



**Legal Practitioners
Indemnity Insurance
Fund NPC**

Est. 1993 by the Legal Practitioners Fidelity Fund



**INTEGRATED
ANNUAL
REPORT
2024**

ABOUT THIS REPORT

The Legal Practitioners Indemnity Insurance Fund NPC is pleased to present its 2024 integrated annual report.

This publication covers the financial year from 1 July 2023 to 30 June 2024.


SCOPE AND BOUNDARY

The integrated annual report covers all the operations of the company as well as the risks, opportunities and outcomes material to the company that emanate from external stakeholders and entities. The information included in the integrated annual report has been selected to cater to the interests of stakeholders who require a broad overview of the company and its activities.

There has been no change in the scope and boundary of this report relative to the 2023 report.

MATERIALITY PROCESS

The information in this report has been selected to provide a comprehensive overview of our business model, performance, governance practices, strategy, risks and opportunities. The information originated from topics addressed in our Board of Directors (the Board) and management reports, as well as input from our stakeholders. The material matters are identified as part of our strategic and risk management processes. The company defines a matter as material if it impacts one or more of the six capitals and has the potential to significantly affect the company's ability to create value over the short (12-18 months), medium (up to three years) or long term (beyond three years). Our assessments and responses are thoroughly considered at the appropriate management and Board level.

 **FOR A DISCUSSION OF THE COMPANY'S MATERIAL MATTERS, REFER TO PAGE 7.**

FRAMEWORKS AND ASSURANCE

The information included in the integrated annual report has been provided in accordance with:

	Integrated Annual Report	Annual Financial Statements
International Reporting <IR> Framework		
International Financial Reporting Standards (IFRS)		
Companies Act 71 of 2008		
Legal Practice Act 28 of 2014		
Financial Sector Regulation Act 9 of 2017		
Insurance Act 18 of 2018		
King IV Report™ on Corporate Governance for South Africa (King IV™)		

No external assurance has been sought, other than for:

- the annual financial statements; and
- modelling done by the Actuarial function as part of the assessments conducted on the technical provisions, outstanding claims reserve requirements and the recommended premium and reinsurance calculations.

INTEGRATED REPORT PROCESS AND APPROVAL

The integrated annual report is prepared by management with input from the Board and reviewed by the Risk Committee and the external auditors. The Risk Committee provides feedback and recommends the integrated annual report to the Board, which is responsible for the information presented in this report.

The Board acknowledges its responsibility to ensure the integrity of the integrated annual report and confirms that it addresses all material matters and provides a balanced overview of the company and its prospects. The Board believes that the 2024 integrated report is presented in accordance with the <IR> Framework and approved the report for publication.

On behalf of the Board

Non-Executive Chair:
MJ HAKEN

Non-Executive Directors:
S CHABA, DP DU PLESSIS, EA MOOLA, MJ LESEJANE, TD KHANYILE, SK O'MAHONY

Managing Director:
SS MBELLE

HOW TO NAVIGATE THE REPORT



This icon signifies related information elsewhere in this report



This icon signifies related information available online at www.lpiif.co.za



FOR FURTHER INFORMATION, PLEASE CONTACT THE COMPANY ON +27 (0) 12 622 3900 OR VISIT WWW.LPIIF.CO.ZA

NAVIGATION JOURNEY

ABOUT THIS INTEGRATED REPORT

Our report is divided into four sections to demonstrate how we generate and maintain value while reducing the possibility of value erosion.

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COMPANY OVERVIEW

This section provides an overview of the Fund, highlighting the key achievements for the past year and how we created value. We also provide insight into the environment in which we operate and the trade-offs between our capitals that we had to make this year.

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PERFORMANCE AND OUTLOOK

In this section, our strong leadership team reports on the financial performance and the strategies that we implemented to protect the company and the legal profession.

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STAKEHOLDER VALUE

In this section, we discuss the stakeholders identified as core to our business and explain how we engage with them to ensure strong ongoing relationships.

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ACCOUNTABILITY

This section explains how strategic leadership, strong oversight and guidance, as well as robust governance and risk management processes deliver effective value creation and protection for our stakeholders.

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ANNUAL FINANCIAL STATEMENTS

Our financial performance including the independent auditor's review is included in this section.

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The publishing of this report was delayed due to a cyber incident in June 2024.



PLEASE REFER TO PAGE 51 FOR DETAILED INFORMATION ON THE INCIDENT

ABOUT THE LPIIF

The LPIIF is a South African non-profit, non-life insurance company which provides Professional Indemnity insurance to legal practitioners with Fidelity Fund Certificates, and Executor Bonds of security to attorneys, as contemplated in section 77 of the Act.

OUR MISSION

To provide sustainable, efficient and cost-effective professional indemnity (PI) cover to the legal profession in South Africa, while protecting the public interest by:

- protecting the integrity, esteem, status and assets of the legal profession; and
- protecting the public against indemnifiable and provable losses arising from the conduct of legal practice, on the basis set out in the policy.

THE COMPANY HAS THREE LINES OF BUSINESS, BEING:

The provision of **Professional Indemnity insurance cover** to practising attorneys and advocates with Fidelity Fund Certificates in terms of the Act

The **provision of bonds of security to attorneys** appointed as executors of deceased estates (as provided for in section 77 (3) of the Act)

The **provision of risk management services** to the legal profession

THE LPIIF IS AN INSURER WITH A CAPTIVE MARKET AND IS LIMITED TO OFFERING ITS PRODUCTS TO:

- legal practitioners in respect of **claims which may arise from their professional conduct**; and
- **bonds of security** to practitioners in respect of acting as or agents for any of the following:
 - executors of deceased estates;
 - trustees of insolvent estates;
 - curators over the persons and property of disabled persons; and
 - principals or agents in any similar capacity.

INDUSTRY STRUCTURE

The LPIIF was established by the Fidelity Fund, acting in terms of its powers set out in the Act. The LPIIF is a licensed, non-life insurance company in terms of the Insurance Act. The LPIIF is the vehicle through which the insurance functions, set out in section 77 of the Act, are carried out. In terms of the Twin Peaks model of regulation, the LPIIF is regulated by the FSCA and PA.

LEGAL PRACTICE ACT 28 OF 2014 (ACT)

LEGAL PRACTITIONERS FIDELITY FUND (LPFF)

The Fidelity Fund is a creature of statute and its continued existence is in terms of the Legal Practice Act.

ROLE OF THE FIDELITY FUND

Protecting the legal practitioner's client

The Fidelity Fund is a client protection fund that carries out the functions set out in Chapter 6 of the Act. The primary function of the Fidelity Fund is to protect the public against theft of money held in trust by legal practitioners on behalf of their clients (the public).

LEGAL PRACTITIONERS INDEMNITY INSURANCE FUND NPC (LPIIF)

The Fidelity Fund is the sole member of the LPIIF.

ROLE OF THE LPIIF

Protecting the legal practitioner

The LPIIF carries out the insurance services referred to in section 77 of the Act and protects the public from losses arising from the negligence of practitioners.

These entities share a common infrastructure in terms of administrative services.

BUSINESS HIGHLIGHTS

PROFESSIONAL INDEMNITY STATISTICS

CLAIMS FROM 1996*
TO 30 JUNE 2024

9 322

claims notified

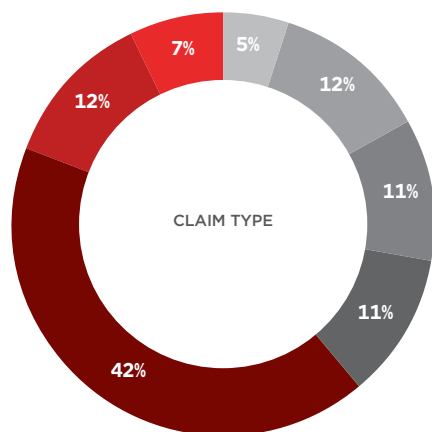
R1.4bn**

claims paid (including
investigation costs)

* The earliest point when claims were paid
in any material quantity
** Inclusive of VAT

CATEGORIES OF PROFESSIONAL INDEMNITY CLAIMS PAID

CLAIM TYPE – PAYMENTS OVER
FIVE YEARS ENDING JUNE 2024



- Commercial
- Conveyancing
- General Prescription
- Litigation
- RAF Prescription
- RAF Under Settlement
- Other

CLAIMS IN 2023/2024

299

claims notified

R20.5m

value of claims paid

R29.1m

claims-related
investigation costs

69%

of all Professional
Indemnity claims are
managed internally,
leading to significant
savings in investigation
and defence costs

14%

increase in the number of
claims notified compared
to the 2023 financial year

EXECUTOR BONDS

EXPOSURE TO EXECUTOR BONDS

Reduced from

R14.6bn

in 2016 to

R4.6bn

by 30 June 2024, through
the active management of
outstanding bonds

BONDS IN 2023/2024

521

bonds issued

R571m

value of bonds issued

**PREScription
ALERT**

MATTERS REGISTERED IN 2023/2024

21 382

matters registered on the
Prescription Alert System

1 804

matters registered where
the running of prescription
has been interrupted

CAPITALS

HUMAN CAPITAL

2023/2024

38

staff members

R42.9m*

salaries paid

* Total cost of earnings and benefits

FINANCIAL CAPITAL

2023/2024

Total assets of

R1.95bn

up **15.1%**

SOCIAL AND RELATIONSHIP CAPITAL

2023/2024

Over 2 700 newly admitted legal practitioners were engaged during the reporting period

Risk and practice management training was given to 1 632 legal practitioners

INTELLECTUAL CAPITAL

The company believes that its operations and actions directly contribute to increased trust of the legal profession

The abovementioned are the most critical capitals



OPERATING CONTEXT

KEY

OUR STRATEGY



**A SUSTAINABLE
OPERATING
MODEL**



**RISK
MANAGEMENT
AND MITIGATION
MEASURES**



**AN ENABLING
REGULATORY
AND BUSINESS
ENVIRONMENT**

OUR RISKS



**LEGAL AND
REGULATORY
RISK**



**INSURANCE
RISK**



**OPERATIONAL
RISK**



**INVESTMENT
RISK**



**CREDIT
RISK**



**MARKET
RISK**



**CONCENTRATION
RISK**



**STRATEGIC
RISK**

Emerging trend	Related material matter	Related risks and opportunities	Strategies to deal with the impact
Artificial Intelligence is impacting different spheres of life and business, and the legal profession is embracing AI. The company has engaged stakeholders on the impact of AI on the profession and continues to assess and monitor any new risks to the business which may be occasioned by the use of AI by legal practitioners.	Provide the primary layer of Professional Indemnity and risk management services. Enhance trust in the legal profession.		
The regulatory environment continues to become more complex, onerous and costly. Although IFRS 17 was successfully implemented, it has added a layer of onerous compliance requirements. The cost of complying with regulatory requirements continues to disproportionately impact smaller insurance entities and threaten their viability.	Meet the regulatory solvency requirements. Implement measures to improve governance structures, such as Board appointments, review of terms of reference and regulatory engagements. Ensure an appropriate operating model.		



FOR DETAILS ON HOW THE COMPANY IS ADDRESSING THESE TRENDS, PLEASE REFER TO THE REPORT BY THE MANAGING DIRECTOR ON PAGE 16.

MATTERS MATERIAL TO OUR BUSINESS

KEY

OUR STRATEGY



OUR RISKS



MM1

PROVISION OF PI

Provide the primary layer of Professional Indemnity insurance and risk management services to the legal profession, and bonds of security to attorneys appointed as executors of deceased estates.

The company's ability to fulfil its mandate may be hindered by the following factors:

- inadequate funding;
- a significant change in the risk profile;
- inappropriate insurance or reinsurance cover; and
- ineffective administration processes.

RELATED STRATEGIES



RELATED RISKS



IMPACTED STAKEHOLDERS

All identified stakeholders

CONTRIBUTING STAKEHOLDERS

LPFF

MM2

TRUST IN THE LEGAL PROFESSION

Enhance the trust that consumers of legal services have in the legal profession.

Substantial financial and reputational losses could be the result of the following:

- unsatisfactory claim experiences; and
- insufficient data integrity controls.

RELATED STRATEGIES



RELATED RISKS



IMPACTED STAKEHOLDERS

Public using legal services
Legal practitioners

CONTRIBUTING STAKEHOLDERS

Fidelity Fund
Regulators
Employees

MM3

MEETING SOLVENCY REQUIREMENTS

Meet the regulatory solvency requirements.

The company might be unable to sustainably fulfil its financial and regulatory obligations without the following:

- an appropriate premium;
- an investment strategy;
- the necessary compliance; and
- risk transfer structures.

RELATED STRATEGIES



RELATED RISKS



IMPACTED STAKEHOLDERS

Legal practitioners
Public using legal services

CONTRIBUTING STAKEHOLDERS

Regulators
Fidelity Fund
Employees
Actuarial functions
Investment managers

MATTERS MATERIAL TO OUR BUSINESS

MM4

INVESTMENT STRATEGY

Maintain and monitor the approved investment strategy.

The following occurrences can have a significant impact on the returns received in the portfolio and may create liquidity constraints:

- unexpected capital charges;
- movements in interest rates; and
- a decline in local and foreign share prices.

RELATED STRATEGIES



RELATED RISKS



IMPACTED STAKEHOLDERS

Fidelity Fund
Legal practitioners

CONTRIBUTING STAKEHOLDERS

Investment managers
Actuarial functions

MM5

MEETING STRATEGIC GOALS

Ensure that an appropriate operating model, human capital and information and technology are in place to meet short, medium and long-term strategic goals.

Serious financial and regulatory consequences and an inability to fulfil our mandate could be the caused by:

- staff who are not sufficiently skilled and qualified;
- inadequate information and technology processes; and
- inefficient operating processes and procedures.

RELATED STRATEGIES



RELATED RISKS



IMPACTED STAKEHOLDERS

Legal practitioners
Panel attorneys
Fidelity Fund

CONTRIBUTING STAKEHOLDERS

Employees

MM6

IMPROVING GOVERNANCE

Implement measures to continuously improve the efficacy of the governance structures.

Non-compliance with regulatory requirements may lead to regulatory action, which will introduce significant reputational and existential risks for the company.

RELATED STRATEGIES



RELATED RISKS

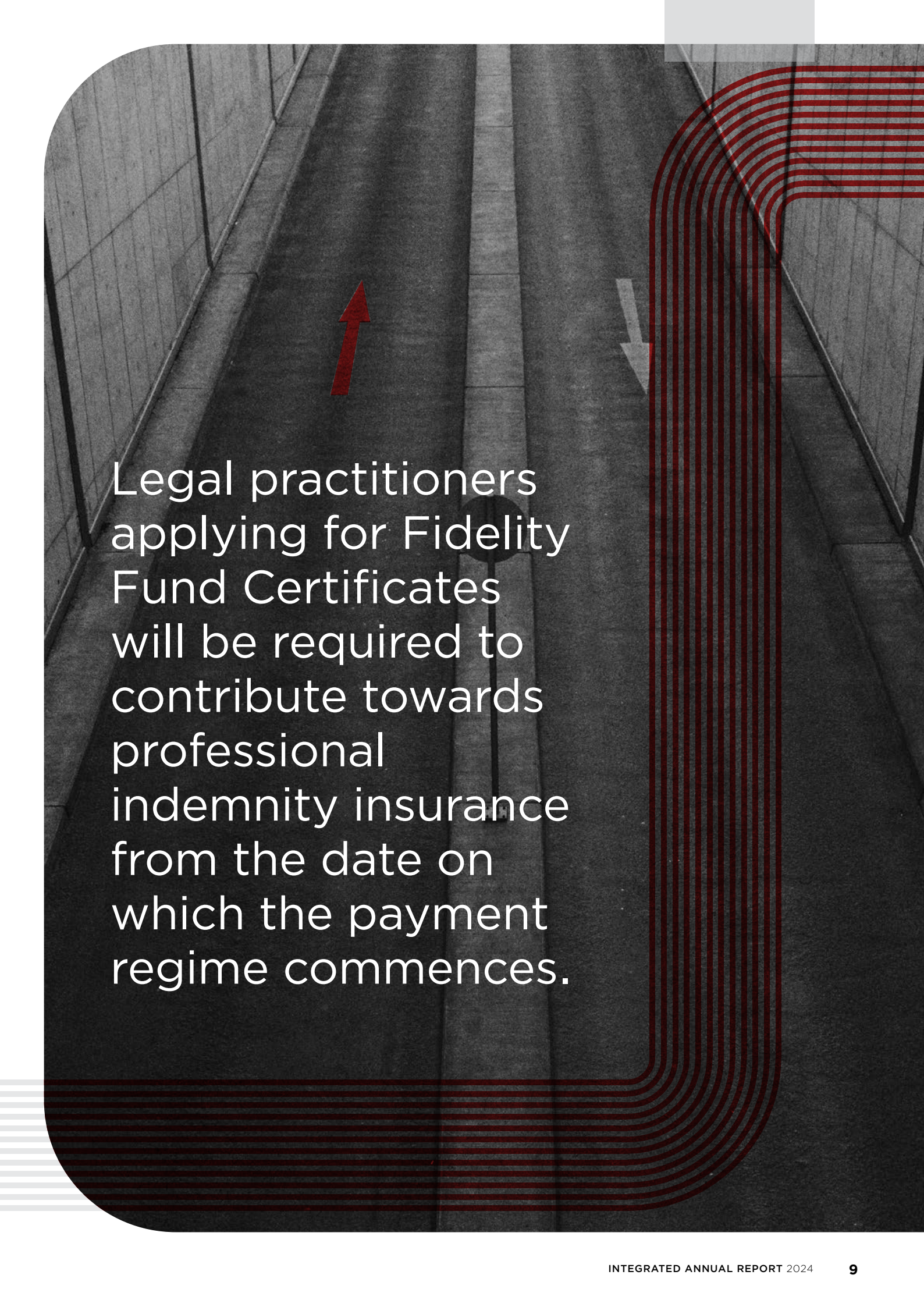


IMPACTED STAKEHOLDERS

Legal practitioners

CONTRIBUTING STAKEHOLDERS

Fidelity Fund
Regulators
Employees



Legal practitioners
applying for Fidelity
Fund Certificates
will be required to
contribute towards
professional
indemnity insurance
from the date on
which the payment
regime commences.

OUR BUSINESS MODEL AND VALUE-CREATION PROCESS

OUR INPUTS



INTELLECTUAL CAPITAL

Our brand, legal expertise and proprietary claims system

- 11 professionals



HUMAN CAPITAL

Our employees, investment asset managers, the actuarial and internal audit functions

- 38 staff members
- R42.9m* paid in salaries

* Total Cost of Earnings as per IFRS 17
- see notes 21 and 22 in AFS



FINANCIAL CAPITAL

Funding from the Fidelity Fund and internally generated funds

- R164.7m investment income (2023: R171.8m)
- R1.831bn** investment portfolio (2023: R1.565bn)
- R28 310 marketing spend

** Excluding IFRS 9 loss adjustment



SOCIAL AND RELATIONSHIP CAPITAL

The legal profession, public using legal services, reinsurers and regulators, panel attorneys and other stakeholders

- 33 413 practising and 7 651 candidate attorneys



ENVIRONMENTAL CAPITAL

Water and energy consumption, paper usage and waste generation

- Low environmental impact



MANUFACTURED CAPITAL

Our equipment, technology and public infrastructure, some of which are outsourced from the Fidelity Fund

- Prescription Alert
- Risk management training courses

OUR VALUE-CREATION PROCESS

OUR STRATEGIC PILLARS



A SUSTAINABLE
OPERATING MODEL



RISK MANAGEMENT AND
MITIGATION MEASURES



AN ENABLING REGULATORY
AND BUSINESS ENVIRONMENT

GOVERNANCE AND OVERSIGHT

ACTIVITIES

Professional Indemnity insurance
Executor Bonds
Risk management services

ADMINISTRATIVE
SERVICES ARE SHARED
WITH FIDELITY FUND
(SYSTEMS, DATA AND
SHARED RISK POOL)

SUPPORT/ADMINISTRATIVE SERVICES

Procurement and supplier
management
ICT management
Human capital management
Facilities management
Public relations

LEGAL PRACTITIONERS
OTHER EXTERNAL STAKEHOLDERS

REGULATORY ENVIRONMENT

Legal Practice Act, Insurance Act
Financial Sector Regulation Act, Companies Act



VALUE CREATION



VALUE PRESERVATION



VALUE CONCEDED

OUR OUTPUTS

PROFESSIONAL INDEMNITY INSURANCE

- Provision of Professional Indemnity insurance cover to attorneys and advocates practising with Fidelity Fund Certificates
- Payment of legal defence costs of practitioners in addition to the limit of indemnity

CLAIMS OVER THE PAST FIVE YEARS:

**1 536
NOTIFIED
R332.7M PAID**

BONDS OF SECURITY

- Provision of bonds of security to attorneys with Fidelity Fund Certificates who are appointed as executors in deceased estates

BONDS OVER THE PAST FIVE YEARS:

**2 859 ISSUED,
WORTH R3.0BN,
R12.2M IN
CLAIMS PAID**

RISK MANAGEMENT SERVICES

- As an added service to the profession, the company provides Prescription Alert, a computerised diary system used to register time-barred matters, which alerts the profession of impending prescription dates
- Dedicated practitioner support service
- Additional services aimed at reducing practitioners' risk exposure, including education, publications and communication
- Litigation undertaken by the company to address emerging risks against legal practitioners

OUR OUTCOMES

-  Servicing the legal profession by providing a risk-transfer mechanism (Professional Indemnity and bonds of security) as well as risk management and mitigation tools
-  The public has the confidence to utilise legal services
-  A well-skilled and experienced Board
-  A more resilient legal system
-  A broader range of educational material available to legal practitioners
-  Legal practitioners who are well-versed in risk mitigation techniques
-  Stronger claims administration expertise
-  A more sustainable financial base

VALUE PRESERVATION ACTIONS

- A well-diversified investment portfolio serves to protect against negative market movements in certain sectors and/or investments, and value erosion as a result thereof.
- Our efforts to reduce the exposure to active Executor Bonds have led to the preservation of value.
- Our efforts to educate the profession in risk mitigation reduced the number of claims.
- Increasing the proportion of claims managed internally rather than through attorneys reduced operating costs.

THE CHALLENGES WE ARE STRIVING TO OVERCOME





- Securing the long-term financial sustainability of the company
- Reducing risk in the legal profession through awareness and training in risk mitigation
- Implementing technology, safeguards and training to avoid cyber attacks

SUSTAINABLE DEVELOPMENT GOALS


























In 2015, the United Nations General Assembly created the Sustainable Development Goals (SDGs), a collection of 17 interlinked objectives to be reached by 2030. They are designed to serve as a shared blueprint for peace and prosperity for people and the planet, now and into the future. These SDGs coincide with businesses questioning their approach to issues of environmental sustainability and operational impact.

The LPIIF has considered the 17 SDGs and selected four goals where we strive to make a difference.

SDG	Description	Application
 End poverty in all its forms, everywhere.	<ul style="list-style-type: none"> ■ Employment opportunities ■ Healthcare ■ Education ■ Income 	<p>The company creates employment, healthcare, and bursary opportunities for employees.</p>
 Ensure healthy lives and promote well-being for all at all stages.	<ul style="list-style-type: none"> ■ Safe and hygienic work environment ■ Policies and procedures in respect of health and safety ■ Wellness service provider 	<p>Health and safety in the workplace are legislated and the company has policies and procedures in place to ensure employees' health and safety.</p> <p>Wellness services are available to employees and members of the household.</p>
 Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.	<ul style="list-style-type: none"> ■ Training ■ Study opportunities 	<p>The company provides training and study opportunities to employees.</p> <p>The company offers bursaries to employees to study towards a qualification of their choice.</p> <p>Continuous development is encouraged through various other methods of training.</p> <p>Self-development is an element of formal performance management.</p>
 Promote sustained, inclusive and sustainable economic growth, full of productive employment and decent work for all.	<ul style="list-style-type: none"> ■ Employee appointment ■ Procurement practices ■ Ownership ■ Management control ■ Supplier and enterprise development ■ Promoting jobs and enterprise ■ Guaranteeing rights at work ■ Extending social protection 	<p>The company seeks to develop previously disadvantaged persons in the recruitment process.</p> <p>The majority of employees belong to previously disadvantaged groups.</p> <p>B-BBEE status is considered when making supplier appointments.</p> <p>Labour practices promoting fair and equitable work are entrenched in the policies of the company.</p> <p>The company is required to protect basic human rights and refrain from contrary practices.</p> <p>Employees are provided social protection such as healthcare and mental health services.</p> <p>The Board is responsible for ensuring decent work for all.</p> <p>Further, under its mandate, it contributes to economic development by facilitating a stable environment and trustworthy legal profession and services.</p>

SOME OF THE TRADE-OFFS WE HAVE HAD TO MAKE

To fulfil our mandate of protecting the legal profession, we often had to make trade-offs to navigate our risks, balancing the value we offer to the legal profession against the ongoing sustainability of the business. Some of these are:

	Capitals affected
<ul style="list-style-type: none"> The provision of Professional Indemnity insurance at no cost to individual insured firms benefits the legal profession but places a considerable financial burden on the company and the Fidelity Fund. To balance the needs of all parties, practitioners will in future make a contribution, while the Fidelity Fund will continue to cover the remainder as well as administrative expenses. 	    
<ul style="list-style-type: none"> A more aggressive investment portfolio composition presents an opportunity to enhance returns but poses the downside of increased risk and volatility. 	     
<ul style="list-style-type: none"> Management must continuously make a trade-off between the number of claims dealt with internally, relative to those outsourced to the panel of attorneys, to minimise legal defence costs. 	     
<ul style="list-style-type: none"> The fact that Professional Indemnity insurance and Executor Bond services are delivered at no cost to insured legal practitioners may inadvertently lead to less diligence by legal practitioners in dealing with the risks that could result in claims. 	     

KEY

OUR CAPITALS

					
INTELLECTUAL CAPITAL	HUMAN CAPITAL	FINANCIAL CAPITAL	SOCIAL AND RELATIONSHIP CAPITAL	ENVIRONMENTAL CAPITAL	MANUFACTURED CAPITAL

IMPACT

	
POSITIVE	NEGATIVE

CHAIR'S REPORT

As we celebrate 31 years of existence, I am filled with pride and gratitude for all that we have achieved together. This milestone is not just a reflection of our longevity but testament to our resilience, innovation, and unwavering commitment to serving the legal profession.

I am pleased to report that despite challenging conditions, the value of our investments increased by an impressive 17%, and our total assets grew by 12% year-on-year. This performance surpasses the Consumer Price Index (CPI) of approximately 5% and exceeds our investment target of CPI +4%. These results are a direct consequence of our diligent investment management practices and proactive risk management strategies, which have allowed us to navigate complexities with prudence and efficiency.

Our internal systems of control remain robust, yielding several positive governance and compliance outcomes. The recent internal audit for 2023/2024 yielded satisfactory results with no adverse findings raised, underscoring our commitment to the maintenance of high standards. Furthermore, the Claims Review Committee conducted two thorough audits of our Professional Indemnity (PI) and Executor Bonds procedures, both of which confirmed our claims files reflect a high standard of legal skill and application.

These financial and governance achievements are vital to our long-term sustainability, a priority that has been central to the Board's agenda. We are also continuously investigating possible new revenue channels to reduce our funding risk and the financial burden on the LPFF. Notably, the Fidelity Fund has indicated that practitioners will soon be required to contribute to the annual premium for the LPIIF. We await details regarding this change.

We also ventured into a promising cybersecurity solution tailored for the legal profession. Unfortunately, this initiative was hampered by material misrepresentation from suppliers, leading to a breakdown in trust and the eventual cancellation of the project. Although we did not succeed with this solution, we remain committed to seeking ways to reduce the risk for legal practitioners. We will also continue to investigate alternative revenue opportunities to ensure our ongoing sustainability.

As we navigate these changes, I want to emphasise that all stakeholders play a crucial role in our collective success. Legal practitioners can significantly contribute by addressing underlying risks in their practices that lead to professional indemnity claims. In this regard, the LPIIF continues to make resources available to assist practitioners in effectively managing their operations.

The year has presented significant challenges, both externally and internally. We were the target of an IT hacking/ransom incident, which impacted both LPFF and LPIIF in June 2024. This was particularly disruptive and will require considerable time and effort to rectify fully. Regrettably, the annual report has also been published later than usual because of delays caused by the incident which hindered the timely completion of the external audit of the financial statements.

We are, however, pleased to report that the company has largely recovered from the incident. Our proactive response and measures have ensured minimal impact on operations, and we continue to strengthen our cybersecurity measures to minimise the risk of future occurrences.

Additionally, our relationship with the Fidelity Fund's board has necessitated careful negotiation. I extend my heartfelt gratitude to the CEO of the LPFF, Mr Molefe, for his ongoing liaison efforts, which are invaluable to both organisations.

We have also faced external hurdles, including the strained relationship between the RAF and claimants' attorneys and delays in service delivery from the Master's office due to countrywide staff suspensions. Despite these challenges, the LPIIF has actively sought to manage risks to our organisation and the broader legal community, including pursuing legal remedies on the profession's behalf.

The efficiency of the LPIIF remains a top priority, and I am encouraged to report that claims processing is improving, resulting in a downward trend in litigation costs.

In terms of governance, I am proud to lead a cohesive and high-functioning board. We have implemented a rotation strategy to ensure compliance with regulatory requirements, while also ensuring our board is comprised of directors with the necessary skills to effectively oversee the business and execute our strategy effectively. Recent board appraisals have yielded positive outcomes, and we are continually assessing our governance structures to enhance our effectiveness.

An important change to the composition of the board committees this year was the restructuring of the responsibilities of the Remuneration Committee to include Social and Ethics (SEC) as well as Nominations functions. I also want to highlight some changes in our board composition. Ms Deshni Subhiah resigned on August 23, 2023, and Ms Siobhain O'Mahony joined us on 12 June 2024, contributing her expertise to the Risk and Audit Committees. Furthermore, Mr Mila Mafanya became a member of the Investment Committee on 20 March 2024.

Like many in the financial services sector, the LPIIF has grappled with the increasing burden of regulatory compliance, particularly with the introduction of IFRS 17 this financial year. This has imposed significant costs in terms of IT, accounting, and training. Inevitably, these costs are passed on to the public purchasing insurance, and whilst we continue to explore ways of mitigating these costs through improved efficiencies, we must consider their impact as we navigate our financial landscape.

In closing, I extend my sincere appreciation to our Managing Director, Mr. Mbelle, for his vision and dedication. I also thank the CEO of the LPFF for providing unwavering support for LPIIF. I thank all our board and committee members, management, and employees for their support and commitment. Most importantly, I express gratitude to our constituency, the attorneys, whose trust and support are the foundation of our existence.

As we look to the future, I am optimistic about the improved economic outlook and the opportunities it brings. Thank you for your continued confidence in the LPIIF as we strive for excellence in the years to come.

MJ HAKEN
Non-Executive Chair

MJ HAKEN
CHAIR

“The value of our investments increased by an impressive 17%, and our total assets grew by 15% year-on-year.”

REPORT BY THE MANAGING DIRECTOR

The 2024 financial year was marked by a number of challenges and will be remembered as a year when the operations were interrupted by a significant cyber incident. This event occurred on 20 June 2024 and revealed some vulnerabilities in the cyber security, business continuity and disaster recovery processes of the business. The slow recovery process hindered our progress on several initiatives this year, including timely sign-off of the audited financial statements.

Although critical operations were interrupted for a certain period and information needed to be recovered, we successfully isolated the compromised area and ensured that critical information remained uncompromised. We have implemented safety mechanisms to prevent a recurrence. Our human resources have been enhanced with new roles created and responsibilities allocated for appropriate shared IT services between the LPIIF and the LPFF.

At the time of the incident, we had commenced work to update our ICT architecture and strategy. Work in this respect continues, including defining our vision for the role of artificial intelligence in legal practice and insurance, as well as its application in our normal day-to-day operations. We will continue to monitor cybercrime trends to keep the LPIIF protected. Furthermore, we are exploring ways to support and defend the profession against cybercrime through education and awareness campaigns, preparing them to adopt defensive measures against this challenge.

The company also commenced the implementation of IFRS 17. An interim external audit was successfully completed in May 2024. The implementation of IFRS 17 has been successful, despite the delay in completion and sign-off on the audit of the AFS due to the recovery of information after the cyber incident.

The LPIIF is dedicated to safeguarding legal practitioners and the public by minimising professional risks within the legal sector. We provide essential protection through a primary layer of professional indemnity insurance to all legal practitioners in South Africa, as mandated by section 77 of the Act. In addition, we issue bonds of security for attorneys appointed as executors of deceased estates. Our Prescription Alert system further supports the profession by offering timely reminders on approaching deadlines for time-barred matters.

Although this incident presented a challenge, I am pleased to report that we also validated the resilience of our institution from both a process and systems perspective, as well as of our people and the overall business environment.

ACHIEVING OUR MISSION

Effective risk management is at the core of our mission. We continuously monitor and assess areas where legal practitioners' conduct could lead to professional indemnity claims, whether due to breaches of mandate, failure to uphold the duty of care, or breaches of fiduciary duties. To address these challenges, we offer, in addition to professional indemnity insurance, tailored risk mitigation strategies, including seminars, training sessions and publications of risk-related information in *De Rebus* and the Risk Alert Bulletin. We also collaborate closely with professional bodies, conduct on-site visits to firms, and provide direct support through our dedicated practitioner support service.

In partnership with the Legal Education and Development Division of the Law Society of South Africa (LSSA), we deliver the risk management and insurance module prescribed by rule 27. Our free training on estate management processes assists attorneys in handling the administration of deceased estates responsibly, reducing the likelihood of errors and potential claims.

The LPIIF occasionally engages in strategic litigation, focusing on high and emerging risks. Our team stays at the forefront of legal developments, studying liability trends. Our successful review of the Road Accident Fund (RAF) Board Notice 271 of 2022 is a case in point.

Ultimately, we aim to empower legal practitioners with the knowledge and tools to avoid claims. When claims do occur, we manage them efficiently, ensuring fair outcomes for both attorneys and their clients.

PROGRESSING OUR STRATEGY DESPITE CHALLENGING CIRCUMSTANCES

We are pleased to report excellent progress in advancing our strategic objectives over the past year. A key highlight was the 17% growth in our investment portfolio, surpassing our target of CPI +4%, despite volatile market conditions. The receipt of the premium for the reporting year has significantly contributed to this growth. Equally important has been the investment strategy adopted by the board, which achieved higher asset growth while effectively managing investment risk – a crucial factor in unpredictable financial markets.

