vmia

Victorian Managed Insurance Authority

Level 10 South, 161 Collins Street
MELBOURNE VIC 3000

P 03 9270 6900
E contact@vmia.vic.gov.au

vmia.vic.gov.au

Detail of Victorian Heart Hospital, managed by Monash Health. Opened February 2023. Photo by Red Disc Media

VICTORIAN MANAGED INSURANCE AUTHORITY

ANNUAL REPORT 2022-2023

annual report

2022-2023

VICTORIAN MANAGED
INSURANCE AUTHORITY

VICTORIA State Government

vmia

VMIA's purpose is to build a confident, resilient Victoria through world-leading harm prevention and recovery.

Victorian Managed Insurance Authority (VMIA) acknowledges the Traditional Custodians of the land on which we work, and we pay our respects to Elders past, and present. We acknowledge the important contribution that Aboriginal and Torres Strait Islander peoples make in creating a thriving Victoria.

Cover photo:
Detail of Victorian Heart Hospital, managed by Monash Health.
Opened February 2023. Photo by Red Disc Media.

Content photography:
Jacinta Keefe Photography unless otherwise credited.

Contents

Who we are

VMIA is the Victorian Government's insurer and risk adviser, covering the people, places and projects that help Victorians thrive.

From iconic cultural institutions, major infrastructure, public schools and hospitals to emergency services and not-for-profits, VMIA's clients are diverse but united in their ambition to make a positive impact in the community. VMIA shares this ambition.

Clients can be confident in the face of uncertainty and recover quickly when things don't go to plan.

VMIA is also here for Victorian homeowners embarking on domestic building projects, offering cover to protect them if their builder dies, disappears, becomes insolvent or has failed to comply with a Victorian Civil and Administrative Tribunal order.

As VMIA operates across Victoria's public sector, it is uniquely placed to connect experts and decision-makers with world-leading thinking and insights. The organisation's harm prevention initiatives include undertaking and commissioning research, as well as delivering programs that reduce the risk of harm to Victorians. This leads to smarter ways of working and partnering to prevent harm.

It underpins VMIA's purpose – to build a confident, resilient Victoria through world-leading harm prevention and recovery.

How we provide value for Victoria

As the State's insurer we offer unique value to the Victorian public sector, including:

- broad insurance cover for significant financial risks to the State that is unavailable in the commercial market
- value for money pricing significantly below commercial market rates
- fair interpretations of policy to protect clients from significant loss and help them move quickly to restore critical public services and infrastructure
- investment in harm prevention to reduce losses
- creative risk transfer solutions for emerging and evolving risks
- tailored advice to help agencies effectively cover their risk exposure, while protecting the State and community
- access to global expertise to support strategic thinking about risk recovery, and joint problem-solving on risk related issues.

What we do

VMIA was established to:

- assist departments and participating bodies to initiate programs for the identification, quantification and management of risks
- monitor risk management by departments and participating bodies
- act as insurer for, or provide insurance services to, departments and participating bodies
- provide insurance or indemnities to persons or bodies as directed by the Assistant Treasurer
- provide risk management advice to the State and risk management advice and training to departments and participating bodies
- carry out such other functions as are conferred on it by the *Victorian Managed Insurance Authority Act* 1996, or any other Act.

In March 2010, the Victorian Government directed VMIA to provide domestic building insurance, which is compulsory for builders to purchase before taking a deposit under any domestic building contract with a contract price over $16,000.

VMIA's Values

Meaningful interactions

Each conversation and task contributes to achieving the organisation's goals.

Helping Victorians thrive

VMIA connects to something bigger by contributing to Victoria's continued success.

Curious and connected

VMIA is curious, questions, innovates, and partners with clients to solve problems.

Shared success

VMIA embraces teamwork and celebrates its clients' successful outcomes.

VMIA's Aspiration

By 2024, VMIA's clients will be:

Covered

By contemporary, commercially competitive insurance solutions.

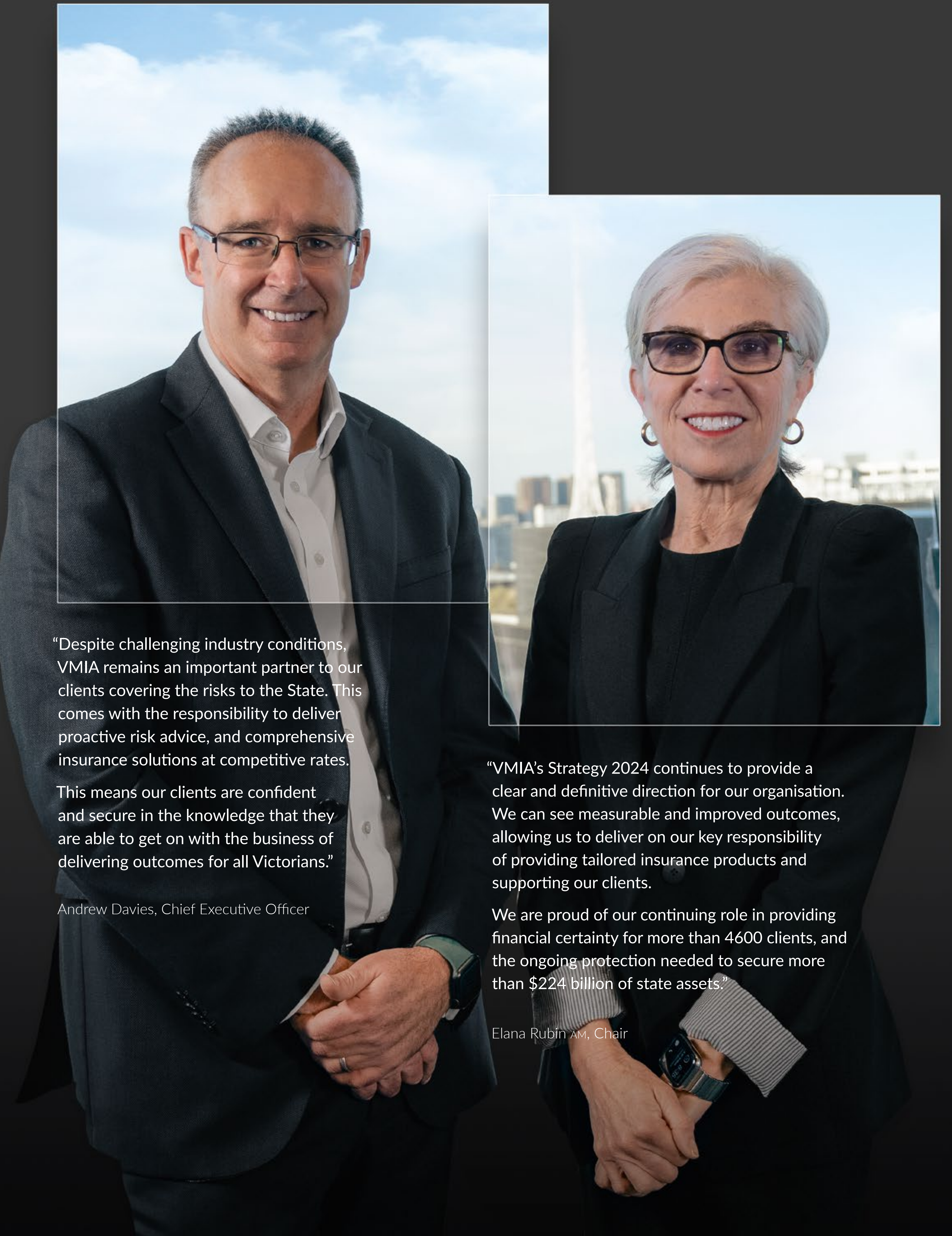
Connected

To world-leading risk management advice, insights and innovation.

Confident

In making informed, deliberate risk transfer decisions.

VMIA's clients will never find themselves unconsciously uninsured.



"Despite challenging industry conditions, VMIA remains an important partner to our clients covering the risks to the State. This comes with the responsibility to deliver proactive risk advice, and comprehensive insurance solutions at competitive rates.

This means our clients are confident and secure in the knowledge that they are able to get on with the business of delivering outcomes for all Victorians."

Andrew Davies, Chief Executive Officer

"VMIA's Strategy 2024 continues to provide a clear and definitive direction for our organisation. We can see measurable and improved outcomes, allowing us to deliver on our key responsibility of providing tailored insurance products and supporting our clients.

We are proud of our continuing role in providing financial certainty for more than 4600 clients, and the ongoing protection needed to secure more than $224 billion of state assets."

Elana Rubin AM, Chair

Chairperson's and CEO's Report

There's nothing more motivating than supporting the organisations and community groups that make a difference every day in the lives of Victorians. Whether it be the State's government departments, emergency services and hospitals, public transport operations or iconic cultural institutions, right through to smaller, community sector organisations; all are united by a desire to serve.

Inspired by and sharing this ambition, VMIA is proud of providing financial certainty to more than 4,600 clients and protection for more than $224 billion of state assets in the 2022-2023 year.

As the culmination of our Strategy 2024 approaches, we can see tangible, improved outcomes in the way we support clients and their decision making around risk, while providing tailored insurance products that instil confidence, even in uncertain times.

Our new claims reduction advisory service launched during the year, drawing on our improved data and insights capability. Our care and adaptability came to the fore in response to Victoria's October 2022 flooding disaster, with our advisers supporting a rapid client response to manage property assets, smooth the claims process and expedite claims. We will continue to deliver critical advice and insurance solutions for clients during unexpected or unprecedented events, focusing on areas of increased concern such as cyber and climate risk.

Our clients also enjoyed a more positive and contemporary experience when using VMIA's digital channels. The enhanced functionality of our client portal delivered a way for clients to self service endorsements and lodge claims online.

VMIA remains nimble, adaptable, and ready to respond to clients and their challenges in the year ahead. We will continue to monitor Victoria's insurable risk profile and ensure clients remain covered, connected, and confident.

Strategy 2024 closer to fruition

When our clients asked us to become a more proactive and strategic organisation with a deeper understanding of their operating environments, opportunities, and challenges, we listened. The culmination of Strategy 2024 will see VMIA advance its role as the State's insurer and risk adviser. Our dependable yet contemporary insurance solutions, enhanced services, targeted harm prevention measures and industry insights, continuously evolve to ensure clients never find themselves unconsciously uninsured.

As we enter the final year of our five-year agenda, our program initiatives will focus on leveraging the strong foundations we have built across technology, business excellence and our workforce program. We intend to further leverage our insights by integrating with our advisory and harm prevention initiatives, while empowering our people to confidently manage the needs of our clients.

The last few years reinforced how vital it is to prepare for and adapt to the unexpected. As we commence planning our next strategic initiatives, we will take stock of the changed operating environment, draw on our enhanced capability and ensure we are well positioned for the future.

Our ongoing digital uplift – enhancing our VMIA client portal

Simplifying the renewals process and embedding it within our organisation through our new client portal proved a major win for both clients and advisers. Providing clients with a dedicated access point to upload information about their business and assets and receive timely advice from advisers stepped us closer to becoming a digital-first and insights-led organisation.

We will continue to focus on implementing a consistent, end-to-end online renewals experience for clients while making the most of the portal's data and analytics capability. Longer term we look forward to using this to extract valuable insights, for our clients, sectors and the State on risks, risk management and insurance.

Helping homeowners complete their building projects

We continue to provide a critical safety net to the Victorian community through domestic building insurance.

Recent builder insolvencies have left more than 1500 Victorian homeowners with incomplete projects at a time of skills and material shortages, and strong inflation. The work of our domestic building insurance team is helping homeowners complete their projects with minimal delay and out-of-pocket expenses. We've brought on additional assessors and staff, fast-tracked building site inspections and put in place nominated builders with the skills and capacity to complete homes in the shortest possible time.

Providing value for money for the State in a challenging insurance market

As one of the world's largest public insurers, VMIA not only delivers proactive risk advice and comprehensive insurance solutions, but our model consistently proves itself for the State. In what has been a challenging time for the commercial insurance market with significant claims losses resulting in premium increases, VMIA insurance premiums remained well below the commercial market. Indeed, recent benchmarking of our premiums highlighted that our rates were on average more than a 50% discount to the commercial market. In addition, our clients also received broader coverage, lower deductibles, and efficient and empathetic claims management relative to what they could obtain in the private market. These factors combine to allow them to confidently get on with the business of delivering services to Victorians.

We also partnered with local and international insurers and reinsurers during the year to optimise risk transfer solutions for our client base, including solutions for the State's transformative infrastructure projects. We will continue to leverage our access to global expertise to support the identification of risks and best-practice mitigation and recovery strategies.

Cover for Victoria's Big Build

We extended the scope of our risk advisory in Victoria's $90 billion Big Build program of work, providing insurance solutions for more than 165 major road and rail projects.

We bolstered the services provided by our construction team and worked with local and global construction reinsurance markets to field competitive and cost-effective construction insurance products for the State.

With the State's population expected to reach 11 million by 2056, we are proud to safeguard projects that generate thousands of local jobs and will re-shape Victoria.

Capability uplift – supporting our people and our clients

We continue to invest in our people, building their capabilities to the benefit of our organisation and our clients. We are developing a claims reduction advisory service in our Risk Services Division. Drawing on our accumulated data and insights, this team will work with our clients to identify key risks in their businesses that are leading to claims.

Financial results

Global inflation, economic uncertainty and environmental disasters impacted Victorians, businesses, and organisations during the year, and VMIA was not immune. The combination of the October floods and significant domestic building insurance claims resulted in an operating deficit of $115.4 million for the year.

This year was challenging from a claims perspective. The Porter Davis Homes insolvency was the largest domestic builder insolvency in our history of providing Domestic Building Insurance, and the October and November 2022 floods and storms also resulted in significant claims. Our return on investments were more than double what was budgeted, and above the market benchmark, due mainly to favourable movements in equity markets.

Our insurance funding ratio (IFR) remains in the preferred range, albeit at the lower end of the range. VMIA has put actions in place to improve our IFR over the coming period.

We continue to support integrating Environmental, Social and Governance (ESG) factors into our decision-making process as essential to VMIA's role as the State's insurer and in safeguarding the long-term returns and interests of our clients.

Acknowledgements

It's been an exceptionally busy and productive year, and we thank all our people for their contribution.

We're proud of what we've achieved this year, made possible through the commitment of our people and our strong, supportive culture.

Elana Rubin AM

Chairperson

Andrew Davies

Chief Executive Officer

Leadership team

Board

Elana Rubin AM (Chairperson)
Appointed in November 2016
Appointed as Chair in September 2017
Reappointed in November 2019
Reappointed in May 2023

Ross Castle
Appointed in June 2019
Reappointed in June 2022

Jasmine Doak
Appointed in March 2018
Reappointed in March 2021

Claire Keating
Appointed in August 2017
Reappointed in August 2020

Dr Bronwyn King AO
Appointed in June 2018
Reappointed in June 2021

Chris Lovell
Appointed in June 2019
Reappointed in June 2022

Glenn Sedgwick
Appointed November 2019
Reappointed in May 2023

Executive

Andrew Davies
Chief Executive Officer

Paul Dulfer
Chief Technology Officer

Efy Karagiannis
Chief Officer - Domestic Building Insurance

Frieda Esquelin
Chief Operating Officer & Corporate Secretary

Angela Kelly
Chief Insurance Officer

Wayne Kenafacke
Chief Performance Officer

Charlotte Mills
Chief Services Officer & Chief Risk Officer

Letter from the Chairperson to the Minister

29 August 2023

The Hon Danny Pearson MP
Assistant Treasurer
Level 5, 1 Macarthur Street
EAST MELBOURNE VIC 3002

Dear Minister,

I am pleased to submit the Annual Report of the Victorian Managed Insurance Authority for the period 1 July 2022 to 30 June 2023, in accordance with the *Financial Management Act* 1994.

Yours sincerely,

Elana Rubin AM

Chairperson, VMIA Board

2022-2023 at a glance

Protected Victoria's assets

$235.7b

VMIA insured $235.7b in public assets

Supported Victorian homeowners

VMIA issued

78,720

Domestic building insurance certificates with

4451

claims settled, and

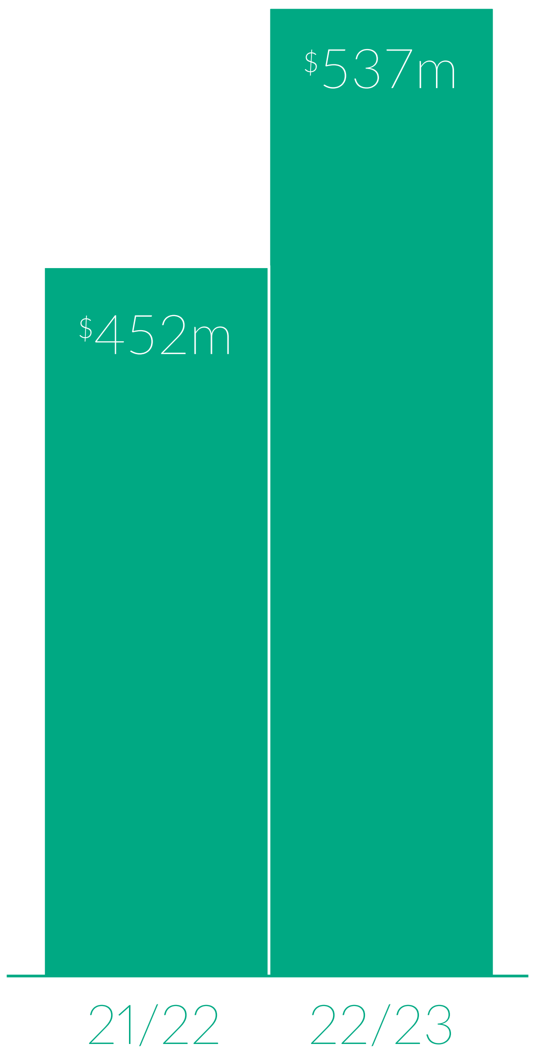
$112m

in payments

Covered clients

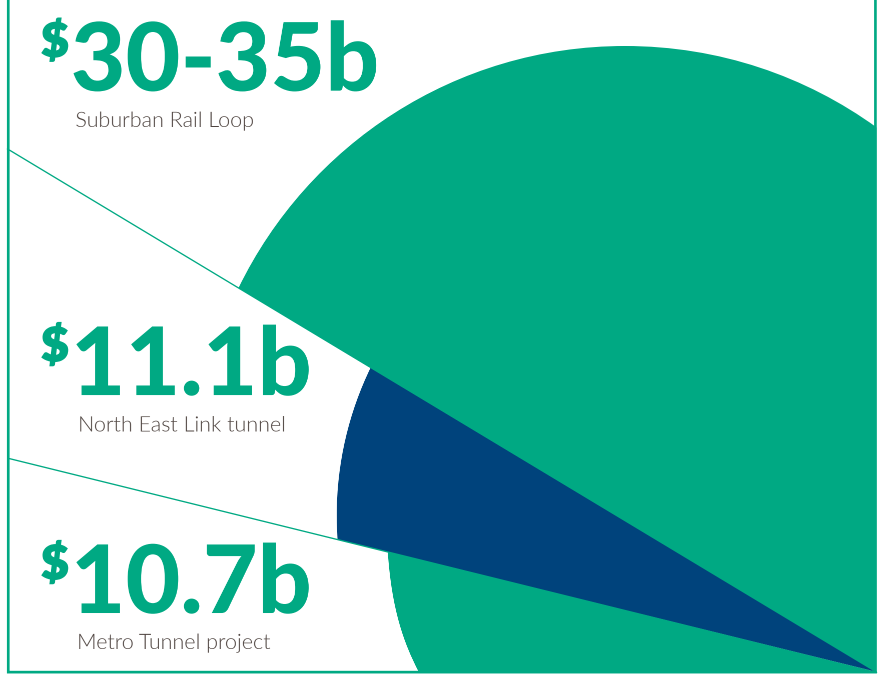
$537m

VMIA paid $537m in claims, an increase from $452m in 2021-2022

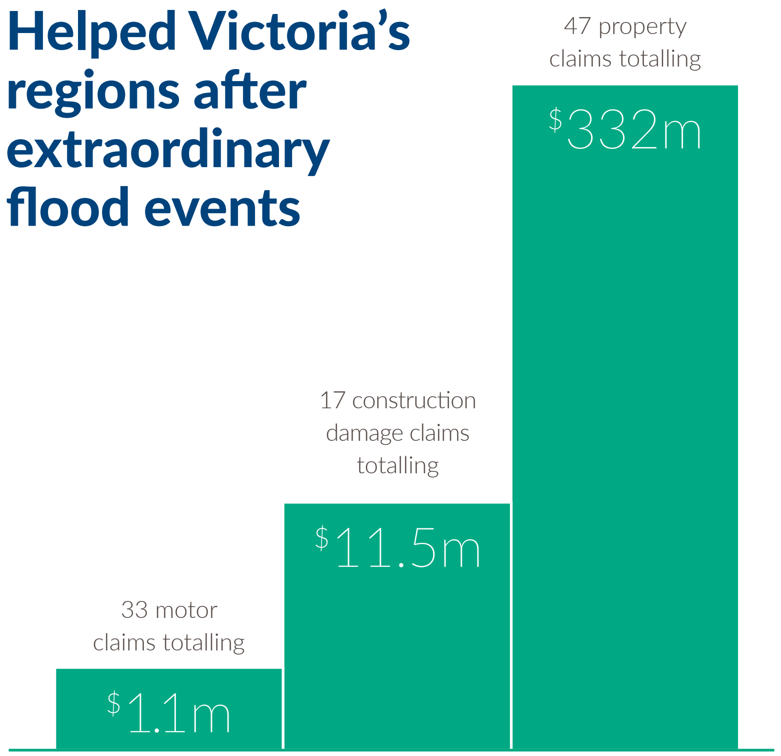


Supported Victoria's Big Build

We provided construction insurance risk advice and bespoke insurance products to Victoria's Big Build projects.



