

LEGAL PRACTITIONERS' LIABILITY COMMITTEE

ANNUAL REPORT 2024-2025

About the Legal Practitioners' Liability Committee (LPLC)

The Legal Practitioners' Liability Committee (LPLC or we) is the professional indemnity insurer for Victoria's solicitors and barristers and to many of Australia's largest law firms.

The LPLC received its mandate under the *Legal Profession Uniform Law Application Act 2014* (Vic) (the Act) and is an independent statutory entity, and specialised professional indemnity insurer of more than 24,500 legal practitioners. We have been administering the Legal Practitioners' Liability Fund since 1986.

The LPLC's statutory scheme (Scheme) is based on the objectives of the Act, which are to:

- provide legal practitioners with approved professional indemnity insurance
- protect clients against professional negligence of legal practitioners
- carry out tasks assigned by the Act
- enter into insurance and reinsurance arrangements
- help practitioners manage risk and avoid claims

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

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FROM THE CHAIR

I am very pleased to present the LPLC's 2024-25 Annual Report which outlines its performance, future direction and aims. Despite some challenges and changes, the LPLC has stayed true to its values and has delivered on its commitments to the many practitioners and firms it supports.

Farewell to Justin Toohey

In January 2025, the LPLC farewelled Chief Executive Officer, Justin Toohey after 20 years of valuable service. Justin began as a panel solicitor before he joined the LPLC as Head of Claims and was promoted to Chief Executive Officer in 2018. He led the LPLC through some challenging issues, while at the same time keeping it strong, sustainable and high performing. Without lowering the service quality, Justin helped to manage the staff transition to working from home during the pandemic. He also guided major upgrades which included the initial uplift of the LPLC's technology platform, new office premises and the move to simpler digital insurance applications and renewals for our clients. His leadership leaves a positive impact on the Scheme. On behalf of the Committee, I would like to sincerely thank Justin and wish him well for his future.

Welcoming new CEO Mary Maini

In January 2025, the LPLC was delighted to welcome Mary Maini as its new Chief Executive Officer. Mary is an outstanding leader with deep insurance and regulatory experience. During her first six months, Mary has skilfully balanced continuity with fresh thinking and has begun laying the foundations for the LPLC's next strategic plan.

Thanks to the Committee and the staff of the LPLC

I would like to thank the Committee for ensuring the handover went smoothly by focusing on a clear transition and the LPLC's purpose and long-term goals. I would also like to acknowledge both the complexity and sensitivity of the work done by the LPLC's claims and risk management teams and the dedication of all staff in supporting the profession.

Farewell to the Honourable Adrian Finanzio SC

The Committee also saw change with Adrian Finanzio SC (as he then was) stepping down in February 2025. An active and highly respected Committee member since 2016, Justice Finanzio left for the well-deserved honour of becoming a Judge of the Supreme Court of Victoria. On behalf of the Committee, I warmly thank his Honour, Justice Finanzio for his commitment, dedication and service to the LPLC and wish him well in his new life on the bench.

Welcome to Justin Graham KC

In March 2025, we welcomed Justin Graham KC as a representative of the Victorian Bar on the Committee. A highly respected commercial barrister, the Committee has valued Justin's contribution to date and looks forward to working with him.

Continued financial stability

In 2024-2025, the LPLC again delivered a secure and sustainable insurance scheme that protects the legal profession and stakeholders. Despite an increase in both the number and severity (higher than

average pay outs) of claims, the LPLC has been able to maintain stable premiums. This stability is largely due to the performance of the LPLC's investment fund, which demonstrated resilience in volatile markets and achieved a strong 7.90 per cent return.

Looking ahead

The LPLC is well positioned for change, and I am genuinely excited about the fresh ideas and opportunities our new leadership will bring. The LPLC remains committed to long-term stability, and building on its existing foundations to provide cover for the protection of legal practitioners and those who use their services.

On behalf of the Committee, I would like to extend our sincere thanks to the LPLC's leadership team and staff for their continued dedication, commitment and support.



Michelle Dixon
Chair

FROM THE CEO

"Giving peace of mind to the profession."

A strong year of growth and transition

I am pleased to present my first annual report as the Chief Executive Officer. The LPLC's professional indemnity insurance scheme continues to protect legal practitioners and those who use their services. At the end of 2024–25, the Scheme insured 24,500+ Australian solicitors and barristers, an increase of 6.6 per cent from 2023–24.

The last year marked a period of significant transition for the LPLC as outlined in the above report from our Chair.

Resetting the LPLC's strategic direction

Change brings opportunities. The Committee, the LPLC's executive leadership team and staff are now working on the strategic plan for the 2026–2028 financial years. In March 2025, we held a strategy workshop which focussed on:

- our clients and their consumers
- our people and culture
- innovation and progress
- technology, data and digital
- sustainable performance.

Operational highlights

Key achievements during 2024–25 included:

- an increase of the LPLC policy limit to \$2.5 million from 1 July 2025, which will offer added protection to practitioners and their clients
- delivery of a strong fund investment return of 7.90 per cent
- improvement to the LPLC's self-serve portal to make insurance renewals smoother for our clients
- 6.6 per cent growth in insured practitioners
- finalisation of 634 claims and notifications
- extension of the LPLC's Practice Risk Services in-person outreach program through regional tours, firm visits and presentations.

Strong stakeholder and regulator engagement

The LPLC has continued its close collaboration with the Victorian Legal Services Board and Commissioner, the Law Institute of Victoria (LIV) and the Victorian Bar. We regularly share insights on emerging issues at both the executive and operational levels of ways in which we can consistently communicate with practitioners.

I have particularly enjoyed engaging with representatives from the many medium and large firms who the LPLC insures and receiving their invaluable feedback and insights. Across the board, our stakeholder relationships remain strong and collaborative.

Supporting practitioners through claims and risk management

The LPLC's claims team continues to provide exceptional support to practitioners who are dealing with claims. The team is well known for managing complex and significant claims with care, professionalism and empathy.

In 2024–25, the LPLC's Practice Risk Services team delivered a comprehensive and proactive risk management program designed to assist legal practitioners in managing the risks of practice and preventing professional negligence claims.

Thank you

Many thanks to the Chair, Committee members, executive leadership team and all our staff for their valuable contribution to the LPLC's work during 2024–25.



Mary Maini
Chief Executive Officer

RELIABLE AND SUSTAINABLE INSURANCE

The LPLC has provided trustworthy and reliable professional indemnity insurance to Australian legal practitioners since it was established in 1986.

The LPLC delivers a stable, efficient, and forward-looking insurance scheme, underpinned by deep sector expertise. Its investment in proactive risk prevention, education and practitioner support ensures not only the protection of individual firms but the whole profession.

The Scheme is evolving to meet the risks of the information age. As a specialist insurer, the LPLC's long-term knowledge, expertise and commitment remains more important than ever.

The LPLC's work in addressing cyber security threats in the context of rapid technological change, new anti-money laundering and counter-terrorism financing regulations, and complex personal injury litigation demonstrate its ability to translate insight into impact. Through strategic partnerships, tailored support, and data-informed programs, the LPLC continues to enhance the capability of the legal profession and maintain community confidence in the legal system.

The benefits of the Scheme include:

- universal coverage for all law practices to protect consumers of legal services and law practices
- transparent premium pricing
- broad civil liability cover which includes cover for claims involving dishonesty
- automatic run-off cover for retired or deceased practitioners and closed firms
- continuous annual coverage which avoids gaps and coverage disputes
- deep expertise in solicitor and barrister claims to ensure fair, timely and cost-effective outcomes
- significant long-term investment in profession-wide risk reduction
- active collaboration with legal regulators and professional associations to lift professional standards
- an efficient and effective specialised insurer that features:
 - direct communication with insured practitioners
 - a well-diversified investment portfolio that supports long-term growth
 - statutory mutual insurer that holds itself to standards as a prudential regulated insurer
 - retentions of primary insurance risk by the LPLC, backed by reinsurance from high-quality global reinsurers
 - responsible capital management and transparent governance focused on the best interests of stakeholders to ensure the Scheme remains sustainable.

LPLC CORE OBJECTIVES


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



Trustworthy and reliable insurance

- 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

PREVENTING LOSS



Risk-awareness to risk management

- 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

PROFESSION LEADERSHIP



Influence legal policy and regulation

- 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

OPERATIONAL EXCELLENCE



Innovate and continuously improve

- 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

The LPLC encourages insured practitioners to notify claims, and circumstances that may lead to claims, as soon as they become aware of them. This enables the LPLC's experienced claims solicitors to make an early assessment of an insured's potential exposure. Many notifications are precautionary in nature and, in a number of situations, the underlying problem is resolved by the practitioner with advice from the LPLC and no claim eventuates.

Approximately 60 per cent of matters notified to the LPLC are or become claims. Where possible, these claims are resolved in-house by the LPLC's claims team. The LPLC's claim solicitors are skilled at evaluating complex scenarios, distilling key issues, establishing appropriate reserves and moving matters from inception to resolution as proactively as possible.

Where it is appropriate to defend a claim, or when proceedings have been issued, external panel solicitors are retained to provide specialist legal advice and assistance. Most litigated claims are resolved through agreement and/or at mediation. However, if necessary and appropriate, claims are defended in court.

Claims against solicitors

A total of 514 matters (261 claims and 253 notifications) were notified to the LPLC by solicitors during the 2024–2025 policy year with case estimates of \$69.24 million. 47 files were opened against earlier policy years. This caused further exposure in the 2023–2024 policy year largely due to new historical abuse claims.

During the reporting period, there was a total of 565 matters closed across the current and earlier underwriting years. Approximately 79 per cent of those matters were managed in-house by the LPLC's claims team.

The number of claims received in the 2024–2025 year increased by approximately 9 per cent. Average claim severity was similar to the 2023–2024 policy year however with more matters with reserves of \$1 million or greater. There has been an increase in the cost of property and conveyancing claims, which reflects the uncertain economic outlook and higher interest rates. Other areas of practice that traditionally have a high number of claims include personal injury litigation (which continues to be impacted by historical abuse claims), commercial litigation and commercial transactions.

Areas of high claims experience in 2024–2025:

Property and conveyancing

Approximately 25% of claims by number and 38% by cost

Property and conveyancing claims continue to account for the highest number of claims (128) and highest cost of claims (\$25.5 million). The 2024–2025 year was impacted by claims against solicitors arising from fraudulent property transactions, with solicitors failing to undertake the necessary checks to prevent the fraud. Similarly, solicitors continue to pay settlement funds without obtaining the necessary authority exposing themselves to breach of trust claims.

In addition, mistakes occurred in relation to the preparation of vendor statements, inadequate advice about contract terms, failure to comply with the owner builder's requirements and erroneous stamp duty advice.

Personal Injury Litigation

Approximately 14% of claims by number and 13% by cost

The number of personal injury claims remains relatively stable with a decrease in the cost of claims from the 2023–2024 policy year onwards.

Solicitors continue to be sued by survivors alleging negligent settlements of historical abuse claims against religious, community and government institutions. Other areas of personal injury claims related to missed limitation periods for issuing proceedings and other time limits for workplace incidents, revisited workplace injury settlements, and allegations concerning the conduct of medical negligence and public liability litigation.