The LPFF had a strong collection year in 2024, which supported the funding of the LPIIF's premium. However, this trend may not continue as interest rates begin to ease, underscoring the ongoing challenge of securing a sustainable premium funding model. The LPFF has committed to continue supporting the LPIIF and ensuring that it remains in a strong financial position to fulfil its mandate. We extend our gratitude for that commitment.

Another notable achievement this year has been the reduction of R823 million in exposure to executor bonds, exceeding the Board-approved target of R800 million. It must be remembered that the total exposure was R4 billion. The executor bond team has consistently performed at a high level despite challenges at the Master's Office. This area is essential for reducing the business' overall risk, and we will continue to seek innovative solutions to meet our objectives, regardless of the obstacles we may face.

Other positive outcomes include a steady increase in firms registering for the Prescription Alert service and continued efficiencies within the claims team, leading to further savings on defence costs.

Our internal control and governance processes remain of a very high standard, as evidenced by the latest internal audit review, which reported no adverse findings. Additionally, two separate audits conducted by the Claims Review Committee indicated satisfaction with the claims team's skills and performance. The Claims Review Committee has proven to be a valuable addition to the level of governance for LPIIF, ensuring efficient operations and confirming that all claims are processed and paid promptly. The effectiveness of our governance structures has also been validated by this year's Board evaluation project, which found that our Board's performance is at a high level of effectiveness.

An important strategic focus this year has been ensuring that we have the right people and skills in place. We have implemented a succession planning programme for all critical roles. We are also training our staff in executive and management capabilities to ensure they can perform their current roles effectively and provide sufficient depth of skills in case critical positions need to be filled.

GOING FORWARD

The income generation aspects of our growth strategy were paused in 2024 while we addressed the revision of the ICT strategy and recovery from the effects of the cyber incident. We plan to refocus on these aspects in the coming year. As part of reviewing our business practices, we will also reassess the growth strategy pillars originally envisioned. We are confident that the fundamentals of our strategy remain intact.

The company will continue concentrating on operational drivers that are crucial for generating value for our stakeholders. A key priority is ensuring we have the new IT capabilities, platform, and enhanced security measures. Ongoing operational initiatives will remain focus areas for 2025, along with efforts to manage claims costs through risk management strategies and reduced reliance on outside attorneys.



SIPHO MBELLE
MANAGING DIRECTOR

IN CONCLUSION

The LPIIF has demonstrated remarkable resilience in the face of unexpected events in 2024, overcoming the challenges and emerging as a stronger, more agile and efficient organisation, further reinforcing our commitment to protecting our stakeholders.

I sincerely appreciate our dedicated staff, led by a team of competent executives, for their outstanding performance in such a demanding environment. My gratitude also goes to the Board for their unwavering guidance and support, and to the Fidelity Fund for its continued commitment to our success. Lastly, we sincerely appreciate our stakeholders' ongoing partnership in driving the company's long-term success.

We look forward to a successful 2025.

SIPHO MBELLE
Managing Director

OPERATIONAL REVIEW

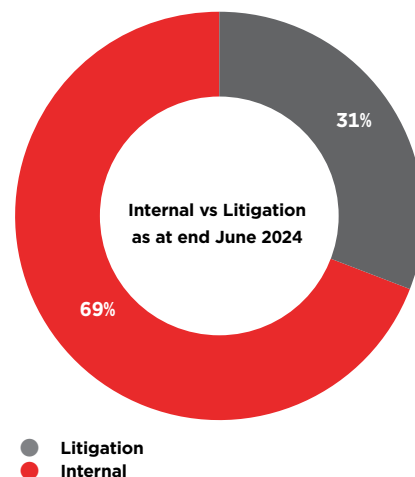


The company has made great strides in every aspect of its operation and is dedicated to further increasing efficiency.

The core group of our claims department's human capital has remained consistent over the years, and overall capacity is routinely assessed to guarantee effectiveness.

Operational efficiencies achieved:

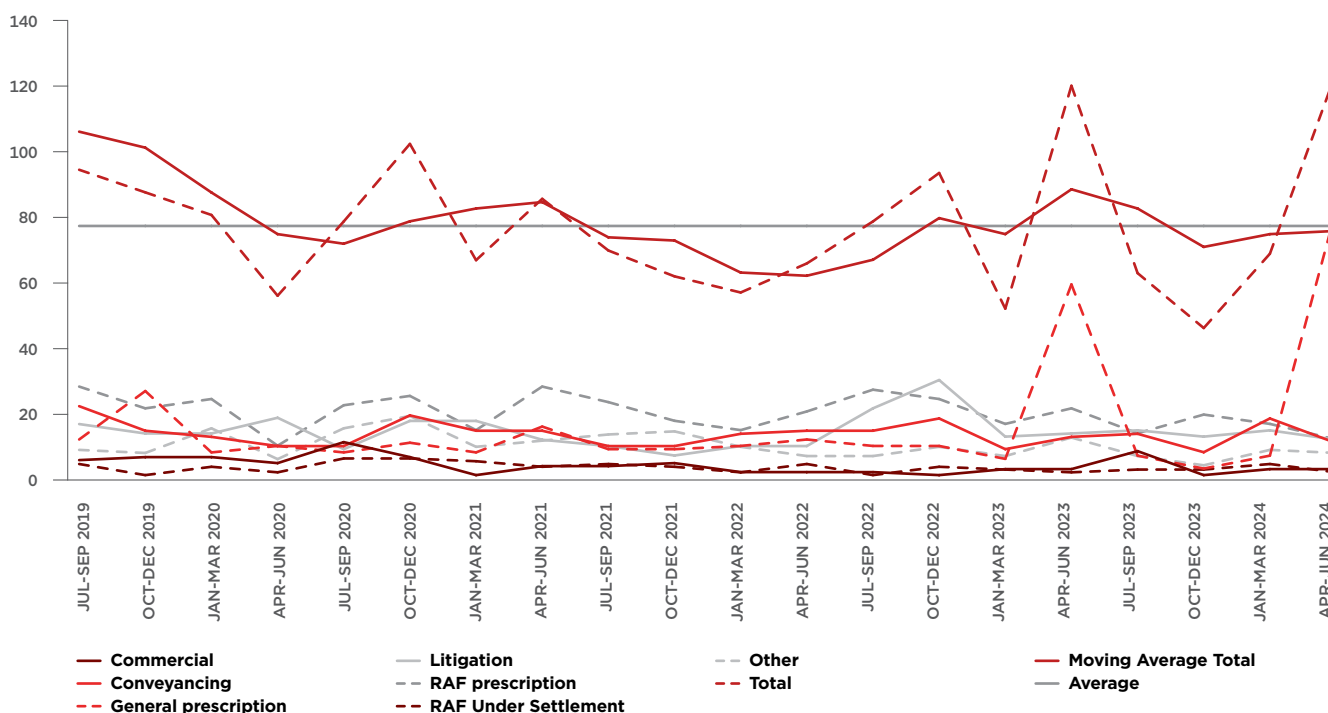
- The competencies of the claims team have been enhanced. Vacancies have been filled, and claims are being dealt with more efficiently.
- Defence costs in the Professional Indemnity claims area have, perennially, been a significant company cost. There has, however, been a slight increase in the total outstanding claims dealt with internally by the claims team to 69%, from 67% in the 2023 reporting period. The team is working towards a 75%/25% split, which will have a significant impact on the reduction of the defence costs.
- The Executor Bond business was impacted by the breaks in service delivery by the Master of the High Court, as well as the cyber incident which took place in June 2024. Despite these challenges, bonds to the value of R804 million were closed and new bonds valued at R571 million were issued in the reporting period



PROFESSIONAL INDEMNITY CLAIMS

As the core area of business of the company, the Professional Indemnity claims business constantly strives to improve the service it provides to stakeholders. The appropriate staffing of the department has ensured that claims are dealt with as efficiently and cost-effectively as possible. The company is continuously investing time and resources to improve the skills of the team and enhance its systems. The statistics in this report reflect the positive progress the company has made in this regard.

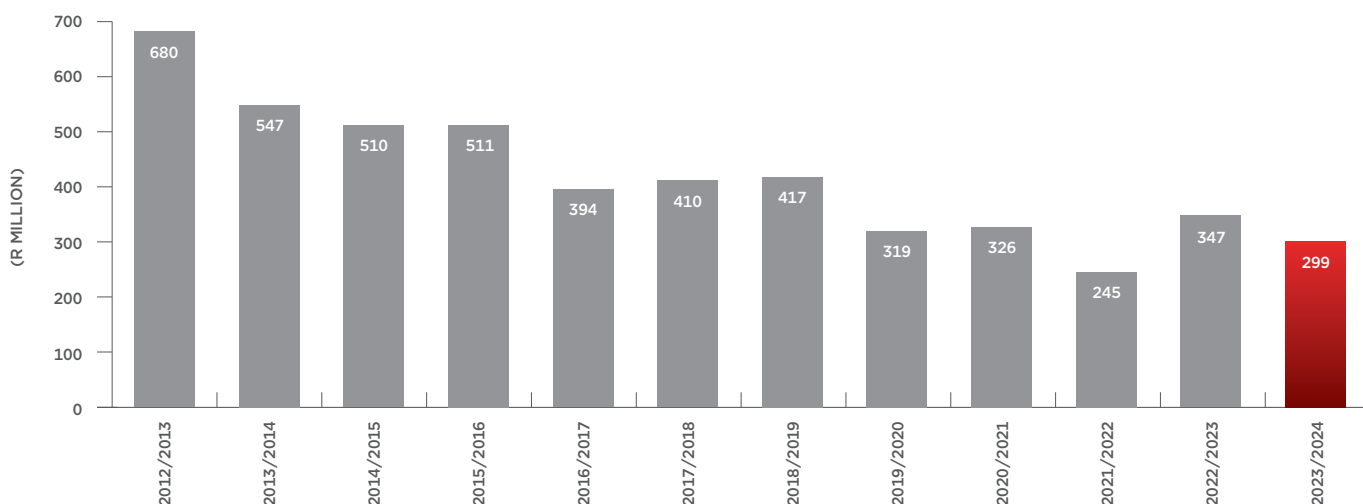
CLAIM FREQUENCY BY TYPE AND TOTAL - QUARTERLY OVER FIVE YEARS



NOTIFIED CLAIMS

Through constant engagement with practitioners and the support that the Practitioner Support Executive continues to provide to legal practices, the risk management office continues to deliver focused, individualised and persistent risk management efforts and initiatives. These actions have contributed to a discernible reduction in the claims notified over the years, as reflected in the graph below.

Over the last five years, notified claims have mostly remained below the long-term average. As is evident from the graph, there was a sudden and unusual increase in notified claims in the 2022/2023 reporting period due to multiple claims submitted by one practitioner at the same time. Notwithstanding this increase, the number of claims notified has shown a downward trend in the subsequent reporting period and over the last 11 years.



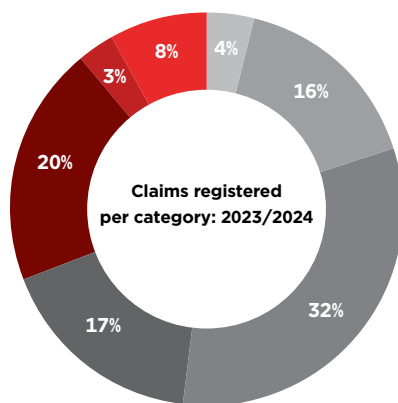
TYPES OF CLAIMS

Prescription of RAF claims, conveyancing, litigation and general prescription, respectively, still constitute the highest number of notifications. We still focus our attention on addressing the causes of these claims and working proactively to reduce the number of such claims.

FINALISED CLAIMS

In the 2023/2024 insurance year, the company closed 435 claims (2023: 367). The total payments made in respect of damages and investigation costs were R20.58 million (2023: R30.58 million) and R29.18 million (2023: R31 million) respectively.

Over the past five years, the company has paid R396 million in damages and investigation costs. Of this, 45%, or R178 million, was for investigation costs.



- Commercial
- Conveyancing
- General Prescription
- Litigation
- RAF Prescription
- RAF Under Settlement
- Other

CLAIMS EFFICIENCIES

To make the investigation of claims as cost-effective as possible, the claims team strives to achieve a split where more than 75% of the claims will be investigated and finalised internally while affording the insured and the claimant the expected high standards of service. Due to the legal landscape becoming exceedingly litigious, the current split sees 69% of claims finalised in-house and 31% by external service providers.

OPERATIONAL REVIEW (CONTINUED)

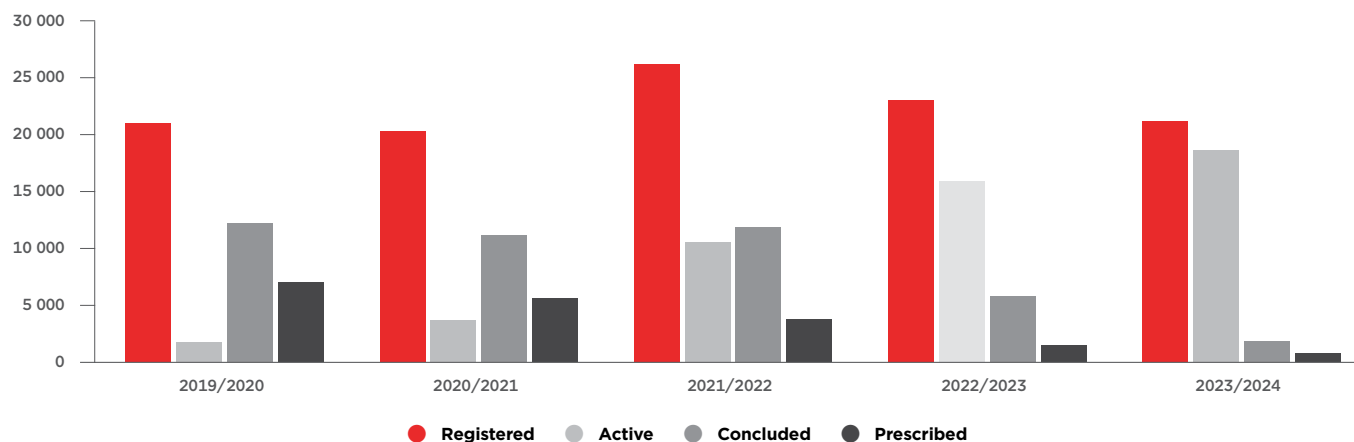
PRESCRIPTION ALERT

Prescription Alert is an electronic diary system that assists the legal profession in minimising time-barred matters and is an effective risk management tool. The evidence of the effectiveness of this tool in managing registered time-barred matters can be seen in the low number of matters that become registered as prescribed PI claims. The registered matters become prescribed due to the failure of the practitioners to adhere to the reminders and not because of system failure.

We have been intentional in engaging with the profession at every opportunity presented to us on the benefits of this system and we are seeing a steady increase in the number of new firms registering on it. In this reporting period, we communicated with 2 769 newly admitted attorneys. We engaged all firms with matters that were due to prescribe, encouraging them to comply and avoid prescription. The benefits of these engagements result in the reduction of the matters that become prescribed. Our focus also extends to firms with registered PI-prescribed claims to advise them of the availability of this service. All these activities promote awareness and reduce the risk to the company.

The graph below shows the various matters that were registered in the past five years, as well as their current status:

PRESCRIPTION ALERT MATTER STATUS



The matters indicated as prescribed were not updated by the practitioners on the system at the time when the prescriptive period lapsed.

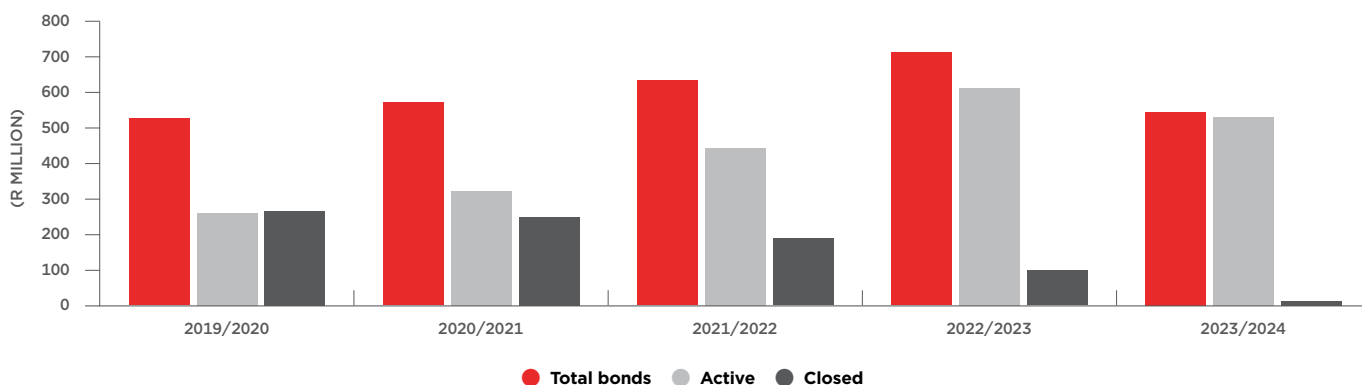
EXECUTOR BONDS

The LPIIF continued to issue bonds of security, which enabled practising attorneys to be appointed as executors by the Master of the High Court. This area of the business was impacted by the breaks in the service delivery by the Master of the High Court, caused by the implementation of the new IT system, the digitisation project and the suspension of officials triggered by the investigations into maladministration and fraud by the Special Investigative Unit. The successful administration of deceased estates depends on the involvement and efforts of all stakeholders, namely the LPIIF issuing the bond of security, the executor and the Master of the High Court. The cyber incident the company experienced in June 2024 also had a negative impact on its operations.

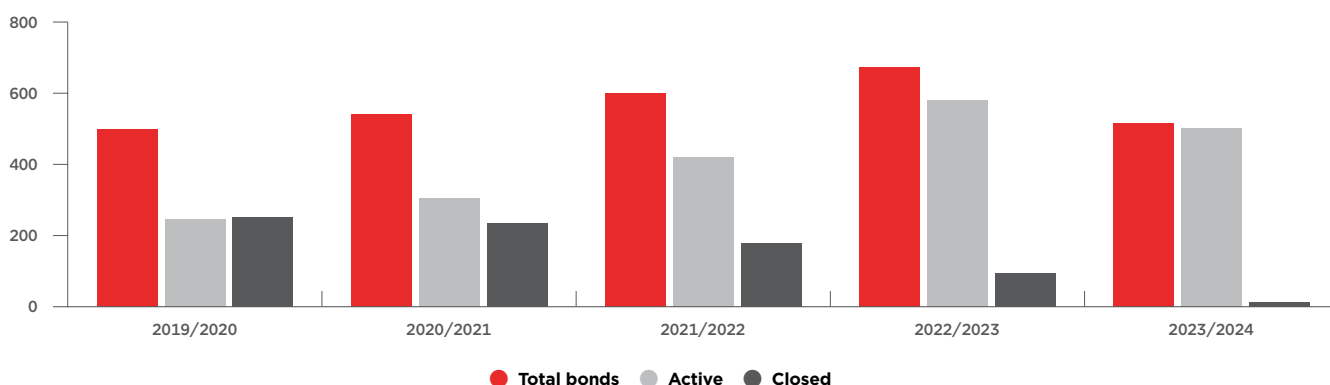
Despite these challenges, the company continued to service the legal profession and manage risks associated with Executor Bonds through innovative measures. Despite operating at 25% less capacity due to staff moving out of the department as they qualified as attorneys, we have continued to perform at a high level.

The graphs below provide a comparative view of the bonds of security over five years in terms of number and value.

ACTIVE VS CLOSED EXECUTOR BONDS (VALUE)



ACTIVE VS CLOSED EXECUTOR BONDS (NUMBER)



In the 2023/2024 financial year, we issued 521 bonds of security with a value of R571 million. In the reporting period, the company registered three claims arising from misappropriation, with a total claimed amount of R677 285. These claims are still being investigated.

FINANCIAL AND ACTUARIAL OVERVIEW



The company received its full annual premium of R185 million on 1 July 2023. This assisted in the improvement of the financial position of the company in the reporting period. The company implemented IFRS 17 and as a result, the Statement of Comprehensive Income has a different layout to prior years. The 2023 numbers have been restated to incorporate the adoption of IFRS 17 retrospectively. In comparison, the profit for the year increased by 37.4% to R190.2 million (2023: R138.3 million) and investment income generated reduced by 4.1% to R164.7 million (2023: R171.9 million). Total assets increased by 15.1% year-on-year, from R1.7 billion to R1.9 billion. Net asset value increased by 22.6% to R1 426.4 million as indicated below:

	R million
Net asset value – 1 July 2023 (IFRS 17 restated)	1 192
Profit for the year	190
Increase in market value of investments in terms of IFRS 9	38
Profit on sale of equity transferred to retained earnings per IFRS 9	5
Increase in reserve for post retirement benefit	2
Net asset value – 30 June 2024	1 426

INVESTMENTS

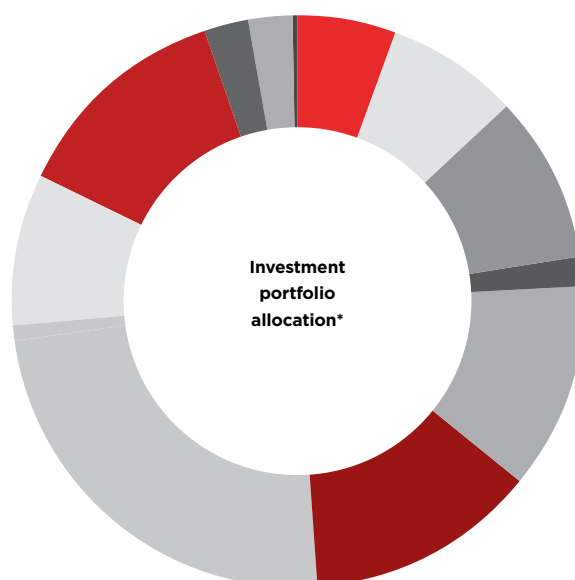
THE INVESTMENT PORTFOLIO

The total market value of the investment portfolio as at 30 June 2024 was R1 832 billion (2023: R1 565 billion), an increase of 17.06%. Investment markets have remained volatile in this reporting period, however, the company's investments have been managed prudently to ensure growth in the assets, while managing risks and meeting the regulatory requirements. The receipt of the annual premium has added to the growth of our portfolio in 2024.

From July 2021 to date, the South African Reserve Bank has increased the repo rate from 3.8% to 8.3%, which has had a positive effect on investment income.

	2024 R million	2023 R million	Change
Investment including loss adjustment in terms of IFRS 9	1 820	1 561	16.6%
Investments per asset manager reports	1 832	1 565	17.1%
Loss adjustment	11	4	

The following chart indicates the investment manager and asset allocation split of the total portfolio as at 30 June 2024.



* Loss adjustment in terms of IFRS 9 not included

VUNANI GLOBAL	5.8%		FUTUREGROWTH COMMUNITY DEVELOPMENT PROPERTY SCHEME	0.9%	
VUNANI FIXED INTEREST	7.5%		TEREBINTH CAPITAL	8.5%	
OMIG - ESG WORLD	9.5%		SATRIX	12.7%	
OMIG - ESG EMERGING MARKETS	1.5%		CATALYST	2.3%	
OMIG - PREMIUM EQUITY	11.9%		PRESCIENT	2.5%	
CORONATION - EQUITY	12.9%		STANLIB	0.1%	
CORONATION - BOND	23.9%				

ASSET CLASS STRATEGY

The company finalised the implementation of its investment strategy in 2021. The strategy aims to provide a balance between investment returns, investment risk, regulatory capital requirements, duration and liquidity. These aspects are monitored continuously and tested before significant changes are made to the asset profile. The results are also integrated into the overall risk appetite allocation process.

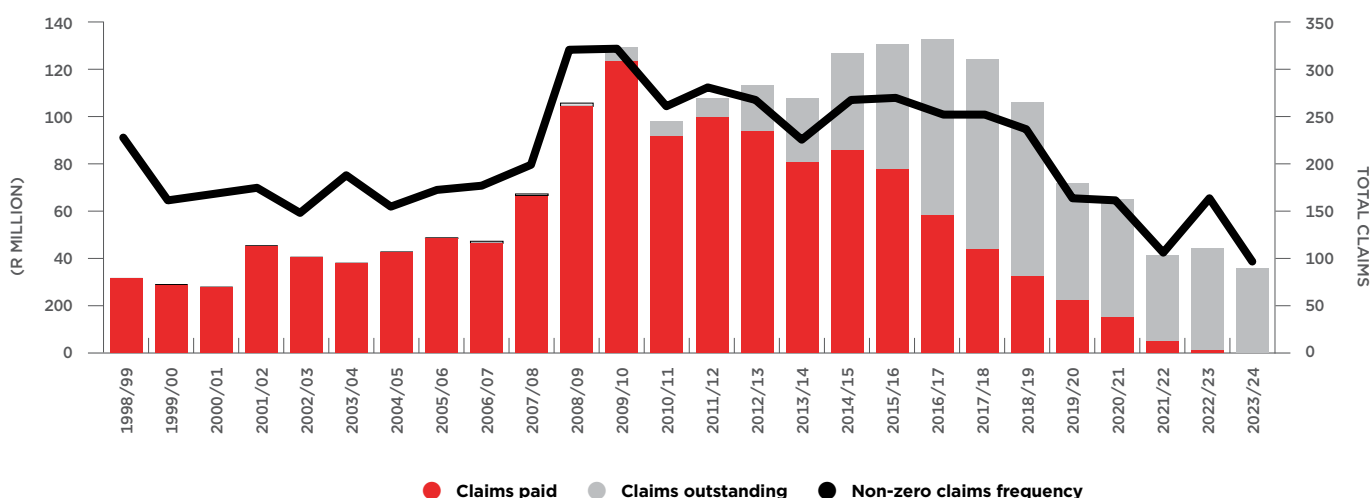
REINSURANCE STRATEGY

The financial and underwriting performance in the last four underwriting periods where conventional reinsurance was not purchased for the Professional Indemnity line of business, has been closely monitored by management and the actuarial function. The resultant claims experience in these four years have demonstrated that the decision to not purchase conventional reinsurance was a prudent one, even more so with the slight improvements in experience seen over this period. Given the cover available and the related cost, conventional reinsurance would not have given any true protection but incurred a material cost. Therefore, no reinsurance was purchased for the 2024/2025 insurance year.

Over time, the conventional reinsurance market has demonstrated a decline in appetite for the Executor Bond risk. Following receipt of unattractive renewal terms related to both cover and premium requirements in the 2021/2022 year, the decision was made by the Board to explore and ultimately approve the implementation of a multi-year reinsurance structure with participation elements to replace the conventional cover, with historic insurers remaining liable for the run-off of prior underwriting periods, as with the Professional Indemnity class of business. This decision has also shown to have been a prudent one, and the emerging experience for this class of risk is monitored carefully on an ongoing basis to ensure continued benefit to the Fund.

The graph below shows that the total incurred claims increased significantly between the 2007/08 and 2009/10 periods and remained above R95 million per year, up until 2019/20. Although a decrease can be seen in the last four underwriting periods, these years remain increasingly immature in terms of development, especially in aggregate value, as recency increases.

LPIIF: PI CLAIMS - TOTAL INCURRED CLAIMS VS TOTAL PAID CLAIMS

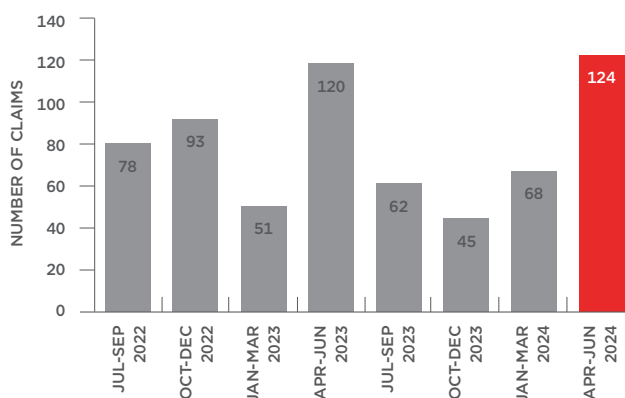


ACTUARIAL REVIEW

OUTSTANDING CLAIMS DEVELOPMENT

The largest liability of the company remains the provision for outstanding Professional Indemnity claims. Valuations are conducted quarterly, and the results are externally audited annually. The liability development pattern is closely monitored and has remained stable throughout the year.

The number of claims registered per quarter over the past three years is reflected in the following graph:

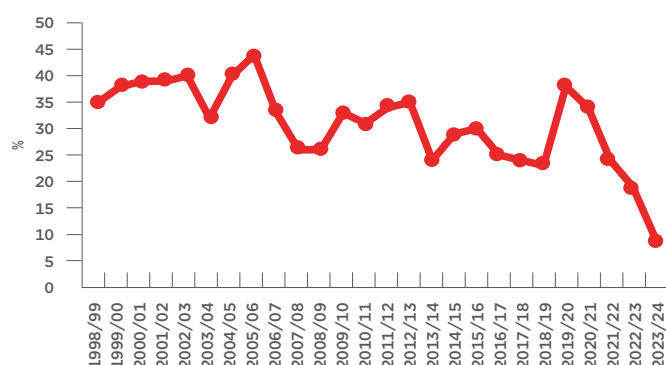


FINANCIAL AND ACTUARIAL REVIEW (CONTINUED)

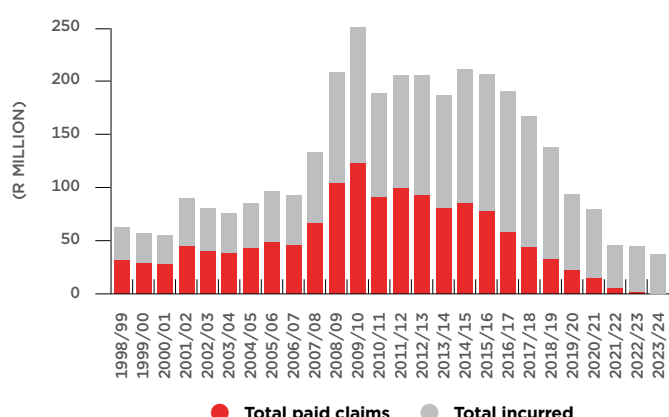
The number of non-zero claims has increased from an average of approximately 170 per annum in the earlier years to over 300 in 2008 to 2010, with a slowly decreasing rate thereafter, followed by a similar reduction in the three most recent years before development adjustments. As mentioned in the Operational Review, notified claims spiked in the 2022/2023 period as a result of several claims reported by one legal practice, but came down again in the reporting period.

The average claims cost as a percentage of total incurred claims from 1998/99 to 2005/06 was 38% per year, as seen in the graph below. However, a decreasing trend in this proportion can be noted annually in recent years. These declining claims cost trends are consistent with expectations, considering that ongoing claims investigation costs continue to increase until claims are finalised.

CLAIMS COST PERCENTAGE OF TOTAL INCURRED CLAIMS



TOTAL INCURRED CLAIMS VERSUS TOTAL PAID CLAIMS



The LPIIF maintained a satisfactory regulatory solvency position for the year.

The implementation and calibration of LPIIF's formalised Risk Appetite Allocation process is continuing.

REGULATORY SOLVENCY

The table below summarises the Solvency Capital Requirement (SCR) cover ratio as a percentage, using the Own Funds (OF) and SCR, as calculated by applying the Prudential Standards' Standard Model for short-term insurers:

Quantitative Reporting Template	Own Funds (R)	SCR (R)	SCR Cover Ratio (%)
Annual (30 June 2023)	1 054 213	514 742	205%
Q1 (30 September 2023)	1 141 793	426 403	187%
Q2 (31 December 2023)	1 258 566	489 808	199%
Q3 (31 March 2024)	1 252 900	511 931	203%
Q4 (30 June 2024)	1 308 277	506 371	204%
Annual (30 June 2024)	1 311 584	564 945	232%

RISK APPETITE

The formalised risk appetite approach allows for a quantitative derivation and allocation of capital support for the main risk contributors of the company, specifically underwriting risk (Professional Indemnity and Executor Bonds) and investments. This is calculated quarterly based on the most current information.

The results of these quarterly exercises allow for the integration and monitoring of risk assumptions on Executor Bonds and investments, coupled with the actuarial risk inherent in the Professional Indemnity class of insurance, which is a mandatory allowance to allow a comprehensive view of all material risks assumed. The impacts of proposed investment profile changes are explicitly included to ensure that the results respond to the dynamics of the company, as opposed to on an isolated, per-risk basis, providing a more holistic and integrated risk profile assessment.

IFRS 17 INSURANCE CONTRACTS IMPLEMENTATION PROJECT

The company applied the IFRS 17 standard for the first time on 1 July 2023. As it applies retrospectively, the company has restated comparatives for the 2023 financial period

This standard brings significant changes to the accounting model used for insurance and reinsurance contracts and had a material impact on the company's financial statements in the period of initial application.

Historically, accounting for insurance contracts was done on an IFRS 4 basis, but is now being done on the retrospective implementation of IFRS 17.



FOR THE FULL IMPACT ON THE PRIOR YEAR NUMBERS, PLEASE REFER TO NOTE 3 ON PAGES 82 AND 83



NURTURING OUR HUMAN CAPITAL

Human capital is a critical asset for the company, as it encompasses the skills, knowledge and experience that contribute to the company's overall performance and success. Attracting, developing, motivating and retaining talent, therefore, remains important.

TALENT MANAGEMENT AND EMPLOYEE RETENTION

LPIIF's talent management framework and practices are the main source of our competitive advantage. A talent review was conducted in the reporting period using a structured process to assess and evaluate the skills, potential and performance of employees. The process involved a thorough examination of each employee's strengths, weaknesses and future growth potential in the company. It was determined that the company has strong bench strength with ready-now incumbents, highly qualified top performers and high learning potential. Resource gaps were identified in the Finance and Compliance areas with significant keyman risk. Steps have been taken to mitigate this risk and ensure adequate resourcing in these areas through the recruitment of a Finance Manager and a Compliance and Contract Management Officer. It is expected that the appointments will be finalised in the first quarter of the current financial year.

Some of the key programmes implemented in the period under review include employee reward and recognition, skills development, leadership development, talent management, performance management, employee wellness and safety, as well as employee relations. In addition, succession management plans for critical leadership roles and accelerated development for employees earmarked for these roles have been developed and implemented.