Helped Victoria's regions after extraordinary flood events



Enhanced risk maturity in the public sector

115 Victorian Government agencies reviewed their **risk maturity benchmark** self-assessment.

119 Victorian Public Sector organisations participated in the Victorian Government **Cyber Maturity Benchmark**.

68 **client learning workshops** over 1150 attendees lifting risk capability across the public sector.

Covered

VMIA insurance instils confidence so that the Victorian Public Sector can continue to deliver vital services to the Victorian community. In a time of global and local financial uncertainty, this cover has never been more important. We continue to provide expert advice so that clients are covered with the most appropriate insurance products for their needs; whether they be a large government department or agency, a public hospital, a state-shaping infrastructure project, or a small community service organisation.

Protecting Victoria's Big Build and major projects

VMIA expanded its involvement in Victoria's $90 billion Big Build program, providing risk expertise and insurance solutions for more than 165 major road and rail projects across the State.

As the insurance and risk adviser to the government, we continue to support the smooth delivery of major road and rail projects, including the Suburban Rail Loop, Metro Tunnel Project, Regional Rail Revival, the North East Link Project, and the Level Crossing Removal Project.

In the last 12 months, we strengthened the services of our construction team to ensure the best-value outcomes for clients. In a challenging insurance market, our team proactively negotiate with local and global construction insurance markets to deliver competitive construction insurance products that deliver value for money for the State.

We partner with key construction project stakeholders at the initial stage of major projects, ensuring risk advice is provided at the start of every project and risk transfer needs are understood and met.

We also continued to advise and provide construction insurance across a diverse portfolio of construction projects. The Level Crossing Removal Project (LXRP) removes dangerous and congested level crossings, builds new stations and creates public spaces. The Melbourne Arts Precinct development is set to transform Melbourne's creative precinct and will be Australia's largest cultural infrastructure project. By supporting these important projects, we are ensuring that they can progress with confidence, knowing they will be protected should the unexpected occur.

Lorraine Polmear

Director
Level Crossing Removal Project

"At LXRP we value the consistency and certainty that comes from VMIA's knowledge and understanding of the project. We know that our insurable risks are covered at all stages and locations of the project."

Domestic Building Insurance

As the largest provider of domestic building insurance in Victoria, our policies enable 18,000 residential builders to enter into domestic building contracts and, more importantly, provide a critical safety net for consumers if the builder dies, disappears or becomes insolvent. We provide these services under terms set out in the Domestic Building Insurance Ministerial Order which requires builders to purchase this insurance on behalf of the homeowner for domestic building projects of more than $16,000.

VMIA's domestic building insurance has never been more important, with rising costs and shortages in skills and materials placing unprecedented pressure on builders.

The liquidation of the Porter Davis Homes Group is the largest builder insolvency in Victoria's history and has left more than 1500 families and individuals with homes that are incomplete, or with defects requiring remediation or rectification.

The provision of DBI through VMIA's policies provides these homeowners with financial relief and our team has worked hard at every step in the claims process to find builders to recommence and complete the work in the shortest possible timeframe. A number of homes will be completed by volume builders who can call on their trade supplier relationships and strong buying power to deliver competitive quotes.

While these processes take time, significant progress is being made. We'll follow these projects to completion and all properties will be protected for defects under the original policy and new cover for the completion works.

DBI Homeowners Welcome Pack

This year VMIA launched the Homeowners Welcome Pack, a consumer protection initiative that also aims to have a downstream impact on claims and queries. The pack is an interactive online guide designed to support consumers throughout the building process, by providing them with useful information about Domestic Building Insurance (DBI) policy coverage, roles of other construction-related government agencies and, importantly, tips to help homeowners mitigate the most common risks of domestic construction.

These tips, based on our long history of defects data, empower homeowners with useful information to support and protect their home building projects.

Scoping study on the nature and extent of moisture damage in houses and apartments in Victoria

VMIA partnered with the Victorian Building Authority to fund research into mould growth in new, energy-efficient buildings. This national and international collaboration included the University of Tasmania and research organisations and industry representatives from Victoria and Tasmania. The 32 organisations participating included the VBA, CSIRO, Master Builders Victoria, the University of Tasmania, Forest and Wood Products Australia and the Fraunhofer Institute for Building Physics in Germany.

VMIA's claims data provided useful insights to the project, demonstrating the value we can bring and the collaborative opportunities that exist in the sector.

Providing confidence through resilient insurance solutions

As the State's insurer we provide our clients with contemporary, broad coverage at the best possible price. Our disciplined approach to capital management ensures our premiums reflect the genuine cost of claims and are historically lower than clients would be offered from the commercial insurance market. We provide consistent coverage, regardless of what's happening in the commercial insurance market, and strive for premiums that appropriately reflect the State's risk and are sustainable over time.

Our coverage is reliable, extensive, and versatile, supporting a broad range of clients from diverse sectors. Each one depends on us to provide cost-effective coverage for an array of property and liability-based risks, including personal injury, professional indemnity, employer's liability, historical child abuse, cyber, and terrorism. We support Victorians through tough times; whether it be a builder insolvency, or a natural disaster such as the October 2022 floods, where our swift response to assessing the impact on clients meant they could quickly restore assets and recover.

Delivering efficient and dependable coverage stems from the commitment of our people to our clients. Our advisers work closely with clients to understand risks and ensure they optimise their insurance program in line with their risk appetite.

Managing insurance claims for clients

VMIA's claims team helped clients navigate a diverse range of complex claims to ensure they received appropriate compensation for losses and were supported though the claims process allowing them to focus on recovery.

We are committed to managing each claim, regardless of its size, with fairness and consistency. We work collaboratively with our clients to ensure claims are managed in a way that achieves fair outcomes for all parties and use our experience to promote continuous learning and improvement.

VMIA is one of the largest medical indemnity insurers in Australia. This portfolio includes many third-party claims for damages for personal injury against public hospitals, rural-based general practitioners, community health services and other service providers in the public health sector.

In a year of increased medical indemnity claims, rising litigation costs and more frequent coronial matters, our team have worked closely with clients to ensure claims are managed in line with our core principles, including looking for opportunities for early resolution. This approach extends to all our claims where optimal management and a commitment to communicating with all parties in a transparent, professional and efficient manner is critical to ensuring we meet our obligations to clients and the Victorian community.

The benefits of our claim management approach came to the forefront in October 2022 when Victoria experienced devastating floods impacting large parts of the State. We quickly mobilised our teams to proactively contact clients to assess their needs and actively raised claims on their behalf. This meant we could get support to affected areas quickly and let clients focus on recovery efforts to get infrastructure and services up and running again.

Rochester and Elmore District Health Service

On 14 October 2022 the regional town of Rochester was inundated by floodwaters from the nearby Campaspe River. The floodwaters washed throughout the town, flooding the Rochester and Elmore District Health Services' (REDHS) buildings and rendering them unsafe.

Situated 180 km north of Melbourne, the districts of Rochester and Elmore encompass a mix of rural and semi-rural communities. REDHS plays a critical role in these communities, delivering diverse health services in and around the region. These include clinical services, acute care, residential aged care, allied health, and community and in-home support.

Shortly after the flood, VMIA contacted REDHS Chief Executive Officer, Karen Laing, appointed a loss adjuster and assisted REDHS with immediate 'make safe' and remediation works through our building suppliers. VMIA is continuing to work with REDHS, the loss adjuster and builders to repair the REDHS buildings and restore the health provider's services to full capacity.

As well as responding to the practical impact of building damage, there was a business interruption aspect to this claim: VMIA made several progress payments directly to REDHS to ensure it could immediately cover planned and additional costs to promptly restore services in the short-term.

The positive working relationship between REDHS, VMIA, the loss adjusters and builders ensured a complex set of claims were addressed quickly and effectively. These vital health services will soon be fully restored for the people of Rochester, Elmore and the surrounding communities.

"We safely evacuated patients and residents before flood water crept through every inch of the building that night. The entire facility was impacted, with buildings and equipment all ruined. VMIA and the loss adjuster have been there with us from day one. It has been so reassuring knowing they have our back and will be there for us as we reinstate services for our community and rebuild better than before."

Karen Laing, CEO
Rochester and Elmore District Health Service

Aboriginal Housing Victoria

Aboriginal Housing Victoria (AHV) is an Aboriginal community organisation responsible for managing more than 1,500 rental properties for Aboriginal and Torres Strait Islander people living in Victoria.

As well as being the largest Aboriginal Registered Housing Agency in Australia, AHV is the lead agency for Victoria's Aboriginal housing and homelessness policy, *Mana-na woorn-tyeen maar-takoort*. AHV has dual roles: to hold the Government to account to secure resources and reforms required to implement the policy; and support sector development to empower Victoria's Aboriginal community to determine its chosen housing future.

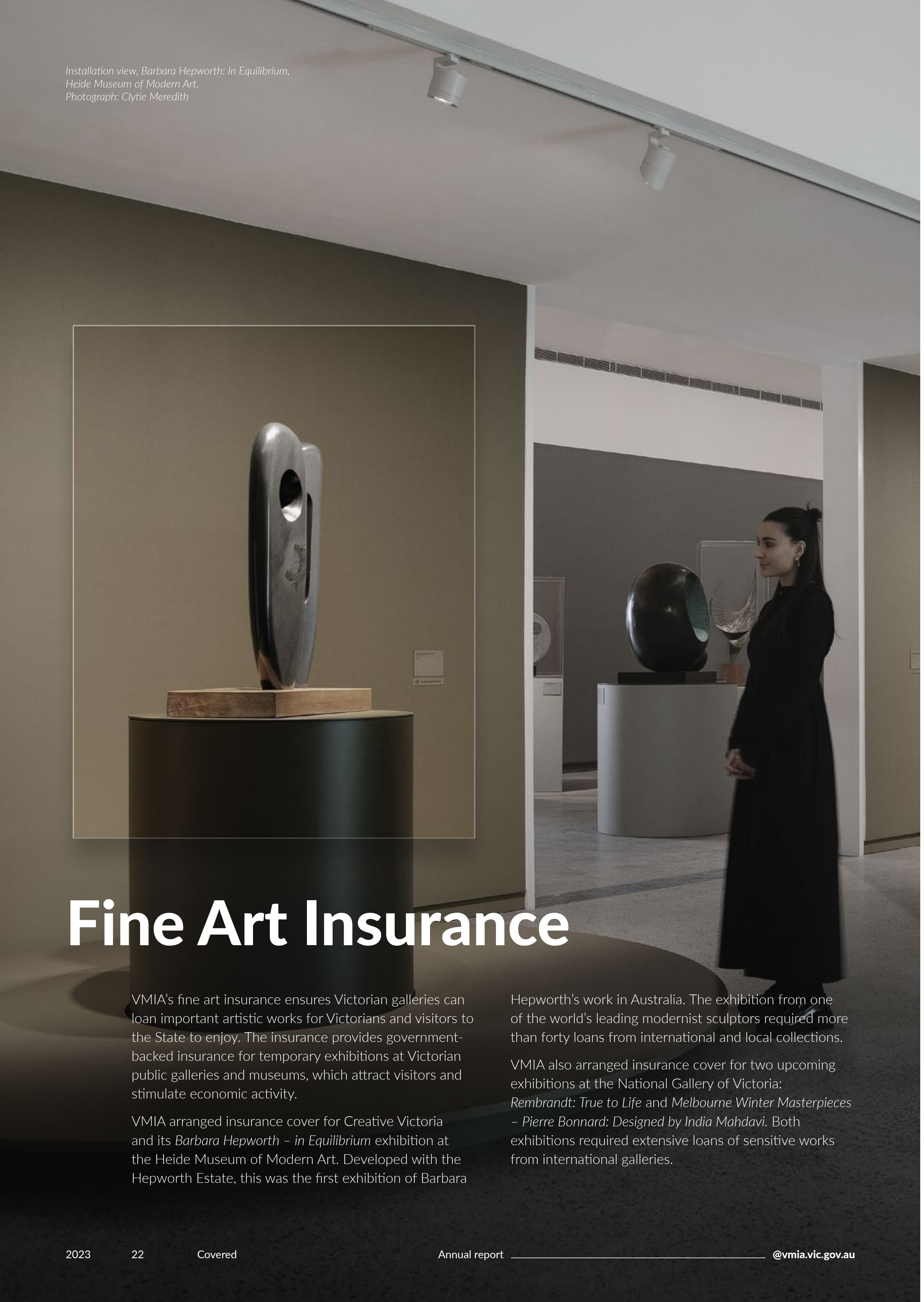
AHV's housing services are targeted to those most in need and the provision of secure housing by an Aboriginal landlord helps strengthen and maintain Aboriginal community and cultural ties.

VMIA has been responsible for AHV's insurance since the community organisation's inception.

"By providing this insurance, VMIA enables Aboriginal Housing Victoria (AHV) to focus our energy and resources on the communities we service."

Darren Smith, CEO
Aboriginal Housing Victoria


Photo: Bernard Wright Photography



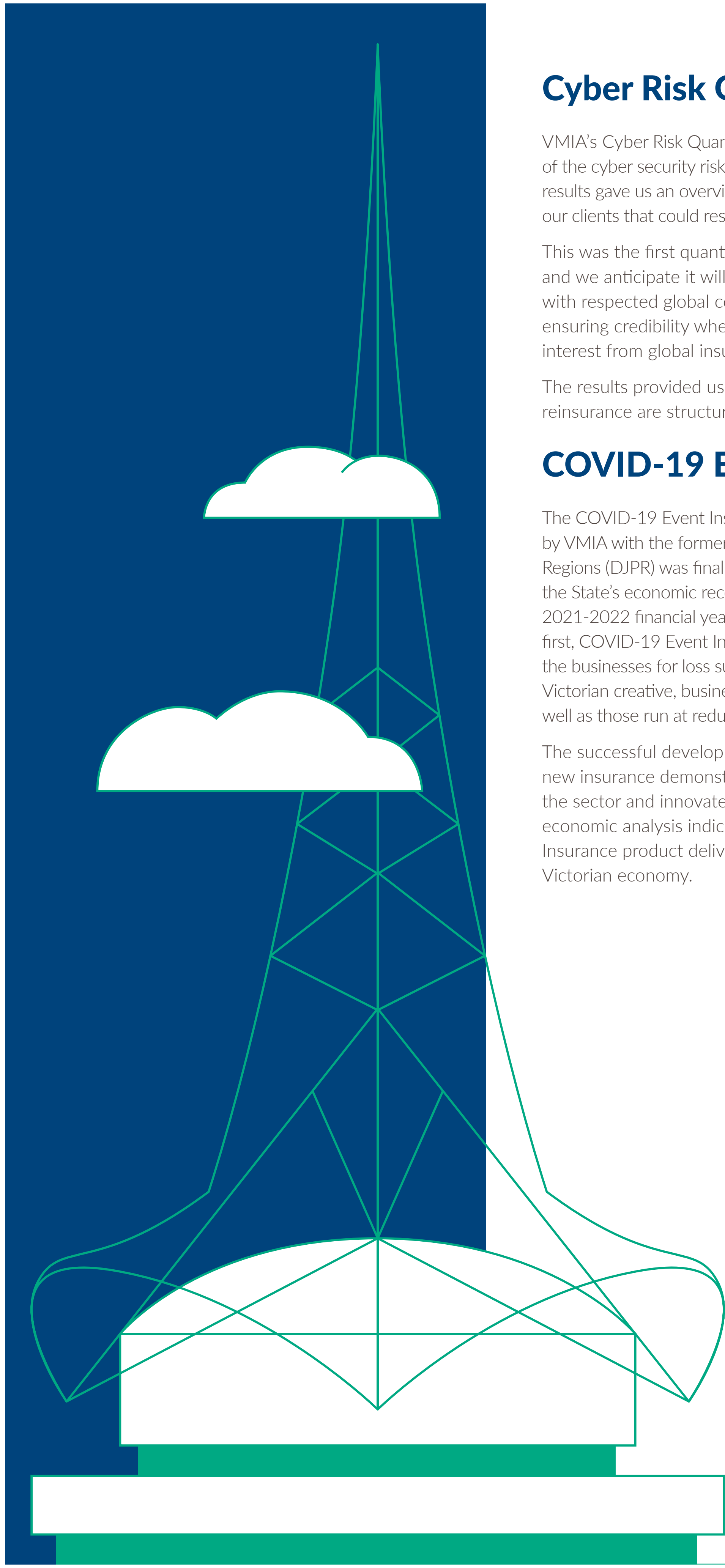
Installation view, Barbara Hepworth: In Equilibrium, Heide Museum of Modern Art. Photograph: Clytie Meredith

Fine Art Insurance

VMIA's fine art insurance ensures Victorian galleries can loan important artistic works for Victorians and visitors to the State to enjoy. The insurance provides government-backed insurance for temporary exhibitions at Victorian public galleries and museums, which attract visitors and stimulate economic activity.