Commercial litigation

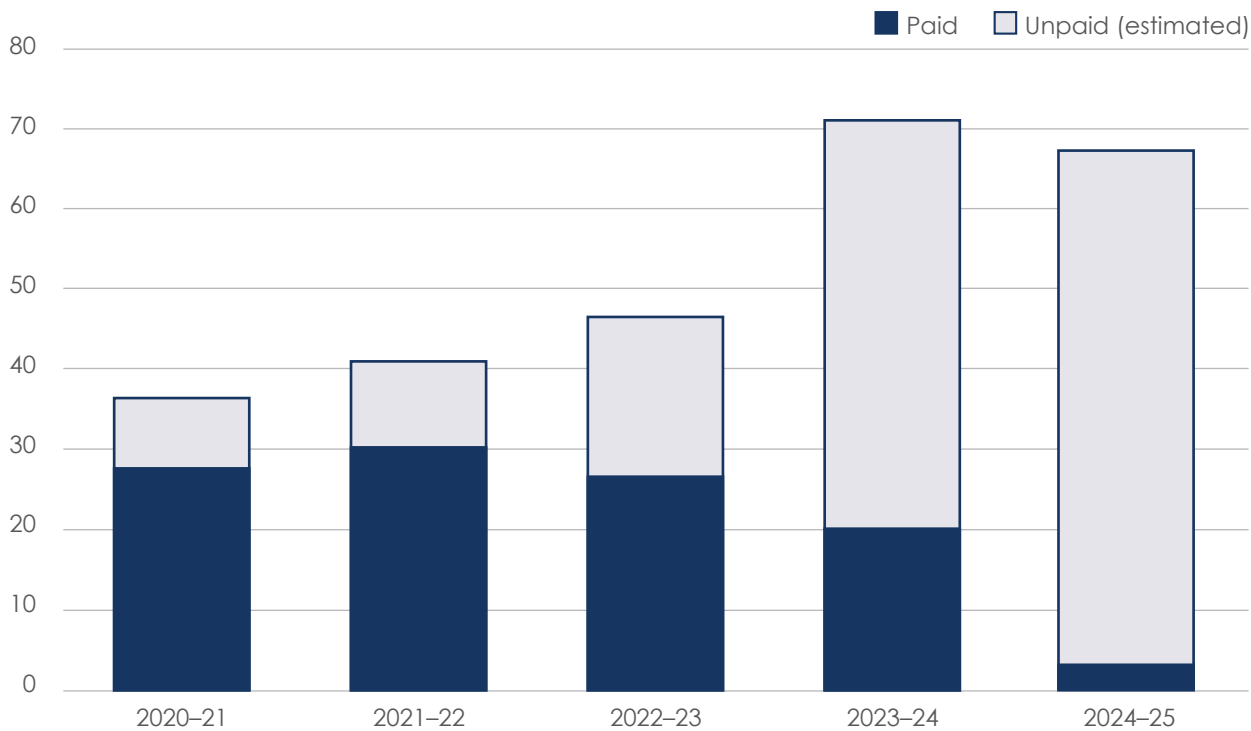
Approximately 16% of claims by number and 12% by cost

The number of commercial litigation claims has slightly increased from the 2023–2024 policy year onwards.

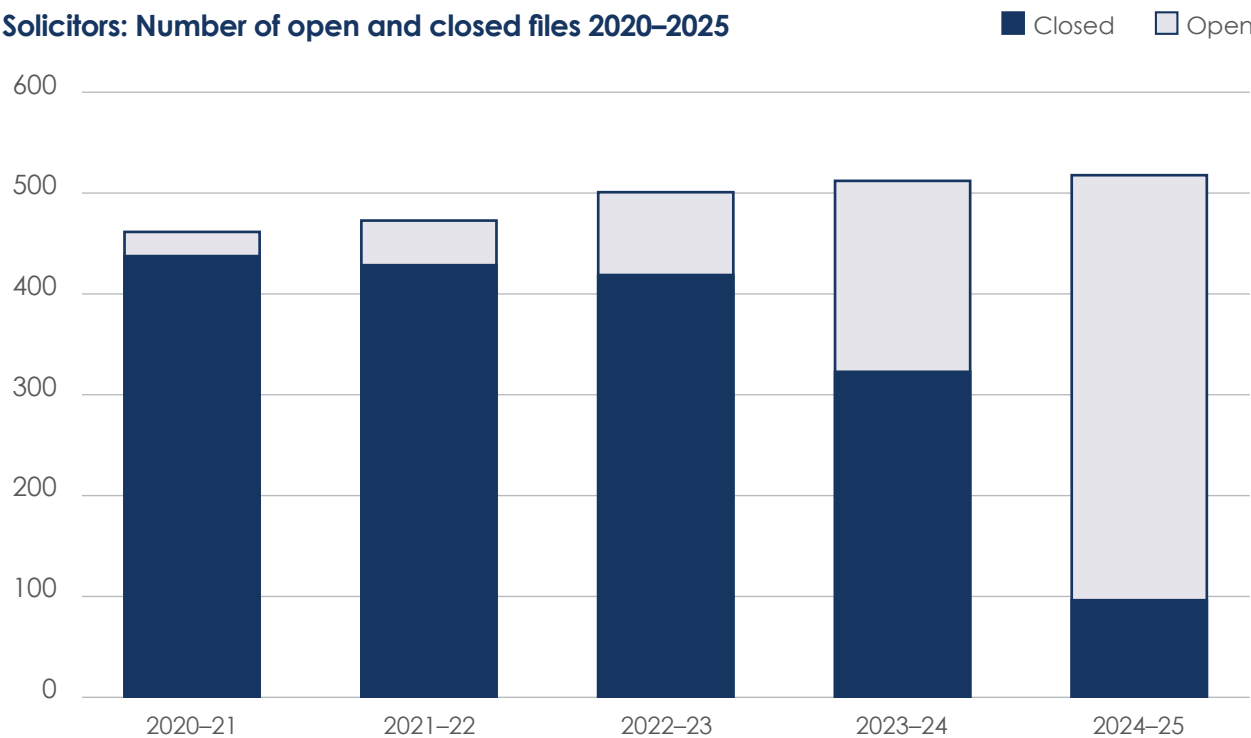
Common litigation errors giving rise to claims included a failure to comply with self-executing orders or the Rules resulting in the dismissal of proceedings, a failure to identify the correct parties to the litigation, the correct cause of action and/or the correct jurisdiction, missed limitation periods, and acting where there is a conflict of interest.

These claims can result in claims against solicitors for personal costs orders and lost opportunity to bring proceedings.

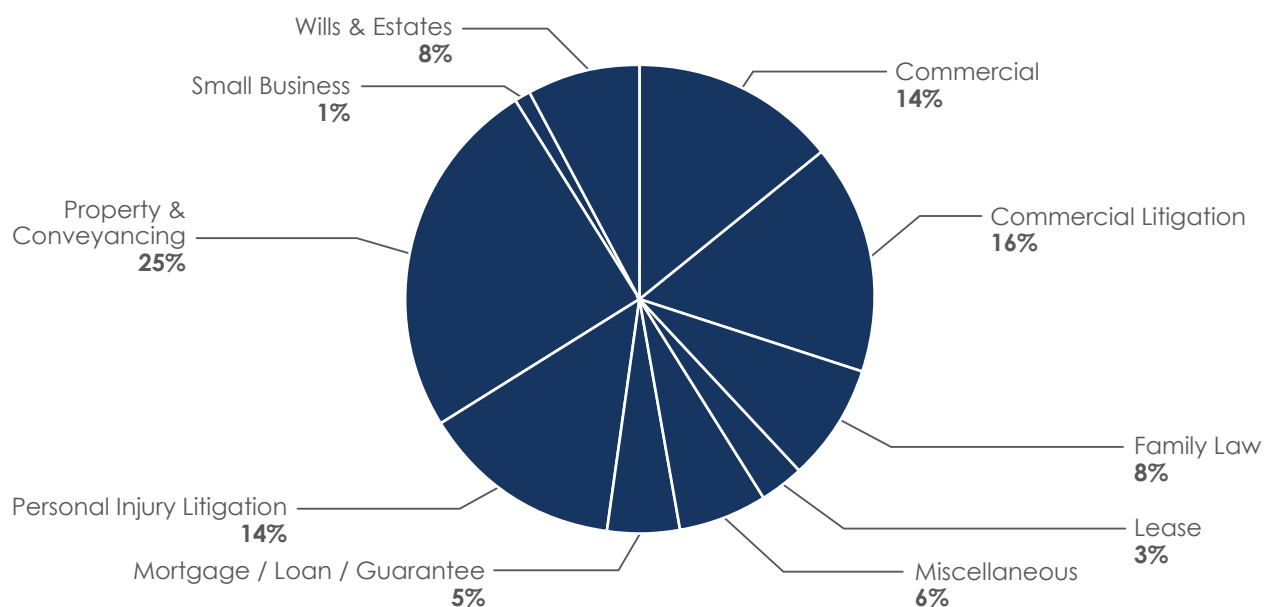
Solicitors: Cost (\$m) of paid and unpaid (estimated) claims 2020–2025



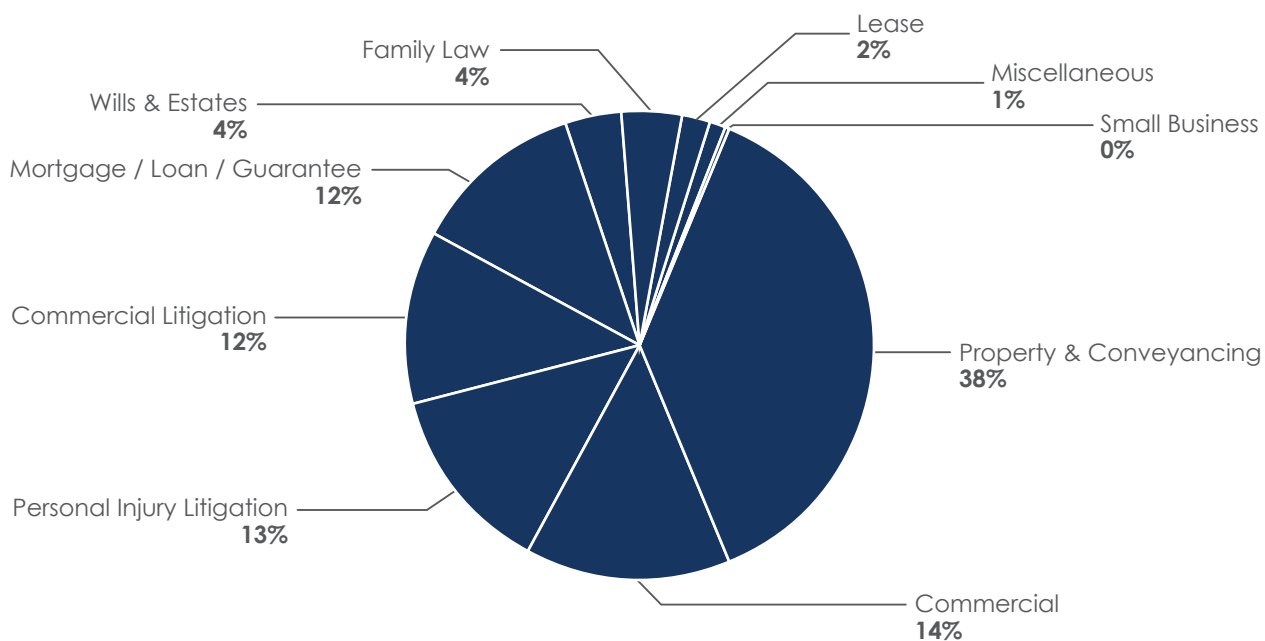
Solicitors: Number of open and closed files 2020–2025



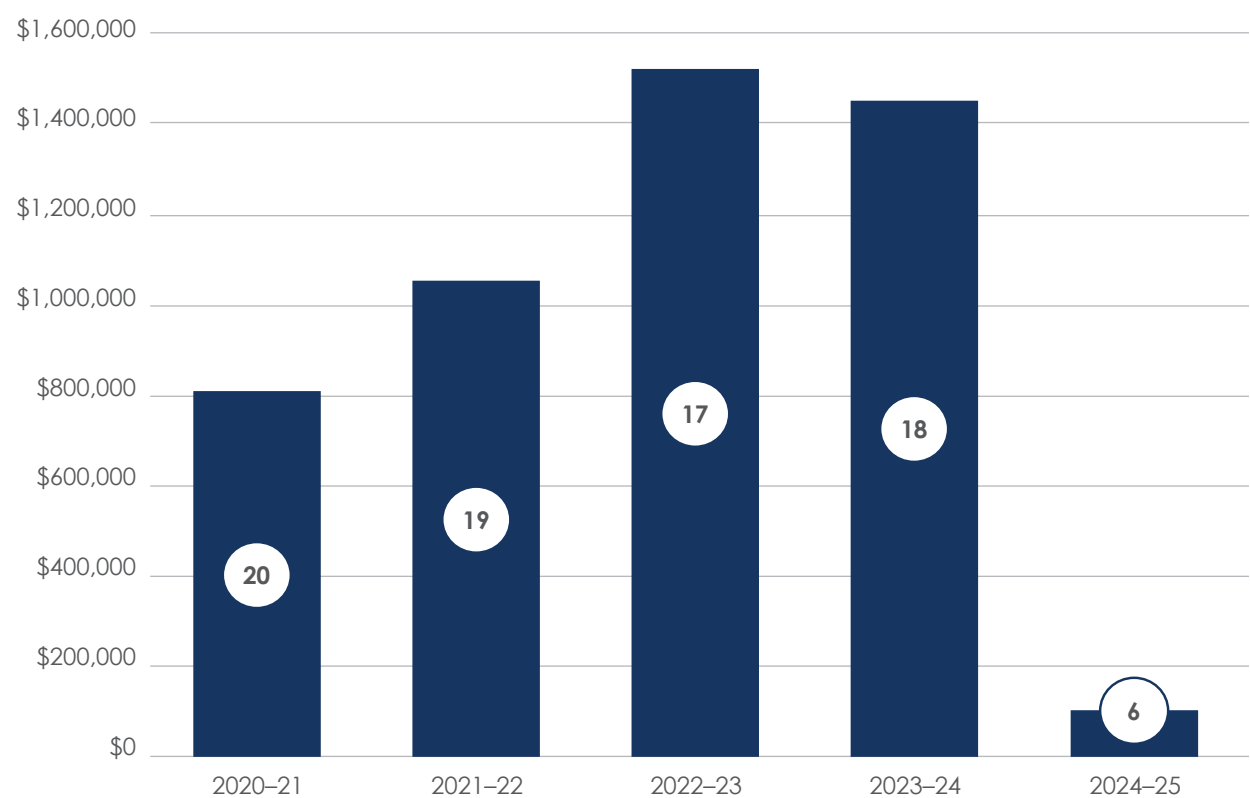
Solicitors: Percentage number of claims by area of practice 2024–2025