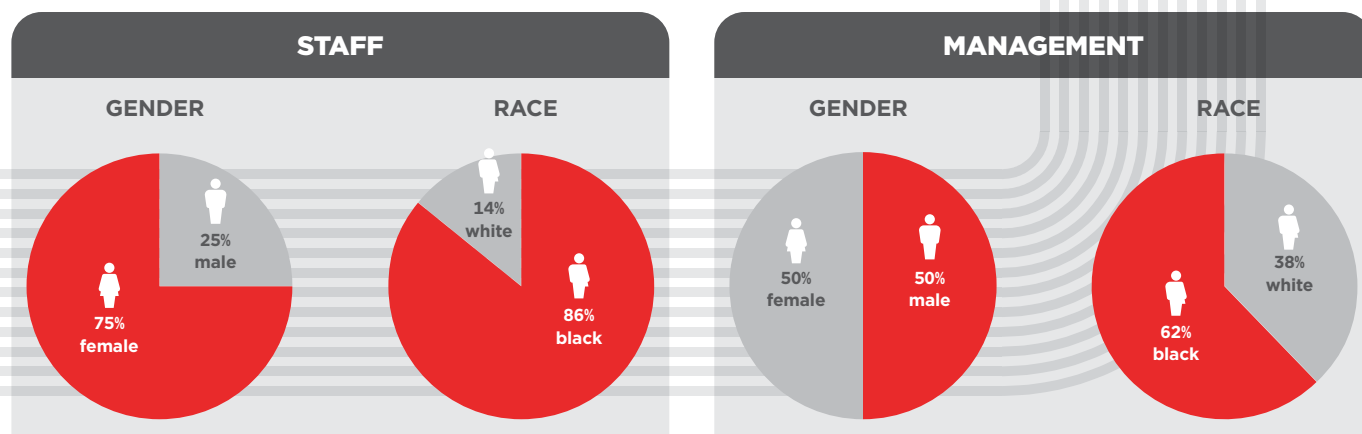
DIVERSITY

We are committed to integrating diversity into all aspects of our business and encourage employees to always be their authentic selves. We value the ability and potential of people from all walks of life and foster a sense of belonging through equitable practices. The race and gender diversity of the company is illustrated below:

In the reporting period, the company made **two new appointments**, and had **one resignation**.

A total amount of **R42.9m*** was spent on salaries (including benefits) for a staff complement of **38**.

* Average staff increase of 7.12% in January 2024



EMPLOYEE DEVELOPMENT

Learning and development continued to play an integral part in enabling business growth and performance in the company. Employees were offered a variety of internal and external learning and development opportunities including learnerships. Five employees were awarded bursaries, one successfully completed an LLB and another was seconded to a law firm to do articles.

PERFORMANCE MANAGEMENT

Performance management is an essential, process that supports the growth of employees, motivates their performance and aligns it with the company's strategic objectives. Performance assessments have been conducted for the management team and results presented to the Remuneration Committee for review.

REWARDS AND RECOGNITION

The company's Remuneration Policy promotes fair, responsible and transparent remuneration to all employees, supports a performance-driven culture and aims to ensure that employees' total remuneration is competitive in the market. The company has a short-term incentive scheme, which is linked to individual as well as organisational performance. Performance-linked bonuses were paid to all staff in the reporting period.

EMPLOYEE WELLNESS

The company provides a comprehensive health and wellness programme, which is designed to support the physical, emotional and mental health of employees. This programme aims to provide an array of creative options that enable employees to nurture their work-life balance.

EMPLOYEE RELATIONS AND ENGAGEMENT

LPIIF is committed to building and maintaining a sustainable relationship with its employees. A healthy relationship and partnership between management and employees are crucial for the achievement of the company's strategic objectives. The company will continue to create an effective and accessible communication environment between the employees and management. Adherence to the company code of conduct and application of policies, procedures and regulations is a continuous focus for our employees.

The company's employee engagement practice is built and nurtured at individual and company level, which enables employees to thrive and feel passionate about their contribution to the company's objective.



REFER TO THE STAKEHOLDER ENGAGEMENT SECTION ON PAGE 28 FOR FURTHER DETAILS.

Various mediums of communication are used to ensure all employees have access to information and an opportunity to engage with management. These include:



Face-to-face engagement:
(staff meetings)



Print:
posters, internal newsletters, memos and flyers



Digital media:
e-mail, in-house TV messaging, SharePoint, updates on the LPIIF website and text messaging



Social media:
X (previously called Twitter) and Facebook

STAKEHOLDER VALUE



Understanding the demands of our stakeholders is essential to our ability to contribute to society. We strive to establish and maintain positive connections by consistently interacting with our stakeholders.

We have selected the stakeholder groups that are essential to the organisation's sustainability, based on the degree to which they could affect the company's performance or strategic direction, as well as how changes to the company might affect them, and vice versa.

ACTIONS TAKEN TO MONITOR THE EFFECTIVENESS OF STAKEHOLDER MANAGEMENT

- Effectiveness is monitored on different levels, including observing trends in targeted areas, e.g., practice risk management versus claims trends, and matters registered on the Prescription Alert system versus prescription claims.
- Direct engagements with stakeholders take the form of formal meetings and informal dialogue, and training is provided to practitioners.
- When it is feasible, feedback is incorporated into the planning and execution of stakeholder engagement activities.

STAKEHOLDER MAP

The stakeholders below have been identified as core to our business.



ASSESSMENT OF STAKEHOLDER RELATIONSHIP

The company utilises a five-point scale to denote our view of the quality of our relationships with different stakeholders.

1	2	3	4	5
No direct relationship	Relationship exists but needs improvement	Relationship exists at an acceptable level but would benefit from further improvement	Quality relationship exists	Strong relationship exists

KEY

OUR STRATEGY



A SUSTAINABLE
OPERATING
MODEL



RISK
MANAGEMENT
AND MITIGATION
MEASURES



AN ENABLING
REGULATORY
AND BUSINESS
ENVIRONMENT

OUR RISKS



LEGAL AND
REGULATORY
RISK



INSURANCE
RISK



OPERATIONAL
RISK



INVESTMENT
RISK



CREDIT
RISK



MARKET
RISK



CONCENTRATION
RISK



STRATEGIC
RISK

STAKEHOLDER ENGAGEMENT




The engagement initiatives for 2024 with key stakeholder groups are discussed below:

LEGAL PRACTITIONERS		QUALITY OF RELATIONSHIP		1	2	3	4	5
BASIS OF RELATIONSHIP		METHODS OF ENGAGEMENT		MATERIAL MATTERS WHICH IMPACT THIS STAKEHOLDER				
<p>The company’s mandate is to provide services to the legal profession in terms of section 77 of the Act. Legal practitioners are the clients and primary consumers of the services offered by the company. Communication with the profession is one of our main risk management tools. A communication strategy has been implemented that includes engagement through publications, social media and face-to-face meetings with individual firms and various structures in the profession.</p>		<p>Strategic: Master Policy, Executor Bonds Policy, Prescription Alert system, risk management services, focused practitioner support, publications and training.</p> <p>Structural: Communication on policies, increased awareness of the Prescription Alert system, structured practice management training (PMT), as well as risk management awareness and training. (Over 2 700 newly admitted legal practitioners were engaged during the reporting period. Risk and practice management training was given to 1 639 legal practitioners.)</p> <p>Operational: Communication on policies and risk management information through the website and other forums, articles published in <i>Risk Alert Bulletin</i> and <i>De Rebus</i>, social media, seminars on risk management, individual practitioner visits and engagements, communication via professional bodies, claims management and direct communication during claims, and the Executor Bond and Prescription Alert processes through various channels.</p>		<p>■ All material matters</p>				
KEY ISSUES RAISED		OUR RESPONSE AND AREAS OF FOCUS DURING THE PERIOD		STRATEGIC OBJECTIVE ADDRESSED		RISKS MITIGATED		
<ul style="list-style-type: none">Timeous and accurate assessment of claims and efficient turnaround timesEducation on policies, particularly on exclusions and conditions and risk mitigation measuresAccessibility of risk management training and expansion of training and support toolsProactive engagement on the operating model and implicationsEducation on the difference between the company and the Fidelity Fund, who and what each entity indemnifies, and the services offered by each entity respectivelyAdequate and effective communication of the company’s services and developments, and changes in the service offeringAddressing the profession on the imminent changes to the company’s funding model		<ul style="list-style-type: none">A competent claims management IT System with efficiencies and checks and balances in place to ensure prompt and efficient claims handlingTechnological advancement and development of an improved Integrated Claims Management System (ICMS) to further improve efficiencies of the current claims management systemA competent and skilled claims team, supported by an external panel of attorneys countrywideTimeous publication and communication on policies before the commencement of each insurance year to allow for comment before approval and for practitioners, as well as the wider insurance market to plan accordinglyAn improved Prescription Alert system offers a digital platform to register and update time-barred claimsContinued education on risk management and policies conducted through seminars, print publications, engagements with professional bodies and individual practitioner/firm visitsEngage with various stakeholders on different platforms to educate legal professionals on changes to the company’s funding model and explain the differences between the Fidelity Fund and the company at national and provincial levels, as well as individual practitioner engagement. In the reporting period, over 1 000 legal practitioners attended events arranged for this purpose. Other stakeholders, such as the Legal Practice Council, the Legal Services Ombud and the voluntary associations in the profession also attendedA dedicated practitioner support function to assist in proactively addressing risk management with practitioners and their staff on a face-to-face basisBranded promotional material to enhance awareness of the existence of the company and promote the corporate identityIn the 12 months to June 2024, the Practitioner Support Executive visited 98 firms of attorneys countrywide, ranging from sole proprietors to firms between 11-20 partners/directors.		  		 		

OPPORTUNITIES AND FUTURE AREAS OF FOCUS

- Increased and more effective communication to the profession on the company and the services it provides
- The focus of the communication is targeted at addressing the main risks faced by legal practitioners, with a focus on high-risk practitioners
- Proactive and effective engagement with the profession on matters falling within the mandate of the company
- Increased awareness of risk management services offered and reaching a wider audience
- Business intelligence development for strategic and operational enhancements in delivering services to the profession
- The finalisation and roll-out of an improved ICMS
- Continuous improvements to the Prescription Alert system to ensure its efficiency
- Finalisation of a project to develop a new IT platform for Executor Bonds

STAKEHOLDER ENGAGEMENT (CONTINUED)

PROFESSIONAL BODIES/VOLUNTARY ASSOCIATIONS			QUALITY OF RELATIONSHIP				
VOLUNTARY ASSOCIATIONS	BASIS OF RELATIONSHIP	METHODS OF ENGAGEMENT	MATERIAL MATTERS WHICH IMPACT THIS STAKEHOLDER				
			1	2	3	4	5
Law Society of South Africa (LSSA), Black Lawyers Association (BLA), National Association of Democratic Lawyers (NADEL), South African Women's Legal Association (SAWLA), as well as provincial and local attorneys' associations.	The company engages with various voluntary associations to communicate matters of interest to these organisations and their members. The relationship with some of the organisations is very cordial, while there is room for improvement in respect of others.	<p>Strategic: Direct engagement at a leadership level.</p> <p>Structural: Direct engagement with members when invited to various meetings.</p> <p>Operational: Direct communication, publications, reports, meetings, premium contribution roadshows and seminars.</p> <p>The LPIIF team attended numerous meetings with the various voluntary associations where the company's interests have been pursued. In all engagements, we attempted to get the buy-in of the stakeholders into the vision, mission and strategy of the company. The organisations that we have engaged with extensively include the Law Society of South Africa, the Black Lawyers Association and various other provincial and local attorneys' associations. We also addressed the AGM of the General Council of the Bar and met with the leadership of other structures in the profession.</p>	<ul style="list-style-type: none">Provide the primary layer of Professional Indemnity insurance and risk to the legal profession				
KEY ISSUES RAISED		OUR RESPONSE AND AREAS OF FOCUS DURING THE PERIOD		STRATEGIC OBJECTIVE ADDRESSED		RISKS MITIGATED	
<ul style="list-style-type: none">The company's strategyRespective roles and functions of the company and the Fidelity FundRisk management in the legal practitioners' operating environmentExplanation of the insurance cover provided and the basis and structure thereofSupport services offered by the companyPremium contribution modelExclusion of claims by legal practitioners practising without a Fidelity Fund CertificateThe various tranches of litigation undertaken by the company against the RAF address the risks faced by practitioners due to the changes to the RAF's operating model		<ul style="list-style-type: none">Use of various platforms to educate professionals on the mandate of the company and its origin in statute, the differences between the company and the Fidelity Fund, including their functions and services, and who each entity indemnifiesEngagement through various platformsExtending an open invitation to all professional bodies to hold meetings and discussions regarding member concerns in respect of services provided by the company, its funding model and the benefits to the professionPublication of the draft Master Policy for comment and input from the profession for each insurance yearPublication of the Master Policy and Executor Bond Policy in print media and on the company websiteEnsure easy accessibility of the terms of the policy to the profession for each insurance yearVisits to practitioners by the practitioner support function of the company to assist with the management of practice-related risks and other related issues, and a dedicated risk email address for practitioners submitting their risk management and practice management assistance requestsRisk management education through seminars, publications and other platformsProviding regular updates to the profession on the status of litigation against the RAF and the Minister of Transport		 			
OPPORTUNITIES AND FUTURE AREAS OF FOCUS							
<ul style="list-style-type: none">Engagement on the risk management model of the companyThe development of analytics capabilities in the companyEnhanced engagement on changes to the premium funding modelEngagement on strategic developmentsEnhanced communication of proposed changes to the policy, as and when they occurContinued communication with professional bodies on developing risks, such as cybercrimeEducation on the reduction of the Executor Bond exposureAs advocates with trust accounts are a fairly new category of practitioners, the voluntary bodies they belong to have to be engaged on an ongoing basisSupport the Fidelity Fund in communicating the contribution to be paid by the profession towards the company premium on the insurance policies							

THE FIDELITY FUND

QUALITY OF RELATIONSHIP

1 2 3 4 5

MATERIAL MATTERS WHICH IMPACT THIS STAKEHOLDER

BASIS OF RELATIONSHIP

The Fidelity Fund is the sole member of the LPIIF. The Fidelity Fund established the LPIIF in 1993 in terms of its legislative powers as the entity through which insurance services are provided in terms of section 77 of the Act.

METHODS OF ENGAGEMENT

Strategic: The Act, the company's Memorandum of Incorporation, the company's mandate and the Board-approved strategy.
Structural: Service level agreement on functions outsourced to the Fidelity Fund, Liaison Committee meetings, engagement on strategy, funding model, the creation of operational efficiencies, as well as bilateral liaison on areas of mutual interest.
Operational: Meeting, when necessary, regarding outsourced services provided, seeking areas of mutual interest for common initiatives, communicating at various levels on strategy, sustainability and funding of the company.

- All material matters

KEY ISSUES RAISED

- The current operating model of the company
- The sustainability of the company
- The implementation of the premium contribution model
- Required funding
- Various strategic and operational functions
- Corporate social responsibility opportunities
- The growth strategy

OUR RESPONSE AND AREAS OF FOCUS DURING THE PERIOD

- A Liaison Committee comprising the respective executive management teams in the forum to address strategic and operational matters as and when necessary
- A proposal was put forward for Non-Executive Directors of the Fidelity Fund to also sit on the Board of the company to strengthen the information flow, cooperation and relationship between the two parties
- The CEO of the Fidelity Fund is a standing invitee to all company governance meetings. This results in synergies in and alignment of information flow and reporting, creating an efficient relationship in service of the profession
- Various engagements have taken place between the company and the Fidelity Fund in respect of the current funding model, pending changes and the associated risks therewith
- The company has made submissions to the Fidelity Fund on several strategic matters of mutual interest, including the funding model, the growth strategy, the sustainability of the company and the appointment of members of the company's governance structures in accordance with the applicable regulatory requirements
- The MD of the company and the CEO of the Fidelity Fund have jointly attended meetings with the representatives of the Department of Justice where issues of mutual interest have been discussed

STRATEGIC OBJECTIVE ADDRESSED






RISKS MITIGATED







OPPORTUNITIES AND FUTURE AREAS OF FOCUS

- The roll-out of the premium contribution model and providing effective support to the Fidelity Fund
- Embedding the Fidelity Fund's powers and functions set out in the Act across the two organisations, e.g., the powers to apply for a curator to be appointed for a practice in circumstances where there is good cause for such an application
- An area of potential improvement is the claims function in the two organisations, which will extend to the curatorship, prosecution and recovery functions
- The two organisations serve the same risk pool of practitioners, though with different mandates. The development of a holistic risk management strategy across the two organisations is a strategic imperative
- The pursuit of the growth strategy requires the approval of the Fidelity Fund's Board
- The two entities must collaborate to ensure that a documented process is put in place in respect of the appointment and terms of office of LPIIF Board members in compliance with the regulatory requirements applicable to the company as an insurance company
- In-depth engagement on the sustainability challenges of the company
- Liaison with the Department of Justice in respect of any legislative changes required to pursue the growth strategy and/or enhance any of the areas of the mandates of the Fidelity Fund and the LPIIF
- As a responsible corporate citizen, the company wishes to engage in corporate social responsibility initiatives, but faces limitations due to its entity type, and sees an opportunity for engagement with the Fidelity Fund as a strategic partner in this regard

STAKEHOLDER ENGAGEMENT (CONTINUED)

THE LEGAL PRACTICE COUNCIL (LPC)		QUALITY OF RELATIONSHIP					1	2	3	4	5										
		MATERIAL MATTERS WHICH IMPACT THIS STAKEHOLDER																			
BASIS OF RELATIONSHIP		METHODS OF ENGAGEMENT																			
<p>The LPC is the regulator of the legal profession. The company has a relationship with the LPC as both entities have a common interest, namely legal practitioners, albeit one from a risk and insurance perspective and the other from a regulatory perspective.</p>		<p>Strategic: Legal Practice Act. Structural: Insurance policies. Operational: Direct engagement on matters of common interest concerning legal practitioners via the LPC as a communication channel with the profession.</p>										<p>■ Provide the primary layer of Professional Indemnity insurance and risk to the legal profession</p>									
KEY ISSUES RAISED		OUR RESPONSE AND AREAS OF FOCUS DURING THE PERIOD								STRATEGIC OBJECTIVE ADDRESSED		RISKS MITIGATED									
<p>■ As a regulator, the LPC must be engaged in several areas that fall within its mandate. These include:</p> <ul style="list-style-type: none">- the regulation of the conduct of practitioners;- estates not being administered in accordance with the Administration of Estates Act 66 of 1965;- failure by practitioners to develop and implement internal controls as prescribed in the rules;- failure to reply to correspondence and provide updates on matters; and- failure to verify banking details before making payment (cybercrime) or report trust shortfalls (conduct issues). <p>■ The LPC must implement and act on its obligations in terms of the Act with respect to the premium contribution model, once implemented</p> <p>■ Some of the breaches by practitioners of legal duties that result in claims are also breaches of the legal practitioner's professional duties, which are regulated by the LPC</p> <p>■ The LPC receives completed LPIIF risk management self-assessment questionnaires as part of the Fidelity Fund Certificate application process</p>		<p>■ Engagement has taken place on the services provided by the company, and communication to the profession on issues of common interest, including:</p> <ul style="list-style-type: none">- the implementation of the premium contribution model;- the conduct of practitioners' practices;- risk management; and- individual conduct of legal practitioners. <p>■ The appointment of the Practitioner Support Executive has enabled him to have meetings with the various provincial councils of the LPC and thus enhance the relationships</p> <p>■ The relationship with the national office of the LPC is still conducted through the Fidelity Fund</p> <p>■ The LPC distributes the <i>Risk Alert Bulletin</i> to its members on behalf of the company</p> <p>■ The LPC distributes the papers in the litigation between the company, on the one hand, and the RAF and Minister of Transport on the other</p>										 									
OPPORTUNITIES AND FUTURE AREAS OF FOCUS																					
<p>■ There needs to be better engagement between the company and the LPC to address the key issues raised</p> <p>■ The LPC must implement and act on its obligations/functions in terms of the Act with respect to the premium contribution model</p> <p>■ Working towards the improvement of the public's confidence in the profession</p> <p>■ Building a working relationship with the various provincial councils</p> <p>■ Educating LPC officials on the role and functions of the company</p> <p>■ The LPC's role in disseminating the company communication and assisting the company in distribution pleadings in the review application against the RAF</p>																					

BASIS OF RELATIONSHIP	METHODS OF ENGAGEMENT	MATERIAL MATTERS WHICH IMPACT THIS STAKEHOLDER	
<p>The administration of the Act (and many of the functions carried out by legal practitioners) falls within the mandate of the Department of Justice (the Department). The Department also exercises certain statutory powers over the Fidelity Fund.</p>	<p>Strategic: The Act and Fidelity Fund.</p> <p>Structural: Fidelity Fund and the Office of the Minister of Justice, as well as the Deputy Minister of Justice.</p> <p>Operational: Meetings are held as necessary to address areas of concern and events hosted by the Department are attended when possible. The office of the Minister of Justice through the Special Advisor to the Minister, facilitated engagement between the company and the Fidelity Fund to resolve matters of common interest to better serve the legal profession.</p>	<p>■ Provide the primary layer of Professional Indemnity insurance and risk to the legal profession</p>	
KEY ISSUES RAISED	OUR RESPONSE AND AREAS OF FOCUS DURING THE PERIOD	STRATEGIC OBJECTIVE ADDRESSED	RISKS MITIGATED
<ul style="list-style-type: none"> Ensuring that the executive and legislative arms of government understand the business of the company, its services to the profession and its operating and funding model The claims administration capabilities of the company and how these could be utilised by various government departments 	<ul style="list-style-type: none"> The LPIIF is committed to engaging with the Department to ensure a continuous cordial relationship Engagement on matters affecting the company, e.g., the funding model, is mostly done through the Fidelity Fund. However, direct engagement takes place when necessary. Further engagements on the strategy and sustainability of the company will take place with the Fidelity Fund and the office of the Minister 	<div>   </div>	<div>   </div>

OPPORTUNITIES AND FUTURE AREAS OF FOCUS
<ul style="list-style-type: none"> Creating a closer working relationship with the Department to ensure a conducive legislative environment for the company to carry out its mandate Increasing awareness in the various areas of the Department Improving the relationship with the office of the Master Implementing the premium contribution model Communicating on the proposed growth strategy for the company and getting buy-in from the Department, including facilitating amendments to the Act as may be necessary Future opportunities in respect of leveraging through outsourcing the company's claim management capabilities







STAKEHOLDER ENGAGEMENT (CONTINUED)

PANEL ATTORNEYS		QUALITY OF RELATIONSHIP					1	2	3	4	5
BASIS OF RELATIONSHIP		METHODS OF ENGAGEMENT					MATERIAL MATTERS WHICH IMPACT THIS STAKEHOLDER				
<p>Panel attorneys play an important role in the claims management operations of the company. The company instructs them to come on record and represent legal practices in legal proceedings in matters where there is a valid defence to a claim against such insured legal practice, or where the legal issues in question are complex and require external attorneys' assistance to be resolved.</p>		<p>Strategic: Standard service contract and service level agreement. Structural: Skills development meetings, performance targets, reporting and monitoring, annual claims meeting and annual training meeting. Operational: Written instructions (letters of engagement), mandates to settle matters if required, meetings and consultations, telephonic communication, email and attendance at court on matters referred to the panel.</p>					<ul style="list-style-type: none">■ Provide the primary layer of Professional Indemnity insurance and risk to the legal profession■ Ensure that an appropriate operating model, human capital and information and technology are in place to meet strategic goals				
KEY ISSUES RAISED		OUR RESPONSE AND AREAS OF FOCUS DURING THE PERIOD					STRATEGIC OBJECTIVE ADDRESSED		RISKS MITIGATED		
<ul style="list-style-type: none">■ Timeous instruction to assess matters and pursue the insured's defence■ Provision of quality service in litigation■ Provision of timely reports regarding the progress of litigation■ Timeous accounting and payment of account■ Efficient and effective handling of instructions in the interests of the company and the insured■ Proper articulation of the specific mandate		<ul style="list-style-type: none">■ An efficient framework for engagement with panel attorneys has been established on multiple levels. This makes for effective engagement on matters on which the company has instructed the panel attorneys, from the initial instruction through to the finalisation of the matter■ Strict procedures are followed in the service level agreement to ensure compliance with timelines and performance targets, as well as efficient and effective handling of matters■ Regular communication between the company and panel attorneys has been developed to ensure timely identification and resolution of challenges■ The efficiencies and effectiveness created by the overall operating framework create an environment that fosters positive relationships and management, adding to the productivity and efficiencies in the handling of matters■ Training and skills transfer sessions are held to ensure the efficient transfer of knowledge between the claims team and the panel attorneys, resulting in the enhancement of skills, both internally and externally■ Annual claims meetings facilitate engagement on emerging trends in claims and provide an opportunity to discuss complex claims and risk mitigation when handling claims■ Letters of engagement are issued in every instruction to panel attorneys to ensure mutual understanding of the terms and extent of the instruction■ The capacity of the panel was increased in some jurisdictions to ensure efficiency in servicing the insured							 		
OPPORTUNITIES AND FUTURE AREAS OF FOCUS											
<ul style="list-style-type: none">■ Regular skills transfer sessions to allow consistent skills development for the company's professional team to enhance claims management capabilities and skills, and reduce associated costs■ Provide insights to the company on issues of importance to the profession and legal developments■ Provide input regarding the quality of the Master Policy and ensure continuous improvement, in line with the ever-changing legal landscape■ Provide risk management services in direct dealings with the insured (post-mortem discussions) and document the outcomes of such post-claim analyses											

INVESTMENT CONSULTANT AND INVESTMENT MANAGERS

QUALITY OF RELATIONSHIP







1 2 3 4 5

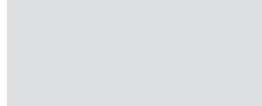
BASIS OF RELATIONSHIP	METHODS OF ENGAGEMENT	MATERIAL MATTERS WHICH IMPACT THIS STAKEHOLDER	
<p>To provide investment management services to the company and monitor the performance thereof. The investment consultant provides the fund with market intelligence in respect of the asset manager universe, as well as high-level advice on the appointment of asset managers and the choice of asset classes and hedging strategies.</p>	<p>Strategic: Investment strategy, mandates and service agreements. Structural: Investment Committee meetings. Operational: Monthly reporting.</p>	<ul style="list-style-type: none"> ■ Maintain and monitor the approved investment strategy ■ Meet regulatory solvency requirements ■ Provide the primary layer of Professional Indemnity insurance and risk management services to the legal profession 	
KEY ISSUES RAISED	OUR RESPONSE AND AREAS OF FOCUS DURING THE PERIOD	STRATEGIC OBJECTIVE ADDRESSED	RISKS MITIGATED
<ul style="list-style-type: none"> ■ Asset managers not performing ■ Asset managers deviating from mandates ■ Assets and liability management, liquidity and regulatory requirements are not considered in decision-making 	<ul style="list-style-type: none"> ■ With the guidance and assistance of the investment consultant, the implemented strategy is continuously evaluated to improve investment returns. In 2023, we received the premium and we were able to complete the last step of the investment strategy, which is investing in the Futuregrowth Development Fund. ■ The investment portfolio now resides under the management of several specialist managers, of which seven are tracker funds and four are actively managed funds ■ Two of the tracker funds are tracking the ESG Leaders Index, thereby investing responsibly ■ Tactical asset allocation is managed by Prescient, in consultation with the asset consultant ■ Engagement with the asset managers takes place on a rotational basis via the Investment Committee meetings, which are held at least quarterly ■ All asset managers report in writing to the Investment Committee at every meeting ■ Actuarial modelling of investments is done and included in the risk appetite of the company ■ Undertake a liquidity assessment of the company 	 	   

OPPORTUNITIES AND FUTURE AREAS OF FOCUS

- Continued effective communication between the investment consultant, Head of Actuarial and management before making decisions, specifically relating to amendments by the PA on the treatment of investment assets and the impact thereof on solvency
- Monitor investment returns and their reaction to market conditions together with the investment consultant
- Monitor new risks arising from an increase in claims on the liquidity requirements of the company

STAKEHOLDER ENGAGEMENT (CONTINUED)






EMPLOYEES		QUALITY OF RELATIONSHIP					1	2	3	4	5					
		MATERIAL MATTERS WHICH IMPACT THIS STAKEHOLDER														
BASIS OF RELATIONSHIP		METHODS OF ENGAGEMENT														
The employment relationship		<p>Strategic: Employment contracts and job descriptions.</p> <p>Structural: Key Performance Areas (KPsAs), performance management, personal and professional development.</p> <p>Operational: Ongoing formal and informal performance management discussions, employee development plans and discussions, staff meetings and communications on operations, strategy and other pertinent business matters, as well as various employee training sessions, wellness and related services.</p>										■ All material matters				
KEY ISSUES RAISED		OUR RESPONSE AND AREAS OF FOCUS DURING THE PERIOD					STRATEGIC OBJECTIVE ADDRESSED		RISKS MITIGATED							
<ul style="list-style-type: none">Consistent communication with employees concerning strategic and operational efficienciesEfficiencies in performance management to enhance employee performanceMorale and consistent employee engagementSufficient training relevant to the needs of the individual and the roleRegular updates on company policies and benefitsEffective communication on systems and process changesAlignment of benefits between the company and the Fidelity Fund		<ul style="list-style-type: none">Ensuring alignment between job descriptions and KPsAs to ensure proper alignment between strategic and operational objectives and employees' deliverables, updating KPsAs where necessaryBi-annual performance reviews are conducted to monitor performance, manage expectations and address areas of improvement where necessaryDepartmental communication of strategy and related developments, as well as weekly meetings to ensure employee commitment and performance are aligned with the company's strategic objectivesStaff meetings to discuss changes in the operations and introduction of new processes and mechanisms to build efficiencies and ensure efficient and effective change managementDevelopment plans and study opportunities are provided to employees to ensure upskilling of internal resources and personal growthJob function-specific training is provided to assist employees with maximising their potential and delivering on their KPsAsA wellness programme is provided to employees to ensure holistic well-being, both in the workplace and in their personal livesFocused training on company policies and communicating expectations to maintain the highest standard of ethics in achieving the company's strategic objectives and addressing employee-related concerns, when necessary					  		  							
OPPORTUNITIES AND FUTURE AREAS OF FOCUS																
<ul style="list-style-type: none">Improved change management to keep employees abreast of changes in the businessAdherence to the mandatory and annual consecutive 10-day leave policy to encourage a healthy work-life balance																





REGULATORS: THE PRUDENTIAL AUTHORITY, FSCA, CIPC AND SARS

QUALITY OF RELATIONSHIP

1 2 3 4 5

BASIS OF RELATIONSHIP		METHODS OF ENGAGEMENT	MATERIAL MATTERS WHICH IMPACT THIS STAKEHOLDER	
These entities regulate the functions of the company. The company, as a law-abiding responsible corporate citizen, endeavours not only to comply with the letter of the law but also the spirit of the law. The company endeavours to always have transparent and conducive relationships with its regulators.		<p>Strategic: Companies Act, Financial Sector Regulation Act, Insurance Act and PA Standards.</p> <p>Structural: Statutory reports filed with regulatory bodies as required by the applicable legislation, including submitting annual returns to the CIPC and Quantitative Return Templates (QRTs) and ORSA, and reports to the PA.</p> <p>Operational: The governance and compliance frameworks of the company, meeting with regulators when necessary to address compliance matters, e.g., the PA regulatory visit, FSCA regulatory meetings, and engagement through the ordinary client service channels of the regulators.</p>	<ul style="list-style-type: none">■ Provide the primary layer of Professional Indemnity insurance and risk management services to the legal profession■ Enhance the trust consumers of legal services have in the legal profession■ Implement measures to continuously improve the efficacy of the governance structure	
KEY ISSUES RAISED	OUR RESPONSE AND AREAS OF FOCUS DURING THE PERIOD		STRATEGIC OBJECTIVE ADDRESSED	RISKS MITIGATED
<ul style="list-style-type: none">■ Engagement is only considered for compliance purposes (training opportunities and other engagement opportunities may be missed)	<ul style="list-style-type: none">■ Constant scanning of the legislative environment to ensure consistent compliance with regulatory requirements■ Meetings of the Board and its committees to ensure that, in achieving its strategic objectives, the company complies with the letter and spirit of the law■ Compliance with all requests from regulators and engagements to ensure that the company’s policies, procedures and culture are aligned with the spirit and letter of the law■ Continued proactive engagement with regulators■ Targeted engagement with regulators aimed at understanding the mandate, operating environment and business of the company		 	  
OPPORTUNITIES AND FUTURE AREAS OF FOCUS				
<ul style="list-style-type: none">■ Continuous improvement of the relationship with all regulators through transparent, effective and proactive communication■ Continued communication relating to the unique nature, structure and functions of the company				

STAKEHOLDER ENGAGEMENT (CONTINUED)

THE PUBLIC WHO MAKES USE OF LEGAL SERVICES		QUALITY OF RELATIONSHIP					
		1	2	3	4	5	
		MATERIAL MATTERS WHICH IMPACT THIS STAKEHOLDER					
BASIS OF RELATIONSHIP	METHODS OF ENGAGEMENT						
The company's mandate is to provide insurance services to the legal profession to protect the public. In the past, the company embarked on a communication strategy project which assisted us in identifying areas that required attention. Using the insight gained from that project, we have ensured that our communication is effective and targeted.	<p>Strategic: Master Policy and Executor Bond Policy.</p> <p>Structural: Extensive engagement with the insured and claimants' legal representatives is imperative when investigating claims. Management of Executor Bonds also requires continued engagements with the attorneys appointed as executors, the Legal Practice Council and the Master.</p> <p>Operational: Website and social media.</p> <ul style="list-style-type: none">Provide the primary layer of Professional Indemnity insurance and risk management services to the legal professionEnhance the trust consumers of legal services have in the legal professionMeet solvency requirements						
KEY ISSUES RAISED	OUR RESPONSE AND AREAS OF FOCUS DURING THE PERIOD					STRATEGIC OBJECTIVE ADDRESSED	RISKS MITIGATED
<ul style="list-style-type: none">Insufficient awarenessAccessibility (openness, approachability)A lack of transparency and public confidence in the legal profession	<ul style="list-style-type: none">The company has engaged extensively through various platforms which included but were not limited to social media, publications and face-to-face meetings with the legal profession, advising them of the existence of the company, the services it provides and impending strategic changes, such as the changes in the funding modelThe Fidelity Fund continues to host our whistleblower lineThe company remains committed to ensuring transparency and availing ourselves when required by those who use our servicesQueries from all stakeholders are addressed quickly and comprehensively						
OPPORTUNITIES AND FUTURE AREAS OF FOCUS							
<ul style="list-style-type: none">The various engagements are increasing awareness and strengthening the company's brand with all stakeholders							

ACTUARIAL CONTROL FUNCTION

QUALITY OF RELATIONSHIP

1 2 3 4 5

INTERNAL AUDIT CONTROL FUNCTION (OUTSOURCED)

QUALITY OF RELATIONSHIP

1 2 3 4 5

**MATERIAL MATTERS
WHICH IMPACT THIS
STAKEHOLDER**

BASIS OF RELATIONSHIP

METHODS OF ENGAGEMENT

As an insurer, the company is required by regulation to have these business functions. In addition, these functions are important to ensure that the company achieves its mandate and complies with the law.

