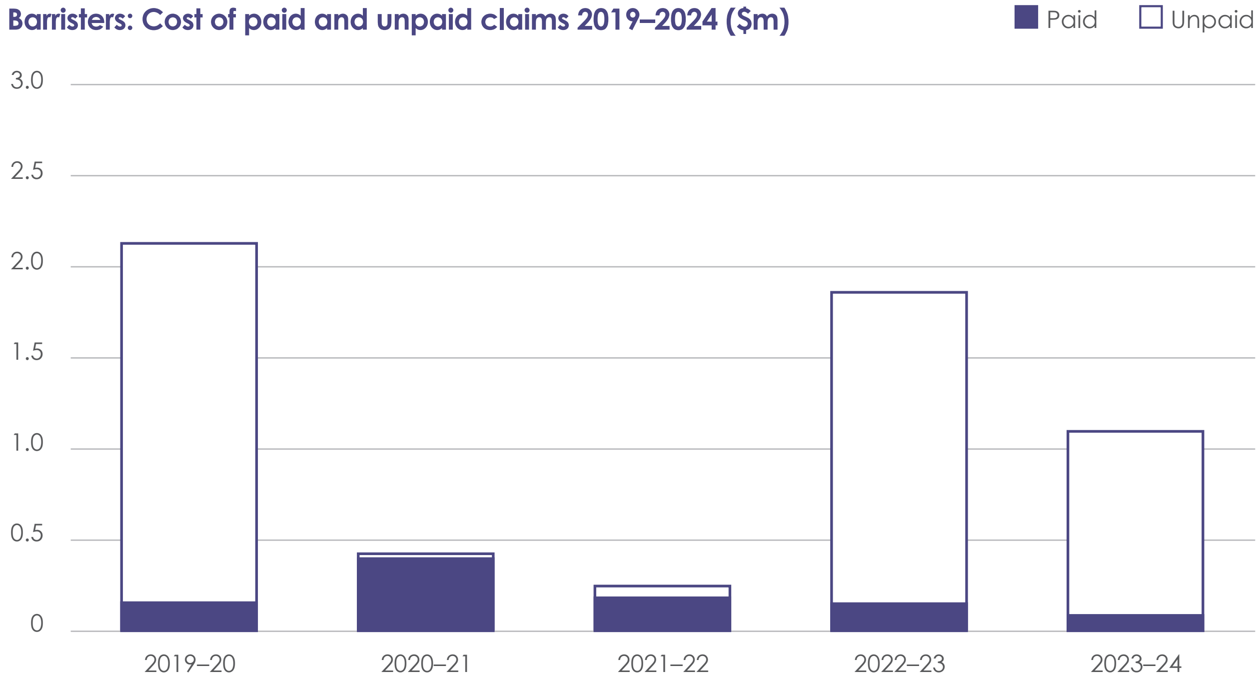
The relatively small pool of claims makes the barrister's pool susceptible to volatility and difficult to identify trends. Nonetheless, from the relatively small numbers, claims arising from the settlement of civil litigation (covering general commercial disputes and personal injury cases, including some historical abuse settlements) continues to be the most frequent and costly species of claim, representing 30% of matters notified and 60% of cost.

Five matters during the reporting period were claims for personal costs orders against barristers. The circumstances of each are different with no apparent trends.

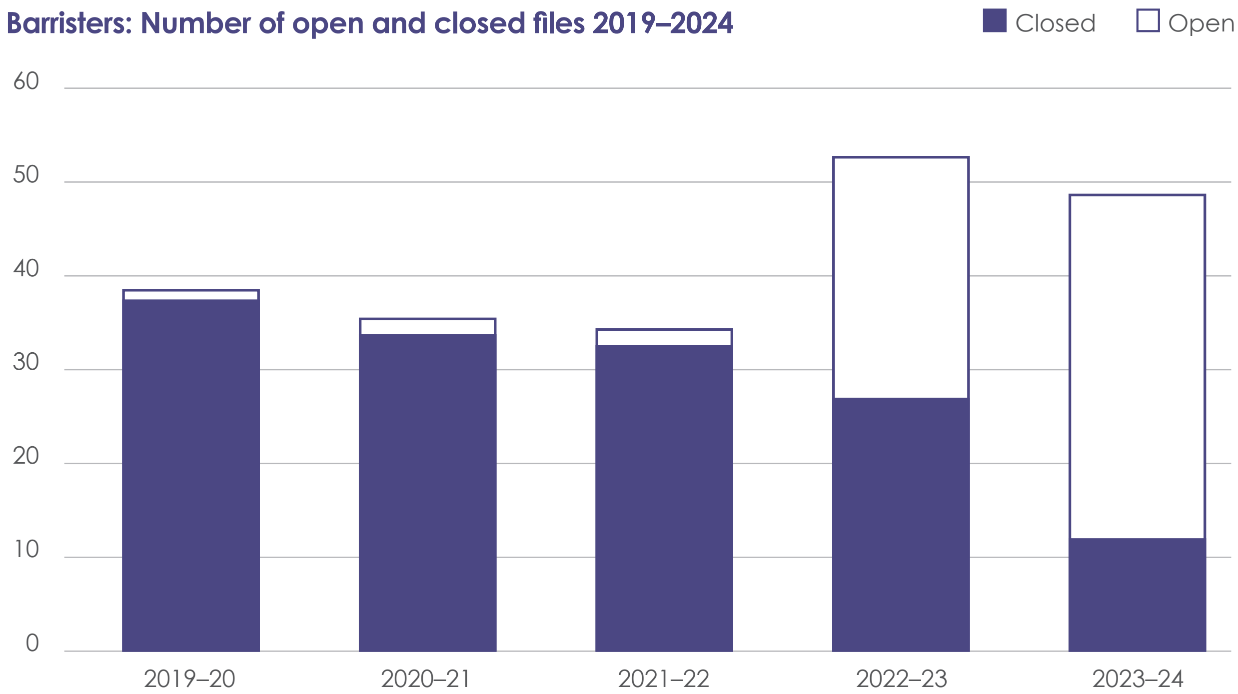
Historically, and again this year, barristers of more than 10 years seniority are the highest risk cohort.

A number of matters reported to LPLC involved complaints from self-represented claimants dissatisfied with the outcome of their underlying claim and seeking to relitigate it. More often than not, the complaint is made in circumstances where the barrister was representing the opposing party in the underlying litigation, not the claimant.

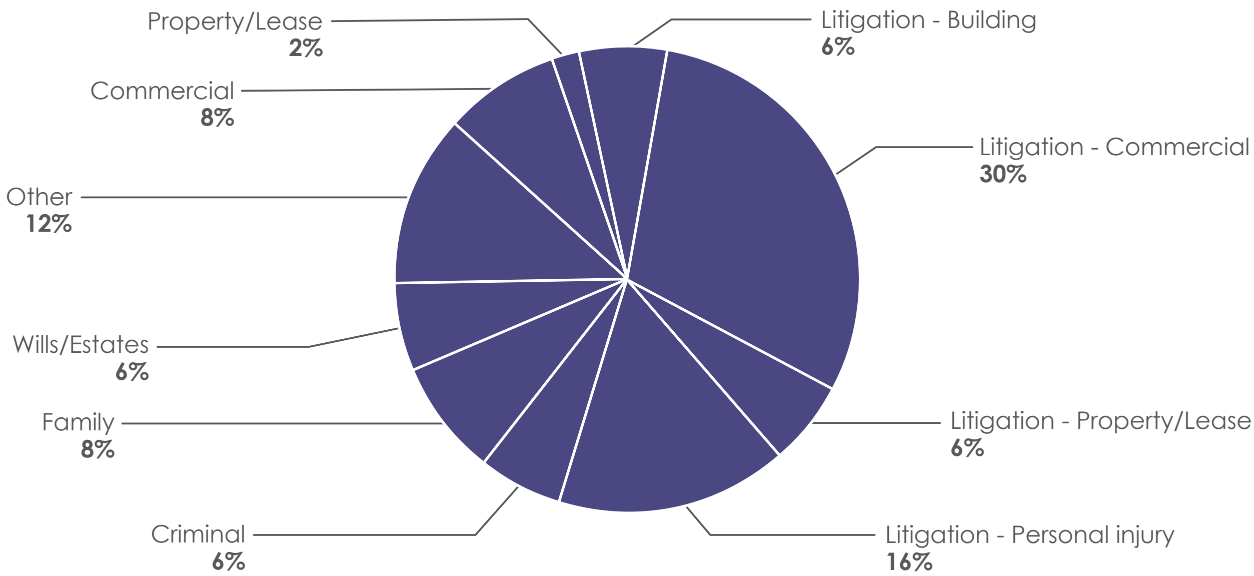
Barristers: Cost of paid and unpaid claims 2019–2024 ($m)