Solicitors: Percentage cost of claims by area of practice 2024–2025



Cyber claims: Numbers and costs



There has been a marked decrease in the number and cost of cyber notifications and claims in the 2024–2025 year. An increased awareness amongst the profession and the community about the risk of cyber-attacks has led to behavioural change when dealing with online banking.

The recent introduction by the major banks to check account names and account numbers match before processing online transactions will have a further positive impact on these types of claims moving forward.

CLAIMS MANAGEMENT (continued)

Claims against barristers

A total of 56 new claims and circumstances that could give rise to a claim were notified by barristers to the LPLC in the 2024–2025 year, with case estimates of \$3.36 million. Twenty-six matters were notifications and 30 were claims.

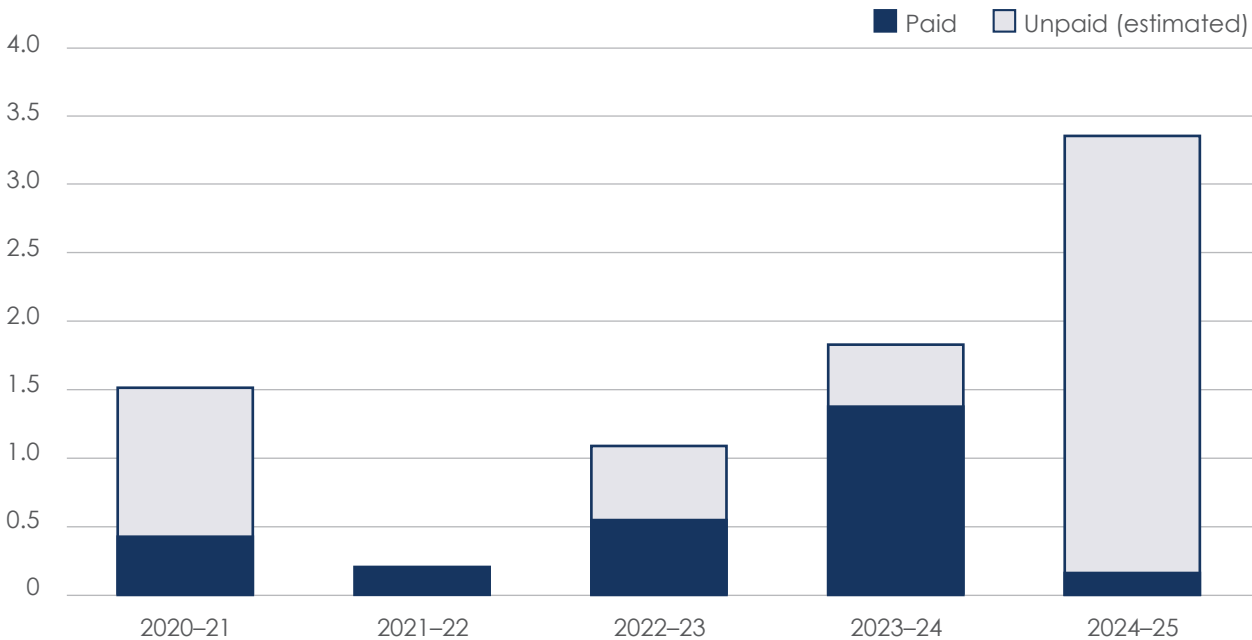
During the reporting period, 69 claims and notifications from barristers across the current and earlier underwriting years were finalised.

The cost of claims in 2024–2025 was considerably higher than recent years, however as there are a smaller number of barristers practising, any claims movement will increase the volatility of the portfolio.

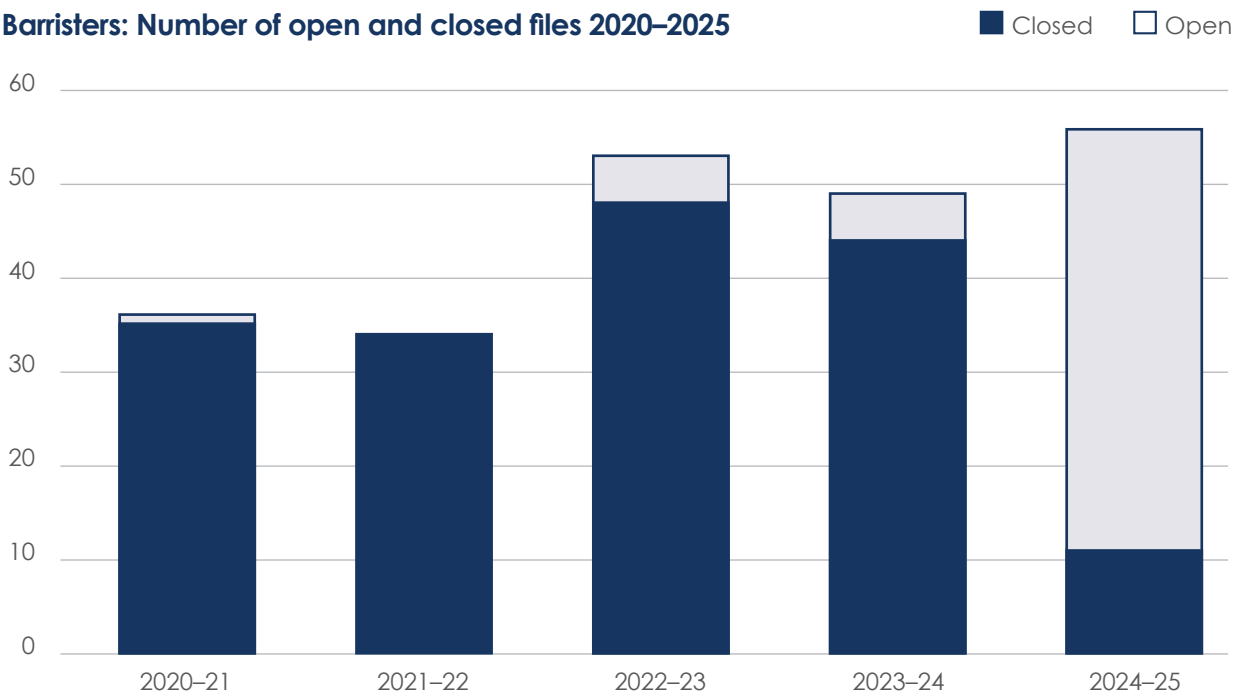
Barristers' claims are mostly managed in-house by the LPLC's claims solicitors with very few referred to external panel solicitors in this financial year.

The themes from matters notified by barristers this year were: revisited settlements of family law disputes and personal injury claims (including historical abuse settlements), claims for personal costs orders, acting in circumstances where there is an alleged conflict of interest, quality of legal advice to clients (particularly in criminal law matters), inadequate representation at hearings, missed limitation periods, self-represented claimants dissatisfied with the outcome of their claim.

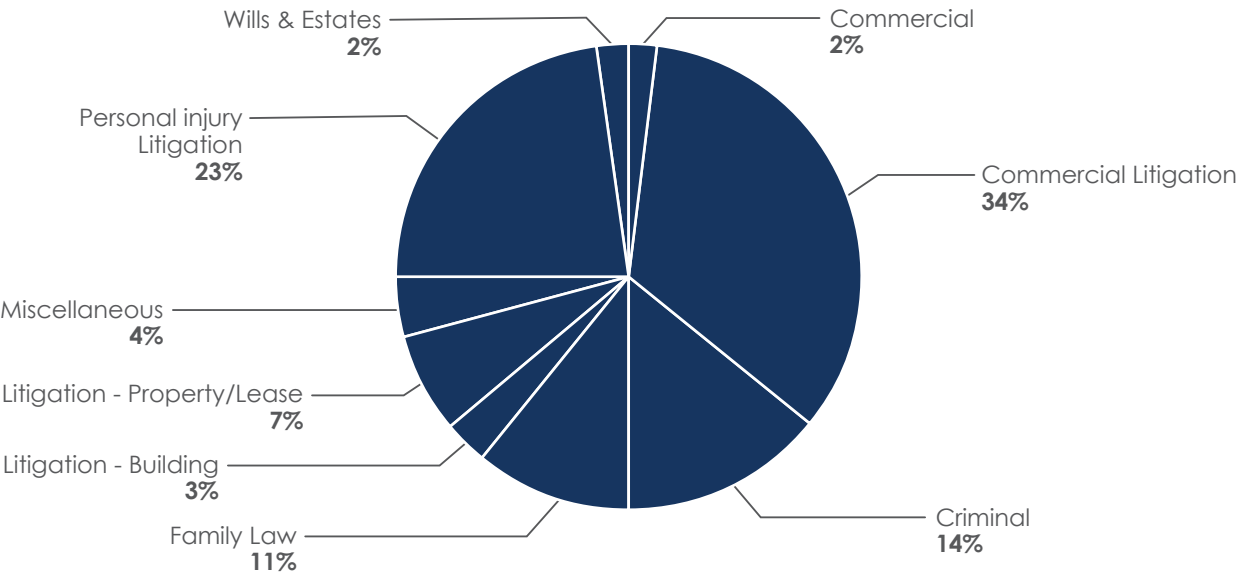
Barristers: Cost (\$m) of paid and estimated unpaid claims 2020–2025



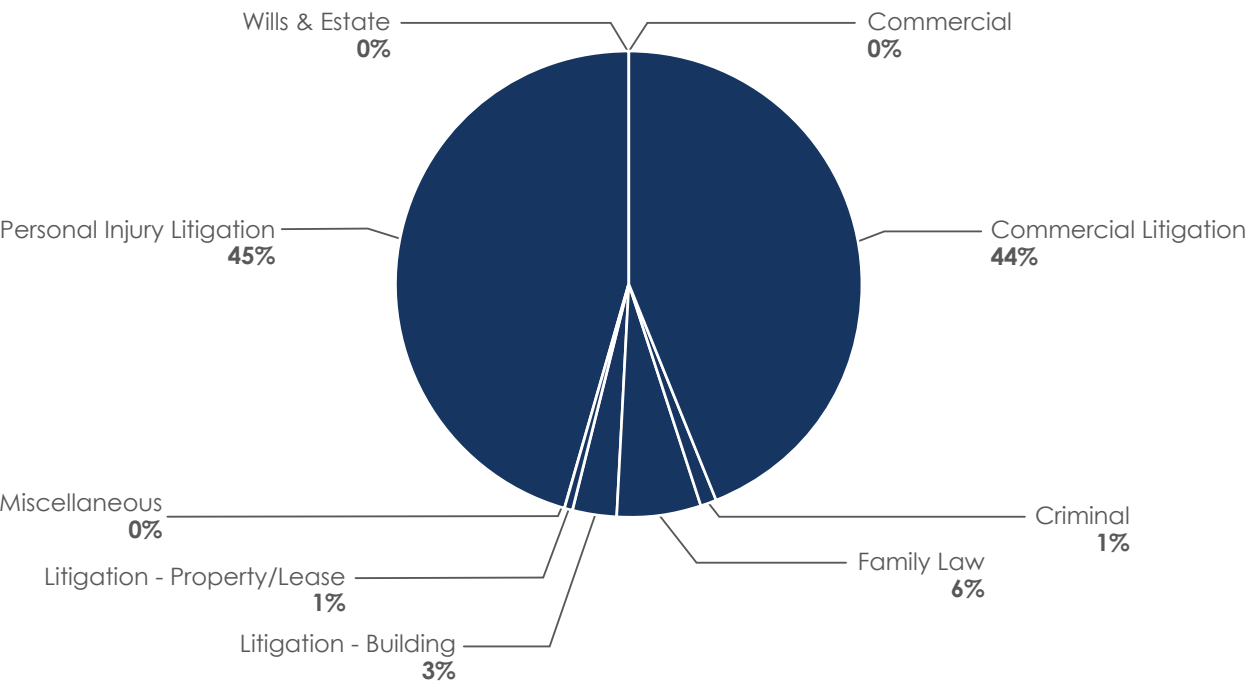
Barristers: Number of open and closed files 2020–2025



Barristers: Percentage number of claims and notifications by area of practice 2024–2025



Barristers: Percentage cost of claims and notifications by area of practice 2024–2025



RISK MANAGEMENT

Introduction

The LPLC's Practice Risk Services (PRS) team continues to deliver a comprehensive and proactive risk management program designed to assist legal practitioners in managing the risks of practice and preventing professional negligence claims.