Strategic: Service contracts, respective professional body standards, legislation and regulations.

Structural: Quarterly actuarial reports, audit plan and budget, audit documents including scopes and findings, reporting to the Risk and Audit Committees, as well as the Board.

- Provide the primary layer of Professional Indemnity insurance and risk management services to the legal profession
- Meet solvency requirements
- Maintain and monitor the approved investment strategy

KEY ISSUES RAISED

OUR RESPONSE AND AREAS OF FOCUS DURING THE PERIOD

STRATEGIC OBJECTIVE ADDRESSED

RISKS MITIGATED

- Skills and expertise available to deliver on business requirements
- Effective communication with outsourced internal audit and actuarial functions respectively, and relationship-building
- Concentration risk for the outsourced actuarial function

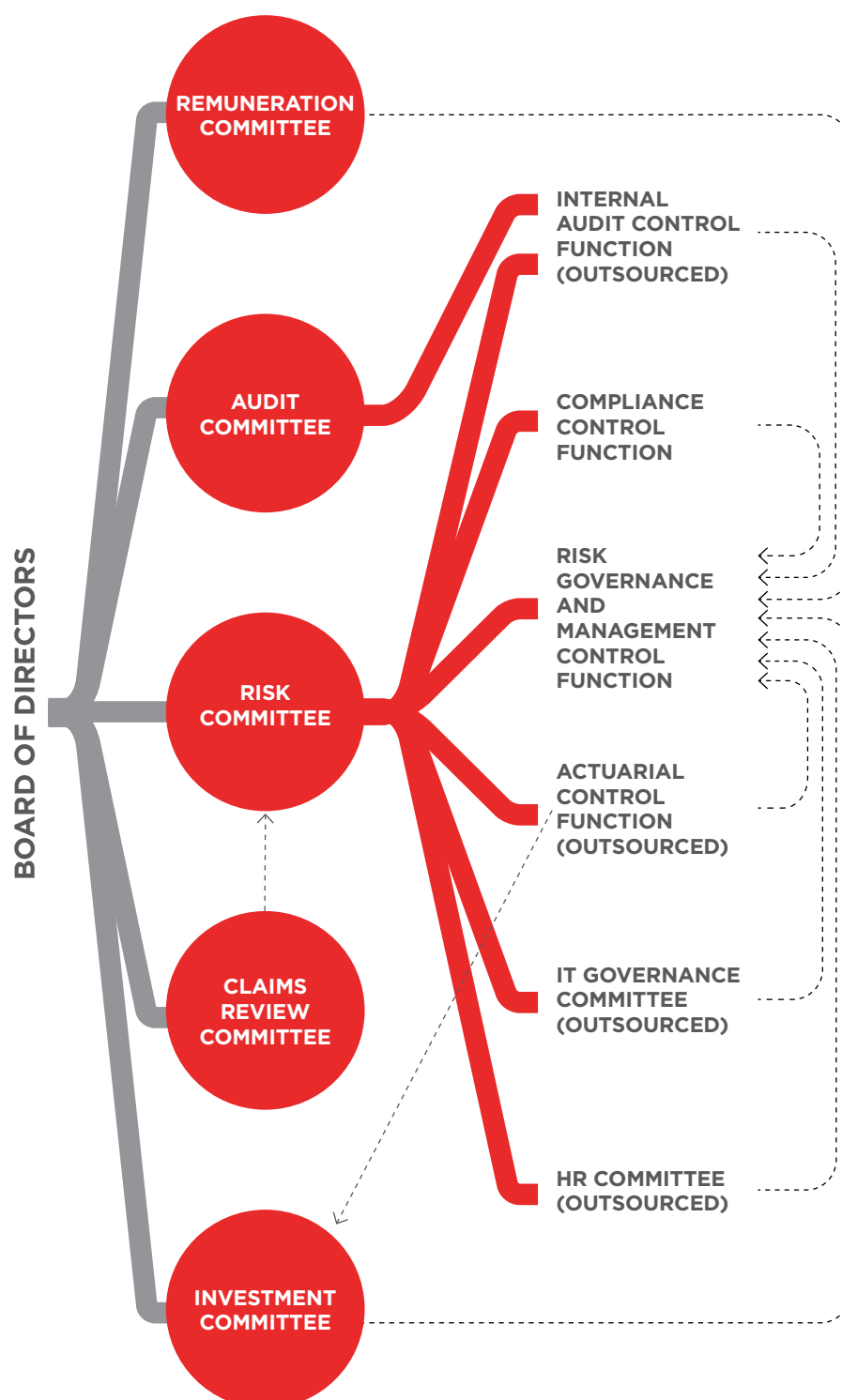
- Monitoring requisite qualifications and professional membership status
- Monitoring competence and skills of the employees/service teams of the outsourced functions. Annual fit and proper assessments of the heads of the control functions and the skills of the members of the allocated service teams upon appointment to the engagement teams
- Periodic external reviews of compliance and performance of outsourced functions
- Engagements with the internal audit team, specifically regarding relationship-building and effective communication, have taken place at an executive level and efforts continue on both sides to ensure a professional relationship



OPPORTUNITIES AND FUTURE AREAS OF FOCUS

- Continued effective communication with the internal audit function to ensure a value-adding relationship
- Monitor the impact of depending on key personnel on the actuarial control function and contingency and succession planning

GOVERNANCE STRUCTURE



THE LPIIF BOARD IS COMMITTED TO:

- Good governance practices aligned with King IV™
- Objective and independent judgement and decision-making
- Compliance with laws, regulations and codes
- Serving the interests of the company and its stakeholders
- Behaving ethically and maintaining high standards of integrity

ENSURING VALUE CREATION THROUGH ROBUST GOVERNANCE

BOARD COMPOSITION

For the reporting period, the Board consisted of seven members – six independent Non-Executive Directors and one Executive Director.

- The Chair of the Board will always be independent.
- A declaration of conflict of interest is completed at each Board meeting.
- Company directors are nominated by the Fidelity Fund and approved by the PA.
- The roles of the Chair and Managing Director shall always be separate.
- The company has adopted the code of conduct of its member, the Fidelity Fund.

BOARD CHANGES

The following changes took place in the reporting period:

- Ms D Subbian resigned from the Board on 29 August 2023.
- Ms SK O'Mahony joined the Board in September 2024.*

DIVERSITY

The Board is satisfied with the independence and diversity of its members in terms of gender, age, knowledge, skills, experience, race and tenure. Although no specific target has been set for female representation, gender transformation is included as a key principle in the recently adopted Succession Policy of the Board. Female representation on the Board and its committees is therefore a continuous focus of the Board.

The ICT skills of the Board are under review and will form part of the Board considerations in the next rotation.

* Appointment was retrospectively approved by the PA from 12 June 2024, although Ms O'Mahony only commenced acting in the second quarter meetings of the governance structure.

EXERCISE OF AUTHORITY

The Board is satisfied that the delegation of authority allows for independent judgement, balance of power and an effective discharge of duties.

7
BOARD MEMBERS (2023: 8)

25%
FEMALE (2023: 25%)

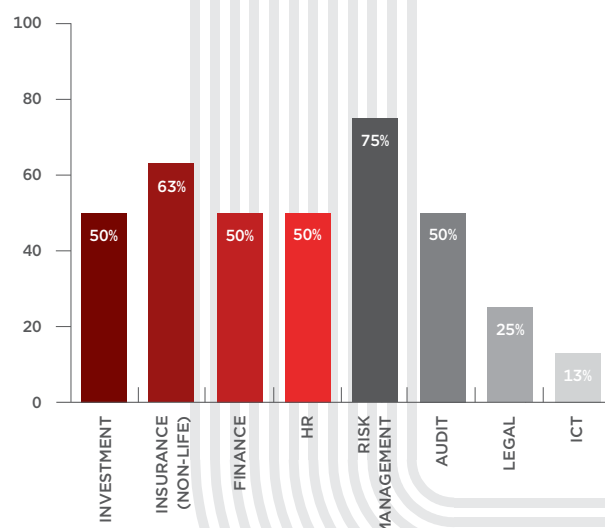
6
NON-EXECUTIVE DIRECTORS,
ALL INDEPENDENT (2023: 7)

64%
BLACK (2023: 75%)

7.6
AVERAGE TENURE IN YEARS (2023: 6.9)

100%
BOARD AND COMMITTEE MEETING ATTENDANCE

TOP AREAS OF SKILLS AND EXPERTISE



**ADEQUATE
KNOWLEDGE
AND SKILLS**



**SUFFICIENTLY
DIVERSE**



**WIDE VARIETY OF
QUALIFICATIONS AND
EXPERIENCE**

MEMBERS OF THE BOARD



R

SS MBELLE (63)

MANAGING DIRECTOR

APPOINTED:

1 February 2013

**QUALIFICATIONS
AND EXPERIENCE:**

BSc, MBL and LLM (UK)

I_c RE

EA MOOLLA (74)

INDEPENDENT
NON-EXECUTIVE
DIRECTOR

APPOINTED:

28 March 2007

**QUALIFICATIONS
AND EXPERIENCE:**

BJuris

R I

PROF DP DU PLESSIS (69)

INDEPENDENT
NON-EXECUTIVE
DIRECTOR

APPOINTED:

29 September 2022

**QUALIFICATIONS
AND EXPERIENCE:**

BSc, MBA, DBA, CD (SA)
and CBA (SA)

A R_c

TD KHANYILE (60)

INDEPENDENT
NON-EXECUTIVE
DIRECTOR

APPOINTED:

29 May 2014

**QUALIFICATIONS
AND EXPERIENCE:**

BCom, CIA and SLD



MJ LESEJANE (68)

**DEPUTY CHAIR
INDEPENDENT
NON-EXECUTIVE
DIRECTOR**

APPOINTED:
1 February 2017

**QUALIFICATIONS
AND EXPERIENCE:**
CA (SA), Fellow Chartered
Management Accountant
(FCMA), Chartered Global
Management Accountant
(CGMA) and CD (SA)



S CHABA (66)

**INDEPENDENT
NON-EXECUTIVE
DIRECTOR**

APPOINTED:
29 September 2022

**QUALIFICATIONS
AND EXPERIENCE:**
BA, Higher Diploma in
Personnel Management,
Diploma in Diagnostic
Radiography, Senior
Executive Programme
and Executive Course in
Strategic Development
and Leadership



MJ HAKEN (71)

**CHAIR
INDEPENDENT
NON-EXECUTIVE
DIRECTOR**

APPOINTED:
29 March 2012

**QUALIFICATIONS
AND EXPERIENCE:**
FCII and FIISA



SK O'MAHONY (37)

**INDEPENDENT
NON-EXECUTIVE
DIRECTOR**

APPOINTED:
12 June 2024
(Regulatory authorisation
only received in July 2024)

**QUALIFICATIONS
AND EXPERIENCE:**
BSc Honours, Fellow of
the Actuarial Society of
South Africa, Fellow of the
Institute and Faculty of
Actuaries, United Kingdom
and Accredited Member of
the Institute of Directors
Southern Africa

COMMITTEES



**AUDIT
COMMITTEE**



**RISK
COMMITTEE**



**INVESTMENT
COMMITTEE**



**REMUNERATION
COMMITTEE**



**CLAIMS REVIEW
COMMITTEE**



CHAIR

THE BOARD AND COMMITTEES

The Board is assisted in the performance of its duties by five committees. All committees have formal documented terms of reference outlining their roles and responsibilities, as set out in legislation and the Prudential Standards. The Board reviews and approves these terms of reference annually. The Board reviewed and approved the terms of reference of the Audit, Risk and Investment Committees and was satisfied with improvements made to ensure continued compliance with legislation and best practice. In the review of the terms of reference of the Remuneration Committee, factors such as the inclusion of the functions of the Nominations and Social and Ethics Committee were considered, and the decision was made to restructure the committee to include both these functions. This process was conducted by taking into account the skills required and the size of the company.

The Board looks to each committee for direction, counsel and recommendations in their area of expertise. The work of these committees does, however, not absolve or divest the Board of its general accountability. The Board continues to maintain a separate Nominations Committee which specifically addresses matters of Board and Managing Director's succession, with the balance of the ordinary functions of the Nominations Committee delegated to the Remunerations Committee. The following tables list the members of each committee as well as their attendance at committee meetings. If the relevant committees think it suitable, and when their presence would be beneficial to the committee, outside advisers, managers and executive members who are not members of the specific committees may be invited to attend meetings.

THE BOARD

CHAIR: MJ MAKEN

NUMBER OF MEETINGS: 7

ATTENDANCE: 100%

MEMBERS: EA Moolla, SS Mbelle, TD Khanyile, MJ Lesejane, DP du Plessis, S Chaba, SK O'Mahony*

KEY RESPONSIBILITIES

The responsibilities of the Board are set out in the Prudential Standards, MOI and the Board Charter, and are summarised below:

- Effective governance and risk management of the company, specifically determining and overseeing the implementation of the company's business objectives and strategies;
- Evaluation of all key assumptions and business indicators on which the company's strategic objectives and policies are based;
- Approval of the design and implementation of ORSA short and long-term capital planning, as well as business and risk strategies to ensure that the company meets the ongoing solvency requirements as legislated; and
- Adequacy and efficiency of the internal financial controls, accounting practices, risk management practices, information systems and auditing processes applied in the day-to-day management of the business.

FOCUS AREAS IN 2024

- With recent appointments to the Board, various engagements have taken place to ensure that the Board functions optimally to ensure high performance and delivery of strategic objectives
- Engagement with the members and stakeholder engagement has been at the fore with the imminent roll-out of fee contributions by legal practitioners to the premium paid to the company
- IT Governance and operations
- Prudent management of the funds of the company

FOCUS AREAS IN THE COMING YEAR

- Continued effectiveness and efficiency of the current strategy of the company and its sustainability
- IT developments, efficiencies, data analytics and Artificial Intelligence (AI) as a base for continuing with elements of the growth strategy
- Improved relations with various stakeholders
- High-performance Board

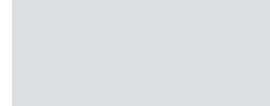
BOARD STATEMENT

The Board is satisfied that it has fulfilled its responsibilities for the reporting period in accordance with the Board Charter, Prudential Standards, recommendation of King IV™ and other applicable legislation. The Board is satisfied that stakeholder relationships are adequately managed and monitored.

* Appointed June 2024 (Regulatory authorisation only received in July 2024, commenced duties in September 2024)



PLEASE REFER TO THE STAKEHOLDER ENGAGEMENT SECTION ON PAGE 28 FOR MORE INFORMATION.



THE AUDIT COMMITTEE

CHAIR: MJ LESEJANE

NUMBER OF MEETINGS: 3

ATTENDANCE: 100%

MEMBERS: TD Khanyile, MJ Haken, SK O'Mahony*

COMPOSITION: Committee members must be independent Non-Executive Directors. At least one-third of the members at any time must have academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce and industry, public affairs or human resource management. The Chair must always be an independent Non-Executive Director. The composition of the Audit Committee complies with the requirements.

KEY RESPONSIBILITIES

Assists the Board in fulfilling its oversight responsibility relating to:

- The evaluation of the financial position and performance: reviews financial reports, accounting practices and internal financial control of the company, reviews the accounting policies applied in the annual financial statements in conjunction with the independent auditors and recommends annual financial statements for Board approval;
- The external audit function: recommends to the Board the appointment, reappointment and removal or replacements of the external auditor, determines and approves the nature and extent of non-audit services, and reviews the quality and effectiveness of the external audit process;
- The internal audit function: approves the strategy of the internal audit function, and approves the risk-based internal audit plan and resources;
- Financial statements: prepares a report to be included in the financial statements and describes how the Audit Committee carried out its functions, and monitors and confirms the independence of the auditors; and
- Performs such other functions as may be required by the Board from time to time.

FOCUS AREAS IN 2024

- Prudent management of the company's finances and proactive risk management in this area
- Solvency of the company
- Ensuring that all lines of defence work effectively and that audit focus is given to correct areas, given the challenging financial and investment environment

FOCUS AREAS IN THE COMING YEAR

- The implementation of IFRS 17
- Exercising financial controls and ensuring continued integrity and transparency in financial reporting

COMMITTEE STATEMENT

The committee is satisfied that it has executed its role and responsibilities in keeping with the Prudential Standards, the Companies Act, the recommendations of King IV™ and the Committee terms of reference. The committee is also satisfied that there were no significant matters to be considered in the audited financial statements.

* Appointed June 2024 (Regulatory authorisation only received in July 2024, commenced duties in September 2024)

THE RISK COMMITTEE

CHAIR: TD KHANYILE

NUMBER OF MEETINGS: 5

ATTENDANCE: 100%

MEMBERS: SS Mbelle, MJ Lesejane, DP du Plessis

COMPOSITION: Committee members include Executive and Non-Executive Directors. The Chair of the committee must always be an independent Non-Executive Director. Members of the committee, taken as a whole, must comprise individuals with risk management skills and experience. The composition of the Risk Committee complies with the requirements.

KEY RESPONSIBILITIES

The committee assists the Board in its oversight as follows:

- Evaluating the adequacy and effectiveness of the risk management system of the company, the identification of the build-up and concentration of various risks to which the company is exposed, and the identification and monitoring of and reporting on all material risks to inform the Board's decision-making capability;
- Reviewing the impact and integrity of the information systems environment on risk management and the quality of output from the information system;
- Establishing and overseeing risk management, compliance and actuarial control functions; and
- Facilitating and promoting the communication of risk management in line with the report structure defined in the company's Governance Framework.

FOCUS AREAS IN 2024

- Strategic and operational risks faced by the company in the changing business environment culminating in additional risks identified for monitoring
- IT infrastructure and progress in the implementation of IT solutions to manage the risks identified
- Orientation of new members

FOCUS AREAS IN THE COMING YEAR

- Sustainability risks to the company and management thereof, including new strategic initiatives
- IT infrastructure integrity
- Monitoring of the insurance risk transfer models of the company

COMMITTEE STATEMENT

The committee is satisfied that the risk areas are efficiently and effectively attended to within the operations. The committee is satisfied that it has fulfilled its mandate, made a positive contribution and successfully supported the Board in fulfilling its risk management duties.

THE BOARD AND COMMITTEES (CONTINUED)

THE INVESTMENT COMMITTEE

CHAIR: EA MOOLLA

NUMBER OF MEETINGS: 5

ATTENDANCE: 100%

MEMBERS: DP du Plessis, M Selepeng, HK Dlepu, M Mafaya*

COMPOSITION: The Chair of the committee must always be an independent Non-Executive Director. Members of the committee, taken as a whole, must comprise individuals with investment management skills and experience, as well as a balance of other skills, as recommended by King IV™. The composition of the Investment Committee complies with the requirements.

KEY RESPONSIBILITIES

The Investment Committee has four primary tasks, namely:

- Developing an appropriate investment strategy which addresses the sustainability and liabilities of the company, as well as the regulatory requirements;
- Monitoring the implementation and effectiveness of the investment strategy against the overall strategy, ensuring compliance with regulatory requirements and ensuring compliance with the Code of Responsible Investing in South Africa and ESG principles;
- Scanning the investment universe to identify possible investment mechanics and best practice in terms of investment processes and practices; and
- Developing and managing a programme to ensure that the committee has the capabilities to carry out its responsibilities.

FOCUS AREAS IN 2024

- Monitoring the performance of investment managers and mandates implemented under the new investment strategy
- Prudent management of withdrawals from liquid investments for operations
- Protecting the investment portfolio of the company through difficult market conditions

FOCUS AREAS IN THE COMING YEAR

- Continued efficiency in the management of investments
- Further diversification of investment managers to ensure prudent positioning to attain optimal returns while remaining risk-averse
- Re-evaluation of the investment strategy given the significant growth in investments since the implementation of the current strategy

COMMITTEE STATEMENT

The committee is satisfied that it has executed its role and responsibilities in keeping with the Prudential Standards, the recommendations of King IV™ and the Committee TOR.

* Appointed 20 March 2024

THE REMUNERATION COMMITTEE

CHAIR: S CHABA

NUMBER OF MEETINGS: 4

ATTENDANCE: 100%

MEMBERS: MJ Haken, EA Moolla

COMPOSITION: The committee consists of members of the Board of Directors of the company, the majority of whom must be independent Non-Executive Directors. The Chair of the committee must always be an independent Non-executive Director. The composition of the Remuneration Committee complies with the requirements.

The Remuneration Committee was restructured in the reporting period to include social and ethics (SEC) as well as nomination functions.

KEY RESPONSIBILITIES

The Committee undertakes these duties:

- Advising the company on matters relating to the remuneration of its Directors, head of control functions, managing executives and other persons who may have a material impact on the risk exposure of the company;
- Developing an appropriate remuneration policy for inclusion in the company's risk management policies;
- Monitoring the implementation of the remuneration policy and regularly reviewing its suitability, at least annually; and
- Reporting to the Board on compliance with the remuneration policy and disclosing Directors' remuneration and benefits in the annual financial statements.

FOCUS AREAS IN 2024

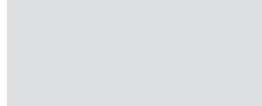
- Remuneration policies and practices
- Talent retention and acquisition
- Inclusion of additional functions to the committee, specifically nominations, social and ethics

FOCUS AREAS IN THE COMING YEAR

- Remuneration policies and practices
- Additional functions and their impact on the committee structure and skills requirements
- Employee succession planning
- Executive development process

COMMITTEE STATEMENT

The committee is satisfied that it has fulfilled its mandate and provided adequate support to the Board with respect to the Board's remuneration decisions and recommendations for the Annual General Meeting. The committee was, however, unable to meet in the second half of the financial year as it did not meet quorum requirements due to the retirement of Directors and the process of appointing new Directors. The PA was notified of the non-compliance brought about by circumstances. We are glad to announce that the committee is now quorate after the approval of the appointment of new Directors to the Board.



THE CLAIMS REVIEW COMMITTEE

COMPOSITION: The committee consists of a senior member of the profession who brings a legal profession perspective, and the Chair, who is external and possesses vast experience in the business and operations of a claims department. The committee holds meetings if needed, depending on the task at hand.

KEY RESPONSIBILITIES

The committee's mandate is to:

- Perform general audits on samples of files where capital and/or costs have been paid, or any other files that the committee would consider worthy of an audit based on relevant risk considerations;
- Ascertain whether all the necessary Minimum Operating Standards (MOS) have been followed in respect of the approvals;
- Assess the quality of claims investigations done before payments were made;
- Ascertain that strict compliance with applicable tariffs in respect of the payment of claims costs is adhered to;
- Advise on amendments to the Master Policy, if necessary;
- Assist the claims department with the identification of claims-related risks which may negatively impact the sustainability of the company; and
- Advise the claims department on recommended internal controls that may enhance the claims processes.

FOCUS AREAS IN 2024

- At least one claims audit on Professional Indemnity and Executor Bond claims per annum
- Quality assurance of the legal skills in the claims team

FOCUS AREAS IN THE COMING YEAR

- Periodic claims audit on Executor Bonds claims
- Providing training to the Professional Indemnity claims team

COMMITTEE STATEMENT

The committee is satisfied that it has executed its role and responsibilities in keeping with the terms of reference under which it was constituted.

THE SOCIAL AND ETHICS COMMITTEE

The company does not have a stand alone Social and Ethics Committee. In the reporting period, the Remuneration Committee was restructured to include social and ethics functions.

FOCUS AREAS IN 2024

- Review of conduct policies (fraud and whistleblowing)
- Review of Board conduct and relations

FOCUS AREAS IN THE COMING YEAR

- Review the Code of Ethics
- Integration of the functions of the Social and Ethics Committee and reporting structure

The company has in place an Ethics Policy and Code of Conduct which apply at all levels of the company. Conduct policies including the Fraud and Whistleblowing policies of the company were reviewed and approved in the reporting period. Employees are encouraged to report any unethical conduct, and a whistleblowing facility is available to employees, including an anonymous tip-off line. Reporting on elements of ethics is made to the Board and its committees through various reports by management, of the main compliance and human resources functions.

Post the reporting period, the company has also established an adhoc Nominations Committee consisting of members of the Board.

THE BOARD AND COMMITTEES (CONTINUED)

BOARD EVALUATION AND PERFORMANCE

The term of the current Board comes to an end in 2025. The process of succession planning and skills assessment to ascertain the needs of the Board and to proactively manage the impending transition period commenced in the second quarter of the 2023/24 financial year. It is anticipated that the Board will finalise its succession proposals in the second quarter of the current financial year. Board performance evaluation by an external independent provider was also approved and commenced in the period under review.

MANAGING DIRECTOR'S PERFORMANCE AND SUCCESSION PLANNING

The performance of the Managing Director was assessed by the Board for the period under review. The Board is satisfied that Mr Mbelle continues to steer the company in the desired direction and implement the Board-approved strategy of the company with prudence, wisdom and the expertise required to ensure the continued effective and efficient functioning of all facets of the business.

NOTICE PERIOD

The Managing Director is the only Executive Director of the company. The notice period for the Managing Director is two months.

SUCCESSION PLANNING

Succession planning at the Board level has been fully implemented and rotation of the Board is based on a Board and regulator-approved Board Succession Policy.

Succession and career management have been identified as the key focus areas for the business to ensure that the company's bench strength is robust for critical roles. Bench strength is an assessment of the company's preparedness to replace those in critical positions. It is about identifying employees who will be ready to step into critical roles at the appropriate time and ensuring a seamless transition.

With oversight by the Remuneration Committee, the executive management of the company has been tasked with the review of the executive succession process. The outcomes included, among others, a succession plan and executive development programme, both of which will be implemented in the current financial year.

RESPONSIBLE CORPORATE CITIZENSHIP

As a responsible corporate citizen, the company continuously endeavours to seek opportunities to contribute to society, both socially and economically.

FOCUS AREAS FOR 2024

- The wellness of employees
- Responsible investing – the adoption of a responsible investing policy

Both focus areas were advanced in the business during the year and good progress has been made.

MEASURES TAKEN TO MONITOR CORPORATE CITIZENSHIP

The mandate of the LPIIF at its core implies that the company must act as a good corporate citizen in protecting the interest of the public and the legal profession. The measures taken to monitor claims management and the claims experience and provide risk education to the profession are indicators of the company's performance as a good corporate citizen. Other measures include monitoring and reporting on matters such as fraud prevention, reporting and employee wellness.

PENALTIES, SANCTIONS OR FINES

No sanctions were imposed on the company in the reporting period.

FUTURE FOCUS AREAS

- Employee wellness and development
- Stakeholder inclusivity

COMPANY SECRETARY

The Board is responsible for the selection and appointment of the Company Secretary. Ms K Tsike was appointed as Company Secretary in June 2018. She plays a pivotal role in the achievement of good corporate governance and ensures that applicable laws, rules and regulations for the conduct of the affairs of the Board are complied with.

The Board has assessed the Company Secretary and is satisfied with her skills set as well as the knowledge, expertise and guidance provided by her.

ACCESS TO MANAGEMENT, AUDITORS AND EXTERNAL CONSULTANTS

In terms of the Board Charter, any member of the Board, partner of the external auditors or Head of Internal Audit may bring to the attention of the Board, its Chair or the Managing Director any material matter they deem appropriate.

The Board may, in consultation with the Company Secretary, when carrying out its responsibilities in terms of the Charter, obtain external and independent professional advice as it considers necessary to carry out its duties.

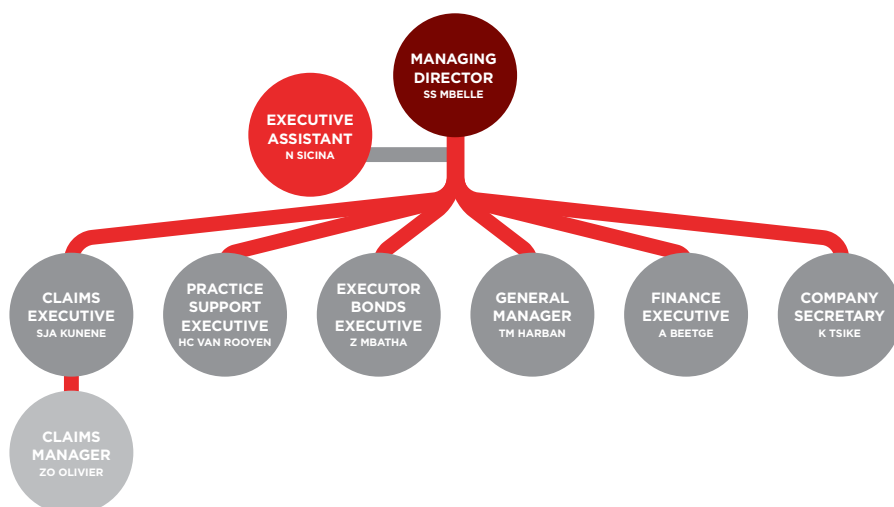
The Board shall have unrestricted access to all company information, records, documents and property. The Company Secretary shall assist the Board by providing any information or documents that may be required.

MANAGEMENT TEAM

During the period under review, the company's management was made up of the persons listed in the organogram on the right.

The Board has appointed the following heads of control functions:

- **Mr TM Harban:** Head of Risk Management;
- **Mr S Swanepoel (Directrix):** Head of the Actuarial;
- **Ms K Tsike:** Head of Compliance; and
- **Mr N Hassim (Nexia SAB&T):** Head of Internal Audit



REGULATORY ENVIRONMENT AND COMPLIANCE

The regulatory universe of the company is submitted to the Board in the first quarter of each financial year. Updates are provided through continuous reporting by the compliance control function. The Board monitors compliance with applicable legislation and approves the progress made with respect to the regulatory universe of the company at the end of each financial year.

The company has acquired Exclaim software as its compliance tool. The system has been implemented, and all relevant staff were trained. We believe that it will be a valuable compliance management and reporting tool for the Board and its committees.

The most important regulatory requirements for the company are contained in:

- the Financial Sector Regulation Act, the Insurance Act and the insurance licence issued to the company, as indicated in the Prudential Standards, Regulations, Directives, Standards and Notices issued by the FSCA and the PA;
- the Act;
- the Companies Act; and
- the combined assurance model (multiple lines of defence).

In addition, the company acknowledges its responsibility for ensuring compliance with laws and regulations, including compliance with the Prevention of Organised Crime Act and the Prevention and Combatting of Corrupt Activities Act. We are not aware of any incidents of non-compliance, nor have any been identified by internal or external audits in the current year.

The developments to the Conduct of Financial Institutions Bill aimed at consolidating and strengthening conduct laws for financial institutions is a particular piece of draft legislation being monitored by the company. The bill is currently before Parliament, and as an insurer, the company will be directly affected when it becomes an Act of Parliament.

Work continues on the implementation of the requirements of the Protection of Personal Information Act 4 of 2013.

FOCUS AREAS IN 2024

- IT governance
- Data governance
- Governance Framework

ACTIONS TAKEN TO MONITOR THE EFFECTIVENESS OF COMPLIANCE MANAGEMENT:

Compliance management monitoring is conducted through bi-annual reporting by the compliance function and audit of the area. In the reporting period, an audit of compliances processes was conducted by the internal audit function, with an outcome of satisfaction.

FUTURE FOCUS AREAS

- IT governance
- Changes in the insurance legislation landscape

THE BOARD AND COMMITTEES (CONTINUED)

INTERNAL FINANCIAL CONTROLS

A review of the internal financial controls was conducted by the internal auditors of the company and a rating of “satisfactory” was achieved. It was noted that the controls are adequate, appropriate and effective to provide reasonable assurance that risks are being managed, and objectives should be met.

The Audit Committee is satisfied that the finances of the company are prudently managed and risk adequately managed.

COMBINED ASSURANCE

Combined assurance is exercised at different levels in the company with the first line being risk, compliance and actuarial management functions, followed by the internal audit function and, finally, external auditors. Regular reporting is done by management to the Board and committees. Engagements take place between the internal and external audit functions ahead of each audit.

The Audit Committee is satisfied with the management and effectiveness of combined assurance.

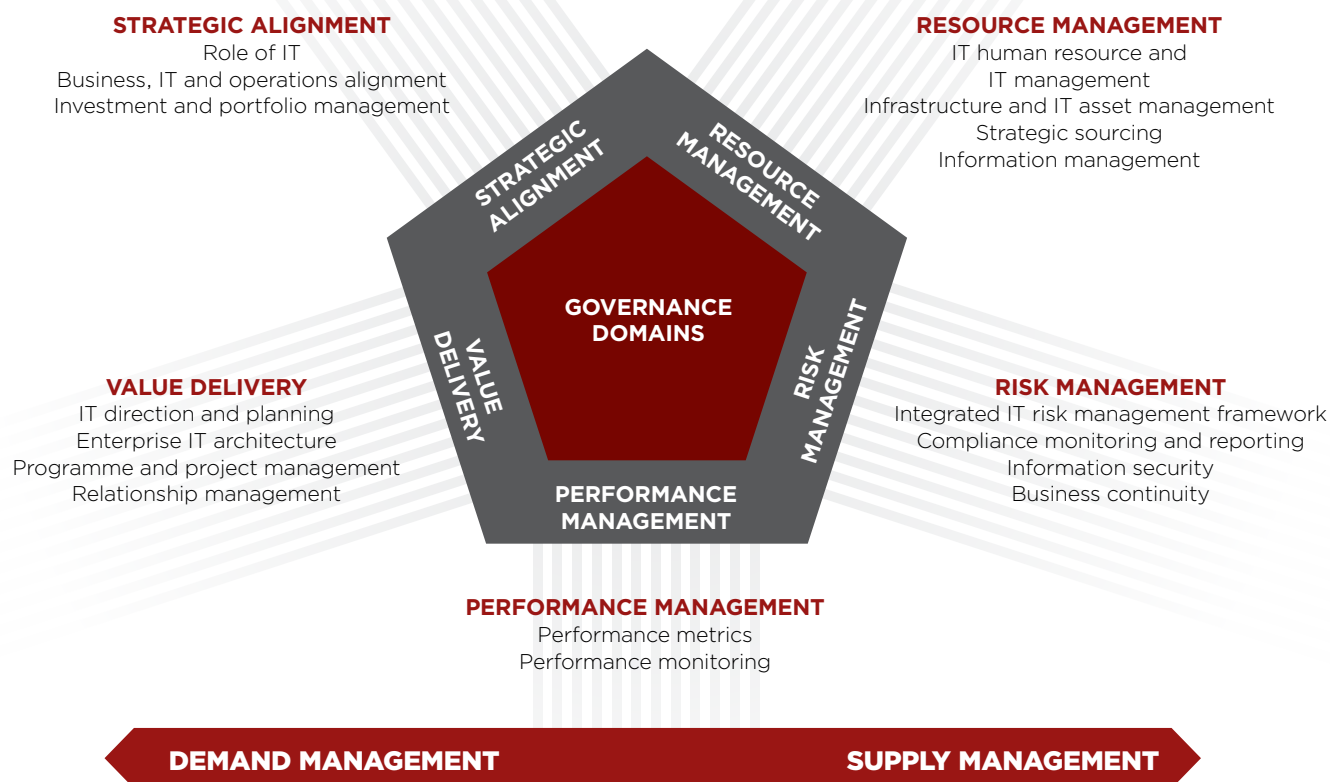
TECHNOLOGY AND INFORMATION

OVERVIEW

As part of our commitment to enhancing our technological landscape, we have engaged in several initiatives in the reporting period to improve our data analytics maturity, build our internal IT capacity and strengthen information security measures to ensure compliance with regulatory requirements.