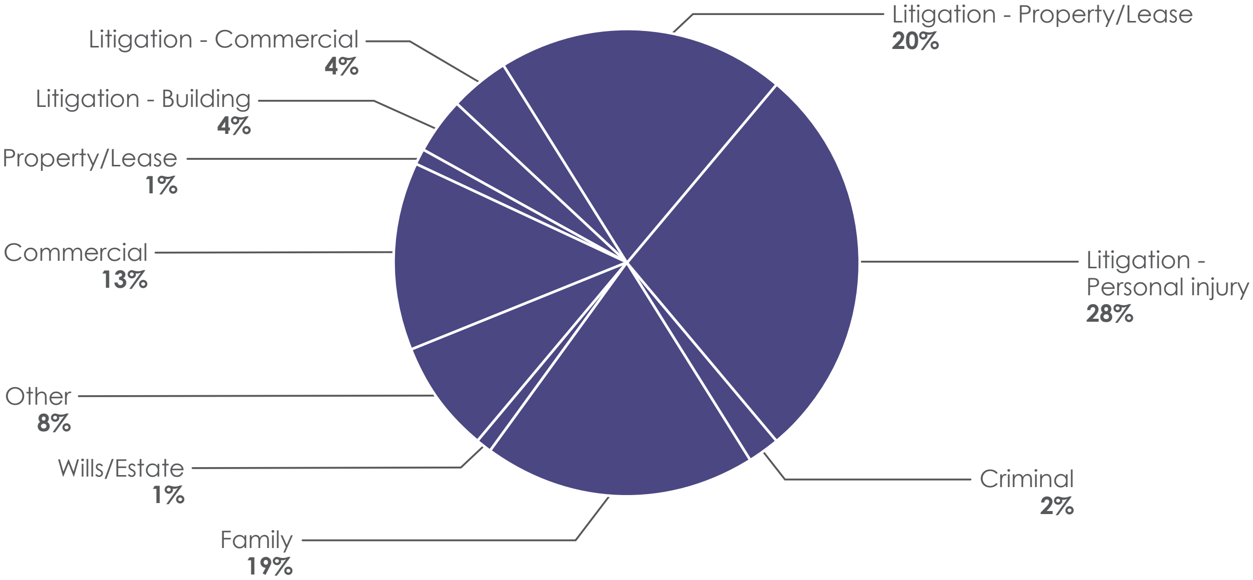
Barristers: Number of open and closed files 2019–2024



Barristers: Percentage number of claims and notifications by area of practice 2023–2024



Barristers: Percentage cost of claims and notifications by area of practice 2023–2024



RISK MANAGEMENT

LPLC's Practice Risk Services (PRS) team provides expert advice, support and resources to help our insured practitioners manage the risks of practice and avoid claims. We take a comprehensive and proactive approach to risk management services, addressing both known underlying causes of claims and emerging risk areas.

Our initiatives include best-practice risk guidance, awareness raising and education, resource production, and practical mitigation advice.

These efforts are designed to safeguard the interests of legal practitioners and their clients, while also maintaining public confidence in the legal profession.

Pre-emptive risk management

LPLC regularly monitors industry trends, regulatory changes, case law, legislation and engages with practitioners working in private practice to stay ahead of potential risks that could lead to expensive claims.

This year a key focus of the PRS team was to address major legislative changes to Victorian state property taxes. This built on the focus in recent years on claims exposures from stamp duty claims arising from increasingly complex duties law (sub-sales, foreign purchaser surcharge duty, economic entitlements, foreign trusts and spousal land transfer exemptions) and compliance audits by the State Revenue Office.

We presented a range of educational material and resources for practitioners about the new State property taxes — Windfall Gains Tax, Vacant Residential Land Tax, Commercial & Industrial Property Tax. This was achieved through email alerts, articles, webinars, presentations and responding to practitioner phone and email enquiries. Our efforts were greatly supported with expert assistance from external consultants, particularly James Hamblin from Minter Ellison and Matthew Cridland from K&L Gates, for which we thank them.

Another key focus for the PRS team this year was a targeted campaign aimed at practitioners who work in the personal injury space due to the increase in claims involving revised historical abuse settlements.

A key driver of our risk management program is the analysis of the root causes of negligence claims made against practitioners each year and using that information to inform our approach. We actively monitor our claims notifications as well as changes and developments in the legal environment.

Our practice risk guides are flagship publications that bring together in one place what we learn from claims to address critical issues in major areas of legal practice. This year, LPLC updated three key guides focusing on high-claim areas: Cyber Security for Lawyers, Business Sale and Purchase (formerly Small Business, Big Risks), and Personal Injury Litigation. These revisions ensure our guides remain current and relevant resources for managing significant risk challenges in these fields.

Through our subscriber list and website, we published and promoted new resources weekly that cover existing and emerging risk issues, as well as evergreen material. Our weekly email distribution of new risk management content is designed to assist practitioners to stay on top of risk issues and is supported by a summary newsletter at the end of each month.

Topics covered throughout the 2023–2024 year included:

- Artificial Intelligence
- Victorian property tax changes (including Commercial and Industrial Property Tax Reform and Vacant Residential Land Tax)
- Binding financial agreements
- Lodging caveats
- Terms contracts
- Scoping retainers.

Our regular webinars continued to be popular as the preferred method by practitioners to engage with presentation-style risk management content. Most of the webinars had over 1,000 participants registered for each of the sessions. Topics and presenters this year included:

- Making the most of your technology — Fiona McLay, Consultant
- Personal Injury claims — John McGirr, LPLC
- Preparing a Will — Christien Corns, Sam Rappensberg, K&L Gates
- Avoiding Personal Costs orders — Mark Brookes, Ben Hall, Carter Newell
- Current Victorian Conveyancing Issues — Russell Cocks, Lawyer
- Cyber Security Update and Minimum Expectations — Fabian Horton, LPLC
- Conveyancing, Tax, Sale & Purchase of Business — James Hamblin, Melinda Waduge, Minter Ellison

For those unable to join online on the day, these presentations were recorded and promptly uploaded to our website where they became available to all practitioners (and members of the public) to watch, free of charge.

Digital publications to raise awareness about risk areas and direct contact with practitioners continued throughout 2023–2024 to convey LPLC risk management messaging. These activities addressed not only legal knowledge issues, but also encompassed practice management systems and behavioral factors that contribute to the underlying causes of claims.

Artificial Intelligence (AI) is an ever-evolving potential area of risk. We continued our educational efforts regarding the risks associated with the use of AI in legal practice through written communications and in presentations to our insureds. This ongoing initiative aimed to ensure that practitioners are aware of the potential pitfalls and best practice when integrating AI into their legal practices.

High risk areas

LPLC's risk management efforts remain focused on preventing and mitigating known claims areas, particularly in property and conveyancing, personal injury, mortgage lending and commercial law that regularly account for more than 75% of total claims costs.

Addressing the Increase in Personal Injury Litigation Claims Costs

In response to the rapid escalation in historic institutional child sexual abuse litigation, the PRS team focused on educating practitioners to avoid acting in this complex and rapidly evolving area without the necessary expertise, experience and support resources required.

We emphasised the importance of staying informed on the rapidly changing case law in various jurisdictions and the increasing value of these claims. To support practitioners, the PRS team published the articles: *Setting Aside Historical Abuse Settlements* and *Accelerated Case Management for Rising Institutional Liability Cases*.

LPLC also launched a personal injury practice support program. Through this initiative, plaintiff personal injury firms, particularly those dealing with historical abuse cases, received tailored in person visits or online meetings. These sessions were designed to discuss specific risks and address LPLC's claim concerns, ensuring that practitioners are better equipped to manage these challenging cases.

Addressing Evolving Cyber Threats

LPLC maintained an ongoing dialogue to keep the profession's focus on risks from malicious cybercriminals and from inadvertent data breaches.

The recruitment of a new Risk Manager, Fabian Horton, expanded LPLC's depth of expertise to better support practitioners in relation to cyber risk and use of technology within law practices.

Our free Cyber Risk Course for Lawyers (commissioned by LPLC, produced and hosted by Simone Herbert-Lowe of Law + Cyber) was available for practitioners through the first three months of the year and was heavily subscribed.

We re-published our Cyber Security Guide for law firms to remind practitioners of the five key areas of focus:

1. Secure Your Technology
2. Establish Policies and Procedures
3. Create a Culture of Cyber Risk Awareness
4. Warn Clients About Cyber Risk
5. Have an Incident Response Plan for Prompt Action.

We assisted the VLSB+C with the development of their Minimum Cyber Security Expectations for Victorian lawyers and promoted these expectations (and accompanying Guide) at all LPLC events and publications.

We maintained our cyber claim follow-up program, conducting debriefings with insured firms who experienced cyber claims or near misses. These sessions ensured that the causes of the claims were identified, and appropriate remedial measures implemented to enhance the firm's cyber security posture.

Additionally, we held quarterly meetings with the Law Institute of Victoria, Victorian Legal Services Board, and Property Exchange Australia (PEXA) to discuss emerging trends and new cyber risks and scams. These collaborative efforts ensure that LPLC remains proactive and abreast of evolving cyber risks.

Continued focus on Conveyancing Risks

In addition to the focus on stamp duty and new State taxes noted above, LPLC continued to educate practitioners more broadly about conveyancing and property risks through a range of articles and topics.

Key topics included:

- solicitor's responsibilities when lodging caveats
- tips for practitioners to ensure clients are correctly advised of the legislative requirements for claiming spousal land transfer duty exemptions
- the need to conduct check searches before settlement in electronic conveyancing transactions
- taking care when giving solicitor's undertakings
- changes to the unfair contracts regime in the Australian Consumer Law
- risks and consequences of creating a terms contract of sale by instalment payments.

All of this content was distributed via our weekly email to subscribers and to LPLC's LinkedIn following.

Our regional risk management tours focused heavily on case studies with claims risks examples arising from property and conveyancing transactions.

Our popular GST and general enquiry line assisted with 301 property related queries.

Direct contact with firms

Risk Assistance Program

Our Risk Assistance Program addresses the needs of firms facing multiple claims or other risk issues that require specialised attention. This includes firms or practitioners referred by the LPLC claims team, ensuring comprehensive support for those in need.

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

The success of this program has been measured through the consistently positive feedback received from participating firms and the implementation of our recommendations. Recommendations implemented include engaging mentors, acquiring practice management software, undertaking further legal or risk management education, reducing workload, declining work outside expertise and employing additional staff.

Risk Management Enquiry Assistance

We responded to over 1,000 specific risk enquiries through our general enquiry and GST support services.

These services provide practitioners with access to objective risk support, an opportunity to talk through things concerning them, referral to additional resources to enhance their legal understanding, and importantly, to strengthen the bond between LPLC and those we insure.

Our primary objective is to provide real-time guidance on managing the risks associated with ongoing matters, aiming to minimise the occurrence of claims.