VMIA arranged insurance cover for Creative Victoria and its *Barbara Hepworth – in Equilibrium* exhibition at the Heide Museum of Modern Art. Developed with the Hepworth Estate, this was the first exhibition of Barbara Hepworth's work in Australia. The exhibition from one of the world's leading modernist sculptors required more than forty loans from international and local collections.

VMIA also arranged insurance cover for two upcoming exhibitions at the National Gallery of Victoria: *Rembrandt: True to Life* and *Melbourne Winter Masterpieces – Pierre Bonnard: Designed by India Mahdavi*. Both exhibitions required extensive loans of sensitive works from international galleries.



Cyber Risk Quantification

VMIA's Cyber Risk Quantification project was a significant review of the cyber security risk of our clients in financial terms. The results gave us an overview of the potential financial exposure of our clients that could result from different types of cyber events.

This was the first quantifiable work in the cyber portfolio, and we anticipate it will become an annual event. We worked with respected global consultants to complete the modelling, ensuring credibility when the results were used to secure interest from global insurance markets.

The results provided us comfort that both our insurance and reinsurance are structured and adequately funded.

COVID-19 Event Insurance

The COVID-19 Event Insurance product developed and launched by VMIA with the former Department of Jobs, Precincts and Regions (DJPR) was finalised on 31 December 2022. To support the State's economic recovery, VMIA worked with DJPR in the 2021-2022 financial year to design an innovative, Australian-first, COVID-19 Event Insurance product. The insurance covered the businesses for loss suffered due to a forced cancellation of Victorian creative, business, sporting and community events, as well as those run at reduced capacity because of the pandemic.

The successful development and implementation of the new insurance demonstrated VMIA's ability to work across the sector and innovate risk transfer solutions. Independent economic analysis indicated that the COVID-19 Event Insurance product delivered significant benefits to the Victorian economy.

Connected

VMIA is committed to connecting clients with world-leading risk management advice. We continue to leverage important partnerships – across government and a range of sectors locally and internationally – to ensure our services are underpinned by the best evidence and advice.

Connecting with our clients

VMIA aims to continually improve the client experience. This year we initiated a new Renewal Risk Information process, asking clients to complete their renewal assessment through the VMIA Client Portal rather than an emailed insurance questionnaire.

This simplified process brings VMIA closer to delivering an end-to-end online renewals experience for clients. We plan to ultimately collect real-time data from clients to build a comprehensive risk database.

The portal is a step toward VMIA cementing its approach as a digital-first and insights-led organisation. By combining privileged access to cross-government information with in-house expert knowledge networks and analytical capability, we seek to provide valuable insights to clients, sectors and the State on risks, risk management and insurance.

Through the considered and effective use of technology, VMIA will continue to develop its data and research capability to better serve clients and ensure they remain covered, connected, and confident.

Advancing insights and advice, backed by data

VMIA's Insights and Analytics team trialled machine learning to identify the cause of claims and analyse trends across different claim portfolios. By integrating claims and risk information, our advisers were better able to understand and categorise the types and degree of claims and consider effective harm prevention strategies to support clients.

During the widespread flooding in October 2022, our Insights and Analytics team used geospatial analysis to quickly identify assets with potential exposures. We were able to support clients directly by advising on assets at highest risk based on location and elevation and proximity to declared flooding areas.

Expanding harm prevention initiatives

VMIA's harm prevention initiatives are long-term investments in the safety and wellbeing of Victorians. Medical indemnity claims represent a significant portion of VMIA's liabilities, with the number and cost of these claims continuing to increase year-on-year due to population growth and demographic changes. Research in the field of harm prevention leads to improved outcomes for health settings and a reduction in the rate of growth in claims against our clients.

VMIA has continued to engage with clients through the ongoing Site Risk Survey program, which provides site-specific risk management advice for clients managing assets. Working closely with clients to identify risks and possible mitigations at physical locations is a key component of our effort to reduce potential harm at sites which offer valuable services to the State.

Harm Prevention Strategy – beyond medical indemnity

VMIA's Strategy 2024 confirmed the opportunity to extend the scope of this harm prevention work beyond medical indemnity, to other insurance portfolios.

In line with our mandate to continually add value to clients and the Victorian community, the Harm Prevention Framework provides processes and methodologies that can be consistently applied to identifying, prioritising, delivering, and evaluating harm prevention projects.

The Harm Prevention Strategy will improve our understanding of claims drivers, pricing premiums and reinsurance, allowing us to design and target evidence-based interventions across different insurance portfolios.

Improving patient safety before, during and after surgery

Launched in 2021, VMIA's Perioperative Harm Prevention project released the *Improving patient safety in perioperative care* research report. The report sought to understand why adverse patient safety events occur and how wellbeing can be improved. The project was undertaken with the Victorian

Professor David Watters

Professor David Watters AM OBE Chair,
Victorian Perioperative Consultative Council and Chair of the project

"VMIA's Perioperative Harm Prevention project has the potential to significantly improve patient outcomes in Victorian hospitals. Identifying the causes of adverse patient events helps surgical teams to learn from what has happened in the past. This provides opportunities to manage risks early and prevent avoidable adverse patient safety events in the future."

Perioperative Consultative Council, the Royal Australasian College of Surgeons, The Australian College of Perioperative Nurses and The Australian and New Zealand College of Anaesthetists.

The next stage of the project involves piloting a model that places meaningful and benchmarked data into the hands of clinicians. This will allow clinicians to identify clinical improvement areas and deliver better patient outcomes. Getting it Right First Time (GIRFT) – a successful data model created in England – was recently used by Queensland Health. We plan to support a GIRFT pilot for the orthopaedic specialty in coming months.

Incentivising Better Patient Safety program

The Incentivising Better Patient Safety (IBPS) program was made available to maternity units in 2018. VMIA refunded $14 million in premiums in the past four years. In 2022, 99 per cent of the births in public hospitals were attended by clinicians trained in the IBPS criteria. The three-year IBPS evaluation has begun and VMIA anticipates the final report in July 2025.

Online Fetal Surveillance Education Program

The Online Fetal Surveillance Education Program (OFSEP) is linked to a decrease in the incidence of neonatal brain injuries associated with high compensation claims. Partnering with the Royal Australian and New Zealand College of Obstetricians and Gynaecologists, and leading research enterprise BehaviourWorks Australia, the project addressed behavioural factors that prevent timely escalation of care for fetal distress.

Instrumental Birth Safety Bundle project

VMIA continued to develop the Instrumental Birth Safety Bundle project alongside Monash Health and Safer Care Victoria (SCV). The project focuses on decreasing complications associated with instrumental deliveries which can lead to perinatal death, neonatal brain injuries and life-long maternal injuries. These harms form a large part of claims associated with instrumental birth. VMIA intends to roll the program out across the State in collaboration with SCV.

Safewards

The Safewards Mental Health Project, sponsored by VMIA, aims to reduce the instances of physical and chemical restraints and seclusion in mental health units by identifying the causes of physical and verbal conflict.

Since its introduction in October 2016, Safewards has been rolled out in 58 Mental Health units, piloted in two emergency departments and two general ward environments, leading to safer work and therapeutic environments for staff and patients. The project remains embedded in Victoria as a best practice model and resource for reducing restrictive interventions.

Nervous shock claims harm prevention research

A study by VMIA's actuarial and insights and analytics teams found that nervous shock claims increased where patients – or those close to them – suffer psychological injury because of physical harm caused by negligence.

Open disclosure was found to be a crucial tool for managing these situations because it boosts the emotional wellbeing of healthcare consumers and can lower levels of litigation. VMIA's research was backed by literature which identified face-to-face training in open disclosure as the most effective education mode to support clinicians and managers when handling an adverse patient safety event.

VMIA engaged strategic partner, Safer Care Victoria to work together on initiatives that improve patient and family wellbeing and reduce the likelihood of nervous shock. We also distributed a summary of the Statutory Duty of Candour to health service clients to guide understanding of their new obligations.

The Statutory Duty of Candour is an amendment to the *Health Services Act* 1988 (Vic) that provides relevant health services with a framework to follow when apologising to patients and their families or carers if something goes wrong. As the insurer of the Victoria's public health system, VMIA understands the critical importance of patient communication and the benefits the Duty can deliver.

Cyber harm prevention

VMIA is focused on developing sustainable and cost-effective cyber insurance support for clients, providing information and assistance to improve their risk knowledge and cyber resilience.

VMIA undertook evidence-based research to determine the opportunity and scope to introduce a new cyber harm prevention program.

The research team reviewed pertinent literature, referenced available data, and conducted original social research from VMIA's client base. The study focused on perceptions of cyber risk and the effectiveness of current security controls. An initial survey with 210 respondents was followed by a three-round Delphi study involving 30 subject matter experts.

In February 2023, shortly after the research was completed and recommendations drafted, the Victorian Government released its Mission Delivery Plan 2022-2023 for Victoria's Cyber Strategy. The research report's recommendations aligned strongly with the initiatives in the Victorian plan.

Confident

VMIA wants clients to be confident risk managers. In practice this means they can identify and assess key risks, understand their exposure and make educated and intentional risk management and transfer decisions. VMIA continued to engage with clients to listen, understand their needs and provide expert and tailored risk advice.

VMIA continued to support the development of risk management capability for individual clients and across sectors by building clients' capacity to attest to the Victorian Government Risk Management Framework and through the ongoing use of the Risk Maturity Benchmarking self-assessment tool.

Improving the 'client journey'

VMIA is committed to improving the experience of our clients. This commitment underpins our aim to enhance the 'journey' our clients have at every stage of their contact with VMIA.

We are delivering simpler, more user-friendly online claims processes and more efficient claims payments. Clients can now lodge claims in the portal and we're now processing payments daily.

An improved renewals process for our clients is delivering more information on the drivers of insurance costs and premiums and a more consistent online experience.

As a client observed, "the new systems are easy to use. Interacting with VMIA is now a more productive experience."

Feedback from clients helps us understand about how our systems can be improved. This augments our ability to provide tailored insurance products and advice.

Claims reduction advisory

VMIA recognised the improved enterprise risk management capability across its client base and has adjusted its service offering to increase support for clients to meet their Victorian Government Risk Management Framework requirement to "work towards minimising exposure to insurable risk".

This will allow VMIA to focus its resources on the major challenges facing clients, share tailored insights with them and support their ability to manage risk. Our aim is to have more clients able to take steps to improve their risk management, reduce claims, and minimise harm in the Victorian community.

Supporting the State's biggest risks

Cyber-attacks, flooding events, and local and international financial volatility posed increased threats to the State in the 2023 financial year.

VMIA drew on internal data, sharing insights into 'whole-of-government' risks with government partners to help support and protect Victoria's financial position. This evidence was backed with knowledge and insights obtained through VMIA's relationships with global reinsurers.

Supporting the State with the impacts of climate change

Climate change, one of Victoria's most significant risks, is a complex issue that needs coordination between sectors and industries to agree on effective risk management strategies. VMIA supported two important pieces of work by the Victorian Government in the last 12 months:

The Victorian Government Climate Risk Disclosure Statement 2022 led by the Department of Treasury and Finance – provides information about the Victorian Government's approach to climate-related risks and opportunities in Victoria.

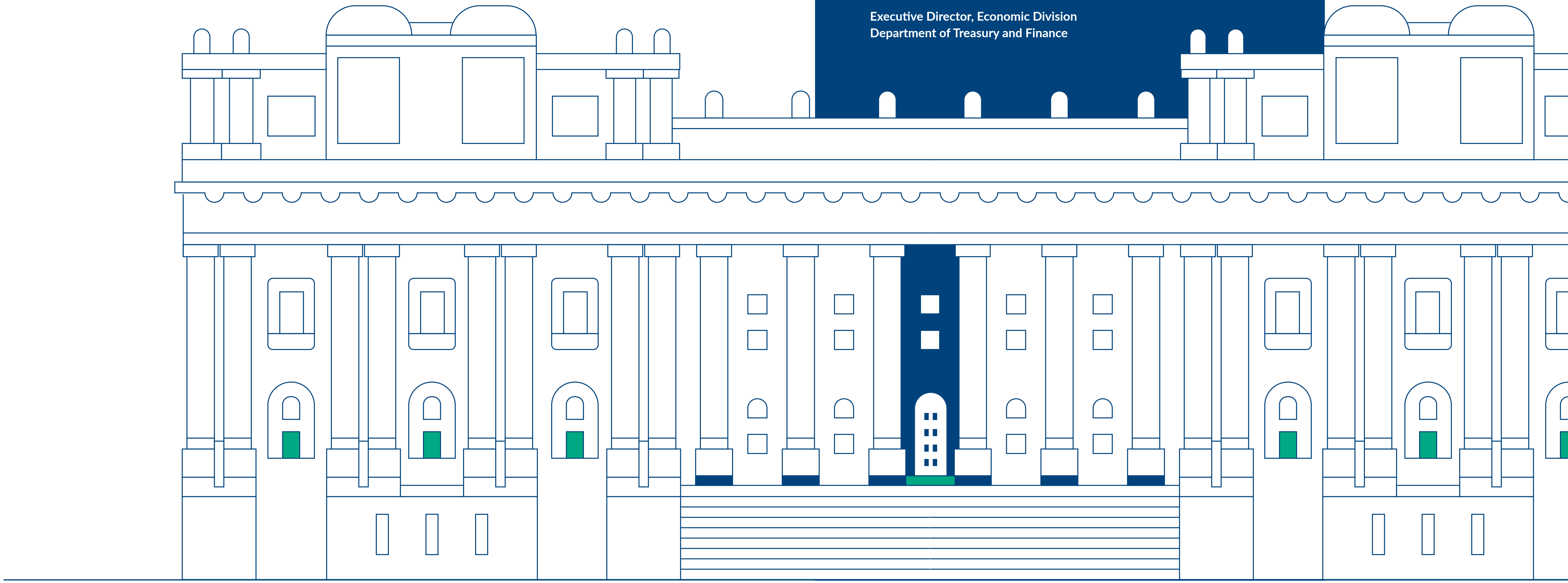
The purpose of the Disclosure is to build understanding about the climate-related risks and opportunities that are relevant to Victoria and the actions the Victorian Government is taking to manage the risks and capitalise on the opportunities.

The Climate Change Adaptation Project led by Infrastructure Victoria – established following key recommendations in Victoria's Infrastructure Strategy 2021-2051. The objective of the project was to identify the highest and most urgent climate change risks to Victorian Government owned and managed infrastructure and provide clear actions to mitigate those risks. It builds on the Victorian Government's existing climate adaptation work, as outlined in the Adaptation Action Plans, released in 2022. VMIA supported this project by identifying potential claims driven by extreme weather events and to better understand the potential impact of climate change on Victoria's Government infrastructure.

> "VMIA makes a valuable contribution to the State Significant Risk Interdepartmental Committee, which helps to ensure the most significant risks to the State are known and understood so they can be actively managed. By taking a whole of government approach, VMIA has an important role supporting departments and agencies to identify and manage risks that affect the whole of the State."

Chris Archer

Executive Director, Economic Division
Department of Treasury and Finance



Training clients to build their risk management capability

VMIA provides its public sector clients with training to build their risk and insurance capability. The workshops provide clients with concepts and techniques to help them identify and respond to future uncertainty. Courses were also designed to support clients in meeting the requirements of the Victorian Government Risk Management Framework (VGRMF).

These learning programs moved to a hybrid delivery model, allowing clients to connect in-person as well as online. This approach ensured regional clients could access the full range of workshops, while also bringing back the benefits of in-person learning.

In addition to existing training on insurance, risk and professional skills capabilities we developed a new course on business continuity management. In partnership with Digital Victoria, we also offered a new course on cyber risk for public sector Board members.

More than 1150 people participated in VMIA's 68 client learning workshops during the year.

We developed a new micro-credential 'Risk Management in the public sector' in association with RMIT University. A self-paced online short course, the pilot was completed by 300 students.

Continued focus on public sector risk maturity through the Risk Maturity Benchmark

VMIA continued to support clients' risk management capability by offering the ability for self-assessment and comparison against the risk maturity of other Victorian public sector organisations. The assessment tool is based on a bespoke model called the Risk Maturity Benchmark. This benchmark aligns with the International Standard ISO 31000 Risk Management – Guidelines and the VGRMF. Organisations covered by the VGRMF must attest each year, and they are better prepared to do this by completing the Benchmark.

VMIA advisers worked with clients to complete the Risk Maturity Benchmark. They provided individual and group support to enable clients to better understand the model and select the best improvement options for their circumstances.

In 2022-2023, 222 organisations were included in the Benchmark, and 115 updated their assessments for the year. The Benchmark index remained stable as we saw participating organisations reassessing their results both up and down. This strong engagement with the Benchmark provides confidence that government organisations are actively evaluating their risk management approach and pursuing continuous improvement.

Megan Taylor

Director Enterprise Risk Management
Austin Health

"VMIA's Risk Maturity Benchmark helps Austin Health regularly assess our risk management capabilities and identify areas for attention and improvement. Completing the Risk Maturity Benchmark annually over several years has meant Austin Health has taken a long-term view. The assessment helps us to provide our Executive, Board Subcommittees and Board with assurance as to the quality and effectiveness of our risk management processes. The benchmarked results provide useful insight into our overall performance particularly when the results can be compared with those from a previous period. Austin Health continues to promote an integrated, holistic approach to enterprise risk management. The embedding of our risk management framework into strategic and operational decision making processes helps to make more informed decisions. This approach stood us in good stead when the pandemic arrived, helping inform our decision-making at a time of competing demands and stretched resources."

Cyber Maturity Benchmark and Health Sector Cyber Assessment program

VMIA continued to support a whole-of-government approach to managing cyber risk

As part of our Harm Prevention Programs, we continued to partner with the Department of Government Services to deliver the Victorian Government Cyber Maturity Benchmark. The Benchmark is an annual self-assessment of baseline cyber risk mitigation strategies across the Victorian Public Sector. This self-assessment is based on the Australian Cyber Security Centre's (ACSC) Essential Eight maturity model.

VMIA also continued to partner with the Department of Health to deliver the Health Sector Cyber Security Assessment. This assessment is based on a package of controls from the Australian Cyber Security's Essential Eight and Information Security Manual, and the National Institute of Standards and Technology. This package recognises the complementary nature of these frameworks and focuses on disparate cyber threats.

Insights derived from these programs are available to participating government agencies to improve both cyber risk management and investment decisions. Since establishing a baseline in 2021 with 100 participating entities, the Victorian Government Cyber Maturity Benchmark is now available to over 250 Victorian public sector entities. In 2022-2023, 119 entities completed their self-assessments for the benchmark.

More than 115 Victorian public health services benefit from participating in the Health Sector Cyber Security Assessment, with more than 90% completing cyber security maturity and risk assessments in 2022-2023.

From 2023, VMIA began focusing on delivering greater insight by working with the Department of Government Services and Department of Health to identify key areas for uplift in cyber risk management capability across the Victorian Public Sector.

Keeping Victoria moving

The Department of Transport and Planning's (DTP) transport function has the task of planning, building, operating, and maintaining an integrated, sustainable, and safe transport system that provides safe and connected journeys for people and freight across Victoria.