IT GOVERNANCE FRAMEWORK (TECHNOLOGY AND INFORMATION)

Framework (structure, process) | Oversight



TECHNOLOGY AND INFORMATION GOVERNANCE

The LPIIF's governance practices aim to ensure that our technology supports the strategic and operational objectives of the company, while safeguarding both company and public information. Governance of technology and information is crucial for ensuring that the company's IT infrastructure aligns with the strategic missions and operational needs. Key points include:

- Oversight responsibilities – the IT function is outsourced to the Legal Practitioners Fidelity Fund. The Executive Committee (Exco) provides oversight on operations and the development of information technology, ensuring accountability and appropriate resource allocation.
- Reporting structure – the IT function regularly reports to Exco through the office of the Finance Executive for functional areas and the Executor Bonds Executive for projects, as well as to the Company Secretary for compliance purposes. The new operating model is currently being developed and will impact the structure and reporting going forward.
- IT Governance Framework – we have adopted an IT Governance Framework based on Control Objectives and Related Technologies (COBIT) 2019. This framework outlines the necessary components for managing IT controls and governance effectively. The diagram on the left explains the framework:

FOCUS AREAS FOR 2024

In the reporting period, the governance and management of technology and information yielded accomplishments towards enhancing our capability to achieve strategic objectives. Those accomplishments include:

- Rolling out next-generation firewalls to fortify the company's defences against external threats.
- Exploring various products that could be developed for legal practitioners to expand income streams using technology.
- Advancements in our data analytics maturity assessment and the development of plans to improve in that area. We have initiated a comprehensive data analytics programme, designed to improve and elevate our data maturity. This programme involved a thorough evaluation of our existing data analytics tools and processes and identifying gaps and areas for improvement.
- Successfully meeting regulatory requirements from an IT perspective and establishing a comprehensive plan that began implementation in May 2024, and will continue into the 2024/25 financial year.

FUTURE FOCUS AREAS

Looking ahead, the governance of technology and information remains an ongoing programme that focuses on enhancing IT operations to support the company's strategic goals. Key initiatives planned for the next financial year include:

- Enhancing the claims management system to address security and functionality gaps, and to integrate with internal and external systems.
- Automating the management of Executor Bonds for streamlined operations.
- Implementing an integrated system or a robust integration hub for interconnected business processes internally and externally with the Fidelity Fund and LPC.
- Further enhancing cybersecurity, specifically concerning disaster recovery capabilities, addressing network vulnerabilities and enforcing IT security policies.
- Adopting NIST and ISO 27001 standards to strengthen our cybersecurity framework.

INTERNAL IT CAPACITY AND CAPABILITIES

In alignment with organisational objectives, we have undertaken a significant project to build internal IT capacity, will come to fruition in the next financial year. Key elements include:

- Staff augmentation – employing additional skilled personnel to support ongoing and future IT operations.
- Process optimisation – streamlining IT processes to improve efficiency and responsiveness.
- Alignment with organisational objectives – establishing a clear IT services catalogue and performance metrics for IT capabilities that align with organisational goals and regulatory compliance.

CYBER INCIDENT

In June 2024, the company experienced a cyber incident. Thanks to the preparedness of our executive management team, IT was well supported, and we effectively mitigated the impact of the incident. Our response included:

- Recovery – we have successfully reduced the impact without significant loss or regulatory fines. Most recovery activities will be carried out in the next financial year, from July 2024.
- Incident analysis – a post-incident review was conducted to identify weaknesses and plan improvements to our security posture.

Augmentation of our security measures taken in June 2024 includes the following:

- Password policy enforcement – the network domain was rebuilt, and the active directory security policy was enhanced to reduce vulnerabilities.
- Enhanced security software – AI-enabled endpoint detection and response as well as extended detection and response tools were implemented, which significantly improved our defence against malware attacks.
- Secure remote access – all remote workers are now required to use virtual private network connections to access the data centre, which provides an additional layer of security with the use of multi factor authentication via tokens.
- Network upgrades – the network infrastructure was upgraded to improve redundancy and performance.
- Real-time monitoring – network monitoring was enhanced to allow for the detection and blockage of potential threats, automatically and in real time.
- Privileged account management – strict policies were put in place regarding the use of privileged accounts, with no generic access and limited third-party access based on necessity.

REWARDING FOR VALUE CREATION



The company's remuneration philosophy is designed to attract, retain and motivate key and talented people, reward individual and team performance and encourage superior performance.

The Remuneration Policy was considered by the Remuneration Committee in November 2023 and deemed to be in line with the company's remuneration objectives.

There were no amendments to the Remuneration Policy and philosophy of the company for the year under review.

The remuneration of employees is benchmarked against the market, and a report on remuneration trends is provided by the independent remuneration consultant of the company, Deloitte. Decisions on employees' remuneration are guided by, amongst others, the market and trends report, and are aligned with the Remuneration Policy and philosophy of the company to ensure fair and responsible remuneration.

All remuneration was awarded in compliance with the Remuneration Policy, without deviation.

The remuneration principles, as stated in the Remuneration Policy and philosophy of the company, are as follows:

- The company aims to be competitive in the specific labour markets in which people are employed.
- EXECEVAL™ and/or the PEROMNES™ job evaluation systems are used to determine the relative positioning of specific positions.
- Performance management forms an integral part of employee remuneration and influences both the total cost of employment and incentives (where applicable).
- Good governance is essential and changes to policies, procedures, existing practices and the payment of increases or ad hoc payments must be approved by the Remuneration Committee.
- The Remuneration Committee Chair/Managing Director and/or nominees recommend matters for approval to the applicable approval authority and must be involved whenever a change to an existing reward practice or individual's remuneration is being considered.
- The hierarchy of approval in the company regarding remuneration matters is as follows:

THE ANNUAL GENERAL MEETING OF MEMBERS (IN RESPECT OF
NON-EXECUTIVE DIRECTORS AND COMMITTEE MEMBERS' REMUNERATION)

THE COMPANY BOARD OF DIRECTORS
(IN RESPECT OF EMPLOYEE REMUNERATION)

REMUNERATION COMMITTEE

MANAGING DIRECTOR

HUMAN RESOURCES EXECUTIVE

PERFORMANCE MANAGEMENT

The company has introduced a performance management system to drive the attainment of its strategic goals. Key metrics are linked to annual business goals set at the Managing Director's level and cascaded down to individual jobs in the company.

Performance contracts, with key metrics, are negotiated before the beginning of each financial year.

Formal performance reviews are held at least twice a year.

REMUNERATION COMPONENTS

TOTAL COST OF EARNINGS (T.C.O.E.) - ANNUAL GUARANTEED PACKAGE

To attract and retain appropriately talented staff, the policy with regard to this element of pay is to ensure that the annual guaranteed pay is market-related. Individual salaries are reviewed annually based on the following factors:

- current market conditions in the applicable labour market, including market movements and trends in remuneration;
- the position of the individual employee in the salary range for the specific job in the job type and grade;
- the performance merit rating the employee received;
- whether or not, taking all prevailing circumstances into account, the company can afford to pay the relevant salary to the employee; and
- the annual increase in the Consumer Price Index.



The Remuneration Committee reviews, adopts and recommends the proposed increase percentages for Board approval annually.

The T.C.O.E. figure includes all the following components:

EMPLOYEE BENEFITS

- The value of all benefits (including employer contributions) forms part of the T.C.O.E. and includes medical aid, retirement fund and insurance. Contributions are usually made according to compulsory statutory requirements and/or the applicable benefit of the company benefit rules. Additional elements of reward, such as non-pecuniary benefits, are also considered under this aspect of remuneration.

VARIABLE PAY

SHORT-TERM VARIABLE PAY

- Short-term variable pay is defined as a once-off annual incentive bonus based on the attainment of set objectives.
- The objective of the short-term incentive scheme is to motivate and reward employees for the achievement of specific targets which support the primary business drivers, and therefore also the achievement of the company's objectives.
- Performance metrics must be geared to a risk-based approach in mitigating the risks and curbing risk exposure to ensure the sustainability of the company. Each year, performance metrics linked to the strategic plan must be agreed upon with the Remuneration Committee and the Board.
- It is specifically emphasised that the payment of short-term annual incentives is to be made when actual performance assessment results exceed the pre-defined agreed target thresholds. The company reserves the right not to pay out any incentive in certain circumstances.
- This component is normally a percentage of the guaranteed pay of the individual employee.
- An incentive payment calculation commences when the actual results exceed the set threshold. No incentive is paid when the actual performance assessment results are below the target threshold.
- The incentive scheme rules must be approved by the Remuneration Committee and the Board. The maximum percentage of payments that can be made are included in the approval process and are derived to ensure market competitiveness.

REMUNERATION PACKAGE EVALUATION

MARKET COMPETITIVE REMUNERATION AND BENCHMARKING

- The company benchmarks itself to the general market, as represented in annual surveys. The National A II-Incumbent Graded Table is used for all jobs at PEROMNES™ grades 5 and below. EXECEVAL™ points are linked to survey results in the *Deloitte South African Guide to Executive Remuneration and Reward*.
- Individual key posts are monitored on an annual basis to establish premiums for scarce skills.
- For all positions other than scarce skills, the company uses the market 50th percentile on the total cost to the company (basic salary plus benefits, excluding variable pay) for remunerating competent employees.
- Where jobs fall into the critical and scarce skills category, the company may remunerate individuals at the 63rd or 75th percentile to attract and retain key talent.

JOB EVALUATION

- To ensure consistency, the company uses the EXECEVAL™ assessment methodology for all jobs above PEROMNES™ grade 5.
- These methodologies give a uniform system to compare jobs in the company and assist in the comparison of jobs across companies nationally.

NON-EXECUTIVE DIRECTOR FEES

The remuneration of Non-Executive Directors on the Board is benchmarked against the market and approved by the member at the Annual General Meeting of the company. The fees paid to the Board and its committees were increased in line with inflation in the reporting period.



PLEASE REFER TO DIRECTORS' FEES ON PAGE 102 OF THE ANNUAL FINANCIAL STATEMENTS FOR MORE DETAILS ON THE REMUNERATION OF EXECUTIVE AND NON-EXECUTIVE DIRECTORS.

RISK MANAGEMENT REPORT

GLOSSARY OF TERMS

CAT	Catastrophe
HoA	Head of Actuarial Control
ICMS	Integrated Claims Management System (under development)
Insurance Act	Insurance Act 18 of 2017
ORSA	Own Risk and Solvency Assessment is an internal process undertaken by an insurer to assess the adequacy of its risk management and current and prospective solvency positions under normal and severe stress scenarios
PA	Prudential Authority was established in terms of section 32 of the Financial Sector Regulation Act 9 of 2017 and oversees the regulating of prudential aspects, safety and soundness of financial institutions and market infrastructures
SAM	The Solvency and Assessment Management introduced by the Insurance Act

RISK MANAGEMENT PROCESS AND GOVERNANCE

Risk management is an essential part of the LPIIF business. A workshop, involving the management team, the HoA and members of the Risk Committee, is held annually where the risk schedule is considered and the list of risks updated.

Risk management is an essential part of each of the building blocks of the rolling multi-year strategy, as well as the growth strategy. Pillar 2 of the growth strategy is aimed at developing a holistic framework for the management of practitioner risk.

The company has adopted a comprehensive risk management framework and strategy that are set out in the Risk Management Policy and the annexures thereto. The governance framework sets out an ecosystem for risk management. The roles and responsibilities of the parties are set out in the various risk management and governance documents. The governance framework has been developed to comply with the Insurance Act and Prudential Standards, respectively. The various heads of control functions manage risks applicable in their respective areas.

RISK APPETITE

The company's risk appetite is recommended by the Risk Committee and approved by the Board. The HoA prepares quarterly reports on the utilisation of the risk appetite. The HoA also prepares the ORSA report, which gives an in-depth view of the risks that impact solvency. The risk schedule includes both ORSA and non-ORSA risks (operational risks).

OPERATIONAL RISK AND MITIGATION PRACTICES

Insofar as the risk posed by legal practitioners is concerned, several risk mitigation initiatives are undertaken. Face-to-face training is offered to individual law firms and various voluntary organisations in the profession. Legal practitioners applying for Fidelity Fund Certificates for the first time are also obliged by rule 27 issued in terms of the Legal Practice Act to attend a module on risk management and insurance (RMI) as part of the Practice Management and Training (PMT) course. The course content, lectures and assessments of candidates in the RMI module are prepared and conducted by an LPIIF staff member. Candidates in the RMI course must also complete a compulsory assignment. LPIIF staff members are some of the markers for the RMI assignments. The PMT course is offered by the Legal Education and Development Division (LEAD) of the Law Society of South Africa (LSSA).

Articles are produced for publication in the *Risk Alert Bulletin* and *De Rebus*. The articles focus on risk management matters and update the profession on cases related to the liability of attorneys. Articles produced by the company are used by several organisations and are referred to in reported judgments. Ongoing risk management short notes are shared on the company's X (previously Twitter) account, which has a wide and immediate reach among stakeholders. In the year under review, presentations have also been conducted for the commercial insurance market, including brokers.

RISK MANAGEMENT STRATEGY

There is regular contact with commercial insurance companies where liability and risk-related information is shared. By participating in organisations such as the International Bar Association (IBA), we have also been able to draw on lessons from other jurisdictions around the world.

The assessment of claims includes the analysis of information to identify the underlying triggers for errors that lead to claims.

The risk management strategy is included in the Risk Management Policy.

The company embarked on a project to develop its data analytics capabilities. The aim is to be able to intelligently analyse all available data and develop a risk profile for each firm. At the time of writing, that project has been put on hold while certain system and data matters are attended to internally. The data analytics capabilities will be part of the broader enterprise data architecture. The Fidelity Fund and LPC also hold risk-related information on legal practitioners, and they will be called upon to participate in the project. The three entities (LPIIF, Fidelity Fund and LPC) service the same risk pool and the ability to proactively manage risk will benefit all parties. The data analytics work will also be essential in the pursuit of Pillar 2 of the growth strategy.



REFER TO THE REPORT BY THE MANAGING DIRECTOR ON PAGE 16 FOR THE GROWTH STRATEGY.

PRESCRIPTION OF CLAIMS

The company addresses matters that create industry-wide risks, and prescription remains one of the main risks facing legal practitioners.

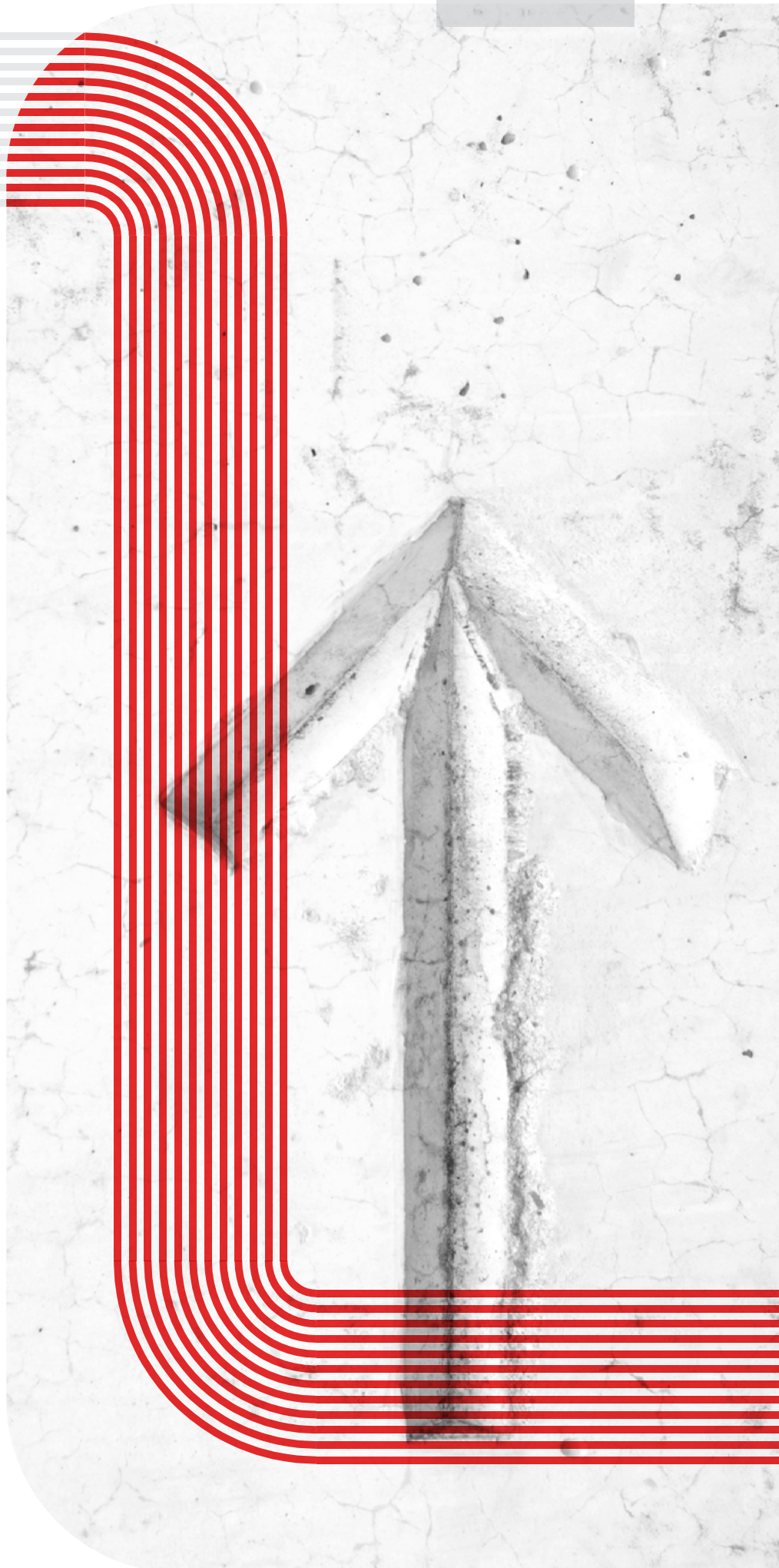


REFER TO THE OPERATIONAL REVIEW ON PAGE 18 FOR PROFESSIONAL INDEMNITY CLAIM STATISTICS.

The prescription of RAF-related claims has, perennially, been the highest risk area, both in the number and value of claims. It is, therefore, a matter of concern in terms of the frequency and the severity of claims. On 4 July 2022, the RAF introduced Board Notice 271 of 2022 purporting to change the terms for the acceptance of claims. The Board Notice substantially increased the threshold to be met by claimants and their attorneys when submitting claims to the RAF. The risk of claims prescribing in the hands of legal practitioners thus increased. In November 2022, the company launched an application aimed at reviewing and setting aside the Board Notice. The matter is one of immense public interest and several other individuals and entities applied to join the matter as parties. A full bench of the Gauteng Division of the High Court handed down judgment in favour of the applicants on 20 March 2024. The RAF launched an application for leave to appeal and was only successful in respect of one of the grounds raised. The RAF has now launched an application to the Supreme Court of Appeal for special leave. The RAF's application is being opposed.

KEY RISKS

The risk register below identifies the top risks in the company and indicates the actions taken to reduce the potential impact of each risk. The risk categories for the ORSA risks are as prescribed in the governance framework for insurers. The operational (non-ORSA) risks, on the other hand, are labelled as such.



RISK MANAGEMENT REPORT (CONTINUED)

KEY

OUR STRATEGY






A SUSTAINABLE
OPERATING
MODELRISK
MANAGEMENT
AND MITIGATION
MEASURESAN ENABLING
REGULATORY
AND BUSINESS
ENVIRONMENT

OUR RISKS

LEGAL AND
REGULATORY
RISKINSURANCE
RISKOPERATIONAL
RISKINVESTMENT
RISKCREDIT
RISKMARKET
RISKCONCENTRATION
RISKSTRATEGIC
RISK

KEY RISKS

ORSA RISKS

Risk description		Management action	Strategy affected	Capitals impacted
1	 	Risk: Failure to obtain stakeholder approval through the management of relationships with the required business model resulting in premium requirement not being met by the member.	Actuarial valuation informs the calculation of the premium due. The premium is received from the Fidelity Fund at the inception of the underwriting period. Continuous engagements with stakeholders to ensure open communication channels and transparent discussions.	 
2	 	Risk: Reintroduction of CAT risk charge (only from year three).	Timely re-application for dispensation.	 
3	 	Risk: Unexpected deterioration in PI cover claims experience. Opportunity: Unexpected improvement in claims experience in PI cover.	Annual review of the Master Policy. Monitor claim trends via the ICMS portal and develop a communication strategy. Risk management interventions are to be done and a Prescription Alert is issued.	 
4	 	Risk: Movement in share prices (local and foreign). Opportunity: Unexpected windfall due to movement in share prices (local and foreign).	A Board-approved investment strategy is in place. Investment managers are mandated to follow the strategy and are monitored quarterly by the Investment Committee, with reporting to the Risk Committee and the Board.	
5	 	Risk: Losses due to fraud/collusion.	Delegation of authority implementation.	 
6	 	Risk: Increasing use of Artificial Intelligence (AI) by the profession and internally.	Amend PI Master Policy with the inception of the 2024/2025 policy year.	 
7	 	Risk: ESG requirements (operational and investments).	Monitor ESG requirements against company performance.	 

KEY
OUR CAPITALS

INTELLECTUAL CAPITAL	HUMAN CAPITAL	FINANCIAL CAPITAL	SOCIAL AND RELATIONSHIP CAPITAL	ENVIRONMENTAL CAPITAL	MANUFACTURED CAPITAL

IMPACT DESCRIPTION

CRITICAL	SIGNIFICANT	SERIOUS	MINOR

OPERATIONAL RISKS

Risk description	Management action	Strategy affected	Capitals impacted
1 Risk: The IT system is not operating as required in terms of functionality, uptime and support.	Development and implementation of the ICMS portal and related processes developed within ICMS (payment processes, etc).		
2 Risk: Unnecessary or incorrect expenditure when investigating claims by panel attorneys.	An annual performance review and peer review are done. The Master contract is renewable every third year.		
3 Risk: Non-cyber data breaches.	Internal audit reports and reports by the Head of Compliance are to be done.		
4 Risk: Non-compliance with all relevant legislation and regulatory requirements leading to criminal charges, fines, penalties and interest. Governance risk findings by the PA.	Compliance plan to be reviewed and updated and, once approved, monitored by the Head of Compliance. Monitoring by the Risk Committee will be done quarterly. Specific PA/FSCA requirements will be monitored more regularly in terms of the Prudential Standards.		
5 Risk: Climate change impact (non-investment related).	PA climate awareness and readiness survey results.		
6 Risk: Financial and reputational losses due to lack of technically skilled, legally qualified and experienced staff or service providers. Includes staff retention and succession planning.	Job descriptions and job gradings are in place for all positions. Remuneration matches grading to ensure staff retention. Selection and Recruitment Policy includes criminal, qualification and credit references for all prospective candidates. Performance management reviews are done twice a year.		
7 Risk: Cyber risk exposure: hacking, phishing and ransomware.	Vulnerability testing and maintaining software status and upgrades.		

GLOSSARY

Act	Legal Practice Act 28 of 2014
AIIF	Attorneys Insurance Indemnity Fund, now called LPIIF
Board/Board of Directors	Board of Directors of the company
Bordereaux for premiums and losses	A document produced by the company that lists all the relevant information about the claims notified and/or paid in the insurance years in which they are registered
CAT	Catastrophe
CIPC	Companies and Intellectual Property Commission
Companies Act	Companies Act 71 of 2008
FFC	Fidelity Fund Certificates
Financial Sector Regulation Act	Financial Sector Regulation Act 9 of 2017
FSCA	The Financial Sector Conduct Authority, which was established in terms of section 77 of the Financial Sector Regulation Act 9 of 2017
HoA	Head of Actuarial Control
Insurance Act	Insurance Act 18 of 2017
Insurance policies	The company's professional indemnity insurance Master Policy and the Executor Bond Policy, respectively; 'policy' will have a corresponding meaning.
LPC	Legal Practice Council
LPFF/Fidelity Fund/The member	The Legal Practitioners Fidelity Fund is a client protection fund that carries out functions as set out in section 57 of the Legal Practice Act 28 of 2014. Its primary purpose is to indemnify the public against losses arising from the theft of property or funds entrusted to legal practitioners during legal practice. The Fidelity Fund was formerly known as the Attorneys Fidelity Fund.
LPIIF or the company	Legal Practitioners Insurance Indemnity Fund NPC
The Master	Master of the High Court
MOS	Minimum Operating Standards
ORSA	Own Risk and Solvency Assessment is an internal process undertaken by an insurer to assess the adequacy of its risk management and current and prospective solvency positions under normal and severe stress scenarios.
PA	The Prudential Authority was established in terms of section 32 of the Financial Sector Regulation Act 9 of 2017 and oversees the regulation of prudential aspects, safety and soundness of financial institutions and market infrastructures.
PI	Professional indemnity insurance cover is provided by the company to practising attorneys and advocates with Fidelity Fund Certificates in terms of section 77 of the Act. Professional indemnity insurance is granted to all insured legal practitioners in terms of a single Master Policy issued annually by the company.
RI	Reinsurance is insurance that an insurance company purchases from another insurance company (the reinsurer) as a risk transfer or capital relief measure in terms of which the insurance company transfers part of the exposure in respect of claims to the reinsurer.
RAF	The Road Accident Fund provides compulsory cover to all users of South African roads, citizens and foreigners, against injuries sustained or death arising from accidents involving motor vehicles within the borders of South Africa.
SAM	The new Solvency and Assessment Management regime being developed by the Financial Services Board for the regulation of South African insurers is largely based on the developing EU risk-based regime, Solvency II, as well as relevant developments from other international jurisdictions.
SARS	South African Revenue Services
Twin Peaks	The dual regulatory system that was created under the Financial Sector Regulation Act. The two regulators are the FSCA (regulating market conduct) and PA.

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

GENERAL INFORMATION

Directors	MJ Haken DP du Plessis EA Moolla MJ Lesejane SH Chaba SK O'Mahony SS Mbelle TD Khanyile
Registered office	1256 Heuvel Avenue Centurion Pretoria Gauteng 0127
Postal address	PO Box 12189 Die Hoewes Centurion Gauteng 0163
Bankers	First National Bank
Auditors	BDO South Africa Inc Registered Auditors
Secretary	K Tsike
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.
Preparer	The financial statements were independently compiled by: J Marais

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AUDIT COMMITTEE'S REPORT

for the year ended 30 June 2024

The Audit Committee (“the committee”) presents its report for the year ended 30 June 2024. The audit committee is an independent statutory committee, as well as a committee of the board in respect of other duties assigned to it by the board. The committee has conducted its affairs in compliance with the board approved terms of reference and has discharged its responsibilities contained therein.

MEMBERS OF THE AUDIT COMMITTEE

The members of the audit committee are all independent non-executive directors of the company and include:

NAME

MJ Haken
MJ Lesejane (Chair)
SK O'Mahony
TK Khanyile

The committee is satisfied that the members thereof have the required knowledge and experience as set out in Section 94(5) of the Companies Act of South Africa and Regulation 42 of the Companies Regulation, 2011.

OBJECTIVES AND SCOPE

The overall objective of the committee is to assist the board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems and internal financial controls processes, the reviewing of financial information and the preparation of the annual financial statements.

In terms of its charter, the main responsibilities of the audit committee include:

- Assisting the board in discharging its duties relating to safeguarding of assets
- Assisting the board in the operation of adequate systems, control and reporting process
- Assisting the board in the preparation of accurate reporting and financial statements in compliance with the applicable legal requirements and accounting standards.
- Assessing and approving the internal audit plan
- Assessing the report backs from both the internal and external auditors
- Assessing the appropriateness of the going concern assumption of the company
- Nomination and the verification of the independence of the auditor
- Determination of the fees of the company's auditors, in terms of the engagement agreement, and to ensure that the appointment complies with the provisions of the Companies Act and other applicable legislation
- Distinguishing between audit/ non-audit services
- Pre-approving non-audit work
- Ensure that the internal auditor has direct access to the Audit Committee chair and to the Audit Committee and is accountable to the Audit Committee
- Review and approve the scope, plan, goals and mission of the Internal Audit, as well as Internal Audit charter, annually
- Review and approve the Internal Audit Plan
- Receive a report on the results of the internal audit work at every Audit Committee meeting
- Review and approve the adequacy of the resources of the Internal Audit function
- Review and monitor management's responsiveness to the internal audit findings and recommendations
- Meet with the external audit at least once a year without the presence of management
- Monitor and assess the role and effectiveness of the internal audit function in the overall content of the company's risk management system

The committee has satisfied itself of the assessment of the expertise and experience of the Financial Manager to meet the responsibilities of such position.

The committee has considered the resources and experience within the company's finance function and concluded that they are sufficient to meet the requirements of the company.

The committee has satisfied itself with the assessment of the quality of earnings by the company's management and is satisfied that the basis of such assessment is adequate.

MEETINGS HELD BY THE AUDIT COMMITTEE

The audit committee performs the duties laid upon it by Section 94(7) of the Companies Act of South Africa by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditors.

Dates of meetings/ Attendance	4 October 2023	9 October 2023	6 March 2024
MJ Lesejane (Chair)	x	x	x
MJ Haken	x	x	x
TD Khanyile	x	x	x

EXTERNAL AUDITOR

The audit committee has nominated BDO South Africa Inc as the independent auditor and Marnus Fourie as the designated partner, who is a registered independent auditor, for appointment of the 2024 audit.

The committee satisfied itself through enquiry that the external auditor is independent as defined by the Companies Act of South Africa and as per the standards stipulated by the auditing profession.

The audit committee in consultation with executive management, agreed to the terms of the engagement. The audit fee for the external audit has been considered and approved taking into consideration such factors as the timing, the extent of the work required and the scope of the audit .

INTERNAL AUDIT

Nexia SAB&T was appointed as internal auditors of the company.

The audit committee in consultation with executive management, agreed to the terms of the engagement. The audit fee for the internal audit has been considered and approved taking into consideration such factors as the timing, the extent of the work required and the scope of the audit .

FINANCIAL STATEMENTS

The cyber-attack that impacted the LPIIF in June 2024 delayed the commencement of the annual audit and hindered the timely completion of the audit.

Following the review of the financial statements the audit committee recommend board approval thereof.

COMPLAINTS

No complaints relating either to the accounting practices of the company or to the contents or auditing of its financial statements, or to any related matter were received by the committee.

MJ LESEJANE
Chairman Audit Committee

11 March 2025

DIRECTORS' RESPONSIBILITIES AND APPROVAL

for the year ended 30 June 2024

The directors are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and are based upon appropriate accounting policies consistently applied and supported, by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company

and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 30 June 2025 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages **64** to **65**.

The financial statements set out on pages **66** to **116**, which have been prepared on the going concern basis, were approved by the board on 31 March 2025 and were signed on their behalf by:

MJ HAKEN

SS MBELLE

DIRECTORS' REPORT

for the year ended 30 June 2024

The directors have pleasure in submitting their report on the financial statements of Legal Practitioners Indemnity Insurance Fund NPC for the year ended 30 June 2024.

NATURE OF BUSINESS

The company is a non-profit company in terms of the Companies Act. The company's main business is to provide insurance cover to legal practitioners as mandated in Section 77 (1) of the Legal Practice Act 28 of 2014, in accordance with the Insurance Act 18 of 2017.

The company is exempt from taxation in terms of Section 10(1)(d) of the Income Tax Act.

GENERAL REVIEW

The company's operations and its financial position are fully disclosed in the annual financial statements.

CAPITAL STRUCTURE

The company has no share capital, and no part of the company's surplus or assets may be distributed to members. All reserves are, therefore, non-distributable. The commencement capital of R20 million was paid by the sole member of the company, the Legal Practitioners Fidelity Fund when the company was established in June 1993 in terms of the Attorneys Act 53 of 1979, which was superseded by Section 77(1) of the Legal Practice Act 28 of 2014. In 2017 the capital was increase by R185 million.

INSURANCE AND RISK MANAGEMENT

The company follows a policy of reviewing the risks relating to assets and possible liabilities arising from business transactions with its insurers on an annual basis. Wherever possible assets are automatically included. There is also a continuous asset risk control programme, which is carried out in conjunction with the company's insurance brokers. All risks are considered to be adequately covered, except for political risks, in the case of which as much cover as is reasonably available has been arranged.

DIRECTORATE

The directors in office at the date of this report are as follows:

Directors	Office	Designation	Changes
MJ Haken	Chair	Non-executive	
D Subbiah		Non-executive	Resigned 28 August 2023
DP du Plessis		Non-executive	
EA Moolla		Non-executive	
MJ Lesejane		Non-executive	
SH Chaba		Non-executive	
SK O'Mahony		Non-executive	Appointed 12 June 2024
SS Mbelle		Executive	
TD Khanyile		Non-executive	

EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

GOING CONCERN

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business

The directors believe that the company has sufficient funds to sustain operations for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

AUDITORS

BDO South Africa Inc continued in office as auditors for the company for 2024.

SECRETARY

The company secretary is K Tsike.