The majority of these enquiries related to our highest areas of claims in property and conveyancing, followed by practice management assistance.

For more than 24 years LPLC has maintained a GST Advice Service for lawyers, manned by Derry Davine as an external consultant to LPLC. During the year, Derry gave us notice of his retirement from legal practice at 30 June and we cannot thank him enough for the wonderful service and support he provided to so many lawyers in that role since the introduction of the GST.

We are pleased to be able to continue providing the GST advisory service for practitioners via a new external consultant lawyer, Rachel O'Donnell, who brings more than 20 years practical legal experience in advising clients on GST and various State tax regimes.

Supporting Regional Practitioners

We were also pleased to re-establish face-to-face connections with regional practitioners through direct firm visits and conferences, which had been suspended during the pandemic.

Throughout May and June 2024, LPLC got back 'on the road' to visit firms and practitioners in regional areas in Shepparton, Bendigo and Ballarat. Visiting firms individually enabled customised risk management support and educational sessions to be delivered in-house to a range of different-sized firms.

Regional practitioners also participated in an evening CPD dinner conference which provided insights into emerging risk issues, direct interaction with LPLC's Risk Managers, and networking opportunities with peers. The conference covered topics including cyber security, proposed changes to privacy and data protection laws, looming anti-money laundering and counter-terrorism measures proposed for lawyers, and an overview of claims trends.

Practical strategies for risk mitigation were presented and discussed with each topic.

Helping Newly Established Firms

LPLC uses 3 risk management contact points with principal solicitors establishing new firms:

1. Direct Contact — Phone or email contact initiated when a new practice is opened, introducing the range of practice support materials available from LPLC. This year we contacted over 120 new firms.

2. Workshops for New Firms — Invitation to attend one of our 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. The in-person workshops bring together small groups of practitioners, offering them an opportunity to meet and network.

3. Risk Management Modules — 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 Institute. The course is required by the Victorian Legal Services Board to obtain a Principal Practising Certificate. Nearly 30 risk management modules were delivered through various online and face-to-face formats during the year.

These initiatives aim to set practitioners up for success and establish positive connections as they embark on a new phase of their careers by introducing LPLC's risk management resources, providing support and networking opportunities, and assisting them to implement robust risk management strategies from the outset.

Early Career Lawyers

To engage new lawyers with our risk management key messages, LPLC presented a risk management module at all Practical Legal Training (PLT) courses in Victoria during the year conducted by the College of Law, Leo Cussen Institute, and the Law Institute of Victoria.

LPLC presented at 27 sessions, either online or in person.

Presenting at these forums ensures that early career lawyers have access to foundational guidance on managing professional risk early in their legal careers.

Large and mid-tier firm risk managers network

We delivered customised in person and online risk management presentations at several large and mid-tier firms in Melbourne and Sydney during the year. These presentations were tailored to the specific practice areas, risk issues and claims experience of those firms.

Whilst there are universal risk management strategies applicable to any sized legal practice, larger firms can face additional challenges due to the complexity and value of the work, acting on matters which span multiple practice areas and across different jurisdictions, increased compliance due to client expectations and regulatory obligations, and multifaceted ethical considerations.

LPLC also facilitates the sharing of knowledge and resources though risk manager discussion groups from mid-tier and large law firms. During the year, LPLC facilitated a lunchtime forum for Risk Managers in Melbourne and Sydney (hosted by Maddocks) on the increasingly important subject of privacy, data retention and data deletion. The event included a confidential round table for attendees to discuss risks, share insights, and network with peers.

Working with regulators and professional associations

Regular contact activities with key staff from the VLSB+C and the Law Institute of Victoria were maintained to discuss matters of mutual concern, emerging trends, and challenges affecting the legal profession.

LPLC provided risk material to the VLSB+C for publication in their quarterly Commissioner Update and we provide input to the VLSB+C's key publications to the profession, the new 'Minimum Cyber Security Expectations', 'Red Flags and Good Practices' and '2024 Risk Outlook'.

LPLC's Risk Managers presented at various industry events throughout the year, including law associations and the Australasian Legal Practice Management Association.

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, now bringing our total financial contributions to AustLII since 2007 to more than $850,000.

We are proud to be continuing our association with AustLII.

INCREASED FOCUS ON ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) MATTERS

Environmental

Decreased overall energy usage significantly in 2023–2024. Total energy usage was approximately 35,288.07 kWh compared to 48,941.95 kWh in 2022–2023. Our new office building is committed to sustainability and holds a NABERS rating of 4.5 overall, and 5.5 for water.

Reduced paper consumption through increased reliance on digital filing and correspondence. Paper consumption decreased to 3.8 A4 reams/FTE from 5.35/FTE in the previous year.

New cloud-hosted infrastructure and reduction in computing devices per user, reduced energy consumption from servers and dedicated air conditioning.

Social

Prioritised staff wellbeing. As well as access to a comprehensive EAP program, staff have access to social and wellbeing events throughout the year.

Supported social enterprise. Our office received a weekly fruit supply through a social enterprise that provides employment for people impacted by the justice system.

Provided an annual financial contribution to the Australian Legal Information Institute (AUSTLII). AUSTLII is Australia's online free-access resource that aims to improve access to justice through better access to legal information.

Governance

Customer-focused service delivery, including protection for the interests of consumers of legal services in the design and delivery of our insurance services.

Strong compliance focus with effective internal and external audit arrangements and regular testing against multiple compliance frameworks.

Tailored and effective risk management framework with a centralised risk register which undergoes regular review and maintains a clear line of sight to governance bodies.

INVESTMENTS

LPLC's primary investment objectives are:

- to achieve long term real growth in the investment portfolio
- to ensure sufficient funds are available to meet liabilities when they fall due
- to generate returns that assist in maintaining competitive and stable premiums
- to maintain and 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 allocation of 55-60% to growth assets and 40-45% 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 Committee reviews LPLC's investment strategy annually and actively monitors portfolio allocations and performance on a monthly and quarterly basis.

The investment return for the 2023–2024 financial year was 8.11%, with the fund's average return over the last five years being 4.7%.

Investment markets were volatile across the year with market returns across different asset classes fluctuating in response to interest rate expectations, lower inflation, stronger than expected economic activity and enthusiasm for artificial intelligence.

The majority of LPLC's 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 valuation write-downs in office and retail portfolios due to higher interest rates and reduced demand for office accommodation flowing from changing work styles post-pandemic. it was a small consolation that we were slightly underweight to property in our strategic asset allocation during the year, which helped limit this 'mark to market' loss.

During the year LPLC's subscription into a healthcare property fund was drawn down in full as part of LPLC's strategy of portfolio diversification.

LPLC's infrastructure funds generated strong and consistent returns across a wide range of assets.

The Committee's subscription to an infrastructure impact fund was progressively drawn down across the year, with only a minor allocation remaining to be called once suitable investment opportunities are sourced by the manager.

Term deposit rates increased across over the year to around 5%, and our cash holdings earnt a healthy return in bank accounts under the Victorian Government Central Banking System.

Towers Watson Australia Pty Ltd were reappointed as investment advisers to the Committee for a further term during the reporting period.

Sustainability

During the year LPLC focused heavily on enhancing our sustainability posture, and with the assistance of Simon Grant (in a short-term contract role as Strategic Advisor), developed a tailored, fit for purpose sustainability framework covering LPLC's investment function and our business operations.

This work culminated in the Committee's adoption of a new Environment, Social and Governance Policy, a Climate Action Plan and embedded ESG responsibility into Committee Charters.

LPLC, with advice from its investment advisers, considers material sustainability issues in all investment decisions.

An annual sustainability scorecard is utilised which produces a Risk Exposure Score as an overall measure of portfolio sustainability. The score incorporates metrics for carbon footprint, climate impact and a collection of environmental, social and governance risks.

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 more granular 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 in making investment decisions with positive ESG features.

Fund managers

During the year, 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 (redeemed mid-year)
- Aikya Emerging Market Opportunity Fund
- Ardevora Global Long Only Fund (redeemed mid-year)
- 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