The PRS team is responsible for designing and delivering the LPLC's strategic risk prevention agenda. The PRS team's programmes are based on claims data aimed at delivering client-centred, proactive risk management initiatives to support practitioners and reduce systemic risk across the legal sector.

Varied needs, tailored approaches

The PRS team provides support to a diverse group of firms insured by the LPLC. It provides a range of services, varied approaches and flexible delivery models. The PRS team produced a range of written content, practice support tools, and webinar education sessions to address persistent risks. It expanded the LPLC's in-person outreach through regional tours, firm visits, and presentations across a wide variety of forums.

Below are some of the key service delivery activities the PRS team provided over the last year.

Raising awareness and keeping a risk focus front of mind

To raise awareness of changes to the law, technological developments and reinforce essential practice management skills, the PRS team:

- emailed risk management resources weekly to over 11,500 subscribers.
- published articles on risk management topics with practical messages in the Law Institute Journal.
- shared resources to a broader audience through the Victorian Legal Services Board + Commissioner (VLSB+C) Commissioner Update.
- continued to support the broader legal profession by participating in a wide range of continuing professional development (CPD) and sector-specific events.

Supporting new firms

To support new firms in building strong risk management practices from the outset, the PRS team offers targeted resources and guidance for new firms. This includes conducting tailored online workshops (Basics for New Firms), presenting in-person workshops for principals of new firms, to discuss key risk management processes and running webinars focussing on legal technology and cyber security needs for new firms.

Practice management education and resources

Educating principal practitioners on the causes of claims and their duty to oversee legal work is central to the LPLC's risk management strategy. To achieve this, the PRS team:

- presented the risk management module of the compulsory Practice Management Course at College of Law, Law Institute Victoria and Leo Cussen, required for practitioners applying for a principal practising certificate in Victoria.
- presented a risk management session to all graduates completing a Practical Legal Training course in Victoria.
- conducted online workshops, ('Building a Quality Legal Practice') as an update and refresher on the key risk management processes that firms should have in place.
- maintained an automated tool that firms can use to generate their own unique practice management plan with links to additional resources as required.

Education in specific areas of practice that cause claims

Review of claims data and industry engagement helps to identify specific risk issues for firms and practitioners. In addition to providing written communications, the PRS team provides free webinars from subject matter experts to educate practitioners about these issues.

Specific assistance to firms

The PRS team continues to offer targeted support programs to firms identified at risk of receiving claims. These programs are designed to provide one-on-one support to firms most in need.

Critical risk point guidance

Practitioners contact the LPLC when they have questions or are unsure what to do on a matter in which they are acting or proposing to act. The PRS team provides practical advice aimed at reducing risk and avoiding claims.

In-firm visit program

The LPLC has identified substantial benefit in visiting regional firms for an in-person risk management discussion involving principals, qualified practitioners, paralegals and support staff.

Large Firm Risk Management Meetings

The LPLC's engagement with large and mid-tier firms focussed on the implementation of forthcoming Anti-Money Laundering/Counter Terrorism Financing obligations.

Stakeholder engagement

Throughout 2024–2025 year, the LPLC continued to collaborate with the Law Institute of Victoria, the VLSB+C and other key stakeholders within the legal profession. The PRS team provided regular risk management content for publication in the VLSB+C's Commissioner Update, ensuring alignment between the LPLC's risk messaging and regulatory focus areas.

The PRS team attended the International Conference of Legal Regulators and the Conference of Regulatory Officers, gaining valuable insights into the global regulatory landscape.

The LPLC hosted the National Risk Manager's Conference on 31 October 2024, bringing together risk managers from all Australian legal professional indemnity insurers.

Conclusion

A key focus for the LPLC's new strategic plan will be risk and prevention. Client insights will be used to drive innovation, and initiatives will be tailored based on impact analysis aimed at reducing the number, cost or complexity of claims.



58
Educational
webinars



78
In firm visits for firm
specific training



736
practitioners
utilised the
automated
practice
management



335
outreach
contacts to
new and
at-risk firms



766
practitioner
enquiries
managed via
phone/email



24
high-risk firms
received one-on-one
support



48
publications sent to
over 11,000 subscribers
per publication

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. The LPLC has been a significant financial contributor to AustLII since 2007 to ensure it continues this vital work.

The LPLC and AustLII share the same ideal to serve the public interest and the 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 \$900,000.

We are proud to be continuing our association with AustLII.



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

✓ ENVIRONMENTAL



Decreased overall energy usage significantly in 2024–2025. Total energy usage was approximately 23,826.03 kWh compared to 35,288.07 kWh in 2023–2024. 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 3.1 A4 reams/Full Time Equivalent (FTE) from 3.8 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

The LPLC's primary investment objectives are:

- (a) to achieve long term real growth in the investment portfolio
- (b) to ensure sufficient funds are available to meet liabilities when they fall due
- (c) to generate returns that assist in maintaining competitive and stable premiums
- (d) to maintain and appropriate capital adequacy and solvency level.

The Legal Practitioner's Liability Fund (Fund) seeks to achieve a return by applying the current rate of the Consumer Price Index and three per cent over a rolling five-year period.

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

The investment return for the 2024-2025 financial year was 7.90 per cent, with the fund's average return over the last five years being 6.08 per cent.

Investment markets were volatile across the year with market returns fluctuating in response to interest rate expectations, lower

inflation, stronger than expected economic activity, geopolitical factors and strong performance of the technology sector (particularly around Artificial Intelligence).

The majority of the 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 continued to be impacted by valuation write-downs in office and retail portfolios due to higher interest rates and reduced demand for office accommodation, in the first half of the year. In the second half of the year valuations and unit prices stabilised, improving returns for this asset class.

The LPLC's cash holdings earned returns through bank accounts under the Victorian Government Central Banking System.

Towers Watson Australia Pty Ltd (WTW) were investment advisers to the Committee during the reporting period.

Sustainability

The LPLC, together with its investment advisers, considers material sustainability issues in all investment decisions.

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

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

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

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

During the year the LPLC maintained an ESG Policy and a Climate Action Plan.

Fund managers

Funds were held with the following managers:

Australian Equities

- Vanguard Australian Shares Index Fund

International Equities

- GQG Global Equity
- Real Index Global Share Fund
- Aikya Emerging Market Opportunity Fund
- Fulcrum Australian Diversified Absolute Return Fund
- Vanguard Ethically Conscious Index Fund
- Vanguard International Shares Index Fund

Property

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

Infrastructure

- Palisade Diversified Infrastructure Fund
- Palisade Impact Fund

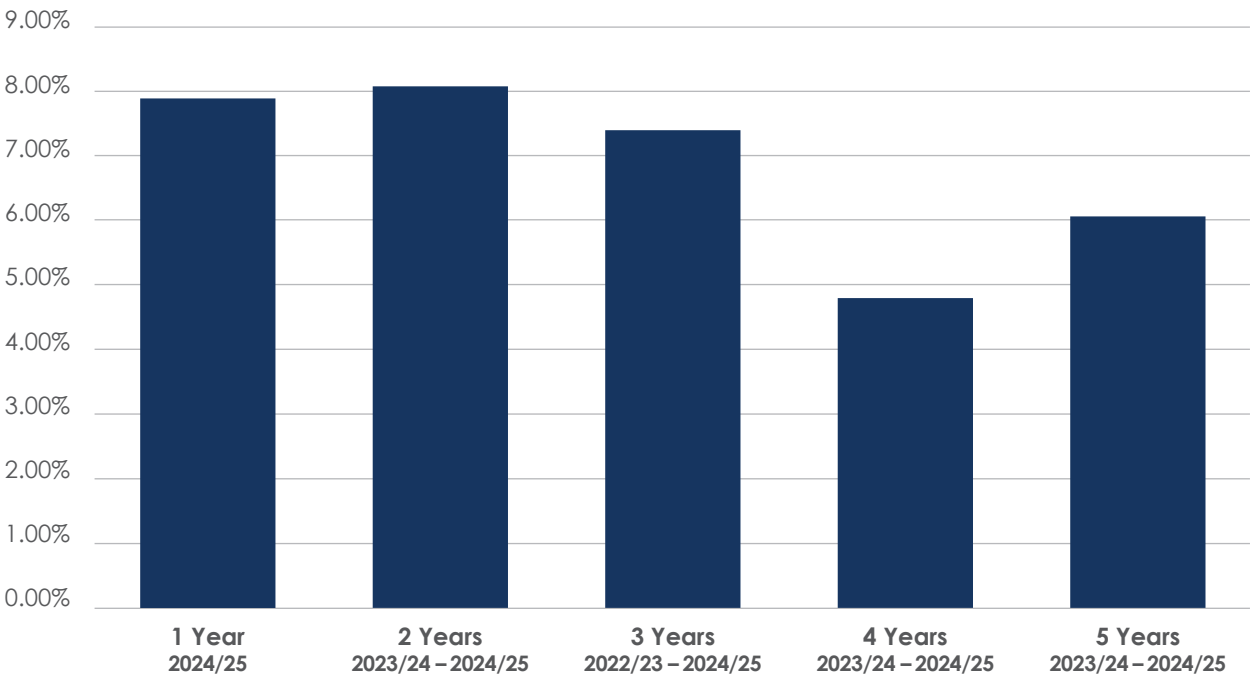
Bonds

- Vanguard Australian Government Bond Index Fund

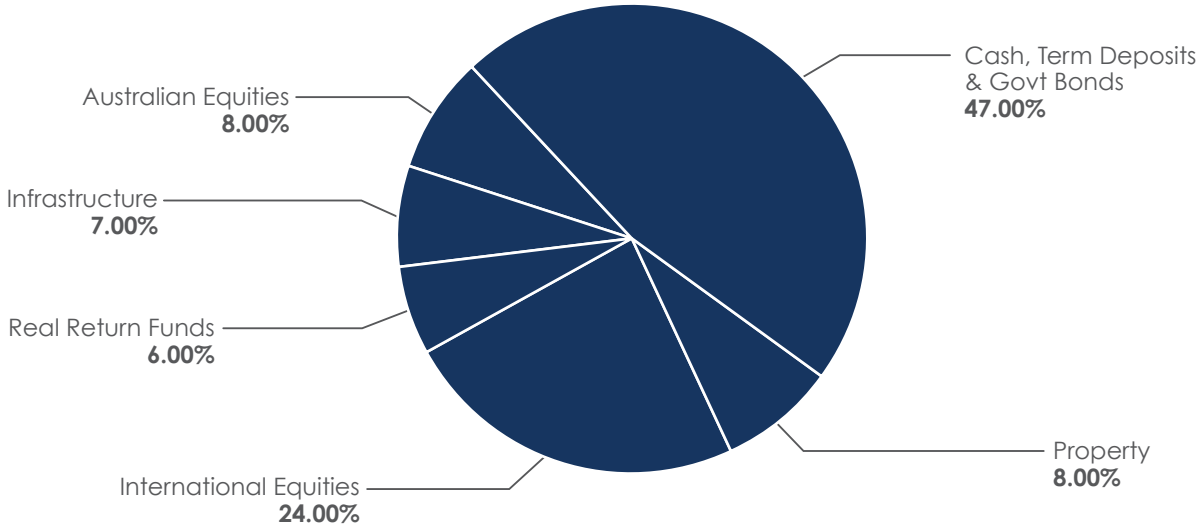
Cash

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

Investment return over different time horizons (%)



Asset allocation as at 30 June 2025



LEGAL PRACTITIONERS' LIABILITY COMMITTEE



Michelle Dixon
Chairperson

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.