Business address: 1256 Heuwel Avenue Centurion, 0157

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LEGAL PRACTITIONERS INDEMNITY INSURANCE FUND NON-PROFIT COMPANY

OPINION

We have audited the financial statements of Legal Practitioners Indemnity Insurance Fund Non-Profit Company (the company) set out on pages 66 to 116, which comprise the statement of financial position as at 30 June 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Legal Practitioners Indemnity Insurance Fund Non-Profit Company as at 30 June 2024, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Legal Practitioners Indemnity Insurance Fund Non-Profit Company Integrated Annual Report for the year ended 30 June 2024", which includes the as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company'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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



BDO SOUTH AFRICA INCORPORATED
Registered Auditors

MARNUS FOURIE
Director
Registered Auditor

07 May 2025
119 - 123 Hertzog Boulevard
Foreshore
Cape Town, 8001

STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

R'000	Note(s)	2024	Restated* 2023	Restated* 1 July 2022
ASSETS				
Property, plant and equipment	9	232	158	653
Right-of-use assets	10	115	214	319
Reinsurance contract assets	4	130 360	129 956	125 671
Investments***	11	1 820 372	1 560 802	1 378 223
Trade and other receivables	12	6 039	8 650	4 831
Cash and cash equivalents	13	111	470	432
		1 957 229	1 700 250	1 510 129
EQUITY AND LIABILITIES				
Liabilities				
Trade and other payables**	15	4 047	5 778	3 304
Lease liabilities	10	149	250	345
Retirement benefit obligation	14	6 096	6 238	5 781
Provisions**	23	2 174	2 248	2 489
Insurance contract liabilities	4	517 491	493 195	464 771
Reinsurance contract liabilities	4	852	878	506
		530 809	508 587	477 196
EQUITY				
Capital				
Actuarial gain on employee benefits	14	205 258	205 258	205 258
		3 134	1 595	647
Investment revaluation reserve***	16	108 848	70 519	62 574
Retained income		1 109 180	914 291	764 457
		1 426 420	1 191 663	1 032 936
Total Equity and Liabilities		1 957 229	1 700 250	1 510 129

* See Note 3 – The prior financial year has been restated due to the adoption of IFRS17.

** The provision for leave pay was reclassified from trade and other payables and presented separately on the face of the Statement of Financial Position for the current and preceding comparative period to enhance presentation

*** Refer to Note 29 for the prior period error

STATEMENT OF PROFIT OR LOSS OF OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2024

R'000	Note(s)	2024	Restated* 2023
Insurance revenue	21.1	185 962	104 950
Insurance service expenses	21.2	(91 889)	(127 287)
Net (expenses)/income from reinsurance contracts	21.3	(10 064)	2 446
Insurance service result		84 009	(19 891)
Insurance finance income and expenses	22	(5 963)	22 963
Finance income from reinsurance contracts held	22	6 494	1 004
Net insurance and investment result		84 540	4 076
Other operating gains (losses)	17	68 203	85 627
Impairment of financial assets		(7 198)	2 154
Other operating expenses	20	(51 863)	(38 992)
Operating profit (loss)		93 682	52 865
Investment income	18	96 550	85 552
Finance costs		(33)	(34)
Profit for the year		190 199	138 383
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial gain on employees benefits		1 539	948
Gains on valuation of investments in equity instruments		32 917	23 596
Total items that will not be reclassified to profit or loss		34 456	24 544
Items that may be reclassified to profit or loss:			
Gains (losses) on valuation of investments in debt instruments		10 100	(4 195)
Other comprehensive income for the year		44 556	20 349
Total comprehensive income for the year		234 755	158 732

* See Note 3 – The prior financial year comparatives have been restated due to the adoption of IFRS17.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2024

R'000	Capital	Actuarial gain on employee benefits	Investment revaluation reserve	Retained income	Total equity
Opening balance as previously reported					
Adjustments	205 258	647	68 957	675 525	950 387
Prior period error	—	—	(6 383)	—	(6 383)
IFRS 17 restatements*	—	—	—	88 932	88 932
Restated* balance at 01 July 2022	205 258	647	62 574	764 457	1 032 936
Total comprehensive income for the year					
Profit for the year restated	—	—	—	138 382	138 382
Cumulative gain reclassified from OCI to retained earnings	—	—	(11 457)	11 457	—
Other comprehensive income	—	948	19 401	—	20 349
Restated* balance at 01 July 2023	205 258	1 595	70 519	914 293	1 191 665
Total comprehensive income for the year					
Profit for the year	—	—	—	190 199	190 199
Cumulative gain reclassified from OCI to retained earnings	—	—	(4 688)	4 688	—
Other comprehensive income	—	1 539	43 017	—	44 556
Balance at 30 June 2024	205 258	3 134	108 848	1 109 180	1 426 420

Note(s)

14

16

* See Note 3 – The prior financial year has been restated due to the adoption of IFRS17.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2024

R'000	Note(s)	2024	Restated* 2023
Cash flows from operating activities			
Profit for the year		190 198	138 382
Adjustments for non-cash items:			
Depreciation		236	273
(Gains) losses on sale of assets		(12)	695
Fair value gains		(68 191)	(86 229)
Movements in provisions		(74)	(241)
Portfolio management fees		9 162	5 956
Change in provision for post-retirement medical aid		(142)	457
Change in loss allowance		7 199	(2 153)
Adjustments for items which are presented separately:			
Investment income		(96 550)	(85 647)
Finance costs		33	34
Changes in assets and liabilities:			
(Increase) decrease in trade and other receivables		1 099	(220)
Increase (decrease) in trade and other payables		(1 731)	2 476
(Increase) decrease in reinsurance contract assets		(404)	(4 284)
Increase (decrease) in insurance contract liabilities		24 298	28 424
Increase (decrease) in reinsurance contract liabilities		(26)	372
Cash generated from operations		65 095	(1 705)
Interest received		1 794	1 695
Finance costs paid		(33)	(34)
Net cash from operating activities		66 856	(44)
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(212)	(384)
Proceeds from sale of property, plant and equipment	9	12	16
Purchases of investments at fair value		(185 961)	(261 879)
Proceeds from sales of investments at fair value		119 047	262 424
Net cash from investing activities		(67 114)	177
Cash flows from financing activities			
Cash repayments on lease liabilities	10&24	(101)	(95)
Net cash in financing activities		(101)	(95)
Total cash movement for the year		(359)	38
Cash and cash equivalents at the beginning of the year		470	432
Cash and cash equivalents at the end of the year	13	111	470

* See Note 3 – The prior financial year has been restated due to the adoption of IFRS17.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2024

1. MATERIAL ACCOUNTING POLICIES

Management has considered the principles of materiality in IFRS Practice Statement 2 Making Materiality Judgements, and only those accounting policies which are considered material have been presented in these financial statements.

1.1 BASIS OF PREPARATION

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, IFRS Accounting Standards as issued by the International Accounting Standards Board and International Financial Reporting Standards Interpretations Committee ("IFRS IC") interpretations issued and effective at the time of preparing these financial statements and the Companies Act of South Africa.

The financial statements comply with the requirements of the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow. Amounts are presented in Rands, which is the company's functional currency and all values are rounded to the nearest thousand (R'000), except where otherwise indicated.

These accounting policies are consistent with the previous period, except for the changes set out in note 3.

1.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is initially measured at cost.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation.

The useful lives of items of property, plant and equipment have been assessed as follows:

Computer equipment	Straight line	3 years
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The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period.

There were no indicators of impairment for property, plant and equipment and no impairment tests were performed.

1.3 FINANCIAL INSTRUMENTS

ABBREVIATIONS

AC: Amortised cost

FVOCI: Fair value through other comprehensive income

FVTPL: Fair value through profit or loss

SPPI: Solely payments of principal and interest

INITIAL RECOGNITION

Financial assets or financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

At initial recognition, the company measures a financial asset or financial liability at its fair value plus transaction costs, except for financial instruments at fair value through profit or loss which exclude transaction costs. Transaction costs of financial assets and financial liabilities carried at FVPL are expensed in profit or loss.

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described below.

FINANCIAL ASSETS

Measurement categories

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms. The categories include the following:

- AC
- FVOCI or
- FVPL.

Other instruments

Financial instruments measured at amortised cost consist of trade and other receivables, cash and cash equivalents, trade and other payables.

Cash and cash equivalents consist of cash and demand deposits less than three months. Included in the segregated investment portfolios with the Investment managers are On-demand deposits, these are excluded from cash and cash equivalents as disclosed above and included in Investments at fair value. These deposits are designated as at fair value through profit and loss as the fair value approximates amortised cost.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as government bonds, corporate bonds, money market instruments, unit trusts and treasury bills. The classification and subsequent measurement of debt instruments depend on:

- the Company's business model for managing the asset; and
- the cash flow characteristics of the asset (represented by SPPI).

Business Model

The Company assesses its business model for managing financial assets based on various factors, including past experience in collecting cash flows from these assets, how asset performance is evaluated and reported to key management, how risks are assessed and managed. The business model determines whether financial assets are:

Hold to Collect

- The Company's business model for certain financial assets is to hold these assets solely to collect contractual cash flows. Under this model, the Company's objective is to collect the principal and interest payments as they become due, without the intent to sell the assets. Financial assets classified under this business model are assessed to ensure they meet the SPPI test.

Hold to Collect and Sell

- For certain financial assets the Company's business model is to hold the assets to collect contractual cash flows and to sell the assets when necessary. These assets are classified as FVOCI and are measured at fair value, with fair value changes recognised in other comprehensive income, while interest and impairment losses are recognised in profit or loss.

Held for Trading

- Debt instruments that are held for trading purposes, including those held for short-term profit-taking or as part of a portfolio of financial instruments that are managed together, are classified and measured at FVTPL.

SPPI Test

As a second step of its classification process the Company assesses whether the contractual terms of a financial asset, as a whole, give rise to cash flows that are solely payments of principal and interest on the outstanding principal amounts, which is consistent with a basic lending arrangement.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

Pass SPPI: Cash flows that represent only principal and interest as compensation for the time value of money, credit risk, and other basic lending risks (e.g., liquidity risk, administrative costs, and a profit margin).

Fail SPPI: Cash flows that involve exposure to equity risk, commodity risk, inflation risk, or derivatives risk. These are inconsistent with a basic lending arrangement and therefore fail the SPPI test.

Financial assets that meet the SPPI test and are held to collect contractual cash flows are classified and measured at AC. Financial assets that meet the SPPI test and are held within a business model that aims to both collect contractual cash flows and sell are classified as FVOCI. Any financial asset that does not meet the SPPI test is classified and measured at FVTPL.

All debt instruments other than unit trusts, are hold to collect and sell and therefore are classified as FVOCI.

Unit Trusts do not meet the SPPI test and is classified and measure at FVTPL.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss. Refer below for impairment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2024

1. MATERIAL ACCOUNTING POLICIES (CONTINUED)

1.3 FINANCIAL INSTRUMENTS (CONTINUED)

Equity Instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective (that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets).

For equity instruments that are not held for trading or do not form part of a contingent consideration relating to business combination, an entity can irrevocably, at initial recognition, to designate them at FVOCI.

The Company only holds non-trading equity instruments and chooses to apply the FVOCI option for these instruments, and subsequent changes in fair value are presented in OCI.

Upon derecognition of an equity instrument measured at FVOCI, the cumulative fair value changes previously recognised in OCI are not reclassified to profit or loss. Instead, these amounts are transferred directly to retained earnings within equity ("no-recycling").

Dividends received on equity investments are recognised in profit or loss when the company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

The practice of offsetting a portfolio management fee against investment income occurs to reflect the net return that the investment generates after taking into account the costs associated with managing the portfolio. This approach is common in investment funds, asset management firms, or companies with portfolios where fees are directly tied to the management of those assets.

IMPAIRMENT

Financial assets at amortised cost and debt instruments at fair value through OCI is measured after deducting expected credit losses (ECL). ECL for trade and other receivables is measured using the simplified approach assuming a lifetime expected credit loss. The general approach is applied to all other financial assets subject to impairment.

Impairment losses are recognised using the expected credit loss (ECL) model for interest-bearing instruments and trade and trade receivables, which requires provisions on potential credit losses. The model uses a three-stage approach: In Stage 1, a 12-month ECL is recognised if credit risk hasn't significantly increased. In Stage 2, if there is a significant increase in credit risk, a lifetime ECL is recognized. In Stage 3, when an asset is credit-impaired, the full lifetime ECL is applied.

The assessment of a significant increase in credit risk is based on quantitative and qualitative factors, including historical data, current conditions, and future economic forecasts. For calculating ECL, the company uses prudent figures for probability of default (PD), loss given default (LGD), and exposure at default (EAD), sourced from the Prudential Standards and Base recommendations. These inputs ensure unbiased, forward-looking estimates for credit losses.

The company uses credit quality steps with corresponding Probability of Default (PD) values to determine when an asset's credit risk has increased significantly. A 3% PD increase threshold should be considered when there's a jump between credit quality steps where the Probability of Default (PD) increases by 3% or more. A 3% increase in PD reflects a material shift in the risk profile of the instrument, enough to warrant increased scrutiny under IFRS 9's stage 2 impairment rules.

Credit Quality	Step Probability of Default (PD)	Credit Quality	Step Probability of Default (PD)	Credit Quality	Step Probability of Default (PD)
Step 1	0.01%	Step 8	0.22%	Step 15	8.72%
Step 2	0.02%	Step 9	0.39%	Step 16	20.00%
Step 3	0.03%	Step 10	0.54%	Step 17	25.00%
Step 4	0.06%	Step 11	0.81%	Step 18	30.00%
Step 5	0.09%	Step 12	1.39%	Step 19	50.00%
Step 6	0.11%	Step 13	2.50%		
Step 7	0.16%	Step 14	5.37%		

JUDGEMENT

In determining whether there has been a significant increase in credit risk for financial assets under IFRS 9, the company adopts a threshold where a 3% increase in the Probability of Default (PD) is considered a significant deterioration in credit quality. This judgment is based on the understanding that a 3% change in PD typically reflects a material shift in credit quality, which justifies the reclassification of the asset from Stage 1 (12-month expected credit losses) to Stage 2 (lifetime expected credit losses) under the three-stage impairment model of IFRS 9. The 3% threshold is chosen to align with market practices and ensures that meaningful shifts in credit risk are captured while avoiding overreaction to small, inconsequential changes in the risk profile.

The key elements of the ECL calculations are as follows:

- **PD:** is an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.
- **EAD:** is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and accrued interest from missed payments.
- **LGD:** is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive. It is usually expressed as a percentage of the EAD.

Derecognition

When the FVOCI debt instruments is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in net investment income.

Upon derecognition of an equity instrument measured at FVOCI, the cumulative fair value changes previously recognised in OCI are not reclassified to profit or loss. Instead, these amounts are transferred directly to retained earnings within equity.

1.4 LEASES

COMPANY AS LESSEE

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the company is a lessee.

LEASE LIABILITY

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs.

RIGHT-OF-USE ASSETS

Right-of-use assets are presented as a separate line item on the Statement of Financial Position.

They are measured initially at the initial amount of the lease liability plus upfront payments and initial direct costs. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated, from commencement date, over the period of lease term.

Refer to the accounting policy for property, plant and equipment for details of useful lives of underlying assets.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period.

1.5 EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

DEFINED BENEFIT PLANS

The company undertakes to pay medical aid premiums for selected staff once they have retired. The present value of the defined benefit obligation, as determined by independent actuarial valuations carried out after every year, is recognised as the post-retirement medical aid obligation on the balance sheet. The defined benefit obligation and the related current service cost are determined by using the projected 0unit credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries.

Remeasurements comprising actuarial gains and losses are recognised to other comprehensive income in the period they occur. The amount recognised in other comprehensive income is not subsequently reclassified to profit or loss.

Current service costs are recognised as an expense in the period in which the related services are performed. Net interest income or expense is recognised in investment income and finance costs respectively.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2024

1. MATERIAL ACCOUNTING POLICIES (CONTINUED)

1.6 PROVISIONS AND CONTINGENCIES

The company recognises provisions in circumstances where it has a present obligation resulting from past events, which can be measured reliably and for which it is probable that the company will be required to settle the obligation.

There is always a degree of estimation uncertainty involved with provisions as they are measured at management's best estimate of the amount which will be required to settle the obligation. When the effect of discounting is material, the provision is measured at the present value of such amounts.

1.7. INSURANCE CONTRACTS

The following abbreviations and terms are commonly used within this accounting policy:

FCF: Fulfillment Cash Flows

LIC: Liability for Incurred Claims

LRC: Liability for Remaining Coverage

PAA: Premium Allocation Approach

ULAE: Unallocated Loss Adjustment Expenses

ARC: Assets for Remaining Coverage

AIC: Assets for Incurred Claims

SUMMARY OF MEASUREMENT APPROACHES

The company manages insurance contracts issued by product lines, where each product line includes contracts that are subject to similar risks.

The company has the following contracts:

Contracts issued	Product classification	Measurement model
Professional Indemnity	Insurance contracts	PAA
Executor Bonds	Insurance contracts	PAA
Re-insurance contract – non proportional – Professional Indemnity*	Reinsurance contracts held	PAA
Re-insurance contract – non proportional – Executor Bonds	Reinsurance contracts held	PAA

* Reinsurance has not been purchased for professional indemnity since the 2019/2020 underwriting period. Current balances relate to policies issued before 2019/2020 underwriting period.

The current balances are currently wound down through the payment of claims.

BASIS FOR ELIGIBILITY AND CLASSIFICATION

The company uses the PAA approach to measure all of insurance contracts because the contract period is one year or less.

The reinsurance contract's coverage is for 5 years, allocated evenly over the period. The measurement of the remaining coverage component under GMM and PAA are deemed to be immaterial in both absolute and in proportional terms.

CLASSIFICATION

The company uses judgement to assess whether a contract transfers insurance risk (i.e. if there is a scenario with commercial substance in which the company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant. Refer to note 1.8 for judgements applied.

Insurance contracts issued: Contracts in terms of which the company (the issuer) accept significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. The contracts may also transfer the financial risk.

Reinsurance contracts held: Insurance contracts issued by a reinsurer to compensate the company (the cedant) for claims arising from one or more insurance contracts issued by the cedant (underlying contracts). A reinsurance contract held transfers significant insurance risk if it transfers substantially all the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

Once a contract is classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during the coverage period, unless the terms of the contract are modified.

The Company does not issue any reinsurance contracts or contracts with direct participating features.

UNIT OF ACCOUNT

Each type of contract represents the portfolios applicable to the company. Each portfolio is further disaggregated into groups of contracts that are issued within a year (annual cohorts) and are:

- i) contracts that are onerous at initial recognition;
- ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or
- iii) a group of remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the company aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of (i) contracts for which there is a net gain at initial recognition, if any; (ii) contracts for which at initial recognition there is no significant possibility of a net gain arising subsequently; and (iii) remaining contracts in the portfolio, if any.

The company did not identify any onerous contracts to be classified separately.

Before the company accounts for an insurance contract based on the guidance in IFRS 17, it analyses whether the contract contains components that should be separated. IFRS 17 distinguishes three categories of components that have to be accounted for separately:

- cash flows relating to embedded derivatives that are required to be separated;
- cash flows relating to distinct investment components; and
- promises to transfer distinct goods or distinct non-insurance services.

RECOGNITION

Insurance contracts

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the company determines that a group of contracts becomes onerous.

The company did not identify any onerous contracts for the reporting and any comparative periods.

REINSURANCE

A group of reinsurance contracts held that covers aggregate losses from underlying contracts in excess of a specified amount (non-proportionate reinsurance contracts, such as excess of loss reinsurance) is recognised at the beginning of the coverage period of that group.

No asset for remaining coverage is recognised for the Professional Indemnity reinsurance contract held, as no premium has been received and the entity is not renewing its reinsurance arrangements. The only remaining asset (Amounts recoverable on incurred Claims) pertains to the run-off of claims, representing the expected recoveries from previously recognised claims under the reinsurance contract.

The amounts recoverable on incurred claims is measured as follow:

- **Expected Cash Flows:** The estimation of reinsurance recoveries (IXoL and AXoL) is based on historical claims data, retention points, and changes in reinsurance structures.
- **Discount:** A bottom-up approach is used to determine the discount rate, incorporating risk-free rates and illiquidity premiums to reflect the time value of reinsurance assets.
- **Risk Adjustment:** A gross risk adjustment is applied to historical periods with reinsurance, with the breach from the gross risk adjustment resulting in the reinsurance risk adjustment.

The premium for the Executor Bonds multi-year reinsurance contract held will remain part of the remaining coverage throughout the duration of the contract, and will not be recognised as earned until the contract either expires or is cancelled. This ensures that the premium continues to be associated with the ongoing coverage, reflecting its role in providing protection over the life of the contract. This premium ceded has been evaluated as containing non-distinct investment components that cannot be separated from the host insurance contract, given that the insurance and investment components are integral. As a result, the non-distinct investment components remain on the balance sheet under IFRS 17, with measurement of premium expense and claim recoveries limited to exclude these components. This ensures that the non-distinct investment components are retained in the statement of financial position until claim, expiry or cancellation.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2024

1. MATERIAL ACCOUNTING POLICIES (CONTINUED)

1.7. INSURANCE CONTRACTS (CONTINUED)

ACCOUNTING FOR CONTRACT MODIFICATION AND DERECOGNITION

An insurance contract is derecognised when it is extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled).

Adjustments to the FCF to remove the relating rights and obligations and account for the effect of the derecognition resulting from the net difference between the derecognised part of the LRC of the original contract and any other cash flows arising from extinguishment is charged immediately to profit or loss. The company did not identify any contract modifications for the reporting and comparative periods, use in the above judgements added.

MEASUREMENT

Fulfilment cash flows

To calculate the expected future cashflows for insurance and reinsurance assets and liabilities, the Basic Chain Ladder method is used as underlying modelling approach while utilising the most recent information by reflecting current estimates of all claims.

In estimating the reinsurance recoveries, both the individual excess of loss reinsurance and the aggregate excess of loss structures are considered.

The estimates of future cash flows:

- a. are based on a probability weighted mean of the full range of possible outcomes;
- b. are determined from the perspective of the company, provided the estimates are consistent with observable market prices for market variables; and
- c. reflect conditions existing at the measurement date.

Unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the LIC.

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation.

Risk of the company's non-performance is not included in the measurement of groups of insurance contracts issued. In the measurement of reinsurance contracts held, the probability weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer.

The company uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the company's of underlying insurance contracts.

CONTRACT BOUNDARY

The company's contract boundary is one year, commences on the date the contract becomes effective, is renewed annually and is subject to a policy holder's renewal of its membership with the Legal Practice Council.

The company has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio.

The pricing of premiums related to coverage to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date..

RISK ADJUSTMENT FOR NON-FINANCIAL RISK

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation the company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the company fulfils insurance contracts.

Methods and assumptions used to determine the risk adjustment for non-financial risk are discussed in note 4.

INITIAL AND SUBSEQUENT MEASUREMENT

For insurance contracts issued, on initial recognition, the company measures the LRC at the amount of premiums received. The company does not incur any acquisition cashflows.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

- a. the LRC (no loss component); and
- b. the LIC, comprising the FCF related to past service allocated to the group and the risk adjustment for non-financial risk adjustment at the reporting date.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

- a. the asset for remaining coverage (no loss recovery component); and
- b. the incurred claims, comprising the FCF related to past service allocated to the group and the risk adjustment for non-financial risk adjustment at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- a. increased for premiums received in the period; and
- b. decreased for the amounts of premiums received recognised as insurance revenue for the services provided in the period.

The company does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money as insurance premiums are due within the coverage of contracts, which is one year or less.

AMOUNTS RECOGNISED IN COMPREHENSIVE INCOME

Insurance service result from insurance contracts issued

Insurance revenue

Insurance revenue for the period is the amount of premium receipt (excluding any investment component and the effect of financial risk) allocated to the period for services rendered in the current period.

Insurance service expenses allocated to the period for services rendered in the current period

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred.

Insurance service expenses comprise of the following items:

- a. incurred claims and benefits excluding investment components;
- b. other incurred directly attributable insurance service expenses;
- c. amortisation of insurance acquisition cash flows;
- d. changes that relate to past service (i.e. changes in the FCF relating to the LIC).

Other expenses not meeting the above categories are included in other operating expenses in the statement of profit or loss.

Insurance service result from reinsurance contracts held

Net income (expenses) from reinsurance contracts held

The company presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held, comprising the following amounts:

- a. reinsurance expenses;
- b. incurred claims recovery;
- c. other incurred directly attributable insurance service expenses;
- d. effect of changes in risk of reinsurer non-performance;

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received services at an amount that reflects the portion of ceding premiums the company expects to pay in exchange for those services.

The company recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2024

1. MATERIAL ACCOUNTING POLICIES (CONTINUED)

1.7. INSURANCE CONTRACTS (CONTINUED)

INSURANCE FINANCE INCOME OR EXPENSES

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- a. the effect of the time value of money and changes in the time value of money; and
- b. the effect of financial risk and changes in financial risk.

The main amounts within insurance finance income or expenses are:

- a. interest accreted on the LIC; and
- b. the effect of changes in interest rates and other financial assumptions.

The company does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses.

For the contracts measured under the PAA, the company includes all insurance finance income or expenses for the period in profit or loss.

1.8. SIGNIFICANT JUDGEMENTS AND ESTIMATES IN APPLYING IFRS 17 JUDGEMENTS

Areas of potential judgement

Applicable to the company

Definition and classification – Whether contracts are in the scope of IFRS 17 and, for contracts determined to be in scope of IFRS 17, what measurement model is applicable:

- Whether a contract issued accepts significant insurance risk and, similarly, whether a reinsurance contract held transfers significant insurance risk
- For insurance contracts with a coverage period of more than one year and for which the entity applies the PAA, the eligibility assessment as required by IFRS 17(53)(a),(54),(69)(a),(70) and may involve significant judgement.

The measurement of the reinsurance remaining coverage component under GMM and PAA are deemed to be immaterial in both absolute and in proportional terms.

Unit of account – Insurance contracts aggregation Similar grouping assessment for reinsurance contracts held.

Areas of potential judgements include:

- a. **IFRS 17(17)** – the determination of contract sets within portfolios and whether the Group has reasonable and supportable information to conclude that all contracts within a set would fall into the same group as required by IFRS 17(16); and
 - b. **IFRS 17(18)-(19)** – judgements may be applied on initial recognition to distinguish between non-onerous contracts (those having no significant possibility of becoming onerous and other contracts).
- For contracts measured under the PAA, the assessment of the likelihood of adverse changes in applicable facts and circumstances is an area of potential judgement.
 - For insurance contracts issued measured under the PAA, management judgement might be required to assess whether facts and circumstances indicate that a group of contracts has become onerous. Further, judgement is required to assess whether facts and circumstances indicate any changes in the onerous group's profitability and whether any loss component remeasurement is required.

This area of judgement is potentially applicable to the company. In 2023 and 2024, the company did not identify any facts or circumstances that might have indicated that a group of contracts measured under the PAA had become onerous. All contracts measured by the company in 2023 and 2024 under the PAA were determined to be non-onerous on initial recognition.

Judgements applied were as follows:

TRANSFER OF INSURANCE RISK

In applying IFRS 17, the company classifies contracts that have been entered into as part of its underwriting business or reinsurance program as insurance contracts when the contract in commercial substance achieves the transfer of insurance risk, the transfer of insurance risk is tested to determine if there is a scenario with commercial substance in which the company has the possibility of a loss (to pay additional benefit) on a present value basis, where the extent of the insurance risk transfer is less dominant or clear from the contractual arrangement.

METHODS USED AND JUDGEMENTS APPLIED IN DETERMINING THE IFRS 17 TRANSITION AMOUNTS

The company has adopted IFRS 17 retrospectively. The full retrospective approach was applied to the insurance contracts in force at the transition date.

The following judgements and estimates were applied:

TRANSFER OF INSURANCE RISK

In applying IFRS 17, the company classifies contracts that have been entered into as part of its underwriting business or reinsurance program as insurance contracts when the contract in commercial substance achieves the transfer of insurance risk, the transfer of insurance risk is tested to determine if there is a scenario with commercial substance in which the company has the possibility of a loss (to pay additional benefit) on a present value basis, where the extent of the insurance risk transfer is less dominant or clear from the contractual arrangement.

INVESTMENT COMPONENT INTERPRETATION

In applying IFRS 17, management considers whether there are amounts payable to the policyholder in all circumstances, regardless of the form of the pay-out (or pay-in), either on contract cancellation, expiry, and the occurrence or non-occurrence of an insured event. Some amounts, once paid by the policyholder, are repayable to the policyholder in all circumstances. The company considers such payments to meet the definition of an investment component, irrespective of whether the amount repayable varies over the term of the contract as the amount is repayable only after it has first been paid by the policyholder.

The multi-year reinsurance contract of Hollard has been assessed to contain non-distinct investment components as the company will receive a pay-out to the extent of the experience account, in all circumstances, either in the form of claims, or a performance bonus (on termination or expiry).

SEPARATION OF INVESTMENT COMPONENTS

In assessing whether components meet the separation criteria and should be separated, the company applies significant judgement.

The multi-year reinsurance contract of Hollard has been assessed to contain non-distinct investment components that cannot be separated from the host insurance contract as the insurance and investment components are integral, but more so it has been assessed that there is not an investment product of similar nature available in the market.

VALUATION OF NON-DISTINCT INVESTMENT COMPONENT

In valuing the multi-year contract that contains non-distinct investment components, management has assessed that the value of the experience account is most representative of the component respectively.

The company has determined that reasonable and supportable information was available for all contracts in force at the transition date that were issued to the transition.

Accordingly, the company has recognised and measured each group of insurance contracts in this category as if IFRS 17 had always applied; derecognised any existing balances that would not exist had IFRS 17 always applied; and recognised any resulting net difference in equity.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2024

1. MATERIAL ACCOUNTING POLICIES (CONTINUED)

1.8. SIGNIFICANT JUDGEMENTS AND ESTIMATES IN APPLYING IFRS 17 (CONTINUED)

Methods, assumptions and data used determining the LIC/AIC at transition date:

FULFILLMENT CASH FLOWS

Estimating cashflows for incurred claims requires a distinction between insurance issued (gross liabilities) and reinsurance recoveries, as well as a breakdown by business line: Professional Indemnity (PI) Insurance and Executor Bonds (EB) Insurance.

PROFESSIONAL INDEMNITY (PI)

Insurance Insurance Issued (Gross Liabilities)

A quarterly reserving exercise is conducted using historical data to project future cashflows. Claims development follows a run-off pattern of 14 to 18 years, with outstanding liabilities estimated for each underwriting year. The chain-ladder approach is applied due to the stable nature of claims patterns and the suitability of the data structure. Future cashflows are segmented, with underwriting year 2022 estimated separately, while underwriting years 2021 and prior are aggregated but derived individually to maintain accuracy in projections.

Reinsurance Recoveries

Reinsurance recoveries for PI Insurance are estimated using individual excess of loss (IXoL) and aggregate excess of loss (AXoL) structures for each historic underwriting period. IXoL recoveries are determined by assessing the proportion of claims expected to exceed retention levels, based on historical settled claims. For underwriting years before 2018/19, the retention breach is assumed at 21.5% of total claims, while for 2018/19, this assumption decreases to 12.1% due to policy changes. No IXoL retention breach is expected post-2018/19, as no reinsurance coverage was in place thereafter. Given the limited historical reinsurance data, gross claim payment patterns are applied to estimate reinsurance recoveries, with the assumption that reinsurance recoveries follow the same timing pattern as gross claims.

EXECUTOR BONDS (EB)

Insurance Insurance Issued (Gross Liabilities)

For EB Insurance, a weighted average settlement date is calculated for each claim based on payment timing. The methodology accounts for multiple payments per claim, weighting each according to its proportion of total claim payments. Settlement delays are modelled using the Inverse Gauss Distribution, which is truncated to reflect existing payment delays, ensuring a more accurate estimation of liability.

Reinsurance Recoveries

Reinsurance recoveries for EB claims are estimated using gross claim payment patterns, as historical reinsurance data is limited. Similar to PI Insurance, reinsurance recoveries are assumed to follow the same timing pattern as gross claims to maintain consistency in projections.

Risk Adjustment

The RA accounts for uncertainty in cashflows and is determined according to IFRS 17 principles. LPIIF applies a confidence level approach, setting the RA at the 75th percentile for both PI and EB claims. This methodology aligns with industry practice and ensures a conservative measure of risk exposure.

PROFESSIONAL INDEMNITY (PI)

Risk Adjustment

For PI Insurance, the RA is applied to all undeveloped periods, ensuring sufficient provisioning for outstanding claims. A frequency-severity model (compound distribution) is used to estimate ultimate claims, with stochastic distributions fitted for severity using the Inverse Gauss Distribution and for frequency using the Negative Binomial Distribution. The RA for each underwriting year is calculated by multiplying ultimate expected claims by the ratio of the 75th percentile forecast to the expected claims forecast, further adjusted for the percentage of claims already developed under a 75th percentile scenario. This risk adjustment is then discounted using the expected run-off pattern from the reserving model. For reinsurance-held periods, the gross RA is applied before considering IXoL and AXoL reinsurance impacts. Reinsurance RA is derived based on breach probability determined in prior IFRS 4 reserving exercises, ensuring a robust risk provisioning framework.

EXECUTOR BONDS (EB)

Risk Adjustment

Given the low frequency of EB claims, with approximately three claims per year, a full run-off reserving model is not practical. Instead, the RA is calculated as the difference between the 75th percentile and expected claims in a single-year claims forecast. Reinsurance recoveries are simulated before RA calculation to accurately reflect net risk exposure. Discounting is applied to align the RA with the expected EB settlement pattern, ensuring a consistent risk measurement approach across business lines.

DISCOUNT RATE

A bottom-up approach is used to determine discount rates, adjusting risk-free rates to reflect the illiquidity characteristics of insurance liabilities. The risk-free rate is sourced from the Prudential Authority due to its availability and reliability, and it is always expressed in nominal terms. The illiquidity premium is derived quarterly based on the cashflow-weighted difference between the FNB money-on-call rate and FNB fixed deposit rates. A full recalculation of discount rates is performed every quarter to ensure accuracy. The discount rates yield curve vary across years, ranging from 9.0% to 14.7% in 2022.

DISCOUNTING FOR PI INSURANCE

For PI Insurance, discounting is applied using a curve that incorporates the risk-free rate and the illiquidity premium, aligned with expected claim settlement timing. This ensures that discounting reflects the appropriate time value of money across different claim development periods.

DISCOUNTING FOR EB INSURANCE

Discounting for EB Insurance follows the same bottom-up approach as PI Insurance, using the risk-free rate and illiquidity premium to adjust for expected claim settlement patterns.