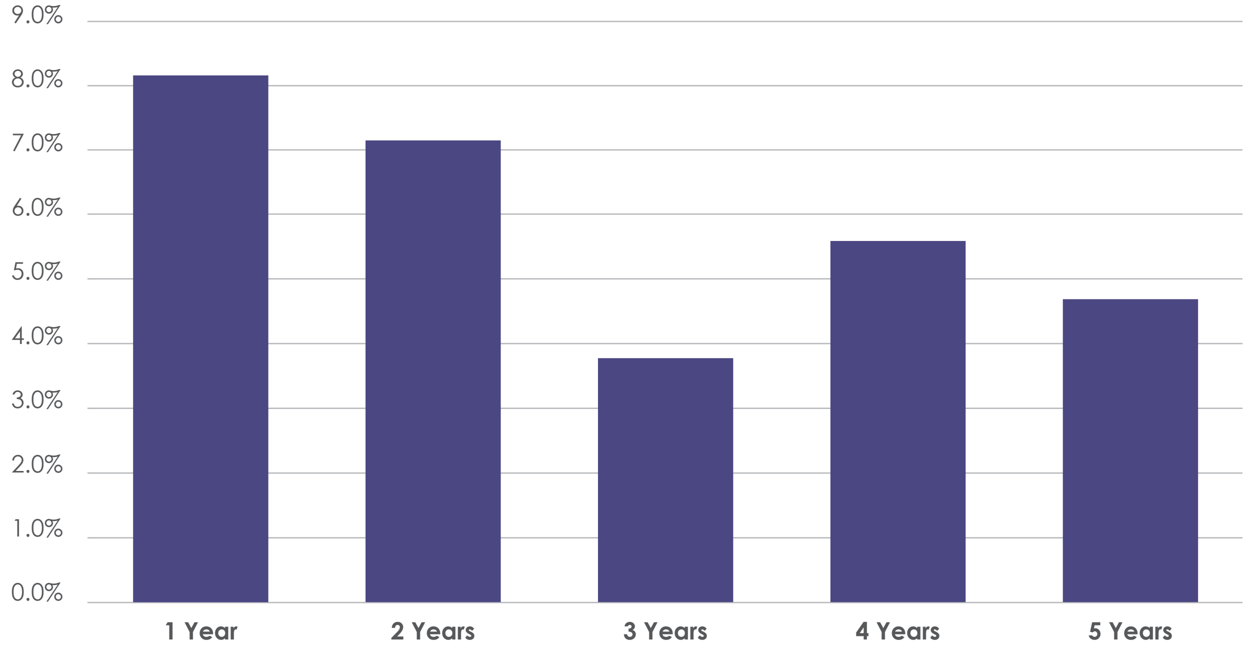
Bonds

- Vanguard Australian Government Bond Index Fund

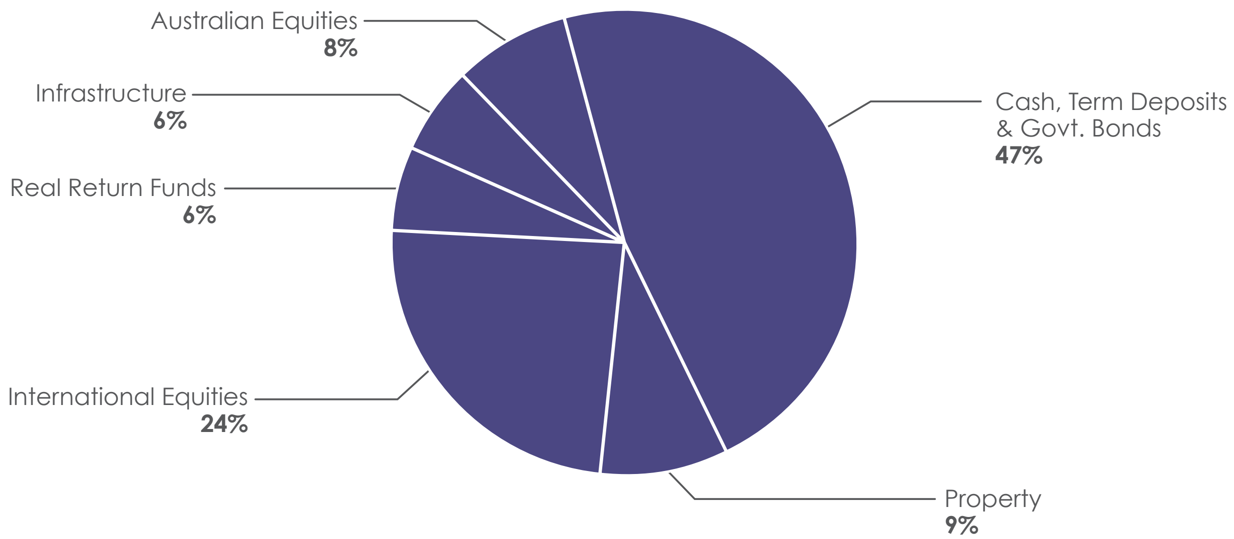
Cash

- Cash at bank is invested via the Victorian Government 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 2024



LEGAL PRACTITIONERS’ LIABILITY COMMITTEE

Michelle Dixon
Chairperson (from 22 July 2023)

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

Michelle is an experienced non-executive director. She is a board member of In-Life Independent Living Limited, and the Chair of Munro Asset Management Limited.

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.

John Corcoran AM
Chairperson (to 21 July 2023)

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 Deputy Chair of Mercy Health and 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 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 was LPLC’s Chair from 2015 to July 2023.

Danny Barlow
Committee Member | Chair, Remuneration & Appointments Committee

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.

In 2023 Danny was awarded a life membership of the Law Institute of Victoria.

Danny was first appointed to the Committee in 2018.

Adrian Finanzio SC
Committee Member

Adrian has served on the Committee since 2016 and is currently the chair of 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.

Nicole Rich
Committee Member | Chair, Investment Committee

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).

Fiona Schutt
Committee Member

Fiona is the Executive General Manager, Corporate Services at Melbourne Water.

With qualifications in accountancy and business administration and a focus on policy, strategy and influence, Fiona's career has included senior positions across both the public and private sectors.

Fiona has many years of experience in organisational governance and has held board positions at Bendigo Kangan Institute, Mambourin Disability Services, National Institute of Circus Arts and Thornbury Women's Community House.

As a leader, Fiona is passionate about achieving exponential value through high performance cultures and believes that when value identification, creation and optimisation is understood and driven by all employees, the greatest results are achieved.

Lucy Terracall
Committee Member

Lucy Terracall is a partner at Clayton Utz and over a career spanning more than 15 years, has provided advice on insurance matters to some of Australia's largest financial institutions, ASX listed companies, multinational corporations, Commonwealth and State Government agencies.

A regular advisor on major infrastructure projects, Lucy has worked on insurance and risk issues for some of the largest and most complex Victorian-based projects over the past decade. Lucy also routinely acts for policyholders in coverage disputes.

Lucy is affiliated with several professional organisations including Women in Insurance, the Law Society of Victoria, Australian Insurance Law Association and the Victorian Women Lawyers Association.

Mark Valena
Committee Member | Chair, Audit and Risk Committee

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 a non-executive director of four other entities including a general insurer, a disability services organisation, a medical professional indemnity 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

LEGAL PRACTITIONERS' LIABILITY COMMITTEE

Michelle Dixon | Chair (from 22 Jul 2023)
John Corcoran AM | Chair (to 21 Jul 2023)

Danny Barlow | Adrian Finanzio SC
Nicole Rich | Mark Valena
Fiona Schutt | Lucy Terracall

AUDIT AND RISK COMMITTEE

Mark Valena | Chair
Michelle Dixon
Fiona Schutt
Lucy Terracall

REMUNERATION AND APPOINTMENTS COMMITTEE

Danny Barlow | Chair
Michelle Dixon
Nicole Rich

INVESTMENT COMMITTEE

Nicole Rich | Chair
Adrian Finanzio SC
Danny Barlow
Fiona Schutt

LPLC STAFF

Chief Executive Officer
Justin Toohey

Helen King
Executive Assistant

Chief Operations Officer
Paul Quayle

Claims

Head of Claims
Jodie Potts

Claims Managers
Prue Campton
Bronwyn Hine
Rebecca Kelton (PT)
Ryan Lee
John McGirr
Alix Osborn

Claims Administration
Jenny Aitken
Lauren Dickenson
Jackie Miller

Risk Management

Head of Practice Risk Services
Kirin Mathews

Risk Managers
Stephen Bubb
Fabian Horton
Rebecca Kelton (PT)

Practice Risk Services Coordinator
Suzana Bonnici

Administrative Assistant
Lauren Kerr
Radhini Sylvester

Communications

Communications Manager
Tracey Johnston

Communications Officer
Emily D'Elia

Corporate Services

Corporate Services Manager
Bernadette Mallia

Administration
Inge Gallery (reception)

IT Support Analyst
Adrian Rooke

Insurance & Finance

Chief Financial Officer
Martin Dohnt

Senior Accountant
Carmen Voong

Senior Insurance Officer
Kieran McAllister

Insurance Officer
Terri Hedt
Sharon Mead

GOVERNANCE

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

The Committee:

- oversees and monitors the affairs of LPLC
- determines the terms of, and submits policies of professional indemnity insurance for legal practitioners in Victoria to the Victorian Legal Services Board for approval
- determines premiums and excesses payable by law practices
- 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 & Risk Committee comprised Mark Valena (Chair), Michelle Dixon, Fiona Schutt and Lucy Terracall.

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 Nicole Rich (Chair), Adrian Finanzio SC, Danny Barlow and Fiona Schutt.

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 Danny Barlow (Chair), Michelle Dixon, and Nicole Rich.

The Remuneration and Appointments Committee:

- advises and makes recommendations to LPLC in relation to nominations to the Legal Services Board 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 people matters.

Committee meeting attendance 2023–2024

	Committee		Investment		Audit & Risk		Remuneration & Appointments	
	Attended	**Eligible**	**Attended**	**Eligible**	**Attended**	**Eligible**	**Attended**	**Eligible**
John Corcoran AM	1	1						
Michelle Dixon	11	11			3	4	4	4
Adrian Finanzio SC	7	11	4	5				
Danny Barlow	11	11	4	5			4	4
Fiona Schutt	9	11	1	1	4	4		
Nicole Rich	10	11	5	5			4	4
Mark Valena	11	11			4	4		
Lucy Terracall	8	11			3	4		

Executive management team

Justin Toohey
Chief Executive Officer

Justin has led LPLC as Chief Executive Officer since 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' national professional indemnity insurance 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.

As CEO, Justin leads LPLC's executive management team and is responsible for LPLC's business strategy. He also manages LPLC's stakeholder relationships, underwriting, policy wording, reinsurance, and legal functions.

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.

As COO, Paul directs LPLC's internal business operations which includes people and culture, corporate services, business systems, information technology, and risk and compliance.

Martin Dohnt
Chief Financial Officer

Martin joined the Committee as Chief Financial Officer in January 2014 and manages LPLC's Insurance and Finance team covering accounting, finance and payroll functions, as well as insurance applications and renewals.

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 in Melbourne. Jodie is an experienced insurance litigator with strong property and commercial dispute resolution experience, having acted for many years in private legal practice for Australian and international insurers across a wide range of business classes.

Jodie leads LPLC's claims team, which manages all of the claims and notifications under LPLC policies from insured practitioners and law practices, and reports key claims data across the business to inform work in other operational areas.

Kirin Mathews
Head of Practice Risk Services

Kirin has more than 20 years of experience in private legal practice and joined LPLC in October 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.