Danny Barlow
Committee Member | Chair, Remuneration and Appointments Committee

Danny has practised 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 towns including Shepparton, Kyabram, Rochester and Tatura.

Danny practises 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 appointed to the Committee in 2018.



Adrian Finanzio SC (now Justice Finanzio)

Committee Member (until 24 February 2025)

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. He retired from the Committee in February 2025 to join the Supreme Court bench.



Justin Graham KC

Committee Member (from 24 March 2025)

Justin was appointed as senior counsel in 2020 and practises in commercial law at the Victorian Bar. With experience in a number of leadership positions, he is currently the President of a registered charity established in 1882, and has been a member on their board since 2019.

An Accredited Advocacy Instructor, Justin regularly presents at the Victorian Bar Readers' Course and as part of the Bar's Continuing Professional Development programme. He served as a member of the Readers' Course Committee (responsible for content and delivery of Victorian Bar exam and readers' course) from 2017 to 2023 and as Chair of that Committee from 2021 to 2023.

Justin was appointed to the Committee in March 2025.



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 Corrs Chambers Westgarth 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 adviser 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.

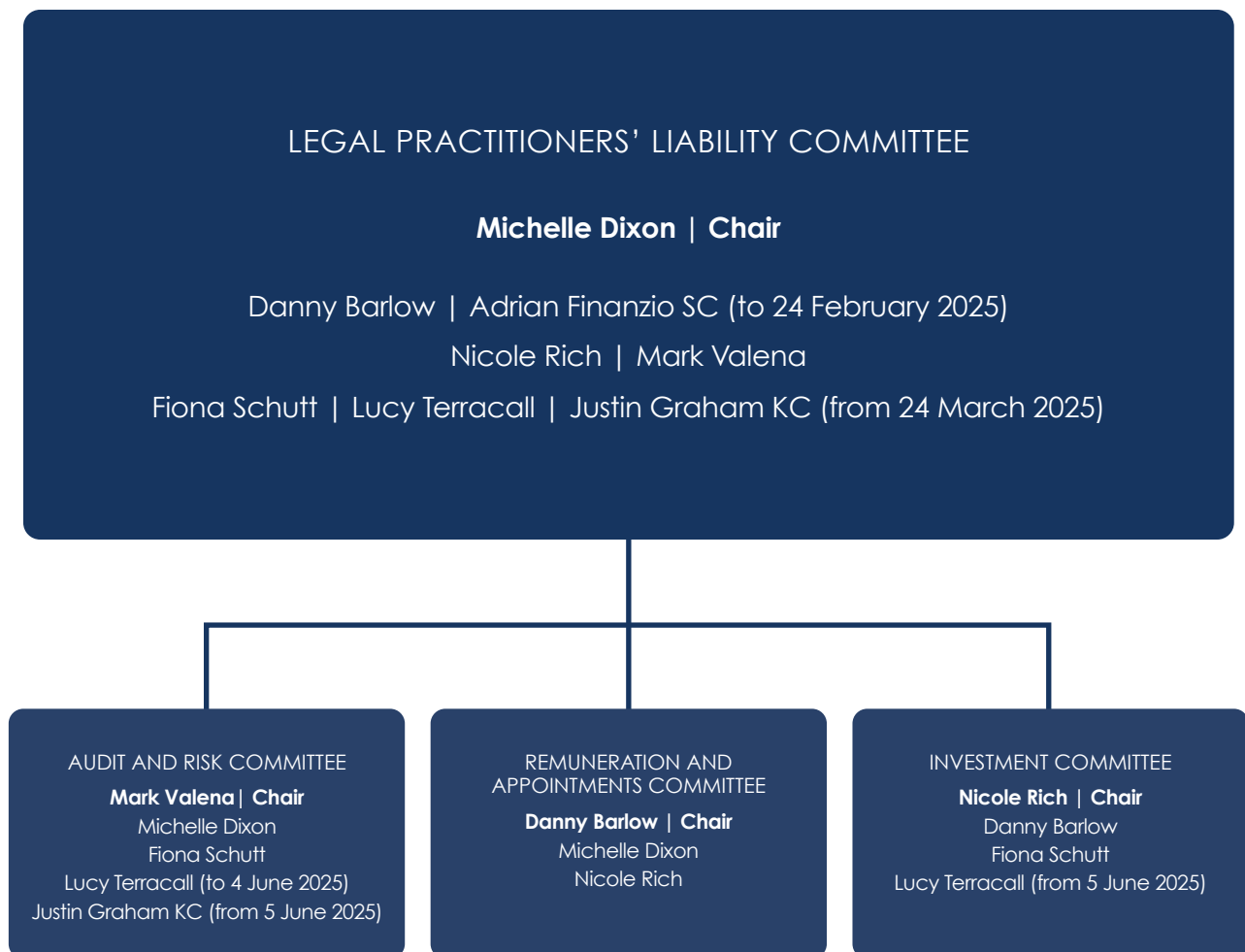
For 13 years Mark served as CEO of GMHBA Limited, a top 10 health insurer and regional health care provider. Major features of his leadership focussed on revitalising the organisation's purpose, strategy, scale and culture.

In addition to his role on the Committee, Mark is a non-executive director of five other entities including a general insurer, a disability services organisation, a medical professional indemnity organisation, an allied health care provider 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



GOVERNANCE

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

The Legal Practitioners' Liability Committee

The Committee:

- oversees and monitors the affairs of the 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 (Fund)
- develops policy relating to national practice issues and professional indemnity insurance
- recommends the implementation of effective risk management for legal practitioners.

The Audit and Risk Committee

The Audit & Risk Committee comprised Mark Valena (Chair), Michelle Dixon, Fiona Schutt, Lucy Terracall (until 4 June 2025) and Justin Graham KC (from 5 June 2025).

The Audit and Risk Committee oversees the 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

The Investment Committee comprised Nicole Rich (Chair), Adrian Finanzio SC (to 24 February 2025), Danny Barlow, Fiona Schutt and Lucy Terracall (from 5 June 2025).

The Investment Committee:

- makes recommendations to the full Committee 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

The Remuneration and Appointments Committee comprised Danny Barlow (Chair), Michelle Dixon, and Nicole Rich.

The Remuneration and Appointments Committee:

- advises and makes recommendations to the full Committee in relation to nominations to the VLSB+C for appointment of the Chair and Committee members
- advises and makes recommendations to the full Committee in relation to the appointment, remuneration and performance review of the CEO
- oversees executive succession planning, executive remuneration and people matters.

Committee meeting attendance 2024–2025

	Committee		Investment		Audit & Risk		Remuneration & Appointments	
	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible
Michelle Dixon	12	12			3	4	4	4
Adrian Finanzio SC	8	8	2	5				
Danny Barlow	12	12	7	7			4	4
Fiona Schutt	11	12	6	7	4	4		
Nicole Rich	11	12	7	7			3	4
Mark Valena	12	12			4	4		
Lucy Terracall	12	12			2	4		
Justin Graham KC	3	3			1 (as invitee)			

EXECUTIVE LEADERSHIP TEAM

Mary Maini

Chief Executive Officer (from 6 January 2025)

Mary Maini brings a wealth of experience in the insurance sector with more than 30 years in regulatory and leadership roles. Mary has led business divisions in insurance and has experience in regulation, strategic consulting, customer service, health services, risk and assurance, strategy, pricing, organisational change, digital and transformation delivery. She has led both private and public sector teams across the insurance industry with leadership roles in general, casualty and life insurance sectors.

Mary also led the regulatory division of motor accident insurance in NSW, one of the schemes regulated by the State Insurance Regulatory Authority NSW and successfully implemented once in a generation reforms.

As a leader, Mary is passionate about leading diverse teams, empowering people to reach their full potential, and through collaboration, leveraging innovations across industries to make a difference to people's lives and the community.

Mary has served on several private Boards, is a qualified lawyer and a graduate of the Australian Institute of Company Directors.

Justin Toohey

Chief Executive Officer (until 5 January 2025)

Justin led the LPLC as Chief Executive Officer from 2018-2025.

Prior to joining the 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 the LPLC.

Paul Quayle

Chief Operations Officer

Paul was appointed as Chief Operations Officer in January 2022. Prior to joining the LPLC Paul's leadership career spanned the healthcare, transport, technology and education sectors, including five years as Chief Operations Officer 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 Chief Operations Officer, Paul directs the 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 LPLC as Chief Financial Officer in January 2014 and manages the LPLC's Insurance and Finance team covering accounting, finance and payroll functions, as well as insurance applications and renewals.

Prior to commencing at the 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 the LPLC in 2018 as Head of Claims. Prior to joining the 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 the LPLC's claims team, which manages all of the claim and notifications under the LPLC policies from insured practitioners and law practices and reports key claims data across the business to inform work in other operational areas.

Kate Reid

General Counsel & Secretariat

Kate joined the LPLC as General Counsel & Secretariat in January 2025. Previously, Kate held various roles at Corrs Chambers Westgarth over her 30-year career with the firm including as General Counsel, Professional Standards & Indemnity Counsel and Special Counsel in the Litigation team.

Stephen Bubb

Acting Head of Practice Risk Services
(from 5 December 2024)

Stephen was appointed as Acting Head of Practice Risk Services following Kirin Mathews' departure in December 2024. As the Acting Head of the LPLC's practitioner-facing risk management team, Stephen leads the design and delivery of the LPLC's pre-emptive risk mitigation services, including risk management content, risk education program, practice management resources and industry engagement with broader stakeholder groups.

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.

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

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

The 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).

The 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)

The 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
- detailed information pertaining to notified matters including that used in defence of claims
- board papers and minutes for LPLC and its sub committees
- management records
- administration records
- employment records
- accounting records
- library material.

Freedom of information

The LPLC received no requests pursuant to the *Freedom of Information Act 1982* (Vic) for the reporting period.

Publications

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

Occupational health and safety

The 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 compliance training, bystander training, complimentary flu vaccinations, and mindfulness/wellness activities.

The 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.

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

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

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

Workforce data

The Committee undertakes an annual performance appraisal and salary review of the Chief Executive Officer. The Chief Executive Officer 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 Chief Executive Officer, Chief Operating Officer or the LPLC's Human Resources consultant at any time. Alternatively, matters can be raised with a member of the Committee.

Workforce data

2024–2025

Full Time Position	Male	Female	Total
Chief Executive Officer		1	1
Chief Operations Officer	1		1
Chief Financial Officer	1		1
General Counsel/Secretariat		1	1
Head of Claims		1	1
Claims Manager	3	3	6
Senior Accountant		1	1
Risk Manager	2		2
IT Support Analyst	1		1
Communications Manager		1	1
Communications Advisor		1	1
Insurance Officer		2	2
Receptionist/Administration		9	9
Total	8	20	28

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

Environmental issues

The 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 Chief Operating Officer.

The plan covers the 2024–2025 reporting year and covers energy consumption, waste generation and paper consumption.

Energy consumption

Total energy usage 23,826.03 kWh for the 2024–2025 year, a significant reduction from 35,288.07 kWh in 2023–2024. The energy used per square metre of office area was 35.62 kWh compared to 51.81 kWh in 2023–2024.

We exceeded our 2024–2025 target to maintain the level achieved in the previous year, by decreasing our energy usage significantly.

Waste generation

The 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 the LPLC sent to landfill.

The 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

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

Paper use decreased to 3.1 A4 reams/FTE, down from 3.8/FTE the previous year. This decrease can be attributed to the increased uptake of working with digital files.