Such a broad and complex operation carries with it multiple risks, prompting the Department to engage VMIA to review its Group Rail Insurance Program (GRIP). GRIP is a unique insurance program comprised of Property and Liability insurance coverage across Victorian state rail assets, tram and train public transport operations.

Applying VMIA's Optimal Risk Transfer service, risk advisers assessed the GRIP and provided key findings, observations, identified potential risk exposures and made recommendations about its existing insurance cover. Following an analysis of GRIP's insurances, claims history and risk profile, VMIA provided DTP with a comprehensive Insurance coverage report.

It also provided a technical report into the current Rail Agreement to confirm the State's obligations for insurance, and indemnity requirements. VMIA's review and risk advice ensures DTP has a comprehensive base and complete information to make informed, risk-based decisions that support its current and future risk transfer solutions and insurance cover.

Matt Howe

Manager Business Resilience
Department of Transport and Planning

"Risks aren't static; they change over time and new challenges are always emerging which is why it's so important to periodically review our insurance program. VMIA's team helped rank and quantify the 'insurable' risks that Government Rail Insurance Program stakeholders are currently facing, compare how the existing GRIP insurances respond, and highlighted areas where coverage could be modified to address the changing environment."

Business and operational performance

Adopting a digital mindset to develop skills and support our clients

VMIA uses innovative technology to support clients with the best possible insurance and risk advice when it matters most. Putting clients at the centre of our planning required development of the technological skills and capability of VMIA's people, together with new digital tools that deliver a better client experience.

VMIA's newly established Digital Enablement team brought together representatives from across the organisation, who continue to work collaboratively to drive the best client outcomes.

All members of the team received specialised training and support in fields such as agile methodology, change management and digital product management. The team consulted directly with clients to garner their feedback and incorporate it into VMIA's digital strategy.

Jeetesh Chhiboo

Digital Enablement, Risk Services

"The career development opportunities and supportive environment at VMIA has helped me progress from a contract to a senior role at VMIA in less than five years. I wanted to do something outside my comfort zone and utilising the experience I gained working in various risk management roles, coupled with an extremely supportive People Leader, meant I could make the move to my current job. The ongoing training and support provided by the business and the opportunity for me to complete additional qualifications in agile management and change methodology meant I can continue developing my skills while making a difference at VMIA."

A learning organisation

As a learning organisation VMIA strives to provide opportunities for our people to develop skills through multiple initiatives including internal and external training, development and ongoing support.

VMIA launched its Leadership Development Program (LDP) in January 2022 in partnership with the Australian Institute of Management (AIM) and Three Chairs Consulting. The LDP is part of VMIA's Employee Value Proposition. Investing in the training and development of our staff helps position VMIA as a desirable employer.

During 2022 around 60 People Leaders completed the four modules delivered by AIM covering, Coaching and Mentoring, Change Management, Enterprise Thinking and Negotiation and Influencing. The Program also involved a 360-feedback tool and coaching sessions from Three Chairs Consulting. The LDP will be reinvigorated in 2024, with a keen focus on strategy, continuous improvement initiatives and digital enablement.

The VMIA Business Essentials Program has been developed and scheduled for later in 2023. This suite of courses is open to all employees and includes Project Management Fundamentals, Agile Delivery, Strategy, Financial Management Fundamentals, Strategic Relationship Management and Digital Mindset, Innovation & Continuous Improvement. This program of work will be delivered in partnership with the Australian Institute of Management and Institute of Public Administration Australia (IPAA).

Enhancing our diversity and inclusion mindset

Diversity, equity, inclusion and belonging are key strategic priorities at VMIA. The organisation embraces the idea that a diverse and inclusive workforce is good for people, business, and the community. It improves business performance, productivity and innovation, boosts staff retention and reduces risks.

In 2022 VMIA finalised its Diversity and Inclusion Plan 2022 - 2025, a consolidation of initiatives and activities shaping and supporting each of the following focus areas: LGBQTIA+, gender, disability, Aboriginal and Torres Strait Islander Peoples and cultural and linguistic diversity. VMIA's people voluntarily contributed to reference groups and helped form the plan which recognises that everyone has a role to play in bringing VMIA's aspirations to life.

Continuous learning is central to the development of VMIA's inclusive culture, and the organisation delivered a series of formal and informal learning opportunities for people to adopt a curious and connected mindset. VMIA's Custodians of Culture - Anti-Discrimination, Harassment and Bullying training was delivered throughout the organisation, a central plank in VMIA's commitment to providing a safe and healthy work environment and fostering a culture free from discrimination and harassment.

VMIA's People Leaders completed a Disability Awareness e-learning program, which demonstrated how leaders are likely to manage people living with disability of some kind. Nurturing and developing leaders who are confident engaging with disability is one of the most valuable organisational actions VMIA can take toward supporting people with disability.

Beyond formal training opportunities, VMIA's Diversity and Inclusion Reference Groups continue to lead organisational-wide learning and development by promoting days of significance across specific focus areas. In many cases this involved inviting people to share their stories or welcoming external experts to VMIA. In 2022-2023 VMIA fostered informal learning through the following events:

Wear it Purple Day – led by the LGBTQIA+ and Allies Reference Group. The Group brought in a guest speaker from minus18 who presented on the complexities of gender.

Cultural Harmony Week – led by the Culturally and Linguistically Diverse Reference Group, involved staff sharing their family experiences through a cultural lens.

International Women's Day – led by the Gender Reference Group. For International Women's Day, VMIA was joined by Megan Hass, Chair of Development Victoria and an expert in cyber risk. We also produced a video featuring members of the Gender Reference Group.

National Reconciliation Week – led by the Reconciliation Reference Group. There were a number of activities throughout the week, including an invitation for all staff to attend a live and interactive webinar, "Be a Voice for Generations", facilitated by Aunty Munya and Carla from Evolve Communities.

International Day of People with Disability – led by the Disability Reference Group. Guest speaker Julia Bantams, CEO of Equine Pathways Australia gave a presentation.

Gender Equality Action Plan

VMIA's Gender Equality Plan 2021–2025 has a clear mission, to promote and champion strategies to support gender equality. Our GEAP incorporates the actions and activities that enables VMIA to meet its legislative obligations and supports positive workplace culture and engagement as part of our broader diversity and inclusion program.

This year's GEAP focus has been on embedding updated people and culture processes and frameworks. Success has been measured through our People Matter and Pulse survey results, recruitment and selection processes that are gender inclusive, strengthening leadership competencies in identifying improvement opportunities and supporting teams, and review of our gender mix and engagement in our governing bodies.

The Diversity and Inclusion Plan 2022-2025 (the Plan) was finalised in 2022 and communicated to our people in November 2022. Several activities outlined in the Plan have been implemented, with a focus on promoting diversity and inclusion through events, storytelling and awareness campaigns.

Gender pay gap

VMIA has been tracking and measuring the gender pay gap since 2018, well before it was a requirement under the *Gender Equality Act* 2020. We also undertake pay parity impact assessments each time we hire a new employee or promote internally.

Pay parity is an important measure of gender equality in the workplace. Our gender pay parity assessment takes into account various factors including skills, experience, market supply and demand, internal relativities and a gender pay parity assessment. At 30 June 2023, VMIA's 12 month rolling gender pay gap was outside of the target 3% tolerance at 7.7%. For the 12 month rolling pay gap across our eight pay levels, 5 were positively skewed for higher average female salaries.

VMIA continues to be committed to achieving gender pay parity. Providing suitable suitable learning, development and promotion opportunities supports VMIA's ability to manage pay parity.

Reconciliation Action Plan

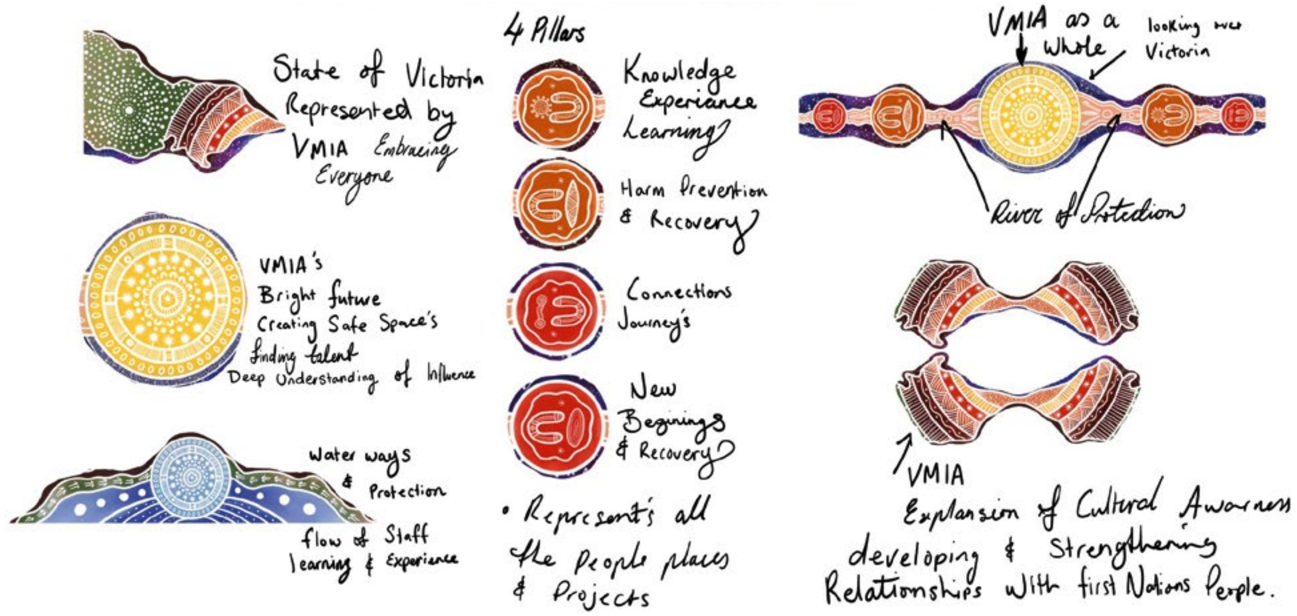
This year VMIA progressed our Innovate Reconciliation Action Plan (RAP) with a focus on developing and strengthening relationships with Aboriginal and Torres Strait Islander Peoples, engaging staff and stakeholders in reconciliation, and developing innovative strategies to empower Aboriginal and Torres Strait Islander peoples.

The Plan will guide our reconciliation ambitions by demonstrating our commitment through the way we do business with our clients and the community.

Through this plan we will build on a culture of mutually-respectful relationships, demonstrating understanding and respect for Aboriginal and Torres Strait Islander peoples' cultures. We aim to provide more opportunities within the organisation and within organisations we partner with, while ensuring we are actively respecting and integrating the cultural differences of our clients.

On the 30 March, 2023 we unveiled our new artwork as part of our Innovate RAP. The artist, Gerard Black, a Worimi man, took inspiration from nature and spirit to create a highly symbolic piece that now proudly hangs in VMIA's offices. The artwork incorporates traditional indigenous design elements to symbolise the State of Victoria, VMIA's purpose in helping Victorians thrive, our bright future and our team members.

Innovate Reconciliation Action Plan



Baiyami Art

Gerard Black

Venica Soo

Communications Partner, Risk Services

"I love working in an inclusive workplace like VMIA where cultural diversity is valued, respected and supported. Coming from a CALD background, I understand first-hand some of the challenges that people from similar backgrounds may face in the workplace. By volunteering with the Culturally and Linguistically Diverse Reference Group (CALD), I hope to lend a voice to the continued understanding of cultural differences and nuances within the organisation."

Embedding our hybrid workplace

In the first year free of COVID-19 workplace restrictions, VMIA established its rhythm as a hybrid workplace, an organisation-wide strategy underpinned by individual and team commitments. Through Hybrid Work Team Agreements, all members of teams agreed to arrangements that supported colleagues in a sustainable hybrid working environment. This included understanding specific business purposes and the activities that could be best achieved by connecting in person. People committed to accountability and taking necessary steps to evolve team agreements if business needs changed.

The realisation of hybrid all-staff events allowed the organisation to connect regularly – with in-person attendance encouraged – to foster social bonds, mentoring and informal learning that happens face-to-face. In October 2022, VMIA hosted its first Hybrid Quarterly all-staff function. This get-together continues to be held regularly to meet new starters, celebrate work milestones and achievements, and acknowledge personal success. Fortnightly CEO-led all-staff briefings also adapted to a hybrid model, allowing staff to choose their mode of participation and involvement.

While acknowledging the worst of the pandemic appeared to be over, VMIA continued to monitor health advice, and keep an updated COVID-Safe Plan for in-person office attendance.

The wellbeing of our people

Our ongoing commitment to health and safety includes providing ongoing support through wellbeing programs and sessions. Vicarious trauma training sessions were conducted by an external supplier to support our claims teams. The training was focused on recognising impact, providing self-care strategies and avenues of support available.

An independent psychosocial risk assessment was undertaken. The assessment identified the key psychosocial risks in the workplace, highlighted what we are doing well and made recommendations for mitigating any potential psychosocial hazards.

Listening to our people

Listening is central to supporting people and enhancing culture. VMIA continued an active employee engagement program through its regular Pulse Check surveys. It also participated in the Victorian Public Service Whole of Victorian Government *People Matter* survey, which measures staff engagement and job satisfaction.

Seventy eight per cent of the workforce participated in the 2023 People Matter survey. The overall engagement score of 72% was down three percentage points from the previous year, but remains well ahead of the public sector average of 60%.

Survey participants reported favourably about VMIA's physically safe working environment, flexible working, manager leadership, inclusion and safety to speak up.

Areas of potential improvement relate to promotion and progression, stress prevention and support during peak periods.

While VMIA's overall score is still strong, we are committed to learning from the feedback and adjusting programs to support our staff.

Our people

24 people
promoted

Of the 24 total, 17 were female; 6 of these people were promoted to leadership positions (4 female)

We continue to support the wellbeing of our people with
153

of our staff members using their wellness days so far this year

We continue to focus on the
gender pay gap

achieving pay parity within 3% tolerance in **5 out of our 7** pay grade levels

We've provided higher duties opportunities for
25 staff members

(14 females)

We have facilitated
14 internal secondments

for the year (10 female)

Unplanned leave continues to track well at 1.87%

below our target of 3% which is a positive sign that our people are engaged

Financial Summary

$ %

Report of Operations

Financial Summary

Five year summary of financial results	2023 $'000	2022 $'000	2021 $'000	2020 $'000	2019 $'000
Total income[1]	1,193,078	499,965	965,208	554,526	651,308
Less reinsurance, claims, commission and administration expenses	1,308,515	749,199	703,743	943,717	758,951
Operating surplus/(deficit)	(115,437)	(249,234)	261,465	(389,191)	(107,643)
Net cash inflow from operating activities	202,703	204,840	91,535	167,316	208,980
Total assets	3,946,106	3,531,117	3,268,664	2,820,781	2,676,395
Total liabilities	4,324,398	3,793,972	3,282,285	3,081,996	2,548,419
Net assets/(liabilities)	(378,292)	(262,855)	(13,621)	(261,215)	127,976

1. Total income figures are subject to fluctuation in value year on year as they include reinsurance recoveries and investment income.

Financial performance

VMIA's funding position remains within the target range, with our insurance funding ratio at 103% as at 30 June 2023. VMIA had an operating deficit of $115.4 million for the 2022-2023 year, a shortfall of $61.7 million compared to the budgeted loss of $53.7 million. The variance to budget was mainly driven by higher than expected claims incurred across all portfolios, in particular claims for the October 2022 floods in our Property portfolio and the Porter Davis Homes insolvency in our DBI portfolio. This was offset partially by higher than expected investment income, higher net premium earned, favourable movements in economic assumptions as interest rates rose (reducing the net claims liability and unexpired risks) and the waiver of the budgeted capital payment to the State.

Economic Insurance Result

Economic Insurance Result (EIR) is a financial measure of performance of the State's insurance system that attempts to broadly reflect VMIA's underwriting performance and is heavily influenced by claims volatility. It is calculated by removing the effects of external factors such as:

- variance between the actual and expected long-term investment return
- variance between the claims expense calculated using VMIA's long-term expected investment return and that using long-term Commonwealth bond yields
- impact of the net movement in the unexpired risks liability
- legislative changes and government-directed changes.

For 2022-2023, the EIR was a deficit of $224.0 million against an expected surplus of $66.3 million. The variance to budget was due to the higher than expected claims incurred.

EIR is similar to Performance From Insurance Operations (PFIO), another measure that the State's insurance system has historically used to measure underwriting performance. EIR has now replaced PFIO, however both measures have been included in the table of key performance indicators opposite, to allow analysis of prior years.

Significant changes in financial position

At 30 June 2023, total assets were higher than the prior year by $415.0 million, primarily due to the increase in the investment portfolio and reinsurance recoveries expected from the October 2022 floods catastrophe event. Correspondingly, total liabilities increased by $530.4 million, reflecting the increases in gross claims liabilities. During 2022–2023, VMIA generated a net cash inflow of $202.7 million from operating activities. VMIA's equity position decreased by $115.4 million to a deficit of $378.3 million at 30 June 2023 as a result of the operating deficit this year.

Subsequent events

No material events affecting VMIA have occurred between the Balance Sheet date and the date of this report.

Key financial performance indicators

Pursuant to the Department of Treasury and Finance Corporate Planning and Performance Reporting Requirements for Government Business Enterprises, VMIA provides the historical summary of its key financial performance indicators in the tables below.

Key financial performance indicators	2023 $'000	2022 $'000	2021 $'000	2020 $'000	2019 $'000
Economic Insurance Result (EIR)					
Actual ($ million)	(224.0)	(66.1)	N/A	N/A	N/A
Budget ($ million)	66.3	75.1	N/A	N/A	N/A
EIR Combined Ratio	182.5%	158.4%	N/A	N/A	N/A
Performance from Insurance Operations (PFIO)					
Actual ($ million)	(282.6)	(111.1)	(31.2)	(180.1)	(14.7)
Budget ($ million)	51.0	62.6	2.1	34.4	54.7
PFIO Combined Ratio	193.4%	167.6%	128.8%	177.7%	135.3%
Insurance Funding Ratio	103.0%	109.7%	130.8%	118.6%	144.3%
Return on Investments (before fees)	10.9%	(1.8%)	17.9%	1.7%	8.4%
Return on Investments (after fees)	10.2%	(2.8%)	16.9%	1.1%	7.7%
Return on Assets[1]	(6.1%)	(2.0%)	(1.0%)	(6.5%)	(0.5%)
Number of employees at end of year[2]	255	223	226	214	191
Number of full time equivalent employees at end of year (FTE)[2]	245.7	213.4	217.8	205.8	183.0
Gross Premium Written ($ million)	608.3	781.8	531.9	439.4	371.8
Gross Premium Earned ($ million)	621.3	560.0	485.9	417.6	395.0

1. Return on Assets has been calculated based on the EIR in 2023 and 2022. It was calculated based on the PFIO up to 2021.

2. All figures reflect employees paid in the last full pay period of June each year. Excluded are those on leave without pay, secondees, external contractors/consultants and temporary staff employed by employment agencies.