As the Head of LPLC's practitioner-facing risk management team, Kirin leads the design and delivery of LPLC's pre-emptive risk mitigation services, including risk management content, risk education program, practice management resources and industry engagement with broader stakeholder groups. 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 which support LPLC's business objectives.

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 from our office 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
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 no 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 provides staff with access to an Employee Assistance Program to provide additional support by way of a work-based intervention program designed to enhance the emotional, mental and general psychological wellbeing of all employees and 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.

As in the previous year, 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.

Workforce data

2023–2024

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	5	7
Risk Manager	2	2	4
IT Support Analyst	1		1
Corporate Services Manager		1	1
Communications Manager		1	1
Communications Officer		1	1
Insurance Officer	1	2	3
Receptionist/Administration		7	7
Total	**9**	**20**	**29**

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	5	7
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	**7**	**20**	**27**

Environmental issues

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

Monitoring of the EMP is allocated to a team within the office led by the COO.

The plan covers the 2023–2024 reporting year and covers energy consumption, waste generation and paper consumption.

Energy consumption

Total energy usage was approximately 35,288.07 kWh compared to 48,941.95 kWh in 2022–2023 and the energy used per square metre of office area was 51.81 kWh compared to 69.41kWh in 2022–2023. kWh of energy used per FTE was 1306.97.

We achieved our 2023–2024 target to maintain the level achieved in the previous year, and even decreased our energy usage significantly. The decrease in energy usage can be attributed to the move to a new, more energy efficient office space. Our 2024–2025 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 has assisted greatly in reducing waste generated by LPLC sent to landfill.

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

Paper consumption

LPLC has a policy to only utilise 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 per cent of the material collected.

This year, paper consumption decreased to 3.8 A4 reams/FTE from 5.35/FTE in the previous year. This decrease can be attributed to the increased uptake of working with digital files.

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 $453,081.

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 $116,779. Finity Consulting has been retained again for the 2024–2025 period.

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 $61,754. Cumpston Sarjeant has been retained again for the 2024–2025 reporting period.

Willis Towers Watson — Investment advisors

During the year Willis Towers Watson continued to be engaged as LPLC's Investment advisers for which consulting fees of $274,548 were paid.

Contact details

Legal Practitioners' Liability Committee
Level 19, 140 William Street
MELBOURNE VIC 3000
ABN: 45 838 419 536
Telephone: (03) 9672 3800
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 Michelle Dixon, 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 Department of Treasury and Finance 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 2024

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 2024 and financial position of the Legal Practitioners' Liability Committee at 30 June 2024.

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 11 September 2024.

....

Michelle Dixon - Chair

....

Nicholas J Toohey - Chief Executive Officer

....

Martin Dohnt - Chief Financial Officer

Dated this 11th day of September 2024

AUDITOR-GENERAL'S REPORT

VAGO
Victorian Auditor-General's Office

Independent Auditor's Report

To 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 2024 • statement of comprehensive income for the year then ended • cash flow statement for the year then ended • statement of changes in equity for the year then ended • notes to the financial statements, including material accounting policy information • 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 2024 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 (including Independence Standards)* (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.

T McQ

MELBOURNE
13 September 2024

Timothy Maxfield
as delegate for the Auditor-General of Victoria

Statement of Comprehensive Income

for the Financial Year Ended 30 June 2024

	Note	2024 $	2023 $
UNDERWRITING			
Premium revenue	2.2	47,078,261	39,415,730
Outwards reinsurance expense	3.2	(1,200,000)	(1,200,000)
Net earned premiums		45,878,261	38,215,730
Claims expense		(59,469,961)	(50,457,411)
Reinsurance and other recoveries	2.5	164,555	3,194,333
Net claims incurred	3.3	(59,305,406)	(47,263,078)
Movement in unexpired risk liability	5.4	9,762,434	(2,833,300)
UNDERWRITING RESULT		**(3,664,711)**	**(11,880,648)**
Investment income	2.3	23,236,152	15,648,352
Other income	2.4	37,615	25,952
Employment expenses	3.1.1	(5,007,158)	(4,759,924)
Depreciation and amortisation	4.1.1	(405,231)	(411,069)
Other operating expenses	3.4	(3,716,204)	(2,895,579)
Net Operating Result		**10,480,463**	**(4,272,916)**
Other Comprehensive Income/(Loss)		**-**	**-**
Total Comprehensive Income/(Loss)		**10,480,463**	**(4,272,916)**

Notes to and forming part of these financial statements are set out in pages 58 to 116

Balance Sheet
as at 30 June 2024

	Note	2024 $	2023 $
CURRENT ASSETS			
Cash and cash equivalents	6.1	19,179,627	15,923,079
Receivables	5.1	1,375,817	834,318
Other financial assets	4.2	77,040,197	70,438,992
Other assets	5.3	148,186	166,144
Total Current Assets		**97,743,827**	**87,362,533**
NON-CURRENT ASSETS			
Other financial assets	4.2	232,011,053	213,283,046
Receivables	5.1	2,232,000	3,600,000
Property, plant & equipment	4.1	2,394,463	334,554
Total Non-Current Assets		**236,637,516**	**217,217,600**
TOTAL ASSETS		**334,381,343**	**304,580,133**
CURRENT LIABILITIES			
Outstanding claims liability	5.5	49,171,000	43,190,000
Payables	5.2	1,684,452	1,812,452
Unearned premium liability	5.4	63,507,000	63,962,000
Lease liability	6.3	273,445	164,443
Provisions	3.1.2	835,166	795,396
Total Current Liabilities		**115,471,063**	**109,924,291**
NON-CURRENT LIABILITIES			
Outstanding claims liability	5.5	100,513,000	88,761,000
Lease liability	6.3	2,127,210	115,255
Provisions	3.1.2	79,278	69,258
Total Non-Current Liabilities		**102,719,488**	**88,945,513**
TOTAL LIABILITIES		**218,190,551**	**198,869,804**
NET ASSETS		**116,190,792**	**105,710,329**
EQUITY			
Accumulated funds	8.1	116,190,792	105,710,329
TOTAL EQUITY		**116,190,792**	**105,710,329**

Notes to and forming part of these financial statements are set out in pages 58 to 116

Cash Flow Statement

for the Financial Year Ended 30 June 2024

	Note	2024 $	2023 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Premium revenue received		67,335,450	56,242,395
Other income		38,068	27,997
Dividend received		124,375	107,620
Interest received		3,302,458	1,606,754
Distributions receipts		1,417,870	6,257,292
Interest paid on lease liabilities	6.3.1c	(67,849)	(15,863)
Claims paid		(42,600,937)	(33,500,123)
Outward reinsurance premium paid		(1,294,000)	(1,320,000)
Reinsurance and other recoveries received		1,532,555	1,421,333
Payments to suppliers and employees		(18,707,996)	(15,684,127)
Net cash from operating activities	6.1.1	**11,079,994**	**15,143,278**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4.1.2	(53,692)	(25,808)
Sale of investments		29,524,536	889,912
Purchase of investments		(30,402,593)	(6,861,425)
Purchase of other financial assets		(6,601,205)	(10,565,706)
Net cash used in investing activities		**(7,532,954)**	**(16,563,027)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of principal portion of lease liabilities	6.3.1c	(290,492)	(359,375)
Net cash used in financing activities		**(290,492)**	**(359,375)**
Net increase in cash held		3,256,548	(1,779,124)
Cash and cash equivalents at beginning of period		15,923,079	17,702,203
Cash and cash equivalents at end of period	6.1	**19,179,627**	**15,923,079**

Notes to and forming part of these financial statements are set out in pages 58 to 116

Statement of Changes In Equity
for the Financial Year ended 30 June 2024

	Note	Accumulated funds $	Total $
At 1 July 2022		109,983,245	109,983,245
Net result for the year		(4,272,916)	(4,272,916)
At 30 June 2023		**105,710,329**	**105,710,329**
Net result for the year		10,480,463	10,480,463
At 30 June 2024	8.1	**116,190,792**	**116,190,792**

Notes to and forming part of these financial statements are set out in pages 58 to 116

Notes to the Financial Statements

for the year ended 30 June 2024

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 19, 140 William 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 2024

1. ABOUT THIS REPORT (CONTINUED)

These financial statements cover the Legal Practitioners' Liability Committee as an individual reporting entity and include 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 net current assets deficiency as at 30 June 2024 of $17,727,236 (2023: $22,561,758). The net current assets deficiency includes unearned premium liability of $63,507,000 (2023: $63,962,000) and the majority of which will be brought to account as income in the 2024/25 year. LPLC has a surplus in net assets of $116,190,792 as of 30 June 2024. Budgets prepared for the year ending 30 June 2025 indicate that the entity is expected to achieve a profit from activities and 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 2024

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	2024 $	2023 $
Premium revenue	2.2	47,078,261	39,415,730
Investment income	2.3	23,236,152	15,648,352
Other income	2.4	37,615	25,952
Reinsurance and other recoveries	2.5	164,555	3,194,333
Total Income		**70,516,583**	**58,284,367**

Premiums from direct business arise from contracts when a policy holder transfers 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 2024

2. FUNDING DELIVERY OF OUR SERVICES (CONTINUED)

2.2 Premium revenue

	2024 $	2023 $
Gross written premiums	56,385,695	46,720,430
Movement in unearned premium	(9,307,434)	(7,304,700)
Net premium revenue	**47,078,261**	**39,415,730**

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

	2024 $	2023 $
Net fair value gains on financial assets at fair value through profit or loss - refer to note 7.3 and 4.2	11,314,298	4,820,293
Managed fund distributions	7,992,658	8,357,889
Other investment income	345,710	356,349
Dividend income	124,377	107,620
Interest income	3,459,109	2,006,201
Total investment income	**23,236,152**	**15,648,352**

Managed fund distributions are accrued 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 2024

2. FUNDING DELIVERY OF OUR SERVICES (CONTINUED)

2.4 Other income

	2024 $	2023 $
Seminar Income	18,195	17,015
Other miscellaneous income	19,420	8,937
Total other Income	**37,615**	**25,952**

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.