Transport

The 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 2024–2025 total consultant expenditure as defined by the Financial Management Act 1994 (Vic) was approximately \$442,594.

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 \$97,124. Finity Consulting has been retained again for the 2025–2026 period.

Cumpston Sarjeant — Actuaries

During the reporting year the 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 \$64,284. Cumpston Sarjeant has been retained again for the 2025–2026 reporting period.

Willis Towers Watson — Investment advisors

During the year Willis Towers Watson continued to be engaged as the LPLC's Investment advisers for which consulting fees of \$281,186 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.

Michelle Dixon - Chairman
10 September 2025

Asset Management Accountability Framework (AMAF) maturity assessment

The following sections summarise the LPLC's assessment of maturity against the requirements of the Asset Management Accountability Framework (AMAF). The AMAF is a non-prescriptive, devolved accountability model of asset management that requires compliance with 41 mandatory requirements. These requirements can be found on the [DTF website](#).

The 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)

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

Planning (requirements 20–23)

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

Acquisition (requirements 24 & 25)

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

Operation (requirements 26–40)

The LPLC has met its target maturity level in this category.

Disposal (requirement 41)

The LPLC has met its target maturity level in this category.

LEGAL PRACTITIONERS' LIABILITY COMMITTEE

FINANCIAL REPORT

For the Financial Year Ended 30 June 2025

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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 Minister for Finance 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 comprehensive operating statement, 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 2025 and financial position of the Legal Practitioners' Liability Committee at 30 June 2025.

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 10 September 2025.



Michelle Dixon - Chair



Mary Maini - Chief Executive Officer



Martin Dohnt - Chief Financial Officer

Dated this 10th day of September 2025

AUDITOR-GENERAL'S REPORT



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 2025 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including 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 2025 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards - Simplified Disclosures.
Basis for Opinion	I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report. My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the Legal Practitioners' liability Committee in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants (including Independence Standards)</i> (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.
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 - Simplified Disclosures and the <i>Financial Management Act 1994</i>, 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.

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 the 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 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.



Charlotte Jeffries
as delegate for the Auditor-General of Victoria

MELBOURNE
15 September 2025

Comprehensive Operating Statement for the Financial Year Ended 30 June 2025

	Note	2025 \$	2024 \$
UNDERWRITING			
Premium revenue	2.2	56,602,596	47,078,261
Outwards reinsurance expense	3.2	(1,524,000)	(1,200,000)
Net earned premiums		55,078,596	45,878,261
Claims expense	3.3	(66,199,426)	(59,469,961)
Reinsurance and other recoveries	2.5	2,308,062	164,555
Net claims incurred	3.3	(63,891,364)	(59,305,406)
Movement in unexpired risk liability	5.3	(5,022,508)	9,762,434
UNDERWRITING RESULT		(13,835,276)	(3,664,711)
Investment income	2.3	25,001,936	23,236,152
Other income	2.4	20,093	37,615
Employee benefit expenses	3.1.1	(5,435,622)	(5,007,158)
Depreciation and amortisation	4.1.3	(397,474)	(405,231)
Other operating expenses	3.4	(4,059,135)	(3,716,204)
Net Operating Result		1,294,522	10,480,463
Other Comprehensive Income/(Loss)		-	-
Total Comprehensive Income		1,294,522	10,480,463

Notes to and forming part of these financial statements are set out in pages 50 to 94

Balance Sheet

as at 30 June 2025

	Note	2025 \$	2024 \$
CURRENT ASSETS			
Cash and cash equivalents	6.1	20,561,988	19,179,627
Receivables	5.1	1,557,760	1,375,817
Investments and other financial assets	4.2	84,078,313	77,040,197
Prepayments		339,199	148,186
Total Current Assets		106,537,260	97,743,827
NON-CURRENT ASSETS			
Investments and other financial assets	4.2	252,378,988	232,011,053
Receivables	5.1	3,606,000	2,232,000
Property, plant & equipment	4.1	2,049,481	2,394,463
Total Non-Current Assets		258,034,469	236,637,516
TOTAL ASSETS		364,571,729	334,381,343
CURRENT LIABILITIES			
Outstanding claims liability	5.4.1	58,241,000	49,171,000
Payables	5.2	1,986,011	1,684,452
Unearned premium liability	5.3	73,857,000	63,507,000
Lease liability	6.3.1	305,277	273,445
Employee related provisions	3.1.2	609,068	835,166
Total Current Liabilities		134,998,356	115,471,063
NON-CURRENT LIABILITIES			
Outstanding claims liability	5.4.1	110,207,000	100,513,000
Lease liability	6.3.1	1,821,933	2,127,210
Employee related provisions	3.1.2	59,126	79,278
Total Non-Current Liabilities		112,088,059	102,719,488
TOTAL LIABILITIES		247,086,415	218,190,551
NET ASSETS		117,485,314	116,190,792
EQUITY			
Accumulated funds	8.1	117,485,314	116,190,792
TOTAL EQUITY		117,485,314	116,190,792

Notes to and forming part of these financial statements are set out in pages 50 to 94

Cash Flow Statement

for the Financial Year Ended 30 June 2025

	Note	2025 \$	2024 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Premium revenue received		73,228,333	67,335,450
Other income		22,141	38,068
Dividend received		146,011	124,375
Interest received		4,782,458	3,302,458
Distributions receipts		989,968	1,417,870
Interest paid on lease liabilities	6.3.1c	(136,493)	(67,849)
Claims paid		(48,835,238)	(42,600,937)
Outward reinsurance premium paid		(1,615,440)	(1,294,000)
Reinsurance and Other recoveries received		934,062	1,532,555
Payments to suppliers and employees		(19,303,009)	(18,707,996)
Net cash from operating activities		10,212,793	11,079,994
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4.1.3	(52,492)	(53,692)
Sale of investments		3,531,013	29,524,536
Purchase of investments		(4,997,392)	(30,402,593)
Purchase of other financial assets		(7,038,115)	(6,601,205)
Net cash used in investing activities		(8,556,986)	(7,532,954)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of principal portion of lease liabilities	6.3.1c	(273,446)	(290,492)
Net cash used in financing activities		(273,446)	(290,492)
Net increase in cash held		1,382,361	3,256,548
Cash and cash equivalents at beginning of period		19,179,627	15,923,079
Cash and cash equivalents at end of period	6.1	20,561,988	19,179,627

Notes to and forming part of these financial statements are set out in pages 50 to 94

Statement of Changes In Equity for the Financial Year ended 30 June 2025

	Note	Accumulated funds \$	Total \$
At 1 July 2023		105,710,329	105,710,329
Net result for the year		10,480,463	10,480,463
At 30 June 2024		116,190,792	116,190,792
Net result for the year		1,294,522	1,294,522
At 30 June 2025	8.1	117,485,314	117,485,314

Notes to and forming part of these financial statements are set out in pages 50 to 94

Notes to the Financial Statements for the year ended 30 June 2025

1. ABOUT THIS REPORT

The reporting entity is the Legal Practitioners' Liability Committee (LPLC). The Legal Practitioners' Liability Committee is a public entity 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.

A description of the nature of its operations and its principal activities is included in the Report of Operations, which does not form part of these financial statements.

Its principal address is: Legal Practitioners' Liability Committee
Level 19, 140 William Street
Melbourne, Vic 3000

Basis of Preparation

These financial statements are Tier 2 general purpose financial statements prepared in accordance with AASB 1060 *General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for Profit Tier 2 Entities* (AASB 1060) and Financial Reporting Direction 101 *Application of Tiers of Australian Accounting Standards* (FRD 101).

LPLC is a Tier 2 entity in accordance with FRD 101. These financial statements are the first general purpose financial statements prepared in accordance with Australian Accounting Standards – Simplified Disclosures. LPLC's prior year financial statements were general purpose financial statements prepared in accordance with Australian Accounting Standards (Tier 1). As LPLC is not a 'significant entity' as defined in FRD 101, it was required to change from Tier 1 to Tier 2 reporting effective from 1 July 2024.

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. Actual results may differ from these estimates. The key areas in which critical estimates are applied are described below.

Notes to the Financial Statements

for the year ended 30 June 2025

1. ABOUT THIS REPORT (CONTINUED)

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.

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).

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.

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 2025 of \$28,461,096 (2024: \$17,727,236). The net current assets deficiency includes unearned premium liability of \$73,857,000 (2024: \$63,507,000) and the majority of which will be brought to account as income in the 2025/26 year. LPLC has a surplus in net assets of \$117,485,314 as of 30 June 2025. Budgets prepared for the year ending 30 June 2026 indicate that the entity is expected to achieve a loss from activities. Notwithstanding this the Committee has sufficient reserves to continue as a going concern. On this basis the Committee members believe the going concern basis is appropriate for preparation of the financial statements.

Notes to the Financial Statements for the year ended 30 June 2025

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.

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	52
2.2	Premium revenue	53
2.3	Investment income	53
2.4	Other income	54
2.5	Reinsurance and Other recoveries	54

2.1 Summary of income that funds the delivery of our services

	Note	2025 \$	2024 \$
Premium revenue	2.2	56,602,596	47,078,261
Investment income	2.3	25,001,936	23,236,152
Other income	2.4	20,093	37,615
Reinsurance and Other recoveries	2.5	2,308,062	164,555
Total Income		83,932,687	70,516,583

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 2025

2. FUNDING DELIVERY OF OUR SERVICES (CONTINUED)

2.2 Premium revenue

	2025 \$	2024 \$
Gross Written Premiums	61,930,089	56,385,695
Movement in Unearned Premium	(5,327,493)	(9,307,434)
Net Premium Revenue	56,602,596	47,078,261

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

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

2.3 Investment income

	2025 \$	2024 \$
Net fair value gains on financial assets at fair value through profit or loss - refer to note 7.3 and 4.2	11,051,305	11,314,298
Managed fund distributions	8,628,459	7,992,658
Other investment income	332,022	345,710
Dividend income	146,011	124,377
Interest income	4,844,139	3,459,109
Total Investment income	25,001,936	23,236,152

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

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.

Notes to the Financial Statements for the year ended 30 June 2025

2. FUNDING DELIVERY OF OUR SERVICES (CONTINUED)

2.4 Other income

	2025 \$	2024 \$
Seminar Income	20,093	18,195
Other miscellaneous income	-	19,420
Total Other Income	20,093	37,615

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

	2025 \$	2024 \$
Increase/(Decreased) in reinsurance recoveries	1,374,000	(1,368,000)
Other recoveries	934,062	1,532,555
Total reinsurance and other recoveries	2,308,062	164,555

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 2025

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	55
3.2	Outwards reinsurance expense	57
3.3	Claims expense	58
3.4	Other operating expenses	58

3.1 Expenses incurred in delivery of services

	Note	2025 \$	2024 \$
Employee benefit expenses	3.1.1	5,435,622	5,007,158
Outwards reinsurance expense	3.2	1,524,000	1,200,000
Net claims incurred	3.3	63,891,364	59,305,406
Other operating expenses	3.4	4,059,135	3,716,204
Total expenses incurred in delivery of services		74,910,121	69,228,768

3.1.1 Employee benefit expenses in the comprehensive operating statement

	2025 \$	2024 \$
Defined contribution superannuation expense	529,619	456,314
Employee expenses	4,906,003	4,550,844
Total Employee benefit expenses	5,435,622	5,007,158

Employee benefit 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 Comprehensive Operating Statement 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 2025

3. THE COST OF DELIVERING SERVICES (CONTINUED)

3.1.2 Employee-related provisions

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.

	2025 \$	2024 \$
CURRENT PROVISIONS		
Annual Leave	181,519	222,241
Long Service Leave	334,414	489,904
Provisions for on-costs	93,135	123,021
Total current provisions for employee benefits	609,068	835,166
NON-CURRENT PROVISIONS		
Long Service Leave	50,084	67,600
On-costs	9,042	11,678
Total non-current provisions for employee benefits	59,126	79,278
Total provisions for employee benefits	668,194	914,444

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 Comprehensive Operating Statement 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.

Notes to the Financial Statements

for the year ended 30 June 2025

3. THE COST OF DELIVERING SERVICES (CONTINUED)

3.1.2 Employee-related provisions (continued)

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 a conditional right to defer the 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.

3.2 Outwards reinsurance expense

	2025 \$	2024 \$
Outwards reinsurance expense	1,524,000	1,200,000
Total	1,524,000	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.