Financial Report

The Victorian Managed Insurance Authority (VMIA) presents its audited general purpose financial statements for the financial year ended 30 June 2023 and provides users with the information about VMIA's stewardship of resources entrusted to it. It is presented in the following structure:

Financial Statements

Notes to the Financial Statements

Notes to the Financial Statements

Declarations and Reports

Comprehensive Operating Statement

For the financial year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Gross premium earned	2.1, 2.7	**621,259**	**559,967**
Reinsurance premium incurred	2.7	(86,187)	(73,111)
Decrease/(increase) in unexpired risks liability	2.8(b)	20,535	18,411
Net premium earned		**555,607**	**505,267**
Gross claims incurred	2.2, 2.3(b)	(1,146,633)	(583,634)
Reinsurance and other recoveries	2.2, 2.3(b)	233,627	8,108
Net claims incurred	2.2	**(913,006)**	**(575,526)**
Commission incurred		(10,291)	(12,724)
Other income		2,632	2,289
Administration expenses	5.1	(56,459)	(47,524)
Underwriting result		**(421,517)**	**(128,218)**
Investment income	3.1	312,566	(70,399)
Investment management expenses		(8,945)	(8,158)
Net investment income		**303,621**	**(78,557)**
Receipt from / Payments to the State	6.1(a)	2,459	(42,459)
Net result		**(115,437)**	**(249,234)**
Comprehensive result		**(115,437)**	**(249,234)**

The Comprehensive Operating Statement should be read in conjunction with the accompanying Notes to the Financial Statements.

Balance Sheet

As at 30 June 2023

	Note	2023 $'000	2022 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	3.2	53,305	45,721
Trade receivables	2.10	391	312
Non-trade receivables		4,200	4,331
Investments	3.3(c)	3,266,953	2,965,895
Total financial assets		**3,324,849**	**3,016,259**
Non-financial assets			
Trade receivables	2.10	120,896	194,818
Non-trade receivables		3,331	3,047
Prepaid expenses		2,056	2,079
Furniture, fittings, equipment and motor vehicles		470	489
Intangibles	4.3	7,523	12,588
Right-of-use-assets	4.1	7,701	9,458
Deferred acquisition costs	2.8(a), 2.9	-	-
Unearned reinsurance	2.7	179,053	210,119
Reinsurance and other recovery assets	2.3(b), 2.3(c)	300,227	82,260
Total non-financial assets		**621,257**	**514,858**
Total assets		**3,946,106**	**3,531,117**
LIABILITIES			
Trade payables	2.11	130,391	143,688
Non-trade payables	4.4	18,353	17,562
Derivative liabilities	3.3(c)	46,690	78,199
Provisions		7,108	6,687
Lease liability	4.2	8,918	10,674
Unearned premium	2.7	504,958	517,946
Unexpired risks	2.8(b)	147,979	168,514
Gross claims liabilities	2.3(a), 2.3(b)	3,460,001	2,850,702
Total liabilities		**4,324,398**	**3,793,972**
Net assets		**(378,292)**	**(262,855)**
EQUITY			
Contributed capital		-	-
Accumulated surplus/(deficit)		(378,292)	(262,855)
Total equity		**(378,292)**	**(262,855)**

The Balance Sheet should be read in conjunction with the accompanying Notes to the Financial Statements.

Statement of Changes in Equity

For the financial year ended 30 June 2023

	Note	Contributed capital $'000	Accumulated surplus/(deficit) $'000	Total $'000
Balance at 30 June 2021		**-**	**(13,621)**	**(13,621)**
Comprehensive result for the year		-	(249,234)	(249,234)
Balance at 30 June 2022	**6.1**	**-**	**(262,855)**	**(262,855)**
Comprehensive result for the year		-	(115,437)	(115,437)
Balance at 30 June 2023	**6.1**	**-**	**(378,292)**	**(378,292)**

The Statement of Changes in Equity should be read in conjunction with the accompanying Notes to the Financial Statements.

Cash Flow Statement

For the financial year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Insurance premium received		813,250	735,847
Other income		2,895	2,518
Reinsurance premium paid		(82,352)	(135,180)
Gross claims paid		(602,676)	(515,905)
Reinsurance and other recoveries received		15,712	29,058
Reimbursement of claims paid on behalf of others		69,626	79,107
Gross commission paid		(10,086)	(10,517)
Payments to employees and suppliers for services and goods		(69,363)	(64,244)
Dividends, distributions and other investment income received	3.1	165,173	224,271
Interest received	3.1	10,224	1,204
Goods and Services Taxation paid		(47,808)	(44,212)
Stamp Duty paid		(61,892)	(57,107)
Payments to the State		-	(40,000)
Net cash inflow from operating activities	**3.2(a)**	**202,703**	**204,840**
Cash flows from investing activities			
Acquisition of furniture, fittings, equipment and motor vehicles		(196)	(41)
Proceeds on disposal of furniture, fittings, equipment and motor vehicles		72	30
Acquisition of intangibles		-	(4,368)
Acquisition of investments		(2,417,608)	(2,214,331)
Proceeds on disposal of investments		2,224,369	2,007,364
Net cash inflow/(outflow) from investing activities		**(193,363)**	**(211,346)**
Cash flows from financing activities			
Lease payments (principal component)		(1,756)	(1,605)
Cash outflow from financing activities		**(1,756)**	**(1,605)**
(Decrease)/increase in cash and cash equivalents		7,584	(8,111)
Cash and cash equivalents at beginning of year		45,721	53,832
Cash and cash equivalents at end of year	**3.2**	**53,305**	**45,721**

The Cash Flow Statement should be read in conjunction with the accompanying Notes to the Financial Statements.

Notes to the Financial Statements

1 About this report

VMIA provides risk advice and insurance services for the Victorian Government. VMIA works with its clients to improve the quality of life for the Victorian community. VMIA is dedicated to help the public sector build a confident, resilient Victoria through world-leading harm prevention and recovery. VMIA also provides insurance to Community Service Organisations and for Victorian homeowners through Domestic Building Insurance.

The financial report covers VMIA as an individual reporting entity. VMIA is a Public Financial Corporation, established on 1 October 1996 by the *Victorian Managed Insurance Authority Act* 1996 to provide insourced risk management and multi-line insurance services to its clients across the State of Victoria. The Order in Council gazetted on 14 May 2015 declared VMIA as a reorganising body under section 7 of the *State Owned Enterprises Act* 1992.

VMIA's principal address is Level 10, 161 Collins Street, Melbourne, Victoria, 3000.

1.1 Basis of preparation

The financial report has been prepared on an accrual basis, and is based on historical costs and does not take into account changing money values, except for outstanding claims liabilities, recoveries receivable, employee benefits liabilities and leasehold restoration provision which are included at present value, and investments and property, plant and equipment which are included at fair value. Historical cost is based on the fair value of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions and financial consequences of events are reported. The accounting policies have been applied in preparing the financial report for the year ended 30 June 2023 and the comparative information presented for the year ended 30 June 2022.

The functional and presentation currency of VMIA is the Australian dollar. Amounts are rounded and expressed to the nearest thousand dollars in accordance with Ministerial Directions under the *Financial Management Act* 1994.

VMIA is exempt from Federal income taxation under section 24AM of the *Income Tax Assessment Act* 1936. VMIA is liable to pay Fringe Benefits Taxation (FBT) and Goods and Services Taxation (GST). Revenue and expenses are brought to account exclusive of GST. Receivables and payables are stated inclusive of GST. The amounts of GST recoverable from or payable to the Australian Taxation Office are included as part of non-trade receivables and non-trade payables. Cash flows which include GST are included in the Cash Flow Statement on a gross basis in accordance with AASB 107 Statement of Cash Flows.

The financial report has been prepared on a going concern basis. While VMIA recorded negative net assets as at 30 June 2023 of $378 million (2022: negative $263 million) and a net loss at 30 June 2023 of $115 million (2022: loss of $249 million), it delivered positive cash flows from operating activities of $203 million (2022: $205 million). Based on an assessment of the sufficiency of VMIA's assets to meet liabilities including under a range of scenarios, the Directors have concluded that the going concern assumption of VMIA remains appropriate. The VMIA also has a statutory guarantee with the State of Victoria, refer Note 6.1, however it is not anticipated that this will be needed to be called upon.

1.2 Statement of compliance

The financial report is a general purpose financial report prepared on an accrual basis in accordance with the *Financial Management Act* 1994 and applicable Australian Accounting Standards, which include Interpretations, and other mandatory professional requirements.

For the purposes of compliance with the accounting standards, the Assistant Treasurer has determined that VMIA is a not-for-profit entity. Australian Accounting Standards include requirements that apply specifically to not-for-profit entities that are not consistent with the International Financial Reporting Standards requirements. Consequently, where appropriate, VMIA applies those paragraphs in Australian Accounting Standards applicable to not-for-profit entities. The financial report also complies with relevant Financial Reporting Directions approved by the Assistant Treasurer.

The financial report was authorised for issue by the Board of Directors on 29 August 2023.

2 Results from insurance operations

Introduction to this section

This section provides details of the premium received and expenditure incurred by VMIA in delivering its services primarily to the Victorian Government.

This section contains the following disclosure:

VMIA's business is very diverse with seven main lines of business classifications being Domestic Building Insurance, Dust Diseases and Workers' Compensation, Liability, Medical Indemnity, Property, Construction, and Other activities.

Domestic Building Insurance

This line of business provides cover to homeowners for incomplete or defective building work. VMIA commenced writing domestic building insurance on 31 May 2010.

Dust Diseases and Workers' Compensation

This line of business covers pre 1985 workers' compensation and public liability claims against the former State Electricity Commission of Victoria and some other state government entities. The portfolio is in run-off. The last Dust Diseases and Workers' Compensation insurance contract expired on 31 January 1995.

Liability

These lines of business provide a range of general insurance (including Public and Products Liability; Professional Indemnity; Cyber Liability; and, Directors & Officers Liability) to Government Departments, participating bodies and non-Government entities as directed by the Assistant Treasurer.

Medical Indemnity

This line of business covers all public hospitals in Victoria and many other healthcare providers in the event of an adverse healthcare incident.

Property

This line of business provides cover for any physical loss or damage to any Government Departments that own or assume responsibility for buildings, contents, watercraft, plant and machinery.

Construction

This line of business provides cover to Government Departments or their service providers for losses during the period of construction of state-owned assets or infrastructure.

Other

This includes other lines of business such as travel, motor vehicle and personal accident.

2.1 Gross premium earned

	Note	2023 $'000	2022 $'000
Gross premium earned			
Domestic Building Insurance		83,165	75,444
Liability		88,832	74,572
Medical Indemnity		244,994	208,959
Property		91,191	84,526
Construction		74,342	72,735
Other		38,735	43,731
Total gross premium earned		**621,259**	**559,967**

Premium includes amounts charged to policyholders but excludes Stamp Duty and Goods and Services Taxation. Premium is recognised in the Comprehensive Operating Statement when it has been earned. Premium is treated as earned from the date of attachment of risk and recognised over the policy period, which has been judged as closely approximating the pattern of risk.

2.2 Net claims incurred

Current year claims relate to claims incurred for the most recent policy year. Prior year claims relate to a reassessment of the claims assumptions (e.g. changes in economic assumptions and claims experience) made in all previous policy years and include the effects of discounting caused by the natural reduction in discount, as the claims move one year closer to settlement. Recoveries on claims paid and outstanding claims are recognised as revenue.

Indirect claims handling expenses included in administration expenses are referred to as unallocated claims expenses and are reallocated from administration expenses to net claims incurred.

Refer to Note 2.4 for details pertaining to actuarial assumptions.

	2023			2022		
	Current year $'000	Prior years $'000	Total $'000	Current year $'000	Prior years $'000	Total $'000
Gross claims incurred						
Undiscounted	1,247,885	39,311	1,287,196	642,218	174,349	816,567
Discount movement	(186,782)	34,896	(151,886)	(102,451)	(140,318)	(242,769)
Unallocated claims expenses	11,323	-	11,323	9,836	-	9,836
Total gross claims incurred	**1,072,426**	**74,207**	**1,146,633**	**549,603**	**34,031**	**583,634**
Reinsurance and other recoveries						
Undiscounted	(264,375)	12,034	(252,341)	(17,256)	1,487	(15,769)
Discount movement	16,101	2,613	18,714	1,326	6,335	7,661
Total reinsurance and other recoveries	**(248,274)**	**14,647**	**(233,627)**	**(15,930)**	**7,822**	**(8,108)**
Total net claims incurred	**824,152**	**88,854**	**913,006**	**533,673**	**41,853**	**575,526**

2.3 Claim liabilities

a. Gross claims liabilities

	2023 $'000	2022 $'000
Undiscounted central estimate	3,490,802	2,718,402
Discount to present value	(502,019)	(350,133)
Discounted value of central estimate	**2,988,783**	**2,368,269**
Claims handling expenses	69,471	66,226
Risk margin	401,747	416,207
Total gross claims liabilities	**3,460,001**	**2,850,702**
Current	919,674	650,193
Non-current	2,540,327	2,200,509
Total gross claims liabilities	**3,460,001**	**2,850,702**

The gross claims liabilities, which are assessed and valued by VMIA's independent external actuary, comprise:

i. claims reported but not yet paid

ii. claims incurred but not reported and claims incurred but not enough reported

iii. the anticipated claims handling expenses of settling those claims and

iv. a risk margin.

Since the claims liabilities are based on estimates, the ultimate settlement of claims and the related expenses may vary from the independent actuarial valuation.

Refer to Note 2.4 for the calculation of claims liabilities and actuarial assumptions pertaining to components of claims liabilities for each line of business.

b. Reconciliation of movement in discounted claims liabilities

	2023			2022		
	Gross $'000	Reinsurance & other recoveries $'000	Net $'000	Gross $'000	Reinsurance & other recoveries $'000	Net $'000
Claims liabilities at beginning of year	**2,850,702**	**(82,260)**	**2,768,442**	**2,718,983**	**(103,283)**	**2,615,700**
Effect of changes in economic assumptions	(60,099)	1,295	(58,804)	(186,643)	4,822	(181,821)
Effect of changes in other assumptions	51,165	15,306	66,471	198,968	3,355	202,323
Effect of claims moving one year closer to settlement	83,141	(1,954)	81,187	21,706	(355)	21,351
Claims incurred for most recent policy year	1,072,426	(248,274)	824,152	549,603	(15,930)	533,673
Claims incurred charged/(credited) to income	**1,146,633**	**(233,627)**	**913,006**	**583,634**	**(8,108)**	**575,526**
Net claim payments during the year	(537,334)	15,660	(521,674)	(451,915)	29,131	(422,784)
Claims liabilities at end of year	**3,460,001**	**(300,227)**	**3,159,774**	**2,850,702**	**(82,260)**	**2,768,442**

c. Reinsurance and other recovery assets

	2023 $'000	2022 $'000
Reinsurance recoveries in respect of claims liabilities	286,012	55,676
Other recoveries in respect of claims liabilities	41,733	35,388
Discount to present value	(27,518)	(8,804)
Total reinsurance and other recovery assets	**300,227**	**82,260**
Current	155,318	23,795
Non-current	144,909	58,465
Total reinsurance and other recovery assets	**300,227**	**82,260**

The reinsurance and other recovery assets are assessed and valued by VMIA's independent external actuary and comprise reinsurance and other recovery assets in respect of claims reported but not yet paid, claims incurred but not reported and claims incurred but not enough reported.

Refer to Note 2.4 for the calculation and actuarial assumptions pertaining to components of claims liabilities for each line of business.

2.3 Claim liabilities *(cont.)*

d. Net claims development tables

The following tables show the development of net undiscounted claims liabilities relative to the ultimate expected cost of claims for the ten most recent policy years. As all claims for the Dust Diseases and Workers' Compensation portfolio were incurred prior to these policy years, a modified table has been disclosed for that portfolio.

Domestic Building Insurance	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000	Total $'000
Original estimate of ultimate net claims incurred at end of policy year	41,282	45,577	52,563	64,226	53,697	59,672	68,987	81,980	84,454	137,285	
One year later	36,167	39,879	69,285	59,381	51,686	69,962	66,676	94,179	146,767		
Two years later	35,247	44,170	70,792	72,897	73,239	66,458	52,909	111,629			
Three years later	37,184	49,033	84,479	100,920	78,298	63,745	71,457				
Four years later	40,135	51,207	99,962	110,609	79,051	83,096					
Five years later	38,595	55,277	110,985	115,173	87,418						
Six years later	39,836	56,396	117,667	123,771							
Seven years later	40,166	74,522	117,027								
Eight years later	40,492	68,242									
Nine years later	44,236										
Current estimate of ultimate net claims incurred	**44,236**	**68,242**	**117,027**	**123,771**	**87,418**	**83,096**	**71,457**	**111,629**	**146,767**	**137,285**	**990,928**
Cumulative payments	(41,107)	(56,588)	(97,216)	(90,666)	(53,812)	(39,541)	(14,466)	(28,384)	(17,317)	(5,287)	(444,384)
Net claims liabilities - undiscounted	**3,129**	**11,654**	**19,811**	**33,105**	**33,606**	**43,555**	**56,991**	**83,245**	**129,450**	**131,998**	**546,544**
2013 and prior years											5,184
Unearned liabilities											(208,441)
Total net claims liabilities - undiscounted											**343,287**
Discount to present value											(30,722)
Claims handling expenses											10,940
Risk margin											76,029
Net claims liabilities at 30 June 2023											**399,534**

Dust Diseases and Workers' Compensation	Total $'000
Nine years previous	620,617
Eight years previous	565,876
Seven years previous	533,804
Six years previous	547,545
Five years previous	567,996
Four years previous	518,230
Three years previous	510,120
Two years previous	520,930
One year previous	542,165
Current estimate of ultimate net claims incurred	**561,489**
Cumulative payments (since 30 June 1999)	(278,993)
Net claims liabilities – undiscounted	**282,496**
Discount to present value	(96,632)
Claims handling expenses	7,435
Risk margin	55,174
Net claims liabilities at 30 June 2023	**248,473**

2.3 Claim liabilities *(cont.)*

d. Net claims development tables *(cont.)*

Liability	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000	Total $'000
Original estimate of ultimate net claims incurred at end of policy year	21,876	24,657	34,968	23,427	29,814	65,292	75,983	72,186	74,653	98,668	
One year later	22,193	24,926	32,793	19,335	31,234	57,168	85,700	81,650	95,533		
Two years later	21,645	20,299	39,131	18,453	26,107	55,014	165,182	110,213			
Three years later	13,312	17,041	38,825	19,162	32,226	86,765	132,561				
Four years later	12,167	14,705	38,783	21,405	37,584	88,996					
Five years later	11,450	14,582	43,843	27,411	39,108						
Six years later	12,400	15,526	45,171	25,030							
Seven years later	12,728	18,911	45,040								
Eight years later	12,413	19,446									
Nine years later	12,060										
Current estimate of net claims incurred	**12,060**	**19,446**	**45,040**	**25,030**	**39,108**	**88,996**	**132,561**	**110,213**	**95,533**	**98,668**	**666,655**
Cumulative payments	(11,669)	(15,029)	(40,834)	(20,201)	(30,594)	(92,978)	(97,096)	(50,603)	(21,824)	(8,558)	(389,386)
Net claims liabilities - undiscounted	**391**	**4,417**	**4,206**	**4,829**	**8,514**	**(3,982)**	**35,465**	**59,610**	**73,709**	**90,110**	**277,269**
2013 and prior years											3,016
Total net claims liabilities - undiscounted											**280,285**
Discount to present value											(22,892)
Claims handling expenses											8,953
Risk margin											84,364
Net claims liabilities at 30 June 2023											**350,710**