Other miscellaneous income includes paid parental leave received from the government.

2.5 Reinsurance and other recoveries

	2024 $	2023 $
(Decreased)/increase in reinsurance recoveries	(1,368,000)	1,773,000
Other recoveries	1,532,555	1,421,333
Total reinsurance and other recoveries	**164,555**	**3,194,333**

Movement in 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 parties by LPLC under the insurance contract.

Notes to the Financial Statements
for the year ended 30 June 2024

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	2024 $	2023 $
Employee benefit expenses	3.1.1	5,007,158	4,759,924
Outwards reinsurance expense	3.2	1,200,000	1,200,000
Net claims incurred	3.3	59,305,406	47,263,078
Other operating expenses	3.4	3,716,204	2,895,579
Total expenses incurred in delivery of services		**69,228,768**	**56,118,581**

3.1.1 Employee benefits expense

		2024 $	2023 $
Defined contribution superannuation expense	3.1.3	456,314	414,620
Employee expenses		4,550,844	4,345,304
Total employee benefit expenses		**5,007,158**	**4,759,924**

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 2024

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.

	2024 $	2023 $
CURRENT PROVISIONS		
Annual Leave		
unconditional and expected to settle within 12 months	190,721	173,381
unconditional and expected to settle after 12 months	31,520	14,378
Long Service Leave		
unconditional and expected to settle within 12 months	86,590	37,766
unconditional and expected to settle after 12 months	403,314	456,860
Provisions for on-costs		
unconditional and expected to settle within 12 months	47,905	34,968
unconditional and expected to settle after 12 months	75,116	78,043
Total current provisions	**835,166**	**795,396**
NON-CURRENT PROVISIONS		
Employee benefits	67,600	59,418
On-costs	11,678	9,840
Total non-current provisions	**79,278**	**69,258**
Total provisions for employee benefits	**914,444**	**864,654**

Reconciliation of movement in on-cost provision

	2024 $
Opening Balance	122,851
Additional provisions recognised	60,578
Reductions arising from payments/other sacrifices of future economic benefits	(48,730)
Closing balance	**134,699**
Current	**123,021**
Non-current	**11,678**

Notes to the Financial Statements
for the year ended 30 June 2024

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

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.

Notes to the Financial Statements
for the year ended 30 June 2024

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	
	2024	**2023**	**2024**	**2023**
DEFINED CONTRIBUTION PLANS				
Legal Super	73,794	72,787	-	-
Other	382,520	341,833	-	-
Total	**456,314**	**414,620**	-	-

3.2 Outwards reinsurance expense

	2024 $	**2023 $**
Outwards reinsurance expense	1,200,000	1,200,000
Total	**1,200,000**	**1,200,000**

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 2024 in excess of $69.5m (2023: $54m 90% at $54m and 10% at $63m).

Notes to the Financial Statements
for the year ended 30 June 2024

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

	2024 Current year $	**Prior years $**	**Total $**	**2023 Current year $**	**Prior years $**	**Total $**
Gross claims expense	63,850,000	(3,357,039)	60,492,961	58,737,000	(4,558,589)	54,178,411
Discount movement	(793,000)	(230,000)	(1,023,000)	(4,522,000)	801,000	(3,721,000)
	63,057,000	**(3,587,039)**	**59,469,961**	**54,215,000**	**(3,757,589)**	**50,457,411**
Reinsurance and other recoveries revenue						
Reinsurance and other recoveries revenue - undiscounted	4,464,000	(4,206,555)	257,445	(3,418,333)	-	(3,418,333)
Discount movement	(864,000)	442,000	(422,000)	224,000	-	224,000
	3,600,000	(3,764,555)	(164,555)	(3,194,333)	-	(3,194,333)
Net claims incurred	**66,657,000**	**(7,351,594)**	**59,305,406**	**51,020,667**	**(3,757,589)**	**47,263,078**

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.

3.4 Other operating expenses

	2024 $	**2023 $**
Administration expenditure	2,875,311	2,166,849
Consulting & professional services expenditure	840,893	728,730
Total other operating expenses	**3,716,204**	**2,895,579**

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

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

Notes to the Financial Statements
for the year ended 30 June 2024

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

	2024 $	2023 $
Property, plant & equipment:		
Fair value	2,911,415	1,765,729
Accumulated depreciation	(516,952)	(1,445,076)
	2,394,463	320,653
Leasehold improvements:		
Fair value	241,471	241,471
Accumulated depreciation	(241,471)	(227,570)
	-	13,901
Total property, plant and equipment	**2,394,463**	**334,554**

Notes to the Financial Statements
for the year ended 30 June 2024

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

	2024 $	2023 $
Property, plant and equipment		
Gross carrying amount	2,496,911	1,404,916
Accumulated depreciation	(172,423)	(1,125,218)
Net carrying amount	**2,324,488**	**279,698**

	2024 $	2023 $
Opening balance - 1 July	279,698	570,093
Additions	2,411,448	146,381
Disposals	-	(77,401)
Depreciation	(366,658)	(359,375)
Closing balance - 30 June	**2,324,488**	**279,698**

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 asset 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 2024

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

4.1 Property, plant and equipment (continued)

4.1a Right 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	**2024 $**	**2023 $**
Property, plant and equipment	391,330	378,825
Leasehold improvements	13,901	32,244
Total depreciation expense	**405,231**	**411,069**

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.

Notes to the Financial Statements
for the year ended 30 June 2024

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 $
2024			
Balance at the beginning of the year	320,653	13,901	334,554
Additions of right to use assets	2,411,448	-	2,411,448
Additions	53,692		53,692
Depreciation expense	(391,330)	(13,901)	(405,231)
Carrying amount at the end of the year	**2,394,463**	-	**2,394,463**
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**

Notes to the Financial Statements
for the year ended 30 June 2024

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

4.2 Investments and other financial assets

	2024 $	2023 $
CURRENT INVESTMENTS AND OTHER FINANCIAL ASSETS		
Term Deposits:		
Australian dollar term deposits > three months	77,040,197	70,438,992
Total current investments and other financial assets	**77,040,197**	**70,438,992**
NON-CURRENT INVESTMENTS AND OTHER FINANCIAL ASSETS		
Managed unit trusts		
- Overseas equities	77,784,753	68,057,598
- Property funds	27,533,845	25,700,763
- Infrastructure funds	22,373,370	19,326,012
- Australian equities	25,205,416	28,550,860
- Diversified funds	19,932,251	18,170,854
- Government securities	59,181,418	53,476,959
Total Non-current investments and other financial assets	**232,011,053**	**213,283,046**
Total investments and other financial assets	**309,051,250**	**283,722,038**

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 infrastructure 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 2024

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

	2024 $	2023 $
CONTRACTUAL		
Accrued investment income	1,375,817	834,318
Total current receivables	**1,375,817**	**834,318**
Reinsurance receivable	2,232,000	3,600,000
Total non-current receivables	**2,232,000**	**3,600,000**
Total receivables	**3,607,817**	**4,434,318**

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.

Reinsurance receivable is realised once the policy year is fully developed. As such there is significant uncertainty of timing for this item. Based on actuarial estimates it is not expected that this item will be realised in the next twelve months.

Notes to the Financial Statements
for the year ended 30 June 2024

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
2024						
Accrued investment income	1,375,817	1,375,817	-	-	-	-
Reinsurance receivable	2,232,000	2,232,000	-	-	-	-
Total	**3,607,817**	**3,607,817**	-	-	-	-
2023						
Accrued Investment income	834,318	834,318	-	-	-	-
Reinsurance receivable	3,600,000	3,600,000	-	-	-	-
Total	**4,434,318**	**4,434,318**	-	-	-	-

5.2 Payables

	2024 $	2023 $
CONTRACTUAL		
Supplies and services	227,187	225,003
Deferred other income	3,531	2,045
STATUTORY		
GST Payable	678,547	707,798
Other taxes payable	775,187	877,606
	1,684,452	**1,812,452**
Represented by:		
Current Payables	**1,684,452**	**1,812,452**

Notes to the Financial Statements
for the year ended 30 June 2024

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.
- Statutory payables: Recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

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
2024						
Supplies and services	227,187	227,187	227,187	-	-	-
Deferred other income	3,531	3,531	3,531	-	-	-
Total	**230,718**	**230,718**	**230,718**	**-**	**-**	**-**
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**	**-**	**-**	**-**

Notes to the Financial Statements
for the year ended 30 June 2024

5. OTHER ASSETS AND LIABILITIES (CONTINUED)

5.3 Other assets

	2024 $	2023 $
CURRENT OTHER ASSETS		
Prepayments	148,186	166,144
Total current other assets	**148,186**	**166,144**

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.