Notes to the Financial Statements for the year ended 30 June 2025

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

	2025 Current year \$	Prior years \$	Total \$	2024 Current year \$	Prior years \$	Total \$
Gross claims expense	67,930,000	(2,186,574)	65,743,426	63,850,000	(3,357,039)	60,492,961
Discount movement	934,000	(478,000)	456,000	(793,000)	(230,000)	(1,023,000)
	68,864,000	(2,664,574)	66,199,426	63,057,000	(3,587,039)	59,469,961
Reinsurance and other recoveries revenue						
Reinsurance and other recoveries revenue	-	(2,606,062)	(2,606,062)	4,464,000	(4,206,555)	257,445
Discount movement	-	298,000	298,000	(864,000)	442,000	(422,000)
	-	(2,308,062)	(2,308,062)	3,600,000	(3,764,555)	(164,555)
Net claims incurred	68,864,000	(4,972,636)	63,891,364	66,657,000	(7,351,594)	59,305,406

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

	2025 \$	2024 \$
Administration Expenditure	2,930,294	2,875,311
Consulting & Professional Services Expenditure	1,128,841	840,893
Total other operating expenses	4,059,135	3,716,204

Other operating expenses generally represent the day-to-day running costs incurred in normal operations and are recognised as expenses in the reporting period in which they are incurred.

Notes to the Financial Statements

for the year ended 30 June 2025

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	59
4.2	Investments and other financial assets	63

4.1 Property, plant and equipment

	Gross carrying amount		Accumulated depreciation		Net Carrying amount	
	2025 \$	2024 \$	2025 \$	2024 \$	2025 \$	2024 \$
Plant and equipment at fair value	613,378	560,886	(444,321)	(378,687)	169,057	182,199
Leased Building at fair value	2,350,529	2,350,529	(470,105)	(138,265)	1,880,424	2,212,264
Net carrying amount	2,963,907	2,911,415	(914,426)	(516,952)	2,049,481	2,394,463

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

Subsequent Measurement

Property, plant and equipment (PPE) including 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.

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

4.1 Property, plant and equipment (continued)

The following tables are right-of use assets included in the PPE balance, presented by subsets of property, and plant and equipment.

4.1.1 Total right of use assets: property, plant and equipment

	Gross carrying amount 2025 \$	Accumulated depreciation 2025 \$	Net carrying amount 2025 \$	Gross carrying amount 2024 \$	Accumulated depreciation 2024 \$	Net carrying amount 2024 \$
Leased plant and equipment at fair value	146,382	(63,434)	82,948	146,382	(34,157)	112,225
Leased building at fair value	2,350,529	(470,105)	1,880,424	2,350,529	(138,265)	2,212,264
Net Carrying amount	2,496,911	(533,539)	1,963,372	2,496,911	(172,422)	2,324,489

	Leased building \$	Leased plant and equipment \$
Opening Balance - 1 July 2024	2,212,264	112,225
Additions	-	-
Disposals	-	-
Depreciation	(331,840)	(29,277)
Closing Balance - 30 June 2025	1,880,424	82,948

Notes to the Financial Statements

for the year ended 30 June 2025

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

4.1 Property, plant and equipment (continued)

4.1.1 Total right of use assets: property, plant and equipment (continued)

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
- any initial direct costs incurred
- 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.

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.

Impairment of property, plant and equipment

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 Comprehensive Operating Statement 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.

Notes to the Financial Statements

for the year ended 30 June 2025

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

4.1 Property, plant and equipment (continued)

4.1.2 Depreciation and amortisation

All property, plant and equipment and other non-financial physical assets that have finite useful lives, are depreciated.

Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life.

The depreciation rates used for current and prior years are:

Asset	Useful life (Years)
Leased Building	7
Plant & Equipment	2 to 10

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term.

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

	Leased building 2025 \$	Plant and equipment 2025 \$
Opening balance	2,212,264	182,199
Additions	-	52,492
Depreciation	(331,840)	(65,634)
Closing balance	1,880,424	169,057

Notes to the Financial Statements for the year ended 30 June 2025

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

4.2 Investments and other financial assets

	2025 \$	2024 \$
CURRENT INVESTMENTS AND OTHER FINANCIAL ASSETS		
Term Deposits:		
Australian dollar term deposits > three months	84,078,313	77,040,197
Total current investments and other financial assets	84,078,313	77,040,197
NON-CURRENT INVESTMENTS AND OTHER FINANCIAL ASSETS		
Managed Unit Trusts		
- Overseas Equities	84,565,772	77,784,753
- Property Funds	28,176,574	27,533,845
- Infrastructure Funds	26,631,510	22,373,370
- Australian Equities	28,637,338	25,205,416
- Diversified Funds	21,277,747	19,932,251
- Government Securities	63,090,047	59,181,417
Total Non-current investments and other financial assets	252,378,988	232,011,053
Total investments and other financial assets	336,457,301	309,051,250

Investments and 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 Comprehensive Operating Statement.

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 investments and 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 2025

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	64
5.2	Payables	65
5.3	Unearned premium liability	65
5.4	Outstanding claims liability	66

5.1 Receivables

	2025 \$	2024 \$
CONTRACTUAL		
Accrued investment income	1,557,760	1,375,817
Total current receivables	1,557,760	1,375,817
Reinsurance receivable	3,606,000	2,232,000
Total Non-current receivables	3,606,000	2,232,000
Total receivables	5,163,760	3,607,817

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 2025

5. OTHER ASSETS AND LIABILITIES (CONTINUED)

5.2 Payables

	2025 \$	2024 \$
CONTRACTUAL		
Supplies and services	283,195	227,187
Deferred other income	-	3,531
STATUTORY		
GST Payable	836,272	678,547
Other taxes payable	866,544	775,187
Total Payables	1,986,011	1,684,452
<i>Represented by:</i>		
Current Payables	1,986,011	1,684,452

Payables consist of:

- Contractual payables are classified as financial instruments and measured at amortised cost. Accounts payable represent liabilities for supplies 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 supplies and services.
- Statutory payables are 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.

5.3 Unearned premium liability

	2025 \$	2024 \$
Unearned premium liability 1 July	63,507,000	63,962,000
Earning of premiums written in previous periods	(55,230,174)	(45,922,740)
Deferral of premium contracts written in period	60,557,666	55,230,174
Unexpired risk liability recognised for year ending 30 June (note 7.5.1)	5,022,508	(9,762,434)
	73,857,000	63,507,000

Notes to the Financial Statements for the year ended 30 June 2025

5. OTHER ASSETS AND LIABILITIES (CONTINUED)

5.3 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 5.4.

The entire deficiency, gross and net of insurance, is recognised immediately in the Comprehensive Operating Statement. 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.

5.4 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 2025

5. OTHER ASSETS AND LIABILITIES (CONTINUED)

5.4 Outstanding claims liability (continued)

5.4.1 Net outstanding claims liability

	2025 \$	2024 \$
Central estimate of claims still to be paid, net of reinsurance recoveries	157,727,000	138,558,000
Discount to present value	(11,164,000)	(11,619,000)
	146,563,000	126,939,000
Present value of claims handling costs	11,432,000	9,900,000
Risk Margin	10,453,000	12,845,000
Gross Outstanding claims liability	168,448,000	149,684,000
Reinsurance recoveries on outstanding claims liability	(3,606,000)	(2,232,000)
Net Outstanding claims liability	164,842,000	147,452,000
Gross Outstanding claims liability	168,448,000	149,684,000
Current	58,241,000	49,171,000
Non-current	110,207,000	100,513,000
Gross Outstanding claims liability	168,448,000	149,684,000

5.4.2 Risk margin applied	11.000%	11.000%
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5.4.3 Reconciliation of movement in discounted outstanding claims liability

	2025 \$	2024 \$
Brought forward	149,684,000	131,951,000
Decrease in claims incurred/recoveries anticipated over the year	(2,186,574)	(3,357,039)
Incurred claims	67,930,000	63,850,000
Claims payments during the year	(47,435,426)	(41,736,961)
Movement in net present value adjustment	456,000	(1,023,000)
Carried forward	168,448,000	149,684,000

Notes to the Financial Statements for the year ended 30 June 2025

5. OTHER ASSETS AND LIABILITIES (CONTINUED)

5.4 Outstanding claims liability (continued)

5.4.4 Claims development table (\$m)

Policy year	2021	2022	2023	2024	2025	Total
Estimate of ultimate claim cost at end of policy year	40.720	50.512	51.629	60.488	59.645	
one year later	38.979	47.016	47.661	68.093	-	
two years later	38.951	40.308	45.543	-	-	
three years later	38.110	39.898	-	-	-	
four years later	37.674	-	-	-	-	
current estimate	37.674	39.898	45.543	68.093	59.645	250.853
cumulative payments	(28.305)	(30.519)	(27.531)	(21.706)	(3.252)	(111.313)
undiscounted claims	9.369	9.379	18.012	46.387	56.393	139.540
discount						(11.164)
inflation to future values						8.014
present value of claims						
handling expenses						11.431
undiscounted central estimate prior years						10.174
risk margin						10.453
Total Outstanding Claims						168.448

5.4.5 Net present value adjustment to outstanding claims

	2025 \$	2024 \$
Opening Balance	11,620,000	10,597,000
Prior Year	478,000	230,000
Current Year	(934,000)	793,000
Closing Balance	11,164,000	11,620,000

Notes to the Financial Statements for the year ended 30 June 2025

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

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6.3	Leases	71

6.1 Cash flow information and balances

Cash and cash equivalents, comprise cash at bank. LPLC's bank accounts are held in the Central Banking System (CBS) under the Standing Directions 2018.

For cash flow statement presentation purposes, cash and cash equivalents include cash at bank which is reconciled to the Balance Sheet as follows:

	2025 \$	2024 \$
Cash and Cash Equivalents disclosed in the balance sheet	20,561,988	19,179,627
Balance as per cash flow statement	20,561,988	19,179,627

Notes to the Financial Statements for the year ended 30 June 2025

6. HOW WE FINANCED OUR OPERATIONS (CONTINUED)

6.2 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded below at their nominal value and inclusive of GST payable. 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 2025	Less than 1 year	1 - 5 years	5+ years	Total
Other commitments payable	294,080	758,612	-	1,052,692
Total commitments (inclusive of GST)	294,080	758,612	-	1,052,692
Less GST recoverable	26,735	68,966	-	95,701
Total commitments (exclusive of GST)	267,345	689,646	-	956,991
2024	Less than 1 year	1 - 5 years	5+ years	Total
Other commitments payable	281,417	-	-	281,417
Investments in funds	935,982	-	-	935,982
Total commitments (inclusive of GST)	1,217,399	-	-	1,217,399
Less GST recoverable	25,583	-	-	25,583
Total commitments (exclusive of GST)	1,191,816	-	-	1,191,816

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

Investments in funds represents a commitment on behalf of LPLC to invest in Managed Funds as at balance date in 2024. This commitment has since been fully drawn during the year, and LPLC has been issued with units in the respective funds.

Notes to the Financial Statements

for the year ended 30 June 2025

6. HOW WE FINANCED OUR OPERATIONS (CONTINUED)

6.3 Leases

6.3.1 Right-of use assets

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.

	2025 \$	2024 \$
CURRENT LEASE LIABILITIES		
Lease Liabilities	305,277	273,445
Total Current Lease Liabilities	305,277	273,445
NON-CURRENT LEASE LIABILITIES		
Lease Liabilities	1,821,933	2,127,210
Total Non-Current Lease Liabilities	1,821,933	2,127,210
Total Lease Liabilities	2,127,210	2,400,655
FUTURE LEASE PAYMENTS		
Not longer than 1 year	424,733	409,938
Longer than 1 year but not longer than 5 years	2,098,079	1,754,537
Longer than five years	-	768,275
Minimum future lease payments	2,522,812	2,932,750
Less future finance charges	(395,602)	(532,095)
Present value of minimum lease payments	2,127,210	2,400,655

6.3.1 (a) Right-of-use assets

Right-of-use assets are presented in note 4.1.1.

6.3.1 (b) Amounts recognised in the Comprehensive Operating Statement

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

	2025 \$	2024 \$
Interest expense on lease liabilities	136,493	67,849
Total amount recognised in the Comprehensive Operating Statement	136,493	67,849

Notes to the Financial Statements for the year ended 30 June 2025

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 2025 relating to leases:

	2025 \$	2024 \$
Interest Expense on lease liabilities	136,493	67,849
Principal payments on lease liabilities	273,446	290,492
Total Cash outflow for leases	409,939	358,341

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.