Medical Indemnity	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000	Total $'000
Original estimate of ultimate net claims incurred at end of policy year	211,101	194,564	194,232	189,902	195,181	214,474	231,067	260,201	298,885	347,452	
One year later	177,767	178,022	176,145	191,175	203,207	212,998	242,740	271,533	324,494		
Two years later	165,566	145,890	160,011	200,175	206,332	217,291	273,036	291,330			
Three years later	149,170	129,310	147,412	194,972	221,188	237,680	282,163				
Four years later	152,188	143,737	142,970	175,105	228,318	245,226					
Five years later	172,056	145,176	149,766	176,367	256,691						
Six years later	169,079	134,492	155,887	188,848							
Seven years later	169,162	146,146	159,480								
Eight years later	166,411	156,329									
Nine years later	179,709										
Current estimate of net claims incurred	**179,709**	**156,329**	**159,480**	**188,848**	**256,691**	**245,226**	**282,163**	**291,330**	**324,494**	**347,452**	**2,431,722**
Cumulative payments	(151,045)	(99,242)	(85,701)	(94,097)	(73,795)	(53,531)	(39,540)	(5,018)	(2,533)	(573)	(605,075)
Net claims liabilities - undiscounted	**28,664**	**57,087**	**73,779**	**94,751**	**182,896**	**191,695**	**242,623**	**286,312**	**321,961**	**346,879**	**1,826,647**
2013 and prior years											96,081
Total net claims liabilities - undiscounted											**1,922,728**
Discount to present value											(298,540)
Claims handling expenses											32,699
Risk margin											124,351
Net claims liabilities at 30 June 2023											**1,781,238**

2.3 Claim liabilities *(cont.)*

d. Net claims development tables *(cont.)*

Property	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000	Total $'000
Original estimate of ultimate net claims incurred at end of policy year	19,505	27,110	8,899	40,331	9,447	27,688	109,131	30,974	38,877	104,516	
One year later	13,105	27,180	10,270	51,358	14,665	24,311	98,259	78,927	53,982		
Two years later	14,151	24,275	10,283	48,066	12,387	24,869	116,154	82,732			
Three years later	13,873	24,290	9,675	43,296	12,021	23,167	108,845				
Four years later	13,837	24,075	9,671	43,488	14,129	24,642					
Five years later	13,822	24,054	9,670	41,121	13,815						
Six years later	13,822	24,062	9,669	41,372							
Seven years later	13,822	24,055	9,659								
Eight years later	13,822	24,049									
Nine years later	13,822										
Current estimate of net claims incurred	**13,822**	**24,049**	**9,659**	**41,372**	**13,815**	**24,642**	**108,845**	**82,732**	**53,982**	**104,516**	**477,434**
Cumulative payments	(13,822)	(24,049)	(9,659)	(41,348)	(11,412)	(19,555)	(67,272)	(26,968)	(25,153)	(16,560)	(255,798)
Net claims liabilities - undiscounted	**-**	**-**	**-**	**24**	**2,403**	**5,087**	**41,573**	**55,764**	**28,829**	**87,956**	**221,636**
2013 and prior years											274
Total net claims liabilities - undiscounted											**221,910**
Discount to present value											(13,589)
Claims handling expenses											6,250
Risk margin											30,678
Net claims liabilities at 30 June 2023											**245,249**

Construction	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000	Total $'000
Original estimate of ultimate net claims incurred at end of policy year	2,949	3,767	4,301	13,795	8,627	8,961	9,156	24,049	27,836	35,889	
One year later	3,165	1,686	5,607	13,501	7,137	8,281	14,806	32,177	28,379		
Two years later	4,524	2,591	4,975	11,465	6,716	12,042	14,001	29,173			
Three years later	5,705	1,995	4,750	10,991	9,932	12,347	14,153				
Four years later	6,536	1,565	4,739	11,259	10,853	11,348					
Five years later	7,985	2,522	3,068	11,560	9,676						
Six years later	9,870	2,282	3,603	13,356							
Seven years later	9,191	2,173	4,201								
Eight years later	9,003	2,143									
Nine years later	9,002										
Current estimate of net claims incurred	**9,002**	**2,143**	**4,201**	**13,356**	**9,676**	**11,348**	**14,153**	**29,173**	**28,379**	**35,889**	**157,320**
Cumulative payments	(8,968)	(2,143)	(4,020)	(11,025)	(6,568)	(5,831)	(5,387)	(9,932)	(3,065)	(593)	(57,532)
Net claims liabilities - undiscounted	**34**	**-**	**181**	**2,331**	**3,108**	**5,517**	**8,766**	**19,241**	**25,314**	**35,296**	**99,788**
2013 and prior years											403
Total net claims liabilities - undiscounted											**100,191**
Discount to present value											(10,921)
Claims handling expenses											2,771
Risk margin											29,154
Net claims liabilities at 30 June 2023											**121,195**

2.3 Claim liabilities *(cont.)*

d. Net claims development tables *(cont.)*

Other	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000	Total $'000
Original estimate of ultimate net claims incurred at end of policy year	1,327	1,114	1,592	1,024	1,489	1,596	10,466	13,209	16,085	20,825	
One year later	1,877	1,819	1,431	1,061	1,222	1,181	7,431	13,233	15,452		
Two years later	1,683	2,117	1,557	1,038	1,166	1,324	9,431	13,080			
Three years later	1,603	2,878	1,072	965	1,141	1,039	9,223				
Four years later	1,674	2,514	1,402	1,029	838	1,206					
Five years later	2,130	2,202	1,603	897	1,441						
Six years later	2,430	2,071	1,612	1,257							
Seven years later	2,279	2,104	1,424								
Eight years later	2,325	2,154									
Nine years later	2,562										
Current estimate of ultimate net claims incurred	**2,562**	**2,154**	**1,424**	**1,257**	**1,441**	**1,206**	**9,223**	**13,080**	**15,452**	**20,825**	**68,624**
Cumulative payments	(2,256)	(1,811)	(1,282)	(1,062)	(1,019)	(559)	(8,296)	(11,939)	(13,831)	(14,439)	(56,494)
Net claims liabilities - undiscounted	**306**	**343**	**142**	**195**	**422**	**647**	**927**	**1,141**	**1,621**	**6,386**	**12,130**
2013 and prior years											3,726
Total net claims liabilities - undiscounted											**15,856**
Discount to present value											(4,898)
Claims handling expenses											425
Risk margin											1,997
Net claims liabilities at 30 June 2023											**13,380**

2.4 Critical actuarial judgements, assumptions and estimates

VMIA makes judgements, assumptions and estimates in respect of the liabilities and corresponding assets for claims arising from insurance and reinsurance contracts issued, which are subject to significant estimation uncertainty. These are regularly evaluated and are based on historical experience and expectations of future events that are deemed reasonable.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision.

a. Descriptions of the lines of business and the actuarial process for determining claims liabilities

The claims liabilities are measured at the central estimate of the present value of the expected future payments. The expected future payments include allowances for economic inflation and superimposed inflation, which reflect trends in court awards and increases in the level of compensation for injuries.

The expected future payments are then discounted to a present value using a risk free discount rate. The discount rates are derived from the market price of Commonwealth Government securities with terms to maturity that match, as closely as possible, the estimated future claims payments. The effects of any adjustments resulting from the independent actuarial valuation of the gross claims liabilities are reflected in this financial report and disclosed in Note 2.3.

VMIA uses a variety of actuarial techniques that analyse experience, trends, exposure data, industry data and other relevant factors to estimate the claims liabilities for each line of business.

2.4 Critical actuarial judgements, assumptions and estimates *(cont.)*

Domestic Building Insurance	Dust Diseases and Workers' Compensation	Liability, Property, Construction and Other	Medical Indemnity
Insurance contracts commence at the project contract's start date and run for six years after the completion date of the project. The terms and conditions of these insurance contracts are reviewed on an ongoing basis. Domestic building insurance is a long tail class of insurance with premium earned over a period of eight years from policy inception.	The portfolio is in run-off. The last Dust Diseases and Workers' Compensation insurance contract expired on 31 January 1995. Most of these claims are for asbestos related diseases and are very long tail in nature.	With the exception of Construction, insurance contracts typically incept just past midnight on 1 July and run for 12 months resulting in almost all premium being received in the first quarter of the financial year. The terms and conditions of these insurance contracts are established annually in advance of 1 July. Construction insurance contracts are a mix of annual policies covering smaller projects commencing during the period of insurance and multi-year policies covering larger projects that incept at project commencement and expire at project completion with premium earned over the period of insurance. The claims liabilities consist of a combination of short tail property and long tail liability risks. Reinsurance recoveries, including for major catastrophic events, are allowed for based on ceded outstanding claims for reported claims and amounts calculated by VMIA's independent actuary for the incurred but not reported and incurred but not enough reported components.	Insurance contracts typically incept just past midnight on 1 July and run for 12 months resulting in almost all premium being received in the first quarter of the financial year. The terms and conditions of these insurance contracts are established annually in advance of 1 July. The State of Victoria has provided stop loss reinsurance protection for policy years incepting on or after 1 July 2003 that limits VMIA's liability for medical indemnity claims incurred in any one policy year to a maximum of 120% (2022: 120%) of the actuarially estimated undiscounted gross claims incurred for that policy year as used in the pricing of the insurance. Separate modelling is undertaken for claims that are classified as large with the classification threshold being $1.832 million at 30 June 2023, up from $1.715 million at 30 June 2022 to better reflect the emerging experience.

The following table summarises the main assumptions used by the independent actuary in estimating the net claims liabilities.

Actuarial assumptions	Domestic Building Insurance	Dust Diseases & Workers' Compensation	Liability	Medical Indemnity	Property	Construction	Other
2023							
Inflation rate (% p.a.)	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Superimposed inflation rate (% p.a.)	-	2.0	-	3.5	-	-	-
Discount rate (% p.a.)	4.1	4.3	4.1	4.1	4.1	4.1	4.1
Weighted average term to settlement (years)	2.4	8.8	2.3	4.0	1.5	2.8	2.1
Non-large claims costs for the latest policy year ($ per 1,000 separations)*	-	-	-	90,700	-	-	-
Ultimate claims ratio (% for the latest policy year)	-	-	92.2	-	-	-	-
Large claim frequency for the latest policy year (% per 1,000 separations)*	-	-	-	1.5	-	-	-
Claim frequency (% of total certificates)	2.2	-	-	-	-	-	-
Number of incurred but not reported (IBNR) claims	-	682	-	-	-	-	-
Average claim size ($ per claim at end of year)	59,100	204,000	-	-	-	-	-
Average claim size for large claims ($ million per claim at end of year)*	-	-	-	2.6	-	-	-
Claims handling expense (CHE) rate (% of claim payments)	3.5	4.0	3.0	2.0	1.4	3.0	3.0
Risk margin (% p.a.)	23.5	28.5	31.7	7.5	14.3	31.7	17.5
2022							
Inflation rate (% p.a.)	3.0	3.3	3.0	3.1	3.0	3.0	3.0
Superimposed inflation rate (% p.a.)	-	2.0	-	3.5	-	-	-
Discount rate (% p.a.)	3.2	3.8	3.0	3.4	3.0	3.0	3.0
Weighted average term to settlement (years)	2.7	9.5	2.3	3.9	1.4	2.8	1.9
Non-large claims costs for the latest policy year ($ per 1,000 separations)*	-	-	-	77,300	-	-	-
Ultimate claims ratio (% for the latest policy year)	-	-	92.5	-	-	-	-
Large claim frequency for the latest policy year (% per 1,000 separations)*	-	-	-	1.5	-	-	-
Claim frequency (% of total certificates)	2.0	-	-	-	-	-	-
Number of incurred but not reported (IBNR) claims	-	719	-	-	-	-	-
Average claim size ($ per claim at end of year)	53,200	195,000	-	-	-	-	-
Average claim size for large claims ($ million per claim at end of year)*	-	-	-	2.6	-	-	-
Claims handling expense (CHE) rate (% of claim payments)	4.5	3.3	4.0	2.0	4.0	4.0	4.0
Risk margin (% p.a.)	23.5	28.5	25.8	13.5	14.0	31.7	17.5

(*) The threshold for a large claim has changed from $1.715 million (2022) to $1.832 million (2023).

If a field is left blank in the above table it is not applicable, not separately estimated or does not have a material impact on the valuation of the respective line of business.

2.4 Critical actuarial judgements, assumptions and estimates *(cont.)*

b. Process used to determine assumptions

i. Dust Diseases and Workers' Compensation

The number of incurred but not reported claims represents the expected number of asbestos claims that will ultimately be reported after the balance sheet date. Although the injuries are considered to already have occurred, asbestos related diseases may take decades to present and subsequently be reported to VMIA.

ii. Medical Indemnity

The large claim frequency as a proportion of separations (per 1,000) is calculated with reference to past experience of large claims and an understanding of the claims management philosophy.

iii. All VMIA lines of business

- The inflation rate is set following consideration of the duration of the claims liabilities and with reference to both economic forecasts and historical experience for wage inflation. Short term wage inflation rates are set following consideration of a range of economic forecasts, while medium to long term wage inflation rates are set based on consideration of both economic forecasts and historical average rates of wage inflation.
- The superimposed inflation rates are set with reference to the superimposed inflation indicators present in the portfolio data and industry trends.
- The discount rate is calculated as the weighted average of the interest rates on Commonwealth Government securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.
- The weighted average discounted term to settlement is calculated separately for each class of business based on historical settlement patterns and is measured from the balance sheet date.
- The claims handling expense rates are calculated with reference to past experience of claims handling expenses as a percentage of gross claims payments.
- The risk margins are estimated separately for each broad class of business taking into account both the historic volatility of each class, and internal and external risk factors that may impact the ultimate claims cost for each class.

c. Sensitivity analysis – insurance contracts

The independent actuary has conducted sensitivity analysis to quantify the impact of movements in key underlying variables on the claims liabilities at the balance sheet date. As VMIA is not subject to income taxation the impact, net of recoveries, on equity is the same as the impact on the comprehensive result for the financial year.

The tables below describe how a change in each assumption will impact on equity and the comprehensive result.

Variable	Impact of movement in variable on the comprehensive result
Inflation and superimposed inflation rates	Expected future claim payments are increased to take account of the impact of inflation. Such increases include economic and superimposed inflation. Superimposed inflation assumptions are specific to the individual actuarial models adopted. An increase in an inflation assumption would increase net claims incurred.
Discount rate	Claims liabilities are calculated with reference to expected future claim payments. These claim payments are discounted to take into account the time value of money. An increase in the assumed discount rate would decrease net claims incurred.
Ultimate claims ratio for long tail classes	Ultimate claims ratio for long tail classes is ultimate net claims incurred divided by gross ultimate premium. An increase in the ultimate claims ratio for long tail classes would increase net claims incurred.
Claim frequency (both large and small)	Claim frequency is calculated based on past experience. An increase in the frequency of claims would increase net claims incurred.
Number of Incurred But Not Reported (IBNR) claims	The number of IBNR claims is calculated based on past experience of claim notification patterns and information on the changes in the profile of risk over time. An increase in the estimate of the number of IBNR claims would increase net claims incurred.
Average claim size	Estimated average claim size is based primarily on historical experience. An increase in the estimated average claim size would increase net claims incurred.
Claims handling expense (CHE) rate	Claims liabilities include the professional and administration costs that are directly associated with individual claims pertaining to the future management and settlement of these claims. This is calculated as a percentage of the gross claim payments based on past experience. An increase in the CHE rate would increase gross claims incurred.
Risk margin	The risk margin is applied to the net central estimate of the claims liabilities to achieve a 75% (2022: 75%) probability that the claims liabilities will be sufficient. To estimate the risk margin, the independent actuary considers the uncertainty associated with the actuarial models and assumptions, the quality of the data used, and the insurance and economic environments. Risk margins are set for each major insurance line of business and include a 25% (2022: 25%) allowance for diversification between insurance lines of business. The risk margins used also take into account the effect of the stop loss reinsurance protection pertaining to the medical indemnity claims liabilities. An increase in the risk margin would increase net claims incurred.

2.4 Critical actuarial judgements, assumptions and estimates *(cont.)*

Financial impact, net of recoveries, of changes in assumptions on the comprehensive result for the current year based on actuarial assumptions in Note 2.4(a)

Variable	Sensitivity %	Domestic Building Insurance $'000	Dust Diseases & Workers' Compensation $'000	Liability $'000	Medical Indemnity $'000	Property $'000	Construction $'000	Other $'000
Inflation rate (% p.a.)	+0.50 -0.50	4,365 (4,259)	10,051 (9,411)	3,491 (3,438)	1,460 (1,481)	1,858 (1,850)	1,645 (1,619)	156 (152)
Superimposed inflation rate (% p.a.)	+0.50 -0.50	- -	8,954 (8,378)	- -	1,460 (1,481)	- -	- -	- -
Discount rate (% p.a.)	+0.50 -0.50	(4,259) 4,365	(9,568) 10,316	(3,395) 3,479	(33,710) 34,908	(1,829) 1,855	(1,601) 1,642	(149) 155
Non-large claims costs for the latest policy year ($ per 1,000 certificates)	+10.0 -10.0	- -	- -	- -	324 1,218	- -	- -	- -
Ultimate claims ratio (% for the latest policy year)	+20.0 -20.0	- -	- -	16,706 (16,706)	- -	- -	- -	- -
Large claim frequency for the latest policy year (% per 1,000 separations)	+0.2 -0.2	- -	- -	- -	(1,050) 1,089	- -	- -	- -
Claim frequency (% of total certificates)	+0.1 -0.1	18,560 (18,560)	- -	- -	- -	- -	- -	- -
Number of incurred but not reported (IBNR) claims	+10.0 -10.0	- -	23,543 (23,543)	- -	- -	- -	- -	- -
Average claim size ($ per claim at end of year)	+10.0 -10.0	39,953 (39,953)	23,543 (23,543)	- -	- -	- -	- -	- -
Average claim size for large claims ($ million per claim at end of year)	+5.0 -5.0	- -	- -	- -	4,063 (4,173)	- -	- -	- -
Claims handling expense (CHE) rate (% of claim payments)	+1.0 -1.0	3,860 (3,860)	2,389 (2,389)	3,930 (3,930)	16,472 (16,472)	5,149 (5,149)	1,216 (1,216)	166 (166)
Risk margin (% p.a.)	+1.0 -1.0	3,235 (3,235)	1,933 (1,933)	2,663 (2,663)	16,569 (16,569)	2,146 (2,146)	920 (920)	114 (114)

If a field is left blank in the above table it is not applicable, not separately estimated or does not have a material impact on the valuation of the respective line of business.

2.5 Reinsurance program

VMIA was established in 1996 as an insurer for state government departments, participating bodies and other entities as defined under the *Victorian Managed Insurance Authority* Act 1996. VMIA insures its clients for property, public and products liability, professional indemnity, medical indemnity, contract works and a range of other insurances. VMIA also provides domestic building insurance to Victorian residential builders.

VMIA reinsures in the private market up to limits that protect from events with a likelihood of at least 1 in 200 years and considers reinsurance on a cost benefit basis beyond that point. The risk of losses above what VMIA reinsures in the private market is borne by the State.