5.4 Unearned premium liability

	2024 $	2023 $
Unearned premium liability 1 July	63,962,000	53,824,000
Earning of premiums written in previous periods	(45,922,740)	(38,618,040)
Deferral of premium contracts written in period	55,230,174	45,922,740
Unexpired risk liability recognised for year ending 30 June (note 7.5.1)	(9,762,434)	2,833,300
Unearned premium liability 30 June	**63,507,000**	**63,962,000**

Notes to the Financial Statements
for the year ended 30 June 2024

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 2024

5. OTHER ASSETS AND LIABILITIES (CONTINUED)

5.5 Outstanding claims liability (continued)

5.5.1 Net outstanding claims liability

	2024 $	2023 $
Central estimate of claims still to be paid, net of reinsurance recoveries	138,558,000	128,461,000
Discount to present value	(11,619,000)	(10,597,000)
	126,939,000	117,864,000
Present value of claims handling costs	9,900,000	9,193,000
Risk margin	12,845,000	4,894,000
Gross outstanding claims liability	**149,684,000**	**131,951,000**
Reinsurance recoveries on outstanding claims liability	(2,232,000)	(3,600,000)
Net outstanding claims liability	147,452,000	128,351,000
Gross outstanding claims liability	149,684,000	142,549,000
Current	49,171,000	43,190,000
Non-current	100,513,000	88,761,000
Gross outstanding claims liability	**149,684,000**	**131,951,000**

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

5.5.3 Reconciliation of movement in discounted outstanding claims liability

	2024 $	2023 $
Brought forward	131,951,000	113,847,000
Decrease in claims incurred/recoveries anticipated over the year	(3,357,039)	(4,558,589)
Incurred claims	63,850,000	58,737,000
Claims payments during the year	(41,736,961)	(32,353,411)
Movement in net present value adjustment	(1,023,000)	(3,721,000)
Carried forward	**149,684,000**	**131,951,000**

Notes to the Financial Statements
for the year ended 30 June 2024

5. OTHER ASSETS AND LIABILITIES (CONTINUED)

5.5 Outstanding claims liability (continued)

5.5.4 Claims development table ($m)

Policy year	2020	2021	2022	2023	2024	Total
Estimate of ultimate claim cost at end of policy year	39.637	40.720	50.512	51.629	60.488	
one year later	44.493	38.979	47.016	47.661	-	
two years later	45.020	38.951	40.308	-	-	
three years later	50.713	38.110	-	-	-	
four years later	49.750	-	-	-	-	
current estimate	49.750	38.110	40.308	47.661	60.488	236.317
cumulative payments	(41.461)	(25.858)	(23.575)	(13.649)	(4.834)	(109.377)
undiscounted central estimate	8.289	12.252	16.733	34.012	55.654	126.941
discount						(11.620)
inflation to future values						7.106
present value of claims handling expenses						9.900
undiscounted central estimate prior years						4.512
risk margin						12.845
Total outstanding claims						**149.684**

5.5.5 Net present value adjustment to outstanding claims

	2024 $	2023 $
Opening balance	10,597,000	6,876,000
Prior year	230,000	(801,000)
Current year	793,000	4,522,000
Closing balance	**11,620,000**	**10,597,000**

Notes to the Financial Statements
for the year ended 30 June 2024

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 cash at bank, deposits at call and those highly liquid investments with an original maturity of three 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 2024

6. HOW WE FINANCED OUR OPERATIONS (CONTINUED)

6.1 Cash flow information and balances (continued)

	2024 $	2023 $
Cash and Cash Equivalents	19,179,627	15,923,079
	19,179,627	**15,923,079**

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

Operating result/(loss)	10,480,463	(4,272,916)
Depreciation	405,231	411,069
Reinvestment of share distributions	(6,535,651)	(3,362,738)
Changes in net market value of investments	(11,314,298)	(4,820,293)
Unexpired risk liability	(9,762,434)	2,833,300
Increase in provision for long service and annual leave	49,790	67,190
(Increase)/decrease in receivables & other assets	844,459	466,155
Increase/(decrease) in creditors	(128,000)	(1,587,189)
Increase/(decrease) in premiums received in advance	9,307,434	7,304,700
Increase/(decrease) in claims outstanding	17,733,000	18,104,000
Net cash and cash equivalents provided by/(used in) operating activities	**11,079,994**	**15,143,278**

Notes to the Financial Statements
for the year ended 30 June 2024

6. HOW WE FINANCED OUR OPERATIONS (CONTINUED)

6.2 Commitments for expenditure

Commitments for future expenditure include 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 2024	Less than 1 year	1 - 5 years	5+ years	Total
Operating and lease commitments payable	450,932	1,929,991	845,102	3,226,025
Other commitments payable	281,417	-	-	281,417
Investments in funds	935,982	-	-	935,982
Total commitments (inclusive of GST)	**1,668,331**	**1,929,991**	**845,102**	**4,443,424**
Less GST recoverable	66,577	175,454	76,827	318,858
Total commitments (exclusive of GST)	**1,601,754**	**1,754,537**	**768,275**	**4,124,566**

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**

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 on 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 in less than one year. 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 2024

6. HOW WE FINANCED OUR OPERATIONS (CONTINUED)

6.3 Leases

	2024 $	2023 $
CURRENT LIABILITIES		
Lease liabilities	273,445	164,443
Total current liabilities	**273,445**	**164,443**
NON-CURRENT LIABILITIES		
Lease liabilities	2,127,210	115,255
Total non-current liabilities	**2,127,210**	**115,255**
Total lease liabilities	**2,400,655**	**279,698**
MATURITY ANALYSIS – CONTRACTUAL UNDISCOUNTED CASH FLOWS		
One year or less	450,932	171,878
Two years to five years	1,929,991	126,270
Longer than five years	845,102	-
Total undiscounted lease liabilities	**3,226,025**	**298,148**

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 5-7 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:

	2024 $	2023 $
Interest expense on lease liabilities	67,849	15,863
Total amount recognised in the Statement of Comprehensive Income	**67,849**	**15,863**

Notes to the Financial Statements
for the year ended 30 June 2024

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 2024 relating to leases

	2024 $	2023 $
Interest expense on lease liabilities	67,849	15,863
Principal payments on lease liabilities	290,492	359,375
Total cash outflow for leases	**358,341**	**375,238**

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.

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 2024

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 2024

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 2024

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 value 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 2024

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 net result 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 2024

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
2024					
CONTRACTUAL FINANCIAL ASSETS					
Cash and deposits	19,179,627	-	-	-	19,179,627
Receivables					
Accrued investment income	-	-	1,375,817	-	1,375,817
Reinsurance receivable	-	-	2,232,000	-	2,232,000
Investments and other contractual assets					
Term deposits	-	-	77,040,197	-	77,040,197
Managed unit trusts	-	232,011,053	-	-	232,011,053
Total contractual financial assets	**19,179,627**	**232,011,053**	**80,648,014**	**-**	**331,838,694**
CONTRACTUAL FINANCIAL LIABILITIES					
Payables (a)					
Supplies and services	-	-	-	227,187	227,187
Total contractual financial liabilities	**-**	**-**	**-**	**227,187**	**227,187**

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 2024

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
2023					
CONTRACTUAL FINANCIAL ASSETS					
Cash and deposits	15,923,079	-	-	-	15,923,079
Receivables					
Accrued investment income	-	-	834,318	-	834,318
Reinsurance recoveries	-	-	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
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 2024

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1 Financial instruments specific disclosures (continued)

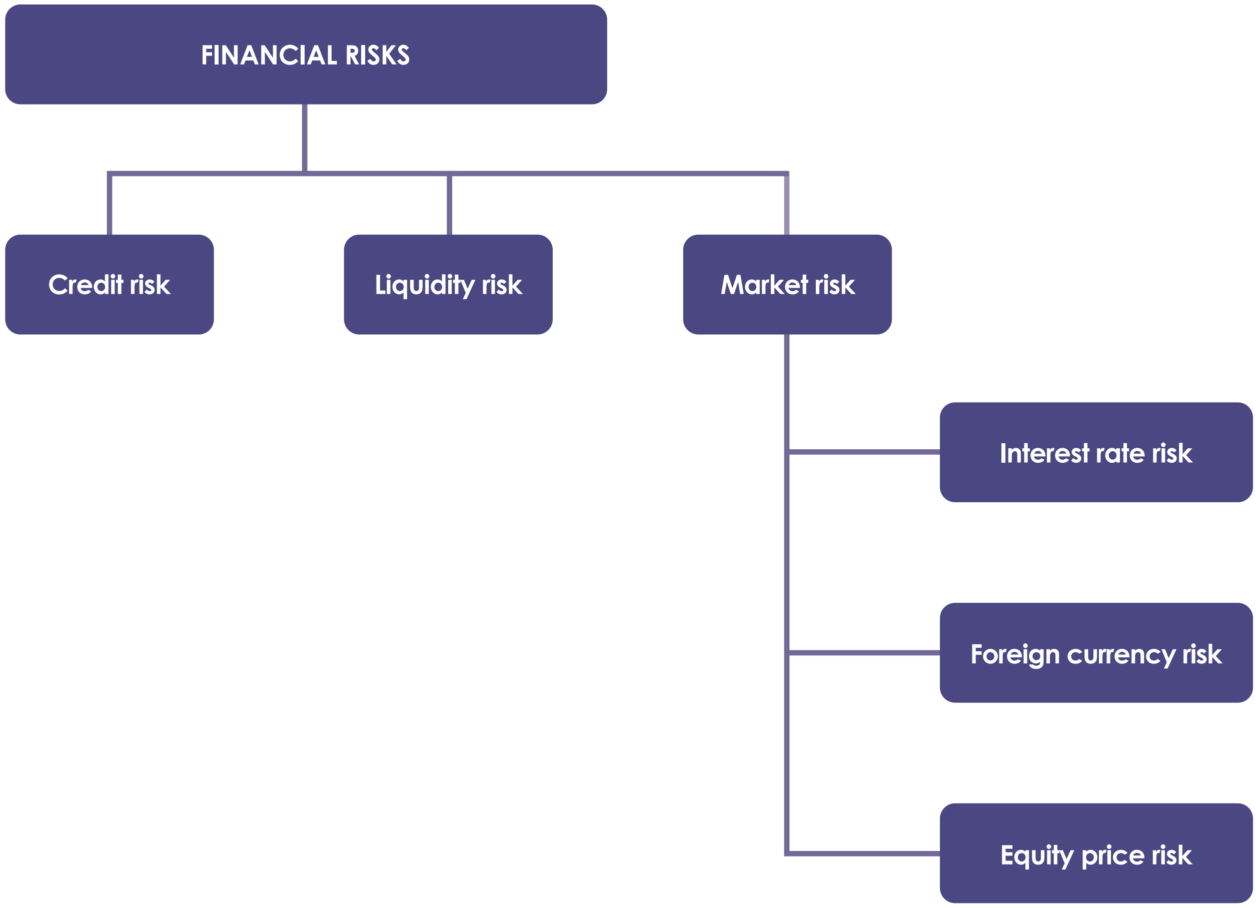
7.1.2 Financial instruments – net holding gain/(loss) on financial instruments by category

	Net holding gain	Total interest income	Total
2024			
CONTRACTUAL FINANCIAL ASSETS			
Financial assets at amortised cost - other than on derecognition	-	3,459,109	3,459,109
Equity investments designated at fair value through profit/loss	11,314,298	-	11,314,298
Total Contractual financial assets	**11,314,298**	**3,459,109**	**14,773,407**
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**

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 2024

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 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 2023–2024.