Methods, assumptions and data used determining the LIC/AIC at transition date remained unchanged for the comparative periods.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR (APPLICABLE TO THE COMPANY)

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

IFRS 17 INSURANCE CONTRACTS

The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

The effective date of the standard is for years beginning on or after 01 January 2023. The impact of the standard is set out in note 1.10 and 3 Changes in Accounting Policy.

2.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE (APPLICABLE TO THE COMPANY)

The company has chosen not to early adopt the following standards and interpretations applicable to the company, which have been published and are mandatory for the company's accounting periods beginning on or after 01 July 2024 or later periods:

IFRS 18 PRESENTATION AND DISCLOSURE IN FINANCIAL STATEMENTS

This is a new standard which replaces IAS 1 Presentation of Financial Statements and introduces several new presentation requirements. The first relates to categories and subtotals in the statement of financial performance. Income and expenses will be categorised into operating, investing, financing, income taxes and discontinued operations categories, with two new subtotals, namely "operating profit" and "profit before financing and income taxes" also being required. These categories and sub totals are defined in IFRS 18 for comparability and consistency across entities. The next set of changes requires disclosures about management-defined performance measures in a single note to the financial statements. These include reconciliations of the performance measures to the IFRS defined subtotals, as well as a description of how they are calculated, their purpose and any changes. The third set of requirements enhance the guidance on grouping of information (aggregation and disaggregation) to prevent the obscuring of information.

The effective date of the amendment is for years beginning on or after 01 January 2027.

The company expects to adopt the amendment for the first time in the 2028 financial statements. The impact of this amendment is currently being assessed.

Amendments to IFRS 9 and IFRS 7: Amendments to the Classification and Measurement of Financial Instruments.

The amendments clarify the classification of financial assets with environmental, social and corporate governance (ESG) and similar features, as such features could affect whether the assets are measured at amortised cost or fair value. The amendment also clarifies the date on which a financial asset or financial liability is derecognised in cases where liabilities are settled through electronic payment systems.

The effective date of the amendment is for years beginning on or after 01 January 2026.

The company expects to adopt the amendment for the first time in the 2027 financial statements. The impact of this amendment is currently being assessed.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2024

3. CHANGES IN ACCOUNTING POLICY

IFRS 17 became effective on 1 July 2023, with a required restatement of the comparative preceding year, namely the financial year ended 30 June 2023, including a restatement of the opening statement of financial position as at 1 July 2022.

The adoption of IFRS 17 did not change the classification of the Company's insurance contracts.

Under IFRS 17, the company's insurance contracts issued and reinsurance contracts held are all eligible to be measured by applying the Premium Allocation Approach (PAA). The PAA simplifies the measurement of insurance contracts in comparison with the General Measurement Model (GMM) in IFRS 17, which is the default model of application.

CHANGES TO CLASSIFICATION AND MEASUREMENT

The measurement principles of the PAA differ from the 'earned premium approach' used by the Company under IFRS 4 in the following key areas:

- The liability for remaining coverage (LRC) reflects premiums received less amounts recognised in revenue for insurance services provided
- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for IFRS non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision)
- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not-reported (IBNR) claims) is determined on a discounted probability-weighted expected value basis, and includes an explicit risk adjustment for non-financial risk. The liability includes the company's obligation to pay other incurred insurance expenses.
- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

CHANGES TO PRESENTATION AND DISCLOSURE

In the statement of financial position, the Company disaggregates insurance and reinsurance contracts issued and reinsurance contracts held, respectively and presents separately

- Portfolios of insurance contracts issued that are assets
- Portfolios of insurance contracts issued that are liabilities
- Portfolios of reinsurance contracts held that are assets
- Portfolios of reinsurance contracts held that are liabilities

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

The line item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly compared with prior years. Previously, the company reported the following line items:

- Gross written premiums
- Net written premiums
- Changes in premium reserves
- Gross insurance claims
- Net insurance claims

Now IFRS 17 requires separate disclosure of:

- Insurance revenue
- Insurance service expenses
- Insurance finance income or expenses
- Income or expenses from reinsurance contracts, shown on a net basis

The company provides disaggregated qualitative and quantitative information about:

- Amounts recognised in its financial statements from insurance contracts
- Significant judgements, and changes in those judgements, when applying the standard

The aggregate effect of the changes in accounting policy on the financial statements for the year ended 30 June 2023 is as follows:

	30 June 2022 As previously reported under IFRS 4	Restated IFRS17 measurement and reclassification	1 July 2022 Restated under IFRS 17
Statement of Financial Position			
Reinsurers' share of outstanding claims	153 353	(153 353)	—
Reinsurance contract asset	—	125 671	125 671
Retained income	(675 525)	(88 932)	(764 457)
Re-insurance contract liability	—	(506)	(506)
Insurance contract liability	(581 891)	117 120	(464 771)
	(1 104 063)	—	(1 104 063)
	30 June 2023 As previously reported under IFRS 4	Restated IFRS17 measurement and reclassification	30 June 2023 Restated under IFRS 17
Reinsurers' share of outstanding claims	154 016	(154 016)	—
Reinsurance contract asset	—	129 956	129 956
Retained income	(793 145)	(109 692)	(902 837)
Reinsurance contract liability	—	(878)	(878)
Trade and other payables	(12 374)	4 348	(8 026)
Insurance contract liability	(623 477)	130 282	(493 195)
	(1 274 980)	—	(1 274 980)
	30 June 2023 As previously reported under IFRS 4	Restated IFRS17 measurement and reclassification	30 June 2023 Restated under IFRS 17
Statement of Cash Flows			
Profit for the year	117 620	20 762	138 382
Change in net provision for outstanding claims	41 585	(41 585)	—
Change in provision for reinsurance debtor	(663)	663	—
Change in reinsurance contract asset	—	(4 285)	(4 285)
Change in insurance contract liabilities	—	28 424	28 424
Change in reinsurance contract liabilities	—	372	372
Change in trade payable	6 583	(4 351)	2 232
	165 125	—	165 125
	30 June 2023 As previously reported under IFRS 4	Restated IFRS17 measurement and reclassification	30 June 2023 Restated under IFRS 17
Statement of Comprehensive Income			
Net profit for the year	117 620	20 762	138 382

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2024

4. INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES

	Professional Indemnity	Executor Bonds	Total	Current portion	Non-current portion	Total
As at 30 June 2024						
Insurance contract liabilities	(512 547)	(4 944)	(517 491)	(215 571)	(301 920)	(517 491)
	(512 547)	(4 944)	(517 491)	(215 571)	(301 920)	(517 491)
Reinsurance contract assets	121 913	8 447	130 360	—	130 360	130 360
Reinsurance contract liabilities	—	(852)	(852)	(852)	—	(852)
	121 913	7 595	129 508	(852)	130 360	129 508
As at 30 June 2023						
Insurance contract liabilities	(486 391)	(6 804)	(493 195)	(207 173)	(286 022)	(493 195)
	(486 391)	(6 804)	(493 195)	(207 173)	(286 022)	(493 195)
Reinsurance contract assets	125 000	4 956	129 956	—	129 956	129 956
Reinsurance contract liabilities	—	(878)	(878)	—	(878)	(878)
	125 000	4 078	129 078	—	129 078	129 078

PROFESSIONAL INDEMNITY - INSURANCE CONTRACTS ISSUED

LPIIF used the chain ladder method to predict the outstanding liability for outstanding insurance claims. This was amended to super-impose the most recent claim estimate per claim retrospectively on the notification to address shortcomings in data from earlier years. This method is used for the following reasons:

- The overall claims patterns have remained relatively stable
- The underlying sources of potential changes in claims patterns are viewed as stable
- Future claims cost inflation is not expected to impact on existing claims reserves
- The format in which the data is organised lends itself to this technique
- The reserving exercise is performed in accordance with the internal standards(Directrix, APN 401, Technical Actuarial Standard and the Claims Reserving Manual).

The development factors smoothed out over time is outlined below:

Development factor	Aggregate claims development	Claims incurred development factor
1	Month 3 to month 6	2.1146
2	Month 6 to month 9	1.5048
3	Month 9 to month 12	1.5604
4	Month 12 to month 18	1.1010
5	Month 18 to month 24	1.0056
6	Month 24 to month 36	1.0293
7	Month 36 to month 48	1.0170
8	Month 48 to month 60	1.0031
9	Month 60 to month 72	1.0013
10	Month 72 to month 84	1.0016
11	Month 84 to month 96	1.0043
12	Month 96 to month 108	1.0000
13	Month 108 to month 120	1.0000
14	Month 120 to month 132	1.0000
15	Month 132 to month 144	1.0000
16	Month 144 to month 156	1.0000
17	Month 156 to month 168	1.0000
18	Month 168 to month 180	1.0000
19	Month 180 to month 192	1.0000
20	Month 192 to month 204	1.0000
21	Month 204 to month 216	1.0000
22	Month 216 to month 228	1.0000
23	Month 228 to month 240	1.0000

No development factor is given for development from month 0 to 3.

EB (EXECUTOR BONDS)

Due to the relatively small number of claims, it was not deemed practical to perform run-off triangles to determine the development of current outstanding claims.

A value weighted average settlement date is derived for each claim paid in order to obtain settlement delays. A distribution is fit to these settlement delays and is then truncated in simulation to allow for existing delays. The gross payment pattern is estimated using this settlement distribution on each individual outstanding claim.

Due to the lack of detail in reinsurance recovery data, the balance due by reinsurer is assumed to have the same payment pattern as the gross claims.

RISK ADJUSTMENTS

The 75th percentile risk adjustment was selected based on it being a more conservative approach to measuring and reporting the risks associated with the insurance contract. Using the 75th percentile risk adjustment provides greater prudence and transparency, reducing the chances of underestimating the risks and overstating the profits.

DISCOUNT RATE

A risk free rate has been used, adjusted for the liquidity characteristics of insurance liabilities, with rates ranging from:

- 2024: 9.2% to 13.5%
- 2023: 10.8% to 14.6%

The nominal risk-free rates are provided by the Prudential Authority, while the illiquidity premium is derived by the cashflow weighted average difference between FNB money on call and FNB fixed deposit rates per cashflow period.

Claims triangulation is used to determine expected future cashflow which implicitly allows for inflation in the development factors derived during this exercise.

A full recalculation of the discount rate is conducted on a quarterly basis.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2024

5. INSURANCE CONTRACT LIABILITIES – PROFESSIONAL INDEMNITY
INSURANCE CONTRACTS ISSUED

	LRC		LIC		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	
2024					
Professional Indemnity – Insurance contracts					
Insurance contract liabilities as at 1 July 2023	—	—	467 775	18 615	486 390
Net balance at beginning of the year	—	—	467 775	18 615	486 390
Insurance revenue	(172 511)	—	—	—	(172 511)
Incurred claims and other expenses	—	—	108 957	5 768	114 725
Changes that relate to past service i.e. relating to the liability for incurred claims	—	—	(35 666)	10 252	(25 414)
Insurance service expenses	—	—	73 291	16 020	89 311
Insurance finance (income)/expense	—	—	5 612	—	5 612
Total amounts recognised in comprehensive income	(172 511)	—	78 903	16 020	(77 588)
Cash flows					
Premiums received	172 511	—	—	—	172 511
Claims and other expenses paid	—	—	(68 766)	—	(68 766)
Total cash flows	172 511	—	(68 766)	—	103 745
Insurance contract liabilities as at 30 June 2024	—	—	477 912	34 635	512 547
Net balance at the end of the year	—	—	477 912	34 635	512 547

	LRC		LIC		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	
2023					
Professional Indemnity – Insurance contracts issued					
Insurance contract liabilities as at 1 July 2022	—	—	441 969	19 058	461 027
Net balance at the beginning of the year	—	—	441 969	19 058	461 027
Insurance revenue	(101 379)	—	—	—	(101 379)
Incurred claims and other expenses	—	—	118 819	4 509	123 328
Changes that relate to past service i.e. relating to the liability for incurred claims	—	—	5 384	(4 952)	432
Insurance service expenses	—	—	124 203	(443)	123 760
Insurance finance (income)/expense	—	—	(22 279)	—	(22 279)
Total amounts recognised in comprehensive income	(101 379)	—	101 924	(443)	102
Cash flows					
Premiums received	101 379	—	—	—	101 379
Claims and other directly attributable expenses paid	—	—	(76 117)	—	(76 117)
Total cash flows	101 379	—	(76 117)	—	25 262
Insurance contract liabilities as at 30 June 2023	—	—	467 775	18 615	486 390
Net balance at the end of the year	—	—	467 775	18 615	486 390

6. INSURANCE CONTRACT LIABILITIES - EXECUTOR BONDS

INSURANCE CONTRACTS ISSUED

2024 Executor Bonds - Insurance contracts	LRC		LIC		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	
Insurance contract liabilities as at 1 July 2023	—	—	5 730	1 074	6 804
Net balance at the beginning of the year	—	—	5 730	1 074	6 804
Insurance revenue	(13 451)	—	—	—	(13 451)
Incurred claims and other expenses	—	—	794	115	909
Changes that relate to past service i.e. relating to the liability for incurred claims	—	—	1 606	64	1 670
Insurance service expenses	—	—	2 400	179	2 579
Insurance finance (income)/expense	—	—	351	—	351
Total amounts recognised in comprehensive income	(13 451)	—	2 750	—	(10 521)
Cash flows					
Premiums received	13 451	—	—	—	13 451
Claims and other directly attributable expenses paid	—	—	(4 789)	—	(4 789)
Total cash flows	13 451	—	(4 789)	—	8 662
Insurance contract liabilities as at 30 June 2024	—	—	3 691	1 253	4 944
Net balance at end of year	—	—	3 691	1 253	4 944

2023 Executor Bonds - Insurance contracts	LRC		LIC		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	
Insurance contract liabilities as at 1 July 2022	—	—	2 721	1 023	3 744
Net balance at the beginning of the year	—	—	2 721	1 023	3 744
Insurance revenue	(3 571)	—	—	—	(3 571)
Incurred claims and other expenses	—	—	3 412	506	3 918
Changes that relate to past service i.e. relating to the liability for incurred claims	—	—	66	(455)	(389)
Insurance service expenses	—	—	3 477	51	3 528
Insurance service result	(3 571)	—	3 477	51	(43)
Insurance finance (income)/expense	—	—	(684)	—	(684)
Total amounts recognised in comprehensive income	(3 571)	—	2 793	51	(727)
Cash flows					
Premiums received	3 571	—	—	—	3 571
Claims and other expenses paid	—	—	215	—	215
Total cash flows	3 571	—	215	—	3 786
Insurance contract liabilities as at 30 June 2023	—	5 730	1 074	—	6 804
Net balance at end of year	—	5 730	1 074	—	6 804

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2024

7. REINSURANCE CONTRACT ASSETS - PROFESSIONAL INDEMNITY
REINSURANCE CONTRACTS HELD

	ARC		AIC		Total
	Excluding loss recovery component	Loss recovery component	Estimates of the present value of future cash flows	Risk adjustment	
2024					
Reinsurance contract assets as at 1 July 2023	—	—	123 680	1 320	125 000
Net balance at the beginning of the year	—	—	123 680	1 320	125 000
Changes in the statement of profit or loss and OCI					
Changes that relate to past service – adjustment to AIC			(10 932)	1 819	(9 113)
Net (income)/expense from reinsurance contracts			(10 932)	1 819	(9 113)
Finance (income)/expense from reinsurance contract			6 026	—	6 026
Total amounts recognised in comprehensive income			(4 906)	1 819	(3 087)
Cash flows					
Premiums paid	—	—	—	—	—
Amounts received	—	—	—	—	—
Reinsurance contract assets as at 30 June 2024	—	—	118 774	3 138	121 912
Net balance at the end of the year	—	—	118 774	3 138	121 912

	ARC		AIC		Total
	Excluding loss recovery component	Loss recovery component	Estimates of the present value of future cash flows	Risk adjustment	
2023					
Reinsurance contract assets as at 1 July 2022	—	—	122 346	2 394	124 740
Net balance at the beginning of the year	—	—	122 346	2 394	124 740
Changes in the statement of profit or loss and OCI					
Changes that relate to past service – adjustment to AIC	—	—	4 041	(1 075)	2 966
Net (income)/expense from reinsurance contracts	—	—	4 041	(1 075)	2 966
Finance (income)/expense from reinsurance contract	—	—	829	—	829
Total amounts recognised in comprehensive income	—	—	4 870	(1 075)	3 795
Cash flows					
Premiums received	—	—	—	—	—
Amounts received from reinsurers relating to incurred claims	—	—	(3 535)	—	(3 535)
Total cash flows	—	—	(3 535)	—	(3 535)
Reinsurance contract assets as at 30 June 2023	—	—	123 681	1 320	125 001
Net balance at the end of the year	—	—	123 681	1 320	125 001

8. REINSURANCE CONTRACT ASSETS AND (LIABILITIES) - EXECUTOR BONDS

REINSURANCE CONTRACTS HELD

2024	ARC		AIC		Total
	Excluding loss recovery component	Loss recovery component	Estimates of the present value of future cash flows	Risk adjustment	
Reinsurance contract assets as at 1 July 2023	3 983	—	138	835	4 956
Reinsurance contract liabilities as at 1 July 2023	—	—	(878)	—	(878)
Net balance at the beginning of the year	3 983	—	(740)	835	4 078
Changes in the statement of profit or loss and OCI	—	—	—	—	—
Incurred claims and other directly attributable expenses recovered	(319)	—	—	—	(319)
Changes that relate to past service - adjustments to AIC	—	—	(31)	(626)	(657)
(Income)/expense from reinsurance contract held	(319)	—	(31)	(626)	(976)
Finance (income)/expense from reinsurance contracts	462	—	6	—	468
Other movements	—	—	26	—	26
Total amounts recognised in statement of comprehensive income	143	—	—	(626)	(483)
Cash flows	—	—	—	—	—
Premiums paid	4 000	—	—	—	4 000
Amounts received	—	—	—	—	—
Total cash flows	4 000	—	—	—	4 000
Net balance at the end of the year	8 126	—	(740)	209	7 595
Reinsurance contract assets as at 30 June 2024	8 126	—	112	209	8 447
Reinsurance contract liabilities as at 30 June 2024	—	—	(852)	—	(852)
Net balance at the end of the year	8 126	—	(740)	209	7 595

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2024

8. REINSURANCE CONTRACT ASSETS AND (LIABILITIES) - EXECUTOR BONDS
REINSURANCE CONTRACTS HELD

2023	ARC		AIC		Total
	Excluding loss recovery component	Loss recovery component	Estimates of the present value of future cash flows	Risk adjustment	
Reinsurance contract assets as at 1 July 2022	—	—	115	816	931
Reinsurance contract liabilities as at 1 July 2022	—	—	(506)	—	(506)
Net balance at the beginning of the year	—	—	(391)	816	425
Changes in the statement of profit or loss and OCI	—	—	—	—	—
Incurred claims and other directly attributable expenses recovered	(200)	—	—	—	(200)
Changes that relate to past service – adjustments to AIC	—	—	33	18	51
(Income)/expense from reinsurance contract held	(200)	—	33	18	(149)
Other movements	—	—	(372)	—	(372)
Finance (income)/expense from reinsurance contracts	183	—	(10)	—	173
Total changes in the statement of comprehensive income	(217)	—	(316)	36	(497)
Cash flows					
Premiums paid	4 000	—	—	—	4 000
Amounts received	—	—	—	—	—
Total cash flows	4 000	—	—	—	4 000
Net balance at the end of the year	3 983	—	(740)	835	4 450
Reinsurance contract assets as at 30 June 2023	3 983	—	138	834	4 955
Reinsurance contract liabilities as at 30 June 2023	—	—	(878)	—	(878)
Net balance at the end of the year	3 983	—	(740)	834	4 077

The Executor Bonds multi-year reinsurance contract held will remain part of the remaining coverage throughout the duration of the contract, and will not be recognised as earned until the contract either expires or is cancelled. This ensures that the premium continues to be associated with the ongoing coverage, reflecting its role in providing protection over the life of the contract. This premium ceded has been evaluated as containing non-distinct investment components that cannot be separated from the host insurance contract, given that the insurance and investment components are integral. As a result, the non-distinct investment component (2024: R8,126 million) remain on the balance sheet under IFRS 17, with measurement of premium expense and claim recoveries limited to exclude these components. This ensures that the non-distinct investment components are retained in the statement of financial position until claim, expiry or cancellation.

9. PROPERTY, PLANT AND EQUIPMENT

	2024			2023		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Computer equipment	2 399	(2 167)	232	2 626	(2 468)	158

Reconciliation of property, plant and equipment – 2024	Opening balance	Additions	Depreciation	Total
Computer equipment	158	212	(138)	232

Reconciliation of property, plant and equipment – 2023	Opening balance	Additions	Disposals	Depreciation	Total
Office furniture and equipment	1	—	—	(1)	—
Computer equipment	652	384	(711)	(167)	158
	653	384	(711)	(168)	158

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2024

10. LEASES (COMPANY AS LESSEE)

The leases for office printers all run for a period of 60 months and is discounted at an approximate interest rate of 12.08% which is interest implicit in the lease. The contracts can be extended for an indefinite period with a notice of termination of 90 days being provided

Details pertaining to leasing arrangements, where the company is lessee are presented below:

	2024			2023		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Office equipment	490	(375)	115	214	—	214

R'000

	2024	2023
NET CARRYING AMOUNTS OF RIGHT-OF-USE ASSETS		
The carrying amounts of right-of-use assets are included in the following line items:		
Office equipment	115	214
DEPRECIATION RECOGNISED ON RIGHT-OF-USE ASSETS		
Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note), as well as depreciation which has been capitalised to the cost of other assets.		
Office equipment	98	105
OTHER DISCLOSURES		
Interest expense on lease liabilities	33	34
LEASE LIABILITIES		
Refer to note 24 for a reconciliation of the lease liabilities		
The maturity analysis of lease liabilities is as follows:		
Within one year	110	129
Two to five years	51	160
	161	289
Less finance charges component	(12)	(39)
	149	250
Non-current liabilities	44	150
Current liabilities	105	100
	149	250

R'000

2024

2023

11. INVESTMENTS AT FAIR VALUE

The below analyses the investments classified as measured at fair value the the company invests in.

LEVEL 1 VALUATION INPUTS

Listed Equity Securities

390 176

319 851

Listed Debt Securities

595 029

575 862

LEVEL 2 VALUATION INPUTS

Collective Investment Schemes (Unit Trusts)

645 745

525 176

Other Debt Securities traded in money markets

130 283

105 229

On-demand deposits treated as investments*

59 139

34 684

1 820 372**1 560 802**

* Included in on-demand deposits treated as investments in cash and cash equivalents. Given that this represents cash with amortised cost no coupon date and maturity date, the approximates fair value.

LEVEL 1

The investments in listed equity- and debt securities are measured at fair value determined at "Level 1" in terms of the fair value hierarchy i.e. fair value is determined with reference to quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date.

The investments comprise instruments which are listed on a securities exchange. The fair values of these investments are calculated based on the quoted closing prices of the individual investments on reporting date. These instruments are included in Level 1 and comprise mainly equity and debt instruments classified as trading securities.

LEVEL 2

The entity applies the Income Approach in determining the fair value of the level 2 bonds. This approach converts future contractual cash flows into a present value using appropriate discount rates.

The fair value of level 2 instruments are determined as follows:

- The fair value of money market instruments and unit trusts are determined based on observable market inputs (market observable prices, contractual terms, swap curves/discount curves and credit spreads).
- These instruments consist of fixed and floating rate notes held in segregated portfolios and are typically listed on the JSE Interest Rate Market as well as Collective Investment Schemes, which prices are determined based on the fund's NAV.
- The fair value of these instruments is determined by using market observable inputs. The fair value yield, term-to-maturity, coupon payments and maturity value are used to discount the expected cash flows of these instruments to their present value in determining the fair value at the financial year-end
- The on-demand deposits with a maturity date earlier than 12 months and any cash are deemed to be current.
- The valuation method applied is the Discount cash flow approach – utilising contractual terms, plus market observative yield curves and interest rates as well as credit spreads using observable proxies.

There were no Level 3 investments in the current year.

A list of investments is available for inspection at the company's registered office.

R'000

2024

2023

SPLIT BETWEEN NON-CURRENT AND CURRENT PORTIONS

Non-current assets

1 653 710

1 391 581

Current assets

166 662

169 221

1 820 372**1 560 802**

R'000

2024

2023

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2024

12. TRADE AND OTHER RECEIVABLES**FINANCIAL INSTRUMENTS:**

Trade receivables	53	39
Accrued investment income	5 529	7 042
Trade receivables at amortised cost	5 582	7 081

NON-FINANCIAL INSTRUMENTS:

VAT	457	1 569
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Total trade and other receivables	6 039	8 650
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EXPOSURE TO CREDIT RISK

Expected credit loss (ECL) considerations were made. There has been no significant increase in credit risk and no expected credit loss has been recognised. Investment income is interest and dividends received subsequent to 30 June 2024, relating to the period before 30 June 2024.

FAIR VALUE OF TRADE AND OTHER RECEIVABLES

The fair value of trade and other receivables approximates their carrying amounts.

Trade and other receivables will be received within the next 12 months.

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Bank balances	111	470
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14. RETIREMENT BENEFITS DEFINED**DEFINED BENEFIT PLAN**

The company undertakes to pay medical aid premiums for staff after they have retired. The number of staff members that are entitled to this benefit is 14 (30 June 2023: 14) and all are currently in active employment with the company. The contribution-based liability for post-retirement medical aid contributions as determined by an independent actuarial valuation at 30 June 2024 is R6 096 000 (30 June 2023: R6 238 000). This amount has been provided for in full. The commitment in respect of future service will be provided by annual allocations against income

The liability is unfunded and future costs will be paid from the cash reserves and the investments of the company.

CARRYING VALUE

Present value of the defined benefit obligation-unfunded	(6 238)	(5 781)
Current interest and service cost	(1 397)	(1 405)
Net actuarial gains	1 539	948
	(6 096)	(6 238)

NET EXPENSE RECOGNISED IN PROFIT OR LOSS

Current service cost	612	721
Interest cost	785	684
	1 397	1 405

KEY ASSUMPTIONS USED

Assumptions used on last valuation on 30 June 2024.

Discount rates used	12.29 %	12.59 %
Medical inflation rate	7.76 %	8.19 %
CPI inflation rate	6.26 %	6.69 %

KEY DEMOGRAPHIC ASSUMPTIONS

Assumption	Value
Average retirement age	65
Mortality during employment	SA 85-90
Mortality post-employment	PA(90) -1 with a 1% mortality improvement p.a. from 2010
Continuation of membership at retirement	100%
Proportion with spouse dependent at retirement	90%

The effect of movement in the assumptions on current service and interest costs:

Assumption	Change	Total cost	% Change
Medical aid contribution inflation rate	+1%	1 646	18%
	-1%	1 199	-14%
Discount rate	+1%	1 266	-9%
	-1%	1 558	12%
Post-employment mortality	+1 year	1 372	-2%
	-1 year	1 422	2%
Average retirement age	-1 year	1 446	4%
Membership continuation	-10%	1 261	-10%

R'000

2024

2023

15. TRADE AND OTHER PAYABLES*

FINANCIAL INSTRUMENTS:

Trade payables	290	2 050
Accrued audit fees	1 508	1 668
Other accrued expenses	2 078	—
Other payables	171	2 060
	4 047	5 778

FAIR VALUE OF TRADE AND OTHER PAYABLES

The fair value of trade and other payables* approximates their carrying amounts.

Trade and other payables fall due within the next 12 months.

* The provision for leave pay was reclassified from trade and other payables and presented separately on the face of the Statement of Financial Position for the current and preceding comparative period to enhance presentation

16. INVESTMENT REVALUATION RESERVES

At beginning of the period	70 519	62 574
Movement statement of comprehensive income	38 329	7 945
Release of net surplus of disposal of financial assets measured at fair value	4 687	11 456
Transfer realised gain to retained earnings	(4 687)	(11 456)
Fair value increase in equity	28 229	12 139
Fair value increase/(decrease) in debt instruments	10 100	(4 195)
	108 848	70 519

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2024

R'000	Note(s)	2024	2023
17. OTHER OPERATING GAINS (LOSSES)			
GAINS (LOSSES) ON DISPOSALS			
Property, plant and equipment	9	12	(695)
Realised gains on disposal of debt instruments recognised through profit or loss		4 846	2 882
		4 858	2 187
FAIR VALUE GAINS (LOSSES)			
Unrealised gains on movement of debt instruments recognised through profit or loss		60 792	78 681
Realised gains on derivatives/futures and options		2 553	4 759
		63 345	83 440
Total other operating gains (losses)		68 203	85 627
18. INVESTMENT INCOME			
DIVIDEND INCOME			
Listed investments and unit trusts		18 794	24 308
Total dividend income		18 794	24 308
INTEREST INCOME			
Listed debt and Money Market		55 236	47 632
On-demand deposits and Unit Trust		22 520	13 612
Total interest income		77 756	61 244
Total investment income		96 550	85 552

19. TAXATION

No provision has been made for taxation as the company is exempt from taxation in terms of Section 10(1)(d) of the Income Tax Act.

20. OPERATING EXPENSES

An analysis of the expenses incurred by the company in the reporting period is included below:

	Other directly attributable expenses	Other operating expenses	Total
2024			
Audit fees	—	1 496	1 496
Depreciation	177	60	237
Consulting and professional fees	—	2 532	2 532
Directors fees	—	3 445	3 445
Staff costs	21 472	21 471	42 943
Internal audit fees	—	621	621
Legal fees	—	1 078	1 078
Shared service cost	2 320	2 320	4 640
IT project	—	4 792	4 792
Computer expenses	1 139	380	1 519
Travel	—	1 311	1 311
Other	214	1 907	2 121
Portfolio management fees	—	10 450	10 450
	25 322	51 863	77 185
2023			
Audit fees	—	1 658	1 658
Audit fee – prior year	—	89	89
Depreciation	205	68	273
Consulting and professional fees	—	2 004	2 004
Directors fees	—	3 306	3 306
Shared service cost	2 144	2 144	4 288
Staff costs	18 587	18 587	37 174
Internal audit fees	—	560	560
Legal fees	—	643	643
Computer expenses	985	328	1 313
Travel	—	475	475
Other	199	1 964	2 163
Portfolio management fees	—	7 167	7 167
	22 120	38 993	61 113

Other directly attributable expenses – refer to Note 21.2

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2024

21. INSURANCE REVENUE AND EXPENSES

An analysis of insurance revenue, insurance service expenses and net expenses from reinsurance contracts held by product line for 2024 and 2023 is included in the following tables.

21.1. INSURANCE REVENUE

2024	Professional Indemnity	Executor Bonds	Total
INSURANCE REVENUE			
Insurance revenue from contracts measured under the PAA	172 511	13 451	185 962
2023	Professional Indemnity	Executor Bonds	Total
INSURANCE REVENUE			
Insurance revenue from contracts measured under the PAA	101 379	3 571	104 950

21.2 INSURANCE SERVICE EXPENSES

2024	Professional Indemnity	Executor Bonds	Total
Incurred claims	(89 679)	(633)	(90 312)
Other directly attributable expenses	(25 046)	(276)	(25 322)
Total incurred claims and attributable expenses	(114 725)	(909)	(115 634)
Changes that relate to past service – adjustments to the LIC	25 414	(1 670)	23 744
Unallocated loss adjustment expense	166	141	307
Outstanding claims estimate	35 500	(1 746)	33 754
Risk adjustment for non-financial risk	(10 252)	(64)	(10 316)
Losses on onerous contracts and reversals of those losses	—	—	—
Total insurance service expenses	(89 312)	(2 579)	(91 890)
2023	Professional Indemnity	Executor Bonds	Total
Incurred claims	(101 416)	(3 709)	(105 125)
Other directly attributable expenses	(21 912)	(208)	(22 120)
Total incurred claims and attributable expenses	(123 328)	(3 917)	(127 245)
Changes that relate to past service – adjustments to the LIC	(431)	389	(42)
Unallocated loss adjustment expense	(2 085)	(30)	(2 115)
Outstanding claims estimate	(3 298)	(36)	(3 334)
Risk adjustment for non-financial risk	4 952	455	5 407
Losses on onerous contracts and reversals of those losses	—	—	—
Total insurance service expenses	(123 759)	(3 528)	(127 287)

21.3 NET EXPENSES/(INCOME) FROM REINSURANCE CONTRACTS

2024	Professional Indemnity	Executor Bonds	Total
REINSURANCE EXPENSES - CONTRACTS MEASURED UNDER THE PAA			
Other directly attributable expenses recovered/(paid)	—	(319)	(319)
Changes in incurred claims related to past service	(9 113)	(657)	(9 770)
Other income or expenses from reinsurance contracts	—	26	26
Total net expenses from reinsurance contracts held	(9 113)	(950)	(10 063)
2023	Professional Indemnity	Executor Bonds	Total
REINSURANCE EXPENSES - CONTRACTS MEASURED UNDER THE PAA			
Other directly attributable expenses recovered/(paid)	—	(200)	(200)
Changes in incurred claims related to past service – adjustments to the LIC	2 966	51	3 017
Other income or expenses from reinsurance contracts	—	(372)	(372)
Net (expense)/income from reinsurance contracts held	2 966	(521)	2 445

22. INSURANCE AND REINSURANCE FINANCE INCOME AND (EXPENSES)

An analysis of net investment income and net insurance finance expenses by product line is presented below:

COMPANY 2024	Professional Indemnity	Executor Bonds	Total
FINANCE EXPENSES FROM INSURANCE CONTRACTS ISSUED			
Interest accreted	5 267	(817)	4 450
Effect of changes in interest rates and other financial assumptions	(10 879)	466	(10 413)
	(5 612)	(351)	(5 963)
FINANCE INCOME FROM REINSURANCE CONTRACTS HELD			
Re-insurance interest accreted	2 569	34	2 603
Effect on changes in interest rates and other financial assumptions	3 457	(28)	3 429
	6 026	6	6 032
2023	Professional Indemnity	Executor Bonds	Total
FINANCE INCOME FROM INSURANCE CONTRACTS ISSUED			
Interest accreted	28 554	492	29 046
Effect of changes in interest rates and other financial assumptions	(6 275)	192	(6 083)
	22 279	684	22 963
FINANCE INCOME FROM REINSURANCE CONTRACTS HELD			
Interest accreted	831	174	1 005
Effect on changes in interest rates and other financial assumptions	(2)	(1)	(3)
	829	173	1 002

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2024

23. PROVISIONS

Reconciliation of provisions – 2024	Opening balance	Utilised during the year	Total
Leave pay provision	2 248	(74)	2 174
Reconciliation of provisions – 2023	Opening balance	Utilised during the year	Total
Leave pay provision	2 489	(241)	2 248

24. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities – 2024	Opening balance	Repayments	Closing balance
Finance lease liabilities	250	(101)	149
Total liabilities from financing activities	250	(101)	149
Reconciliation of liabilities arising from financing activities – 2023	Opening balance	Repayments	Closing balance
Finance lease liabilities	345	(95)	250
Total liabilities from financing activities	345	(95)	250

25. RELATED PARTIES

RELATIONSHIPS

Member: Legal Practitioners Fidelity Fund (LPFF)

As empowered by the Legal Practice Act, the Legal Practitioners Fidelity Fund has paid premiums amounting to R185 961 249 (30 June 2023: R104 949 513) to the company. An amount of R4 640 583 (30 June 2023: R4 288 146) in Support services was paid to the Legal Practitioners Fidelity Fund.