Notes to the Financial Statements

for the year ended 30 June 2025

6. HOW WE FINANCED OUR OPERATIONS (CONTINUED)

6.3 Leases (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) less any lease incentive receivable
- 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 Comprehensive Operating Statement if the right of use asset is already reduced to zero.

Presentation of right-of-use assets and lease liabilities

The LPLC presents right-of-use assets as 'property plant equipment' (refer to note 4.1). Lease liabilities are presented as 'lease liability' in the balance sheet.

Notes to the Financial Statements
for the year ended 30 June 2025

7. FINANCIAL INSTRUMENTS, 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, 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.

Structure

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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 2025

7. FINANCIAL INSTRUMENTS, 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. Investments and 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 2025

7. FINANCIAL INSTRUMENTS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1 Financial instruments specific disclosures (continued)

Categories of financial instruments (continued)

Financial assets 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 liabilities measured at amortised costs are initially recognised on the date they are originated. They are initially measured at fair value plus any 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. LPLC recognises the following liabilities in this category:

- payables (excluding statutory payables)
- lease liabilities

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 2025

7. FINANCIAL INSTRUMENTS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1 Financial instruments specific disclosures (continued)

7.1.1 Financial Instruments: Categorisation

	Carrying amount \$	Net gain /(loss) \$	Total interest income/ (expense) \$
2025			
FINANCIAL ASSETS AT AMORTISED COST			
Cash and deposits	20,561,988	-	662,774
Term deposits	84,078,313		3,232,132
Accrued investment income	1,557,760	-	-
Reinsurance receivable	3,606,000	-	-
Total financial assets at amortised cost	109,804,061	-	3,894,906
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			
Managed unit trusts	252,378,988	11,051,305	949,233
Total financial assets at fair value through profit or loss	252,378,988	11,051,305	949,233
FINANCIAL LIABILITIES AT AMORTISED COST			
Payables (a)	283,195		
Lease liabilities	2,127,210		(136,493)
Total contractual financial liabilities	2,410,405	-	(136,493)

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 2025

7. FINANCIAL INSTRUMENTS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1 Financial instruments specific disclosures (continued)

7.1.1 Financial Instruments: Categorisation (continued)

	Carrying amount \$	Net gain /(loss) \$	Total interest income/ (expense) \$
2024			
FINANCIAL ASSETS AT AMORTISED COST			
Cash and deposits	19,179,627	-	590,967
Term deposits	77,040,197	-	2,831,248
Accrued investment income	1,375,817	-	-
Reinsurance receivable	2,232,000	-	-
Total financial assets at amortised cost	99,827,641	-	3,422,215
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			
Managed unit trusts	232,011,053	11,314,298	36,894
Total financial assets at fair value through profit or loss	232,011,053	11,314,298	36,894
FINANCIAL LIABILITIES AT AMORTISED COST			
Payables (a)	227,187	-	-
Lease liabilities	2,400,655	-	(67,849)
Total contractual financial liabilities	2,627,842	-	(67,849)

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 2025

7. FINANCIAL INSTRUMENTS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1 Financial instruments specific disclosures (continued)

7.1.2 Impairment loss

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.

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

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.

Statutory receivables at amortised cost

The statutory receivables are considered to have low credit risk, taking into account the counterparty's credit rating, risk of default and capacity to meet contractual cash flow obligations in the near term. As the result, the loss allowance recognised for these financial assets during the period was limited to 12 months of expected losses. No loss allowance has been recognised.

Notes to the Financial Statements

for the year ended 30 June 2025

7. FINANCIAL INSTRUMENTS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

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.

7.3 Fair value determination

This section sets out information on how the LPLC determined fair value measurements in accordance with the requirements of AASB 13 *Fair Value Measurement* 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.

Notes to the Financial Statements

for the year ended 30 June 2025

7. FINANCIAL INSTRUMENTS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.3 Fair value determination (continued)

Fair Value hierarchy

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

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

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

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

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

7.3.1 Fair value determination of assets and liabilities

Financial assets:

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

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

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

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

There are no changes in valuation techniques throughout the period to 30 June 2025. For all assets measured at fair value, the current use is considered the highest and best use.

Notes to the Financial Statements for the year ended 30 June 2025

7. FINANCIAL INSTRUMENTS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.3 Fair value determination (continued)

7.3.1 Fair value determination of assets and liabilities (continued)

Financial assets measured at fair value

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
30-Jun-25				
FINANCIAL ASSETS				
- Units in managed funds	-	252,378,989	-	252,378,988
30-Jun-24				
FINANCIAL ASSETS				
- Units in managed funds	-	232,011,053	-	232,011,053

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.

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.

Notes to the Financial Statements

for the year ended 30 June 2025

7. FINANCIAL INSTRUMENTS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.4 Insurance contracts – risk management and procedures (continued)

- 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 2025 in excess of \$79m up to \$129m.

(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 5.4.4 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.

(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) 35.79%, National Australia Bank (term deposits) 11.23% and Westpac Banking Corporation (term deposits) 12.32% and 100% of cash.

Notes to the Financial Statements for the year ended 30 June 2025

7. FINANCIAL INSTRUMENTS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

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 2025.

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 5.4.

The entire deficiency, gross and net of insurance, is recognised immediately in the Comprehensive Operating Statement. 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.

7.5.1 Unexpired risk liability

	2025 \$	2024 \$
Unexpired risk liability as at 1 July	8,276,826	18,039,260
Recognition of (reduced)/additional unexpired risk liability in the period	5,022,508	(9,762,434)
Unexpired risk liability as at 30 June	13,299,334	8,276,826

7.5.2 Calculation of deficiency

Unearned premium liability relating to insurance contracts	60,557,666	55,230,174
Central estimate of present value of expected future cash flows arising from future claims	65,102,000	56,020,000
Risk Margin of 14.5%	8,755,000	7,487,000
	73,857,000	63,507,000
Net deficiency	13,299,334	8,276,826

The process of determining the overall risk margin is discussed in Note 5.3 and 5.4. 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 2025

8. OTHER DISCLOSURES

Introduction

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

Structure

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8.1 Reserves

	2025 \$	2024 \$
Accumulated Funds at the beginning of the year	116,190,792	105,710,329
Operating Income for the year	1,294,522	10,480,463
Accumulated Funds at the end of the year	117,485,314	116,190,792

Notes to the Financial Statements for the year ended 30 June 2025

8. OTHER DISCLOSURES (CONTINUED)

8.2 Remuneration of auditors

	2025 \$	2024 \$
VICTORIAN AUDITOR-GENERAL'S OFFICE		
- auditing the financial report	90,200	92,400
Total remuneration of auditors	90,200	92,400

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

	2025 \$	2024 \$
Payable as at 30 June	90,200	92,400
	90,200	92,400

8.3 Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance 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 2024 to 18 December 2024
Attorney-General	The Hon. Sonya Kilkenny, MP	19 December 2024 to 30 June 2025
Accountable Officer	Mr Nicholas J Toohey	1 July 2024 to 5 January 2025
Accountable Officer	Ms Mary Maini	6 January 2025 to 30 June 2025
Committee Member - Chair	Ms Michelle Dixon	1 July 2024 to 30 June 2025
Committee Member	Mr Adrian Finanzio	1 July 2024 to 25 February 2025
Committee Member	Mr Justin Graham	24 March 2025 to 30 June 2025
Committee Member	Mr Daniel Barlow	1 July 2024 to 30 June 2025
Committee Member	Ms Nicole Rich	1 July 2024 to 30 June 2025
Committee Member	Mr Mark Valena	1 July 2024 to 30 June 2025
Committee Member	Ms Lucy Terracall	1 July 2024 to 30 June 2025
Committee Member	Ms Fiona Schutt	1 July 2024 to 30 June 2025

Notes to the Financial Statements for the year ended 30 June 2025

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:

\$	2025 No.	2024 No.
0 - 9,999 (a)	2	2
20,000 - 29,999	1	-
30,000 - 39,999	1	5
40,000 - 49,999	3	-
60,000 - 69,999	-	1
70,000 - 79,999	1	-
220,000 - 229,000	1	-
240,000 - 249,000	1	-
420,000 - 429,000	-	1
Total numbers	10	9
Total Remuneration	\$740,654	\$678,133

(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.

Notes to the Financial Statements for the year ended 30 June 2025

8. OTHER DISCLOSURES (CONTINUED)

8.4 Remuneration of executives (continued)

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.

	Total remuneration	
Remuneration of the senior executive service (including Key Management Personnel disclosed in Note 8.5) ^(a)	2025 \$	2024 \$
Total remuneration	2,114,264	1,803,103
Total number of executives	15	12
Total annualised employee equivalents ^(b)	11.9	12

Notes: (a) The total number of senior executive service members 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 public entity 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 2025

8. OTHER DISCLOSURES (CONTINUED)

8.5 Related parties (continued)

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

Chief Executive Officer	Ms Mary Maini (from 6 January 2025)
Chief Executive Officer	Mr Nicholas J Toohey (to 5 January 2025)
Chief Operating Officer	Mr Paul Quayle
Chief Financial Officer	Mr Martin Dohnt
Committee Member - Chair	Ms Michelle Dixon
Committee Member	Mr Adrian Finanzio (to 25 February 2025)
Committee Member	Mr Justin Graham (from 24 March 2025)
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 2025

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	
	2025	2024
Compensation of KMP's	\$	\$
Total compensation ^(a)	1,340,343	1,242,658

(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 and to the date of authorisation of this report that require disclosure.

There were no other material matters or circumstances after balance date and to the date of authorisation of this report that require disclosure.

Notes to the Financial Statements

for the year ended 30 June 2025

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 30/6/25.

Development year	Ultimate claims incurred as % of current estimate	Payments to end of year, as % of ultimate claims
0	80.6% *	9.7%
1	89.0%	41.6%
2	93.5%	63.1%
3	96.3%	77.8%
4	98.0%	86.7%
5	99.0%	92.0%
6	99.6%	95.2%
7	100.0%	97.1%
8	100.0%	98.3%
9	100.0%	99.0%

* Ratio of ultimate incurreds for the 2025 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 on Victorian government forecasts and observed trends in costs per \$m GFI
- 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 2025. 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 2025.

Notes to the Financial Statements for the year ended 30 June 2025

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 2025 are estimated by deducting payments to date.

Gross payments in 2024-25 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 2024-25.

Gross payments in 2024-25 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 2025. 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 30/6/25

Risk variable	Base	Altered	Outstanding claims (\$m)	Premium liability (\$m)
Discount rate (% pa)	3.75%	4.75%	(3.111)	(1.866)
	3.75%	2.75%	3.259	1.965
Claim administration expenses (% of claims)	7.80%	8.80%	1.466	
	7.80%	6.80%	(1.466)	
Wage inflation (% pa)	3.25%	4.25%	2.538	2.030
	3.25%	2.25%	(2.535)	(1.967)
"Regular" solicitor claims per principal equivalent	4,849	5,333	1.941	2.977
	4,849	4,364	(1.941)	(3.929)
Claims held at face value of management's estimates 2024-25 (\$m)	\$3.50m	\$5.0m		1.678
	\$3.50m	\$2.0m		(1.678)
"Large" claims (\$m)	\$18.0m	\$19.5m		1.902
	\$18.0m	\$16.5m		(1.902)

Notes to the Financial Statements

for the year ended 30 June 2025

8. OTHER DISCLOSURES (CONTINUED)

8.7 Actuarial assumptions and methods (continued)

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)

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 2025

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 2025. Their details are disclosed below.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector financial statements
AASB 17 <i>Insurance Contracts</i>	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 2022-9 <i>Amendments to Australian Accounting Standards – Insurance Contracts</i>	AASB 2022-9 amends AASB 17 to make public sector-related modifications (for example, it specifies the pre-requisites, indicators and other considerations in identifying arrangements that fall within the scope of AASB 17 in a public sector context). This Standard applies for annual reporting periods beginning on or after 1 July 2026.		
AASB 2022-8 <i>Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector: Consequential Amendments</i>	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. This Standard applies for annual reporting periods beginning on or after 1 January 2023.		

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