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 2024

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 4.35%
- 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 2024

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 2024			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	4.50%	19,179,627	-	-	-	-	19,179,627
Receivables	n/a	-	-	-	-	1,375,817	1,375,817
Units in managed funds	n/a	-	-	-	-	232,011,053	232,011,053
Term deposits	5.09%	-	77,040,197	-	-	-	77,040,197
Total financial assets		**19,179,627**	**77,040,197**	-	-	**233,386,870**	**329,606,694**
FINANCIAL LIABILITIES:							
Creditors - contractual	n/a	-	-	-	-	227,187	227,187
Lease liability	6.05%	-	-	2,400,655	-	-	2,400,655
Outstanding claims	n/a	-	-	-	-	149,684,000	149,684,000
Total financial liabilities		-	-	**2,400,655**	-	**149,911,187**	**152,311,842**

Notes to the Financial Statements
for the year ended 30 June 2024

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 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 2024

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			
2024	Carrying	**-0.25%**		**+.5%**		**-10%**		**+10%**	
Financial assets	amount	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Cash and other financial assets	19,179,627	(47,949)	(47,949)	95,898	95,898				
Units in managed funds	232,011,053					(23,201,105)	(23,201,105)	23,201,105	23,201,105
2023	Carrying	**-0.25%**		**+.5%**		**-10%**		**+10%**	
Financial assets	amount	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Cash and other financial assets	15,923,079	(39,808)	(39,808)	79,615	79,615				
Units in managed funds	213,283,046					(21,328,305)	(21,328,305)	21,328,305	21,328,305

Notes to the Financial Statements
for the year ended 30 June 2024

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 2024

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.

Notes to the Financial Statements
for the year ended 30 June 2024

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

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.

There are no changes in valuation techniques throughout the period to 30 June 2024.
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-24				
FINANCIAL ASSETS				
- Units in managed funds	-	232,011,053	-	232,011,053
30-Jun-23				
FINANCIAL ASSETS				
- Units in managed funds	-	213,283,046	-	213,283,046

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 2024

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 2024 in excess of $69.5m up to $109.5m.

(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 2024

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) 35.04% and Westpac Banking Corporation (term deposits) 12.19% 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 2024.

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 2024

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.5 Unexpired risk liability (continued)

7.5.1 Unexpired risk liability	**2024 $**	**2023 $**
Unexpired risk liability as at 1 July	18,039,260	15,205,960
Recognition of (reduced)/additional unexpired risk liability in the period	(9,762,434)	2,833,300
Unexpired risk liability as at 30 June	**8,276,826**	**18,039,260**
7.5.2 Calculation of deficiency		
Unearned premium liability relating to insurance contracts	55,230,174	45,922,740
Central estimate of present value of expected future cash flows arising from future claims	56,020,000	56,371,000
Risk Margin of 14.5%	7,487,000	7,591,000
	63,507,000	63,962,000
Net deficiency	**8,276,826**	**18,039,260**

The process of determining the overall risk margin is discussed in Note 5.4 and 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 2024

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

	2024 $	2023 $
Accumulated funds at the beginning of the year	105,710,329	109,983,245
Operating income/(loss) for the year	10,480,463	(4,272,916)
Accumulated funds at the end of the year	**116,190,792**	**105,710,329**

Notes to the Financial Statements
for the year ended 30 June 2024

8. OTHER DISCLOSURES (CONTINUED)

8.2 Remuneration of auditors

	2024 $	2023 $
VICTORIAN AUDITOR-GENERAL'S OFFICE		
- auditing the financial report	92,400	86,000
Total remuneration of auditors	**92,400**	**86,000**

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

	2024 $	2023 $
Paid as at 30 June	-	-
Payable as at 30 June	92,400	86,000
	92,400	86,000

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 2023 to 30 June 2024
Accountable Officer	Mr Nicholas J Toohey	1 July 2023 to 30 June 2024
Committee Member - Chair	Mr John Corcoran	1 July 2023 to 21 July 2023
Committee Member - Chair	Ms Michelle Dixon	1 July 2023 to 30 June 2024 (Chair from 22 July 2023)
Committee Member	Mr Adrian Finanzio	1 July 2023 to 30 June 2024
Committee Member	Mr Daniel Barlow	1 July 2023 to 30 June 2024
Committee Member	Ms Nicole Rich	1 July 2023 to 30 June 2024
Committee Member	Mr Mark Valena	1 July 2023 to 30 June 2024
Committee Member	Ms Lucy Terracall	21 July 2023 to 30 June 2024
Committee Member	Ms Fiona Schutt	1 July 2023 to 30 June 2024

Notes to the Financial Statements

for the year ended 30 June 2024

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:

$	2024 No.	2023 No.
0 - 9,999 (a)	2	1
30,000 - 39,999	5	5
60,000 - 69,999	1	1
420,000 - 430,000	1	1
Total numbers	**9**	**8**
Total remuneration	**$678,133**	**$676,442**

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

Amounts relating to Ministers are reported in the Annual Financial Report of the State. For information regarding related party transactions of ministers, the register of members' interests is publicly available from: www.parliament.vic.gov.au.

8.4 Remuneration of executives

The number of senior executive service members, 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.

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.

Notes to the Financial Statements
for the year ended 30 June 2024

8. OTHER DISCLOSURES (CONTINUED)

8.4 Remuneration of executives (continued)

Remuneration of the senior executive service (including Key Management Personnel disclosed in Note 8.5)	Total remuneration 2024 $	2023 $
Short-term employee benefits	1,625,258	1,651,326
Post-employment benefits	154,471	143,490
Other long-term benefits	23,374	22,731
Total remuneration	**1,803,103**	**1,817,547**
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.

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).

Notes to the Financial Statements
for the year ended 30 June 2024

8. OTHER DISCLOSURES (CONTINUED)

8.5 Related parties (continued)

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 Operating Officer	Mr Paul Quayle
Chief Financial Officer	Mr Martin Dohnt
Committee Member - Chair	Mr John Corcoran (retired with effect 21 July 2023)
Committee Member - Chair	Ms Michelle Dixon (Chair from 22 July 2023)
Committee Member	Mr Adrian Finanzio
Committee Member	Mr Daniel Barlow
Committee Member	Ms Nicole Rich
Committee Member	Mr Mark Valena
Committee Member	Ms Lucy Terracall
Committee Member	Ms Fiona Schutt

Notes to the Financial Statements
for the year ended 30 June 2024

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	**2024 $**	**2023 $**
Short-term employee benefits	1,123,977	620,214
Post-employment benefits	103,674	49,648
Other long-term benefits	15,007	6,580
Total compensation:	**1,242,658**	**676,442**

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

There were no material events after balance sheet date that require disclosure.

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 2024

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 1/7/05. 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 30/6/24.

Development year	Ultimate claims incurred as % of current estimate	Payments to end of year, as % of ultimate claims
0	84%*	12.7%
1	89.0%	36.9%
2	93.5%	64.1%
3	96.3%	78.5%
4	98.0%	87.1%
5	99.0%	92.3%
6	99.6%	95.4%
7	100.0%	97.2%
8	100.0%	98.3%
9	100.0%	99.0%

* Ratio of ultimate incurreds for the 2024 policy year includes 50% 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
- a specific class of claims, having undergone extensive review by LPLC and external advisors, has been identified for separate treatment in the valuation of LPLC's claims liability as at 30 June 2024. These claims have a high degree of uncertainty due to being in their infancy, which prevents any top level actuarial extrapolations or adjustments. Accordingly, they have been held at the face value of management's estimates in determining LPLC's claims liability as at 30 June 2024.

Notes to the Financial Statements
for the year ended 30 June 2024

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 2024 are estimated by deducting payments to date.

Gross payments in 2023–2024 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 2023–2024.

Gross payments in 2023–2024 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 2024. 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 30/6/24

Risk variable	Base	Altered	Outstanding claims ($m)	Premium liability ($m)
Discount rate (% pa)	4.25%	5.25%	(2.651)	(1.576)
	4.25%	3.25%	2.778	1.658
Claim administration expenses (% of claims)	7.80%	8.80%	1.269	
	7.80%	6.80%	(1.269)	
Wage inflation (% pa)	3.25%	4.25%	1.381	2.135
	3.25%	2.25%	(2.576)	(2.057)
"Regular" solicitor claims per principal equivalent	5,102	5,612	(0.023)	3.660
	5,102	4,592	(1.578)	(3.661)
Claims held at face value of management's estimates 2024-25 ($m)	$3.50m	$5.0m		1.647
	$3.50m	$2.0m		(1.647)
"Large" claims ($m)	$15.0m	$16.5m		1.647
	$15.0m	$13.5m		(1.647)

Notes to the Financial Statements
for the year ended 30 June 2024

8. OTHER DISCLOSURES (CONTINUED)

8.7 Actuarial assumptions and methods (continued)

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)

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 2024

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 2024. 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.	1 July 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.
AASB 2022-8 *Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments*	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 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector*	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		

Notes to the Financial Statements
for the year ended 30 June 2024

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 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 2024

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 2024

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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