Key management personnel can be defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly including any executive director.

R'000	2024	2023
COMPENSATION TO KEY MANAGEMENT		
Short-term employee benefits	13 453	12 694
Performance bonus	4 440	2 528
	17 893	15 222

26. DIRECTORS' EMOLUMENTS

EXECUTIVE

2024 Directors' emoluments	Basic salary	Retirement/ medical aid	Other benefit	Performance bonus	Total
Services as director or prescribed officer					
SS Mbelle	2 880	554	352	1 451	5 237
2023 Directors' emoluments	Basic salary	Retirement/ medical aid	Other benefits	Performance bonus	Total
Services as director or prescribed officer					
SS Mbelle	2 729	581	240	683	4 233

NON-EXECUTIVE

2024	Services as director or prescribed officer						
Directors' emoluments	Board Basic Remuneration as director	Audit Basic Remuneration as committee member	Risk Basic Remuneration as committee member	Investment Basic Remuneration as committee member	Remuneration Basic Remuneration as committee member	Nominations committee	Total
MJ Haken	461	48	—	—	95	97	701
MJ Lesejane	201	85	120	—	—	103	509
TD Khanyile	201	48	165	—	—	16	430
DP du Plessis	201	—	120	182	—	16	519
SH Chaba	201	—	—	—	132	97	430
EA Moolla	201	—	—	160	95	16	472
D Subbiah	28	—	—	—	—	—	28
SK O'Mahony	—	—	—	—	—	—	—
M Mafanya	—	—	—	41	—	—	41
M Selepeng	—	—	—	182	—	—	182
HK Matolo-Dhlepu	—	—	—	126	—	8	134
	1 494	181	405	691	322	353	3 446

2023	Services as director or prescribed officer						
Directors' emoluments	Board Basic Remuneration as director	Audit Basic Remuneration as committee member	Risk Basic Remuneration as committee member	Investment Basic Remuneration as committee member	Remuneration Basic Remuneration as committee member		Total
MJ Haken	564	44	—	—	23		631
HK Dlepu	—	—	—	92	—		92
EA Moolla	208	—	42	148	36		434
TD Khanyile	277	57	148	—	—		482
MJ Lesejane	277	75	111	—	—		463
EM Southey	—	—	—	21	—		21
M Selepeng	—	—	—	143	—		143
D Subbiah	206	—	90	72	—		368
DP du Plessis	183	—	67	143	—		393
SH Chaba	229	—	—	—	49		278
	1 944	176	458	619	108		3 305

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2024

27. INSURANCE RISK MANAGEMENT

Insurance risk refers to the risk of loss as a result of underwriting insurance contracts.

UNDERWRITING RISK MANAGEMENT

As the company, by virtue of the applicable precepts of the Legal Practice Act, does not have the ability to underwrite, nor does the company have significant current exposures to reinsurance contracts, the company defines Insurance risk as unexpected or unforeseen negative volatility in the number of claims reported and / or individual claims resulting in higher than expected claim payments, or increased development patterns resulting in the inability to generate sufficient investment income due to accelerated payment patterns.

With the ultimate potential value per claim being limited to R3.125 million, the emphasis on volatility is biased towards unexpected numbers of claims (frequency). History has shown an inverse link between economic activity and Professional Indemnity claim propensity, which would potentially indicate that current claim propensity in South Africa should be at a heightened level.

In order to manage the drivers of Insurance Risk, the company undertakes the following:

- Several risk management (pre-loss and post-loss) initiatives, including partner engagement and services such as Prescription Alert.
- Clear procedures on the management of claims, with regular claim audits to ensure only valid claims are paid.
- Constant monitoring of emerging claims experience, including full actuarial valuations on a quarterly basis, extending to development patterns over the entire portfolio.
- Clear investment strategy, guidelines and mandates to optimise investment income, whilst maintaining adequate solvency margins and asset duration profiles to accommodate accelerated claim payment patterns should they occur.

The valuations are conducted using accepted actuarial techniques, coupled with alternative method testing as well as analyses of emerging experience against original assumptions to confirm validity of assumptions. With the premium being a single premium received annually from the Legal Practitioners' Fidelity Fund, the ability to adjust premium income is only possible at annual intervals. However, this removes the bulk of the risk related to receivables and premium non-payment.

The emerging experience, outstanding claims requirements and development patterns, investment profile and solvency impact of changes are communicated on a quarterly basis to the Audit Committee, the Risk Committee, the Investment Committee and the Board.

The company's underwriting exposure is limited, as it does not actively underwrite insurance contracts but relies on a single annual premium paid by the Legal Practitioners' Fidelity Fund. This creates a concentration risk, as the company's ability to adjust premiums are restricted

REINSURANCE RISK

Reinsurance risk is the risk of loss due to either insufficient or inappropriately structured reinsurance cover relative to the company's risk management strategy and objectives. The company obtain third-party reinsurance cover to reduce risks from single events or accumulations of risk that could have a significant impact on the capital of the company.

The company has implemented a Reinsurance and Risk Transfer Policy to govern the assessment and transfer of risks to (re) insurers or other structures. Historically, the company purchased conventional Excess of Loss (both individual and aggregate) reinsurance from SHA Risk Specialists (formerly Stalker Hutchinson Admiral – Santam subsidiary) to provide volatility protection from large individual claims or adverse aggregation of claims.

Over time, the cost of this reinsurance protection increased to the point, coupled with changes in attachment and cover provided by the insurer, that the cost of reinsurance significantly exceeded the actuarial cost of risk, even allowing for volatility in experience. Based on detailed analysis, the Board resolved in 2019 to discontinue the purchasing of conventional reinsurance cover for the Professional Indemnity risk. Prior open underwriting periods remain active with recoveries continuing as set out in the various policies.

The emerging experience of the company's Professional Indemnity claims is carefully monitored in order to assess whether the decision to discontinue the purchase of conventional reinsurance remains reasonable and prudent. These analyses continue to confirm the validity of the decision and has resulted in material savings in risk transfer costs, without exposing the company to unwanted levels of risk.

In 2019, the company made the strategic decision to discontinue the purchase of conventional reinsurance cover for its Professional Indemnity risk. Historically, the company had relied on Excess of Loss reinsurance from SHA Risk Specialists to provide protection against large individual claims and the accumulation of claims. By halting this reinsurance, the company has assumed a higher concentration of risk directly on its balance sheet, particularly in the event of a large claim or an adverse accumulation of claims.

CONCENTRATION RISK

With the LPIIF being an industry-wide insurer, participation by individual legal practitioners in the arrangement is compulsory, not voluntary. This avoids concentration in a small number of law firms. Although there is a low level of inherent concentration risk in the fact that the LPIIF only insures the legal profession, this is mitigated by the ability to specialise in the risks presented by the industry, as well as the fact that the LPIIF only accepts the first R3.125 million of potential risk, reducing concentration in risks that could lead to single large claims.

Although there is potential for concentration risk to be present in the fact that the LPIIF only receives a single premium, the payment of this premium is mandated by the Legal Practitioners' Act, which places a statutory obligation on the LPFF to pay sufficient premium to the LPIIF to maintain the organisation and its regulatory capital base.

CLAIMS DEVELOPMENT

Although Professional Indemnity claims are typically long tailed and can be volatile, the LPIIF manages this risk through quarterly actuarial valuations of emerging experience, which has shown the development patterns to be stable and sufficiently predictable over a number of years. This, coupled with the limited exposure per claim (R3.125m) allows the LPIIF to prudently reserve for the ultimate cost of claims with the required level of certainty.

Actual claims payments are compared with previous estimates of the undiscounted amounts of the claims in the claims development disclosure below on a gross of reinsurance basis as at 30 June 2024.

Underwriting Year (R'000)	Gross Ultimate Incurred	Paid to Date	Gross cumulative claims liabilities per U/W
2023/2024	80 273	444	79 829
2022/2023	92 024	8 482	83 542
2021/2022	63 778	9 690	54 087
2020/2021	82 481	20 625	61 856
2019/2020	79 586	32 942	46 643
2018/2019	93 541	32 764	60 777
2017/2018	102 799	42 256	60 543
2016/2017	112 949	54 103	58 846
2015/2016	115 979	71 422	44 557
2014/2015	106 849	78 747	28 103
2013/2014	91 246	73 147	18 100
2012/2013	93 905	80 919	12 986
2011/2012	93 671	85 526	8 144
2010/2011	85 801	80 228	5 572
2009/2010	112 284	109 377	2 907
2008/2009	91 462	90 638	824
2007/2008	58 211	57 543	668
2006/2007	40 431	40 179	252
2005/2006	42 097	41 958	139
2004/2005	36 836	36 836	—
Total	1 676 201	1 047 825	628 376
Gross cumulative claims liabilities – Unallocated Loss Adjustment Expense			32 720
Effect of discounting			(179 503)
Effect of the risk adjustment for non-financial risk			35 889
Gross LIC for the contracts (Note 5 & 6)			517 491

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2024

27. INSURANCE RISK MANAGEMENT (CONTINUED)**CLAIMS DEVELOPMENT (CONTINUED)**

Actual claims payments are compared with previous estimates of the undiscounted amounts of the claims in the claims development disclosure below on a gross of reinsurance basis as at 30 June 2023.

Underwriting Year (R'000)	Gross Ultimate Incurred	Paid to Date	Gross cumulative claims liabilities per U/W
2022/2023	96 562	1 027	95 536
2021/2022	68 017	5 816	62 201
2020/2021	86 920	13 871	73 049
2019/2020	81 414	23 291	58 123
2018/2019	94 111	28 808	65 303
2017/2018	108 307	38 266	70 040
2016/2017	116 250	51 443	64 807
2015/2016	113 142	67 736	45 406
2014/2015	112 191	76 656	35 535
2013/2014	95 866	72 729	23 136
2012/2013	97 915	81 000	16 915
2011/2012	92 921	86 228	6 693
2010/2011	84 873	79 341	5 533
2009/2010	111 683	106 771	4 912
2008/2009	91 888	90 607	1 281
2007/2008	58 211	57 543	668
2006/2007	40 976	40 155	821
2005/2006	42 097	41 958	139
2004/2005	36 836	36 836	—
2003/2004	32 700	32 700	—
Total	1 662 880	1 032 781	630 099
Gross cumulative claims liabilities – Unallocated Loss Adjustment Expense			28 869
Effect of discounting			(185 463)
Effect of the risk adjustment for non-financial risk			19 690
Gross LIC for the contracts (Note 5 & 6)			493 195

Actual claims payments are compared with estimates of the undiscounted amounts of the claims in the claims development disclosure below on a net of reinsurance basis as at 30 June 2024

Underwriting Year (R'000)	Gross Ultimate Incurred	Paid to Date	Gross cumulative claims liabilities per U/W
2023/2024	80 273	444	79 829
2022/2023	92 024	8 482	83 542
2021/2022	63 778	9 690	54 087
2020/2021	82 481	20 625	61 856
2019/2020	79 586	32 942	46 643
2018/2019	91 241	32 829	58 411
2017/2018	74 825	39 702	35 123
2016/2017	74 932	50 630	24 303
2015/2016	74 438	66 071	8 367
2014/2015	76 517	71 498	5 019
2013/2014	76 826	66 105	10 720
2012/2013	74 098	68 429	5 669
2011/2012	47 837	44 206	3 630
2010/2011	48 045	49 724	(1 679)
2009/2010	67 160	70 246	(3 086)
2008/2009	49 726	49 612	114
2007/2008	39 278	38 980	299
2006/2007	35 137	34 839	299
2005/2006	41 330	41 184	146
2004/2005	34 783	22 930	11 853
Total	1 304 315	819 169	485 146
Gross cumulative claims liabilities – Unallocated Loss Adjustment Expense			32 720
Effect of discounting			(155 149)
Effect of the risk adjustment for non-financial risk			32 541
Net LIC for the contracts (Notes 5 – 8)			395 258

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2024

27. INSURANCE RISK MANAGEMENT (CONTINUED)

Actual claims payments are compared with estimates of the undiscounted amounts of the claims in the claims development disclosure below on a net of reinsurance basis as at 30 June 2023

Underwriting Year (R'000)	Gross Ultimate Incurred	Paid to Date	Gross cumulative claims liabilities per U/W
2022/2023	96 562	1 027	95 536
2021/2022	68 017	5 816	62 201
2020/2021	86 920	13 871	73 049
2019/2020	81 414	23 291	58 123
2018/2019	91 866	28 808	63 058
2017/2018	75 021	35 270	39 751
2016/2017	75 349	47 970	27 379
2015/2016	74 438	62 385	12 053
2014/2015	76 517	69 408	7 110
2013/2014	76 826	65 688	11 138
2012/2013	74 098	69 012	5 086
2011/2012	47 837	47 261	576
2010/2011	48 045	48 837	(792)
2009/2010	66 615	67 641	(1 026)
2008/2009	50 153	49 581	571
2007/2008	39 247	38 980	267
2006/2007	35 682	34 815	867
2005/2006	41 330	41 184	146
2004/2005	34 783	35 006	(223)
2003/2004	31 149	10 109	21 040
Total	1 271 869	795 959	475 910
Gross cumulative claims liabilities – Unallocated Loss Adjustment Expense			28 861
Effect of discounting			(157 249)
Effect of the risk adjustment for non-financial risk			19 690
Net LIC for the contracts (Notes 5 – 8)			367 212

CREDIT RISK MANAGEMENT AND EXPOSURES

The company is exposed to credit risk where a reinsurer default on presentation of a claim.

Reinsurance is used to manage insurance risk. This does not, however, discharge the company's liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the company remains liable for the payment to the policyholder.

The ratings were obtained from reputable rating agencies (S&P Global Ratings)

KEY TO RATING:

A- The obligor's capacity to meet its financial commitments on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitments on these obligations is extremely strong.

The table represents the credit risk exposure of the company, which equals the maximum exposure to credit risk. The concentration of credit risk has not significantly changed compared to the prior year.

	2024
(Assets)/liabilities	A-
Assets arising from reinsurance contracts held	(130 360)
	(130 360)
	2023
(Assets)/liabilities	A-
Assets arising from reinsurance contracts held	(129 956)
	(129 956)

LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that the company will be unable to meet its obligations when they fall due as a result of policyholder benefit payments, cash requirements from contractual commitments. Such outflows would deplete available cash resources for insurance and investment activities. The risk that the company will be unable to fulfil policyholder commitments is inherent in all insurance operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

The company's liquidity management process, as carried out within the company and monitored by the company, includes day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met, maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flows and monitoring the liquidity ratios of the consolidated balance sheet against internal and regulatory requirements.

The next table presents the contractual cash flows of insurance contract liabilities for incurred claims and reinsurance contract assets for claim recoveries, determined as the estimates of the present value of the future cash flows expected to be paid out in the periods presented (excluding the non-financial risk adjustment).

2024 (R'000)	0-1 year	1-2 years	2-3 years	3-4 years	4-5 ears	> 5 years	Total
Insurance contracts							
Professional Indemnity	(129 810)	(56 280)	(47 339)	(37 338)	(27 905)	(60 466)	(359 137)
■ Insurance contract liabilities	(200 406)	(73 852)	(59 312)	(44 752)	(32 705)	(66 885)	(477 913)
■ Reinsurance contract assets	70 596	17 573	11 973	7 414	4 799	6 420	118 775
Executor Bonds	(1 446)	(1 020)	(504)	(268)	(147)	(194)	(3 579)
■ Insurance contract liabilities	(1 489)	(1 052)	(521)	(277)	(152)	(201)	(3 691)
■ Reinsurance contract assets	42	32	17	9	5	7	112
Net insurance contracts	(131 256)	(57 299)	(47 843)	(37 606)	(28 052)	(60 660)	(362 716)
2023 (R'000)	0-1 year	1-2 years	2-3 years	3-4 years	4-5 ears	> 5 years	Total
Insurance contracts							
Professional Indemnity	(127 003)	(55 805)	(46 382)	(36 748)	(27 382)	(50 774)	(344 094)
■ Insurance contract liabilities	(196 879)	(75 295)	(59 793)	(45 184)	(32 840)	(57 784)	(467 775)
■ Reinsurance contract assets	69 876	19 490	13 411	8 436	5 458	7 011	123 681
Executor Bonds	(2 751)	(1 535)	(647)	(312)	(160)	(187)	(5 592)
■ Insurance contract liabilities	(2 812)	(1 574)	(665)	(321)	(165)	(193)	(5 730)
■ Reinsurance contract assets	60	39	18	9	5	6	138
Net insurance contracts	(129 755)	(57 340)	(47 028)	(37 060)	(27 542)	(50 961)	(349 687)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2024

28. INSURANCE RISK SENSITIVITY ANALYSIS

The sensitivity analysis set out below reflects the impact on profit and equity for a reasonably possible increase/decrease in exposure from insurance risk based on:

- 5% increase/decrease in claims development with all other variables held constant.
- 1% increase/decrease in discounting rate with all other variables held constant.
- 25% increase/decrease in ULAE with all other variables held constant.

R'000	Resulting from the liability for incurred claims		Resulting from the asset for recoveries of claims incurred	
	2024	2023	2024	2023
5% INCREASE IN CLAIMS ESTIMATES				
Professional Indemnity	24 590	24 364	(24 610)	11 693
Executor Bonds	(11)	267	12	—
5% DECREASE IN CLAIMS ESTIMATES				
Professional Indemnity	(24 610)	(24 378)	(10 621)	(11 653)
Executor Bonds	12	(266)	6	.
1% INCREASE IN DISCOUNTING RATE				
Professional Indemnity	(10 557)	(9 519)	(1 642)	(1 739)
Executor Bonds	(81)	(89)	(5)	(15)
1% DECREASE IN DISCOUNTING RATE				
Professional Indemnity	11 120	9 999	1 708	1 809
Executor Bonds	84	93	6	15
25% INCREASE IN ULAE 1				
Professional Indemnity	6 445	5 577	—	—
Executor Bonds	52	84	—	—
25% DECREASE IN ULAE 1				
Professional Indemnity	(6 444)	(5 577)	—	—
Executor Bonds	(52)	(84)	—	—

SENSITIVITY IMPACT

R'000	Asset for remaining coverage*	
	2024	2023
Executor Bonds	235	72
2% decrease in investment return Executor Bonds	(228)	(71)

* Sensitivity was calculated on the ARC balance as at end of each assessed period.

29. PRIOR PERIOD ERRORS

EXPECTED CREDIT LOSS PROVISION ON DEBT INSTRUMENTS

The LPIIF carries investments in debt instruments at fair value net of any expected credit losses. In previous years the expected credit loss provision on debt instruments was incorrectly accounted for in equity as part of the investment revaluation reserve. Whilst the classification and disclosures complied with IFRS 9 and IFRS 7, the measurement and presentation on the face of the statement of financial position, statement of changes in equity and the related note to the financial statements was incorrect. This has been rectified in the current year and is now correctly included in the line item "Investments". There is no effect on the statement of profit or loss and other comprehensive income.

REALISED GAIN ON DISPOSAL OF INVESTMENTS

The LPIIF only holds non-trading equity instruments and has elected to irrevocably designate them at fair value through other comprehensive income (FVOCI) at initial recognition with subsequent changes in fair value presented in OCI. Upon derecognition of the equity instrument measured at FVOCI, the LPIIF accounting policy is that cumulative fair value changes previously recognised in OCI are transferred directly to retained earnings within equity. However, in previous years the realised gain on the sale of investments held in equity instruments was not transferred from OCI to retained earnings. Whilst the overall impact on equity was nil, the measurement and presentation of the component equity reserves (Investment Revaluation Reserve and Retained Earnings) on the face of the statement of financial position, statement of changes in equity and the related note to the financial statements was incorrect. This has been rectified in the current year and is now correctly transferred from OCI directly to retained earnings. There is no effect on the statement of profit or loss and other comprehensive income.

R'000	30 June 2022 (as previously reported)	30 June 2022 (restated)	Difference	30 June 2023 (as previously reported)	30 June 2023 (restated)	Difference
Investments	1 384 608	1 378 223	6 385	1 565 033	1 560 802	4 231
Effect on assets			6 385			4 231
Investment fluctuation reserve	(68 959)	(62 574)	(6 385)	(86 206)	(70 519)	(15 687)
Retained earnings	(764 457)	(764 457)	—	(902 839)	(914 295)	11 456
Effect on equity			(6 385)			(4 231)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2024

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**CATEGORIES OF FINANCIAL INSTRUMENTS****CATEGORIES OF FINANCIAL ASSETS**

2024	Note(s)	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total
Investments at fair value	11	704 884	1 115 486	—	1 820 370
Trade and other receivables	12	—	—	5 582	5 582
Cash and cash equivalents	13	—	—	111	111
		704 884	1 115 486	5 693	1 826 063

2023	Note(s)	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total
Investments at fair value	11	559 860	1 000 942	—	1 560 802
Trade and other receivables	12	—	—	7 081	7 081
Cash and cash equivalents	13	—	—	470	470
		559 860	1 000 942	7 551	1 568 353

CATEGORIES OF FINANCIAL LIABILITIES

2024	Note(s)	Amortised cost	Leases	Total
Trade and other payables	15	4 047	—	4 047
Finance lease obligations	10	—	149	149
		4 047	149	4 196

2023	Note(s)	Amortised cost	Leases	Total
Trade and other payables	15	5 778	—	5 778
Finance lease obligations	10	—	250	250
		5 778	250	6 028

CAPITAL RISK MANAGEMENT

The FSRA empowers the Prudential Authority to establish specific rules in respect of minimum capital requirements of an insurer. Core to the PA's requirements as set out in section 35 of the Insurance Act are the requirements that a company maintain a specific level of eligible own fund and meets the capital adequacy requirements in terms of specific formulae and rules set by the PA (The rules are set out extensively in the Financial Soundness Standards for Insurers and form the basis for the company's actuarial calculation of its eligible own funds and solvency relative to the minimum CAR requirements set out by the PA).

The LPIIF has not breached the regulatory requirement in respect of minimum CAR requirements and has further not breached the solvency risk appetite set by the board, which is 30% higher than the regulatory requirement. The PA has indicated that they are comfortable the LPIIF will remain solvent for the next 12 months even in the event of the CAT risk dispensation not being extended.

The company's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the company's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

R'000	2024	2023
The capital structure and gearing ratio of the company at the reporting date was as follows:		
Capital	205 258	205 258
Retained income	1 109 180	914 291
Other reserves	111 982	72 114
Total equity	1 426 420	1 191 664
Solvency Capital Requirement (SCR) ratio	2.32	2.05
Minimum Capital Requirement (MCR) ratio	9.29	8.19

The actual SCR and MCR ratios significantly exceeded the targeted capital requirements set by the board as follows:

SCR target ratio: 1.3

MCR target ratio: 1

Actual SCR amount is available on the SAM return.

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For the year ended 30 June 2024

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

FINANCIAL RISK MANAGEMENT OVERVIEW

The company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Interest rate risk.

CREDIT RISK

Credit risk is the risk of financial loss to the company if a counterparty to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk is presented in the table below:

	Note(s)	2024			2023		
		Gross carrying amount	Credit loss allowance	Amortised cost/ fair value	Gross carrying amount	Credit loss allowance	Amortised cost/ fair value
Investments at fair value	11	1 831 801	(11 428)	1 820 373	1 569 342	(8 540)	1 560 802
Trade and other receivables	12	6 039	—	6 039	8 650	—	8 650
Cash and cash equivalents	13	111	—	111	470	—	470
		1 837 951	(11 428)	1 826 523	1 578 462	(8 540)	1 569 922

The credit exposure to any counter party is managed by the Board with the assistance from the Investment committee that meets quarterly.

There is an approved investment strategy and any new investment that is considered is tested for the impact on solvency due to the capital charges that get published by the Prudential Authority , the regulator for the Insurance Industry.

The company's credit risk is managed through it's investment strategy which is based on the solvency requirements for insurers.

The table below provides information on the credit risk exposure by credit ratings for debt instruments at the end of the financial year:

2024	Financial assets through OCI
Prime	420 032
High	220 628
Upper medium	36 255
Lower medium grade	714
Non Investment grade Speculative	—
Substantial risk	1 294
Unrated	57 817
	736 740

2023	Financial assets through OCI
Prime	340 744
High	239 800
Upper medium grade	50 140
Lower medium grade	2 410
Non Investment grade Speculative	77 199
Substantial risk	1 742
Unrated	7 971
	720 006

THE RATINGS WERE OBTAINED FROM REPUTABLE RATING AGENCIES (MOODY)

KEY TO RATING:

Aaa Prime – Highest quality	
Aa1	
Aa2 High grade – High quality	
Aa3	Investment grade
A1	
A2 Upper medium grade – Strong payment capacity	
A3	
Baa1	
Baa2 Lower medium grade – Adequate payment capacity	
Baa3	
Ba1	
Ba2 Non Investment grade – Speculative likely to fulfil obligations ongoing uncertainty	
Ba3	
B1	
B2 Highly speculative – High credit risk	
B3	Non investment grade aka Junk
Caa1	
Caa2 Substantial risk – Very high credit risk	
Caa3	
Ca Default imminent – near default with possibility of recovery	
C Default	

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For the year ended 30 June 2024

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

LIQUIDITY RISK

The company is exposed to liquidity risk, which is the risk that the company will encounter difficulties in meeting its obligations as they become due.

To manage liquidity risk, the company uses past experience to estimate its liquidity needs for a period of three months so that it maintains sufficient cash to cover weekly claims expense and other recurring expenses. The company provisions cash based on these forecasts, adjusting as necessary to maintain adequate liquidity. For larger capital expenditures or exceptional projects, the company follows a formal capital budgeting process, with approval from the board to ensure these expenditures do not strain liquidity. Regular cash flow monitoring and quarterly reviews help identify any potential gaps in liquidity, ensuring the company can meet its obligations without incurring unacceptable losses or risking its financial stability.

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

2024	Less than 1 year	1 to 5 years	Over 5 years	Total
NON-CURRENT LIABILITIES				
Lease liabilities	—	44	—	44
CURRENT LIABILITIES				
Trade and other payables	4 047	—	—	4 047
Lease liabilities	105	—	—	105
	4 152	44	—	4 196
NON-CURRENT ASSETS				
Gilts and liquid funds	—	405 943	330 797	736 740
CURRENT ASSETS				
Gilts and liquid funds	166 662	—	—	166 662
Trade and other receivables	5 582	—	—	5 582
Cash and cash equivalents	111	—	—	111
	172 355	405 943	330 797	909 095
	176 507	405 987	330 797	913 291

2023	Note(s)	Less than 1 year	2 to 5 years	Over 5 years	Total
NON-CURRENT LIABILITIES					
Lease liabilities		150	—	—	150
CURRENT LIABILITIES					
Trade and other payables	15	5 578	—	—	5 578
Lease liabilities		100	—	—	100
		5 828	—	—	5 828
NON-CURRENT ASSETS					
Guilts and liquid funds		—	206 354	344 430	550 784
CURRENT ASSETS					
Guilts and liquid funds		169 221	—	—	169 221
Cash and cash equivalents		470	—	—	470
Trade and other receivables		7 082	—	—	7 082
		176 773	206 354	344 430	727 557
		182 601	206 354	344 430	733 385

INTEREST RATE RISK

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk. The Investment committee manages interest rate risk on a quarterly basis by reviewing the returns on various investment portfolios.

INTEREST RATE SENSITIVITY ANALYSIS

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

The company makes use of asset managers and internal resources to invest in securities exposed to interest rate risk. The securities managed by asset managers are contractually agreed with specific risk levels.

Increase or decrease in rate	2024		2023	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Impact on profit or loss:				
Interest income on cash and cash equivalents	225	(225)	136	(136)
Interest income on financial assets	552	(552)	477	(477)
	777	(777)	613	(613)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2024

31. GOING CONCERN

The term "going concern" is not expressly defined in the core legislation which governs the LPIIF as a company and an insurer. In determining solvency the Companies Act 71 of 2008 ("Act") requires companies to apply the Solvency and Liquidity Test set out in section 4 of the Act.

Section 4 requires that:

- "4. (1) For any purpose of this Act, a company satisfies the solvency and liquidity test at a particular time if, considering all reasonably foreseeable financial circumstances of the company at that time—
- (a) the assets of the company or, if the company is a member of a group of companies, the aggregate assets of the company, as fairly valued, equal or exceed the liabilities of the company or, if the company is a member of a group of companies, the aggregate liabilities of the company, as fairly valued; and
 - (b) it appears that the company will be able to pay its debts as they become due in the ordinary course of business for a period of—
 - (i) 12 months after the date on which the test is considered; or
 - (ii) in the case of a distribution contemplated in paragraph (a) of the definition of 'distribution' in section 1, 12 months following that distribution."

Based on the above definition the LPIIF is in a solvent position as it will be able to pay its debts as they become due in the ordinary course of business for the 12 month period ending 30 June 2024. Further its assets fairly valued exceed its liabilities

The FSRA empowers the Prudential Authority to establish specific rules in respect of minimum capital requirements of an insurer. Core to the PA's requirements as set out in section 35 of the Insurance Act are the requirements that a company maintain a specific level of eligible own fund and meet the capital adequacy requirements in terms of specific formulae and rules set by the PA (The rules are set out extensively in the Financial Soundness Standards for Insurers and form the basis for the LPIIF's actuarial calculation of its eligible own funds and solvency relative to the minimum capital adequacy requirements set out by the PA).

The LPIIF has not breached the regulatory requirement in respect of minimum capital adequacy requirements and has further not breached the solvency risk appetite set by the board, which is 30% higher than the regulatory requirement. The PA has indicated that they are comfortable the LPIIF will remain solvent for the next 12 months even in the event of the capital adequacy risk dispensation not being extended.

IFRS defines going concerns much the same as set in our South African legislation, in that it requires that in order to prepare financial statements on a going concern basis, a company at the least must ensure that it will operate for the foreseeable future.

Based on the level of comfort with the going concern status of the LPIIF, management is of the view that the LPIIF remains a going concern and the financial statements have been prepared on this basis

For the period in question, management is of the view that the LPIIF remains a going concern and that its financial statements may be prepared on this basis.

32. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

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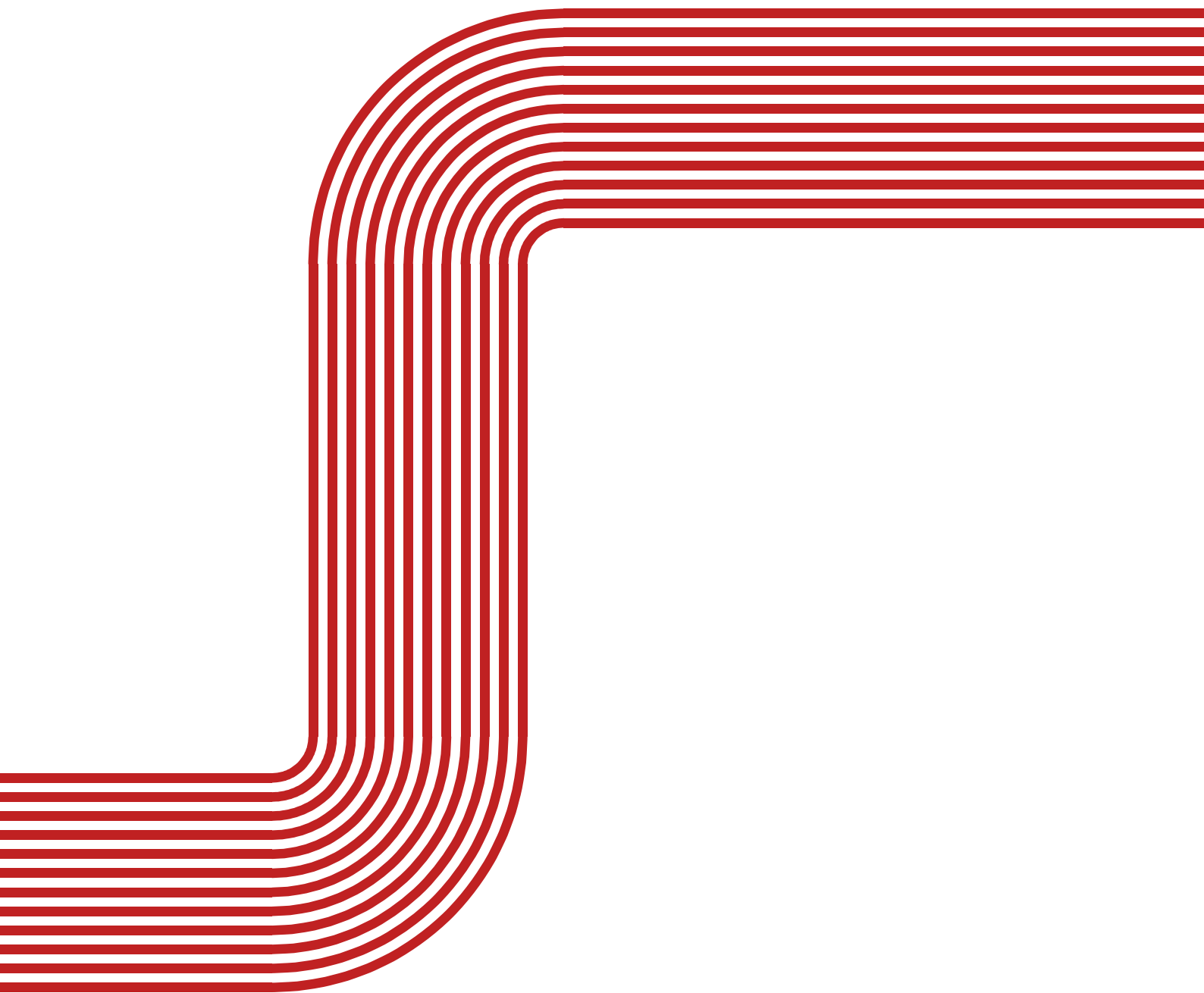
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