VMIA also insures the Department of Health for all public sector medical indemnity claims incurred from 1 July 2003. Under a deed of indemnity, that provides stop-loss protection for VMIA, the Department of Treasury and Finance has agreed to reimburse VMIA if the cost of claims for a policy year exceeds the initial estimate, on which the risk premium was based, by more than 20 per cent.

Under a separate deed of indemnity, in relation to claims other than medical indemnity and domestic building insurance, the Department of Treasury and Finance has agreed to reimburse VMIA if the cost of claims for a policy year exceeds the initial estimate, determined by the Appointed Actuary at the end of that policy year, by more than an amount that would result in a 16 per cent drop in VMIA's insurance funding ratio from the midpoint of the preferred funding range.

2.6 Insurance contracts — risk management policies and procedures

The financial condition and operation of VMIA is affected by a number of key risks including insurance, financial and operational risk. VMIA's policies and procedures in respect of managing insurance risks are set out below.

a. Objectives in managing risks arising from insurance contracts and policies mitigating these risks

VMIA's purpose is to minimise the impact on the State and its clients of the exposure to loss from adverse events through the provision of risk management and insurance services. VMIA does this in part by accepting the transfer of all or part of such exposures by way of insurance contracts protected by appropriate reinsurance arrangements. Insurance claims experience is inherently uncertain, which can lead to significant variability in losses experienced. VMIA maintains Prudential Insurance Policies that encompass all aspects of VMIA's operations including the reinsurance risk retentions and limits. These policies set out VMIA's processes and controls in respect of the management of both financial and non-financial insurance risks likely to be faced by VMIA.

Key aspects of the processes established to mitigate risks include:

- The maintenance and use of detailed risk exposure surveys and collection of management information from insured entities which provide reliable data on the risks to which VMIA is exposed.
- Actuarial models that use claims information derived from the claims experience of VMIA with consideration of industry experience.
- Documented procedures which are followed for underwriting and pricing risk.
- Exposures to natural disasters are modelled and the State's accumulated risks are mainly protected by arranging reinsurance to limit the losses arising from catastrophe events. The retention limits as set out in Note 2.5 are approved by VMIA's Board of Directors.
- Financial exposure to the long tail medical indemnity class of insurance has been mitigated by the stop loss reinsurance protection provided by the State. The purpose of this arrangement is to minimise any capital strain that might arise from future deterioration of the claims experience [refer to Note 2.4(a)].
- Only reinsurers with credit ratings equal to or in excess of the minimum rating specified in VMIA's Reinsurance Management Strategy are accepted as participants in VMIA's reinsurance program.

The investment Strategic Asset Allocation, as determined by the Victorian Funds Management Corporation, to meet VMIA's Investment Objective is approved by the Board of Directors to optimise the investment return within acceptable risk parameters.

b. Insurance risks

Concentration of insurance risk	Interest rate risk	Credit risk
The portfolio contains some diversity, but is geographically concentrated in Victoria, and as such is exposed to the potentially material catastrophes of the State. Aggregate risk is modelled annually using a combination of data sorted by geospatial positioning and/or postcode reference using available catastrophe models. The catastrophe excess of loss reinsurance program is reviewed on an annual basis. VMIA provides medical indemnity insurance for all public hospitals in Victoria and many other healthcare providers. VMIA is therefore exposed to the consequences of any event which increases the cost of such cover. The stop loss reinsurance protection provided by the State to VMIA limits the potential ultimate cost for any one policy year in respect of such events.	The assets and liabilities arising from insurance or reinsurance contracts entered into are directly exposed to interest rate risk. Changes in interest rates affect the valuation of VMIA's insurance and reinsurance assets and liabilities.	The assets and liabilities arising from insurance and reinsurance contracts are stated in the Balance Sheet at fair value. There are no significant concentrations of credit risk.

2.7 Net unearned premium liability

	2023			2022		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Total $'000
Unearned premium liability/(asset) at beginning of year	**517,946**	**(210,119)**	**307,827**	**296,088**	**(53,210)**	**242,878**
Premium written	608,271	(55,121)	553,150	781,825	(230,020)	551,805
Premium (earned)/incurred	(621,259)	86,187	(535,072)	(559,967)	73,111	(486,856)
Unearned premium liability/(asset) at end of year	**504,958**	**(179,053)**	**325,905**	**517,946**	**(210,119)**	**307,827**
Current	201,461	(47,609)	153,852	178,380	(45,342)	133,038
Non-current	303,497	(131,444)	172,053	339,566	(164,777)	174,789
Unearned premium liability/(asset) at end of year	**504,958**	**(179,053)**	**325,905**	**517,946**	**(210,119)**	**307,827**

Unearned premium represents the proportion of premium written that relates to unexpired terms of policies in force at the Balance Sheet date, generally calculated on a time proportionate basis.

Premium ceded to reinsurers is recognised as an expense in accordance with the indemnity period of the corresponding reinsurance contract. Accordingly, a portion of the outward reinsurance premium is treated as an unearned reinsurance asset at the Balance Sheet date.

Refer to Note 2.8 for the independent actuarial assessment of the adequacy of net unearned premium liability.

2.8 Unexpired risks liability

At Balance Sheet date VMIA's independent actuary performs a Liability Adequacy Test (LAT) to assess the adequacy of the carrying amount of the net unearned premium to settle future claim payments in respect of the relevant insurance contracts. The LAT is carried out in respect of each of the Domestic Building Insurance, Liability, Medical Indemnity, Property, Construction, and Other portfolios, with each line of business' risks being managed together as a single portfolio. The Dust Diseases and Workers' Compensation portfolio is in run-off therefore no LAT assessment is required.

If the present value of the expected future claim payments including an allowance for claims handling and policy administration expenses, plus an additional risk margin to reflect the inherent uncertainty in the central estimates [refer to Note 2.4], exceeds the unearned premium liability and any other future premium cash flows less related deferred acquisition costs, then the unearned premium liability is deemed to be deficient.

The deficiency is recognised immediately in the Comprehensive Operating Statement. The deficiency is recognised first by writing down any related deferred acquisition costs, with any excess being recorded in the Balance Sheet as an unexpired risks liability. A surplus from one portfolio cannot be offset against a deficiency from another portfolio.

Refer to Note 2.4 for the actuarial assumptions pertaining to discount rates and risk margins for each line of business.

a. Calculation of premium deficiencies

The table below shows the calculation of premium deficiency by line of business.

	Domestic Building Insurance $'000	Liability $'000	Medical Indemnity $'000	Property $'000	Construction $'000	Other $'000	Total $'000
2023							
Net premium liability	195,333	97,489	277,061	79,528	75,915	24,849	
Net present value of future policy costs	(192,491)	(89,506)	(309,864)	(69,519)	(65,023)	(17,589)	
Risk margin	(45,239)	(27,777)	(37,069)	(11,923)	(24,894)	(3,018)	
Gross deferred acquisition costs recognised	(21,218)	-	-	-	-	-	
Gross premium (deficiency)/surplus	**(63,615)**	**(19,794)**	**(69,872)**	**(1,914)**	**(14,002)**	**4,242**	
Deferred acquisition costs written down	21,218	-	-	-	-	-	
Net premium deficiency	**(42,397)**	**(19,794)**	**(69,872)**	**(1,914)**	**(14,002)**	**-**	**(147,979)**
Deferred acquisition costs recognised in Balance Sheet [i]	-	-	-	-	-	-	
2022							
Net premium liability	186,632	77,405	254,300	67,136	75,465	23,017	
Net present value of future policy costs	(172,337)	(76,643)	(291,476)	(67,024)	(66,368)	(16,571)	
Risk margin	(40,502)	(23,797)	(52,337)	(11,523)	(27,445)	(2,841)	
Gross deferred acquisition costs recognised	(22,111)	-	-	-	-	-	
Gross premium (deficiency)/surplus	**(48,318)**	**(23,035)**	**(89,513)**	**(11,411)**	**(18,348)**	**3,605**	
Deferred acquisition costs written down	22,111	-	-	-	-	-	
Net premium deficiency	**(26,207)**	**(23,035)**	**(89,513)**	**(11,411)**	**(18,348)**	**-**	**(168,514)**
Deferred acquisition costs recognised in Balance Sheet [i]	-	-	-	-	-	-	

(i) The decrease in deferred acquisition costs recognised in the Comprehensive Operating Statement during the financial year amounted to Nil (2022: Nil).

b. Movement in unexpired risks liability

	2023 $'000	2022 $'000
Current		
Unexpired risks liability at beginning of year	**168,514**	**186,925**
Increase/(decrease) in unexpired risks liability	(20,535)	(18,411)
Unexpired risks liability at end of year	**147,979**	**168,514**

2.9 Deferred acquisition costs

Deferred acquisition costs movement:

	Note	2023 $'000	2022 $'000
Deferred acquisition costs at beginning of year		-	-
Acquisition costs deferred		9,169	9,561
Amortisation charged to income		(10,062)	(10,381)
Decrease/(increase) in write down due to premium deficiency		893	820
Decrease in deferred acquisition costs	**2.8(a)**	-	-
Deferred acquisition costs at end of year	**2.8(a)**	-	-

Acquisition costs, which represent gross commission paid in respect of general insurance contracts, are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to premium earned that will be recognised in the Comprehensive Operating Statement in subsequent reporting periods.

Deferred acquisition costs are amortised on the same basis as the earning of premium to which they relate.

2.10 Trade receivables

	2023 $'000	2022 $'000
Current		
Insurance receivables - non-financial (statutory)	120,896	194,818
Other receivables - financial (contractual)	391	312
Total trade receivables	**121,287**	**195,130**

Trade receivables represent receivables associated with the premium, reinsurance and other recoveries, claims and commission. All other receivables are classified as non-trade receivables. Receivables are initially recognised at fair value and subsequently measured at fair value which is approximated by taking the initially recognised amount reduced for impairment where appropriate.

Insurance receivables comprise insurance premiums owing by various Victorian Government Departments and agencies and premiums for multi-year construction policies that will be invoiced in instalments over the life of the project. The usual credit terms for insurance premium receivables is 30 days. No interest is charged on insurance premium invoices not paid within the credit terms. $17.9 million of insurance receivables were past due at 30 June 2023 (2022: $10.0 million). The credit terms for insurance premium receivable in instalments commences once an instalment invoice is issued, and no instalments are past due at 30 June 2023.

Credit terms for reinsurance receivables vary. No interest is charged on reinsurance receivable invoices not paid within the credit terms. No reinsurance receivables were past due at 30 June 2023 (2022: Nil).

No provision for doubtful debts has been raised at 30 June 2023 (2022: Nil). Considering most of the trade receivables relates to statutory receivables, management has assessed that there is no risk of non-recovery of trade receivables.

2.11 Trade payables

	2023 $'000	2022 $'000
Current		
Trade payables - financial (contractual) (i)	81,606	106,835
Deposits held to meet future claim payments - financial (contractual) (ii)	48,785	36,853
Total trade payables	**130,391**	**143,688**

(i) Trade payables includes reinsurance premium for multi-year construction policies that are being paid in instalments

(ii) Deposits held to fund clients' deductibles where VMIA provides a claims management service to clients in respect of such deductibles.

3 Cash and investments

Introduction to this section

This section includes the cash and investments that are held by VMIA that are utilised to fund the insurance operations outlined in Section 2 together with the associated returns.

This section contains the following disclosure:

3.1 Investment income

	Note	2023 $'000	2022 $'000
Investment income			
Dividends and distributions		165,173	224,271
Interest		10,224	1,204
Fair value movements through income	3.2(a)	137,169	(295,874)
Total investment income		**312,566**	**(70,399)**

Net investment income

Dividend income is recognised when VMIA has the right to receive payment. Interest income is recognised on an accrual basis. Trust distributions are recognised when the market price is quoted ex-distribution for listed trusts or when the trustee declares a distribution for unlisted trusts. Fair value movements of investments is the difference between the fair value of the investments at 30 June 2022 or the cost of acquisition (for investments purchased during the year), and sales proceeds or their fair value at 30 June 2023.

3.2 Cash and cash equivalents

	2023 $'000	2022 $'000
Current		
Cash at bank	53,305	45,721
Total cash and cash equivalents	**53,305**	**45,721**

Cash and cash equivalents comprise cash on hand, cash at bank and cash in transit which are held for the purpose of meeting short term cash commitments rather than for investment purposes.

a. Reconciliation of net cash inflow from operating activities to net result

	Note	2023 $'000	2022 $'000
Net result		**(115,437)**	**(249,234)**
Profit on disposal of furniture, fittings, equipment and motor vehicles		(47)	(15)
Depreciation		1,947	1,944
Amortisation of intangible assets		5,065	2,420
Fair value movements through income	3.1	(137,169)	295,874
Interest credited to clients		(2,242)	1,006
Change in fair value of investments as a result of outstanding settlements		83	866
Changes in operating assets and liabilities:			
(Increase)/Decrease in trade receivables		73,843	(167,669)
(Increase)/Decrease in non-trade receivables		(153)	(1,401)
(Increase)/Decrease in prepaid expenses		23	40
(Increase)/Decrease in reinsurance and other operating assets		(186,901)	(135,886)
Increase/(Decrease) in trade payables		(13,297)	117,739
Increase/(Decrease) in non-trade payables		791	3,605
Increase/(Decrease) in provisions		421	385
Increase in gross insurance liabilities		575,776	335,166
Net cash inflow from operating activities		**202,703**	**204,840**

3.3 Investments

a. Investment framework

VMIA's investment activity is undertaken pursuant to the *Victorian Managed Insurance Authority Act* 1996, the *Borrowing and Investment Powers Act* 1987, the *Prudential Standard: VFMC and the Centralised Investment Model* and Orders in Council dated 1 February 2009 and 23 June 2015 respectively.

The Orders in Council define the responsibilities of VMIA and VFMC. VMIA is responsible for setting the investment objectives after considering such matters as capital needs, income and expenditure requirements, future projections of assets and liabilities and risk preferences of the Assistant Treasurer. VFMC has the responsibility to develop and implement suitable investment strategies to meet VMIA's investment objective and ensure that its systems encompass strong internal controls and good corporate governance. The investment strategy that is determined by VFMC is documented in a detailed Investment Risk Management Plan which is approved by the Treasurer of Victoria.

The Department of Treasury and Finance ensures that appropriate structures exist to manage investment risk and undertakes the prudential supervision of VFMC.

3.3 Investments *(cont.)*

b. Derivative financial instruments

The use of derivatives forms part of the investment strategy set by VFMC.

VFMC restricts the managers of VMIA's direct investment portfolio and of the trusts in which VMIA invests by permitting the use of derivative investments only in the following circumstances:

i. Hedging to protect the value of the assets against any significant decline in investment markets

ii. As a means of making adjustments to the asset allocation while minimising transaction costs and

iii. Entering or exiting a position at an advantageous price.

At 30 June 2023, VMIA had exposure to Australian fixed interest futures, Australian share price index futures, International equity futures, swaps and forward currency contracts. These exposures are valued at fair value as determined by their market value at the Balance Sheet date.

c. VMIA's investment portfolio

	Note	2023 $'000	2022 $'000
Australian equities		426,048	352,786
Australian bonds		125,994	133,890
US bonds		62,635	74,455
Emerging market debt		85,326	75,122
Inflation linked bonds		179,775	202,186
Infrastructure		268,376	221,407
International equities		1,047,278	732,679
Opportunistic		21,080	20,595
Private credit		186,990	150,808
Insurance investments		3,798	5,062
Hedge funds		299,889	288,940
Private equity		2,769	2,942
Property		253,229	233,943
Derivative overlay		(96)	(2,678)
Short term money market funds		257,172	395,559
Total fair value of investment portfolio at 30 June		**3,220,263**	**2,887,696**
Investments		3,266,953	2,965,895
Derivative liabilities		(46,690)	(78,199)
Total fair value of investment portfolio at 30 June		**3,220,263**	**2,887,696**

Assets backing insurance liabilities

VMIA has determined that all assets with the exception of: prepaid expenses; furniture, fittings, equipment; motor vehicles; right of use assets; and intangibles, are held to back the insurance liabilities and are valued at fair value in the Balance Sheet.

Financial assets are designated at fair value through profit or loss in accordance with FRD 114 Financial Instruments and AASB 1023 General Insurance Contracts. Initial recognition is at fair value in the Balance Sheet with any subsequent changes in fair value recognised in the Comprehensive Operating Statement.

Details of fair value for the different types of financial and non-financial assets are listed below:

- Cash on hand, cash at bank, cash in transit and short term money market funds are carried at the face value which approximates to their fair value.
- Receivables are recognised and measured at fair value being the undisputed recoverable amounts between counterparties.
- Equities, fixed interest securities, derivatives and unit trusts listed on an organised financial market are initially recognised at cost and the subsequent fair value is taken as the quoted bid price of the instrument at the balance sheet date.
- Unlisted fixed interest securities are recorded at amounts based on valuations using rates of interest equivalent to the yields obtainable on comparable investments at the balance sheet date.
- Units in unlisted financial instruments are recorded at fair value as determined by the fund manager or valuations by other skilled independent third parties. In determining fair values, observable market transactions of the units and the underlying assets are used where available and applicable. Some of the underlying assets of these financial instruments are valued using valuation models and techniques that include inputs which are not based on observable market data. The carrying amounts include accrued distributions.
- Derivative financial instruments are classified as financial assets and financial liabilities. They are initially recognised at fair value on the date on which the derivative contract is entered into. Derivatives are carried as assets when their net fair value is positive and liabilities when their net fair value is negative. Any gains or losses arising from changes in the fair value of derivatives after initial recognition are recognised in the Comprehensive Operating Statement.
- Reinsurance and other recovery assets are measured at the present value of expected future receipts and are subject to an independent actuarial valuation on a similar basis to the claims liabilities (refer to Note 2.4).

Refer to Note 7.3 for fair value details of the financial instruments.

All purchases and sales of financial assets that require delivery of the asset within the timeframe established by regulation or market convention are recognised at trade date, being the date on which VMIA commits to buy or sell the asset.

Investments are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and VMIA has transferred substantially all the risks and rewards of ownership.

Investments are classified as current and non-current in accordance with maturity dates. Investments that are due to mature, expire or be realised within 12 months of the Balance Sheet date are classified as current investments. All equity investments are classified as non-current. While this classification policy may result in a reported working capital deficit, VMIA holds high quality liquid assets in its investment portfolio which are readily convertible to cash assets.

4 Other assets and liabilities

Introduction to this section

This section provides other assets and liabilities that are employed by VMIA to support its day to day operating activities.

This section contains the following disclosure:

VMIA has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less, and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

4.1 Right-of-use-assets

	2023 $'000	2022 $'000
Non-current		
Cost	14,696	14,696
Accumulated depreciation	(6,995)	(5,238)
Total right-of-use-asset	**7,701**	**9,458**

4.2 Lease liability

	2023 $'000	2022 $'000
Current	1,949	1,756
Non-current	6,969	8,918
Total lease liability	**8,918**	**10,674**

4.3 Intangibles

	2023 $'000	2022 $'000
Computer software		
Opening balance	15,008	10,641
Additions	-	4,367
Closing balance	**15,008**	**15,008**
Accumulated amortisation on computer software		
Opening balance	(2,420)	-
Amortisation expense	(5,065)	(2,420)
Closing balance	**(7,485)**	**(2,420)**
Net book value at end of financial year	**7,523**	**12,588**

4.4 Non-trade payables

	2023 $'000	2022 $'000
Current		
Accruals and other payables - financial (contractual)	3,117	6,502
Outstanding investment settlements - financial (contractual)	-	-
Stamp Duty - non-financial (statutory)	6,645	4,755
Total non-trade payables	**18,353**	**17,562**

Trade payables (refer to Note 2.11) represent payables associated with the premium, reinsurance and other recoveries, claims and commission. All other payables are classified as non-trade payables. Payables are recognised and measured at fair value being the cost of the goods and services.

Payables comprise contractual payables, for example, accounts payable, and statutory payables comprise GST and Stamp Duty payables. Accounts payable represent liabilities for goods and services provided to VMIA prior to the end of the financial year that are unpaid.

Contractual payables are classified as financial instruments and categorised as financial liabilities at fair value through profit or loss. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments because they do not arise from a contract.

5 Cost of operations

Introduction to this section

This section provides details of expenses incurred by VMIA to support its day to day operating activities.

This section contains the following disclosure:

5.1 Administration expenses

	2023 $'000	2022 $'000
Staff and related	42,197	38,360
Professional services	4,208	4,450
Information services	7,730	4,788
Client risk management	1,414	1,224
Strategic risk	500	342
Depreciation and amortisation	7,012	4,364
Other operating	4,721	3,832
Total administration expenses	**67,782**	**57,360**
Less: unallocated claims expenses	(11,323)	(9,836)
Net administration expenses	**56,459**	**47,524**
Total administration expenses include the following:		
Auditor-General's fees	149	145
Operating lease expenditure	1,064	902

Administration expenses represent the day-to-day costs in managing VMIA and are recognised as they are incurred. No remuneration was paid to the Victorian Auditor-General's Office for any other services except for audit services.

5.2 Superannuation benefits

VMIA contributes superannuation benefits for employees to defined contribution plans. VMIA does not recognise any defined benefit liability in respect of any defined benefit plans because the entity has no legal or constructive obligation to pay future benefits to any defined benefit plan relating to its employees. VMIA's obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance recognises and discloses the State's defined benefit liabilities in its financial report. Superannuation contributions paid or payable during the financial year are included as part of administration expenses in Note 5.1. There were no superannuation contributions outstanding at 30 June 2023 (2022: Nil).

6 Equity and capital management

Introduction to this section

This section covers equity and transactions with the State.

This section contains the following disclosure:

6.1 Equity

There is no minority interest in the equity of VMIA. The equity is not represented by share capital with a specified par value.

a. Capital management

The Order in Council gazetted on 14 May 2015 declared VMIA as a reorganising body under section 7 of the *State Owned Enterprises Act* 1992 and gave the Treasurer the power to direct VMIA to pay dividends and/or repay capital to the State after consulting with the Assistant Treasurer and VMIA's Board of Directors. No repayment was paid during the financial year ended 30 June 2023 (2022: $50.0 million). VMIA earned grant revenue of $2.5 million (2022: $7.5 million) paid by the State in relation to the provision of COVID-19 Event Insurance. This receipt has been recognised as income from the State through the Net Result.

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital in accordance with FRD 119 Transfers through Contributed Capital.

Dividends

In accordance with section 13 of the *State Owned Enterprises Act* 1992, VMIA is required to pay to the State a dividend as determined by the Treasurer. An obligation to pay a dividend only arises after a formal determination is made by the Treasurer after consulting with the Assistant Treasurer and VMIA's Board of Directors. No dividend was paid during the financial year ended 30 June 2023 (2022: Nil).

b. Statutory guarantee

The due satisfaction of amounts payable by VMIA as a result of, or in connection with, liabilities of VMIA is guaranteed by the State of Victoria. VMIA's financial objective is to operate essentially as a stand alone entity. To this end VMIA seeks to hold sufficient capital to maintain an acceptable probability that with appropriate reinsurance, it will be able to fund its liabilities as they fall due and not have to rely on its guarantee from the State. It is not anticipated that VMIA will call on the statutory guarantee other than in exceptional circumstances.

c. Guarantee fee

Pursuant to section 27 of the *Victorian Managed Insurance Authority Act* 1996, the State has guaranteed amounts payable by VMIA as a result of, or in connection with, liabilities of VMIA. In accordance with section 27(3) of the *Victorian Managed Insurance Authority Act* 1996 VMIA must, in respect of this statutory guarantee, pay to the Treasurer for payment into the Consolidated Fund from any surplus for the year ended on the preceding 30 June such amount as the Treasurer determines after consultation with VMIA. VMIA has not received any Treasurer's determination in relation to the payment of a guarantee fee for the financial year ended 30 June 2023 (2022: Nil).

6.2 Insurance funding ratio

VMIA target a funding position where assets available to meet net outstanding claims liabilities are 100% to 145% of the net outstanding claims liabilities (where liabilities are discounted using the long-term investment return objective and include a risk margin that provides a 75% probability of sufficiency). This ratio of modified assets available to meet claims liabilities to modified claims liabilities is referred to as the Insurance Funding Ratio (IFR) and is the measure adopted for capital management purposes.

7 Financial instruments

Introduction to this section

This section provides information on the sources and risks of finance utilised by VMIA in its operations, including disclosure of balances that are financial instruments and fair values.

This section contains the following disclosure:

7.1 Financial risk management

VMIA's operating activities expose it to a variety of financial risks including market risk (being equity price risk, foreign currency risk and interest rate risk), credit risk and liquidity risk.

a. Market risk

i. Equity price risk

VMIA is exposed to equity price risk arising from investments held at fair value through profit and loss. Victorian Managed Funds Corporation (VMFC) limits equity price risk through diversification of the equity investment portfolio.

The listed equity sensitivity analysis below has been determined for the directly held Australian and international equities which are listed on the Australian Stock Exchange and international stock exchanges, and effective exposure to futures, both domestic and international. Australian and international equities that are held through trusts are included in the analysis of unlisted investment prices. The following details VMIA's sensitivity to a 15% (2022: 15%) increase or decrease in markets based on exposures at the balance sheet date and assumes that the change takes place at the beginning of the financial year and remains constant to the balance sheet date.

	2023 $'000	2022 $'000
Impact on comprehensive result and equity from a movement in equity prices		
Listed investments prices		
Decrease of 15%	(2,461)	(859)
Increase of 15%	2,461	859
Unlisted investments prices		
Decrease of 15%	(450,702)	(384,824)
Increase of 15%	450,702	384,824

ii. Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. VMIA is exposed to foreign exchange rate risk through its investments which are denominated in foreign currencies.

VFMC limits foreign exchange risk through the use of forward currency contracts where it agrees to sell specified amounts of foreign currencies in the future at predetermined exchange rates. The proportion of foreign exchange risk that is hedged is reviewed regularly to ensure that the net exposure is maintained at a level that is consistent with VMIA's overall Investment Objective. VFMC's policy, contained in its Investment Risk Management Plan approved by the Treasurer of Victoria, is to adopt a neutral hedged position of 25% (2022: 25%) of international equities exposure and 100% (2022: 100%) of other international asset exposure.

The foreign currency risk disclosure has been prepared on the basis of VMIA's direct investment and not on a look-through basis for investments held indirectly through unit trusts. Consequently, the disclosure of currency risk may not represent the true currency risk profile of VMIA where the unit trust has significant investments which have exposure to the currency markets.

The sensitivity analysis below has been determined based on VMIA's exposure to foreign currencies at the balance sheet date and a 10% (2022: 10%) increase or decrease in the Australian Dollar against the relevant foreign currencies and assumes that the change takes place at the beginning of the financial year and remains constant to the balance sheet date.

	2023 $'000	2022 $'000
Impact on comprehensive result and equity from a movement in foreign exchange rates		
Decrease of 10%	(156,055)	(33,504)
Increase of 10%	127,681	27,412

7.1 Financial risk management *(cont.)*

iii. Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Where the applicable fair value is determined by discounting future cash flows, movements in interest rates will result in a reported unrealised gain or loss in the Comprehensive Operating Statement. An increase in interest rates results in a decrease in the value of investments, while a decrease in interest rates increases the value of investments.

VFMC and its fund managers seek to manage interest rate risk through an asset allocation strategy for the investment portfolio which acts as an economic hedge against VMIA's insurance liabilities. As interest rates move, to the extent these assets and liabilities can be matched, increases or decreases in claims incurred arising from the remeasurement of the claims liabilities will be offset by increases or decreases in the fair value of interest bearing investments.

VFMC uses derivatives to manage the interest rate risk on interest rate sensitive assets. Interest rate swap contracts and forward rate agreements are used to either change the interest rate risk between fixed and floating rates of interest or between different floating rates of interest.

A summary of VMIA's exposure to interest rate risk on financial instruments follows:

		2023			2022		
	Note	Fixed rate $'000	Variable rate $'000	Total $'000	Fixed rate $'000	Variable rate $'000	Total $'000
Financial assets							
Cash and cash equivalents		-	53,305	53,305	-	45,721	45,721
Debt securities	7.1(b)	-	-	-	-	-	-
Interest rate derivatives		-	-	-	-	-	-
Short-term money market funds		-	255,900	255,900	486	374,452	374,938
Financial assets exposed to interest rate risk		**-**	**309,205**	**309,205**	**486**	**420,173**	**420,659**
Financial liabilities							
Interest rate derivatives		-	-	-	3,942	-	3,942
Short-term money market funds		-	500	500	-	32,005	32,005
Trade payables (i)	2.11	-	48,785	48,785	-	36,853	36,853
Lease liability		8,918	-	8,918	10,674	-	10,674
Financial liabilities exposed to interest rate risk		**8,918**	**49,285**	**58,203**	**14,616**	**68,858**	**83,474**
Net exposure		**(8,918)**	**259,920**	**251,002**	**(14,130)**	**351,315**	**337,185**

(i) Trade payables represent deposits held to fund clients' deductibles where VMIA provides a claims management service to clients in respect of such deductibles.

A sensitivity table is not disclosed as the impact of a 1.0% movement in interest rates with all other variables held constant on VMIA's net profit and equity is not material.

b. Credit risk

Credit risk arises from the potential default of an issuer or counterparty on their contractual obligations resulting in a financial loss to VMIA.

The credit risk of the investment portfolio is managed by VFMC and its appointed fund managers under instructions from VFMC. The appointed fund managers, through VFMC, manage credit risk by diversifying the exposure amongst counterparties. VFMC manages counterparty credit risk by conducting due diligences on counterparties and will only deal with counterparties of high quality and with substantial balance sheets. Agreements also contain provisions for the agreements to be reviewed or rescinded upon the occurrence of specified events relating to counterparty credit and liquidity.

The establishment of appropriate policies and multi-tiered limits ensures that VMIA maintains a diversified portfolio without any significant concentration of credit risk on an industry, regional or foreign country basis.

Financial assets held with the following credit grades:

	Note	Investment grade $'000	Non-investment grade $'000	Not rated $'000	Total $'000
2023					
Trade receivables (i)	2.10	248	-	143	391
Non-trade receivables		-	-	4,200	4,200
Debt securities	7.1 (a)(iii)	-	-	-	-
Total (ii)		**248**	**-**	**4,343**	**4,591**
2022					
Trade receivables (i)	2.10	289	-	23	312
Non-trade receivables		-	-	4,331	4,331
Debt securities	7.1 (a)(iii)	-	-	-	-
Total (ii)		**289**	**-**	**4,354**	**4,643**

(i) Trade receivables exclude statutory receivables which mainly comprise insurance premium owing by various Victorian Government Departments and agencies as the credit risk is minimal.

(ii) The above analysis excludes Cash and cash equivalents and Short term money market funds for which the credit risk is minimal.

Investment grade financial assets include only those assets with Standard & Poor's credit ratings of AAA to A- (long term) and/or A-1+ to A-3 (short term). Non-investment grade financial assets have Standard & Poor's credit ratings of BBB+ to BBB-. Not rated financial assets include assets that have not been formally rated by Standard & Poor's but are within the risk parameters outlined in the Investment Risk Management Plan.

c. Liquidity risk

Liquidity risk is the risk that VMIA will encounter difficulty in meeting its financial obligations as they fall due.

VFMC uses a combination of cash and futures portfolios plus a largely liquid portfolio of investments to ensure sufficient liquidity is available at all times to meet VMIA's operating requirements. VMIA is cash flow positive with insurance premium, investment income and other income receipts exceeding claim payments, reinsurance premium, commission and administration expense payments.

The following table summarises the maturity profile of the derivatives that form part of VMIA's financial liabilities. The table is based on the undiscounted cash flows of the financial liabilities and on the earliest date on which VMIA can be required to pay.

	Note	Under 1 year $'000	1-5 years $'000	Over 5 years $'000	Total $'000
2023					
Financial liabilities					
Financial derivatives	7.2	46,690	-	-	46,690
2022					
Financial liabilities					
Financial derivatives	7.2	78,199	-	-	78,199

All other trade payables and non-trade payables are incurred in the ordinary course of trade and are expected to be settled within 30 days (2022: 30 days).

7.2 Offsetting financial assets and financial liabilities

The following table discloses financial assets and financial liabilities that have been offset in the Balance Sheet in accordance with *AASB 132 Financial Instruments: Presentation* and those that have not been offset in the balance sheet but are subject to enforceable master netting agreements (or similar arrangements) with trading counterparties.

The net positions of financial assets and financial liabilities that meet the criteria for offsetting in the normal course of business are disclosed in the Balance Sheet at financial year end and are disclosed in the first column of the table below.

The second column represents the related amounts that do not meet the criteria for offsetting in the normal course of business, but can be offset under certain circumstances, such as default or when the right to offset is conditional upon the default of the counterparty. The third column represents the related amounts that have not been offset in the Balance Sheet but are subject to any related financial collateralised obligation in accordance with *AASB 7 Financial Instruments*. The last column discloses the net impact on the Balance Sheet if all existing rights of offset were exercised.

			Related amounts not set-off in the balance sheet		
	Note	Net amount disclosed in Balance Sheet $'000	Related amounts subject to master netting agreements $'000	Collateralised obligation $'000	Net amount $'000
2023					
Derivative assets		5,101	(3,969)	(360)	772
Derivative liabilities	3.3(c), 7.1(c)	(46,690)	3,969	-	(42,721)
2022					
Derivative assets		49,920	(27,666)	(22,029)	225
Derivative liabilities	3.3(c), 7.1(c)	(78,199)	27,666	2,133	(48,400)

7.3 Fair values

a. Measurement of fair values

A number of VMIA's accounting policies and disclosure require the measurement of fair values for both financial and non-financial assets and liabilities in accordance with the requirements of AASB 13 Fair Value Measurement.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the input used in the valuation techniques as follows:

- **Level 1 –** Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- **Level 2 –** Valuation techniques for which the input that is significant to the fair value measurement is directly or indirectly observable.
- **Level 3 –** Valuation techniques for which the input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, VMIA has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. In addition, VMIA determines whether transfers have occurred between the different levels in the fair value hierarchy by reviewing the categorisation at the end of each financial year.

	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2023					
Financial assets and financial liabilities					
Cash and cash equivalents	3.2	53,305	-	-	53,305
Trade receivables	2.10	-	391	-	391
Non-trade receivables		-	4,200	-	4,200
Investments and derivative liabilities					
Australian equities	3.3(c)	181	425,867	-	426,048
Australian bonds	3.3(c)	-	125,994	-	125,994
US bonds	3.3(c)	-	62,635	-	62,635
Emerging Market Debt	3.3(c)	-	85,326	-	85,326
Inflation linked bonds	3.3(c)	-	179,775	-	179,775
Infrastructure	3.3(c)	-	(10,243)	278,619	268,376
International equities	3.3(c)	(54)	1,047,332	-	1,047,278
Opportunistic	3.3(c)	-	-	21,080	21,080
Private Credit	3.3(c)	-	(1,888)	188,878	186,990
Insurance investments	3.3(c)	-	(343)	4,141	3,798
Hedge Funds	3.3(c)	-	(5,022)	304,911	299,889
Private equity	3.3(c)	-	-	2,769	2,769
Property	3.3(c)	-	(1,036)	254,265	253,229
Derivative Overlay	3.3(c)	-	(96)	-	(96)
Short term money market funds	3.3(c)	257,172	-	-	257,172
Trade payables	2.11	-	(130,391)	-	(130,391)
Non-trade payables	4.4	-	(3,117)	-	(3,117)
Total financial assets and financial liabilities		**310,604**	**1,779,384**	**1,054,663**	**3,144,651**

	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2022					
Financial assets and financial liabilities					
Cash and cash equivalents	3.2	45,721	-	-	45,721
Trade receivables	2.10	-	312	-	312
Non-trade receivables		-	4,331	-	4,331
Investments and derivative liabilities					
Australian equities	3.3(c)	(7)	352,793	-	352,786
Australian bonds	3.3(c)	66	133,824	-	133,890
US bonds	3.3(c)	132	74,323	-	74,455
Emerging market debt	3.3(c)	-	75,122	-	75,122
Inflation linked bonds	3.3(c)	288	201,898	-	202,186
Infrastructure	3.3(c)	-	(7,548)	228,955	221,407
International equities	3.3(c)	(32,259)	764,938	-	732,679
Opportunistic	3.3(c)	-	-	20,595	20,595
Private credit	3.3(c)	-	(8,304)	159,112	150,808
Insurance investments	3.3(c)	-	(468)	5,530	5,062
Hedge funds	3.3(c)	-	13,067	275,873	288,940
Private equity	3.3(c)	-	-	2,942	2,942
Property	3.3(c)	-	60	233,883	233,943
Derivative overlay	3.3(c)	1,264	(3,942)	-	(2,678)
Short term money market funds	3.3(c)	381,222	14,337	-	395,559
Trade payables	2.11	-	(143,688)	-	(143,688)
Non-trade payables	4.4	-	(6,502)	-	(6,502)
Total financial assets and financial liabilities		**396,427**	**1,464,553**	**926,890**	**2,787,870**

Transfers between fair value hierarchy levels

During the current financial year there were $4.3 million (2022: $15.2 million) transfers from Level 2 to Level 3 based on management's annual reassessment of the significance of unobservable valuation inputs that had been used to derive the fair value of those investments.

Reconciliation of Level 3 fair value measurements of financial assets

	2023 $'000	2022 $'000
Level 3 fair value hierarchy reconciliation of investments		
Balance at beginning of year	**926,890**	**711,426**
Transfer in	4,250	15,187
Acquisitions	153,097	203,724
Disposals	(37,221)	(59,334)
Gains/(losses) on disposal credited to income	4,582	(639)
Gains/(losses) on changes in fair value	3,065	56,526
Balance at end of year	**1,054,663**	**926,890**

Key inputs and assumptions subject to estimation uncertainty

The investments managed by VFMC on behalf of VMIA include unlisted financial instruments that are not traded in an active market. Hence, their fair values at the balance sheet date are based on prices advised by the external fund managers as well as valuations determined by appropriately skilled independent third parties.

Where valuation techniques including discounted cash flows, analysis based on multiples, comparison with similar transactions and other appropriate valuation techniques have been employed in valuing investments, the valuations are inherently subject to estimation uncertainty. Given this inherent uncertainty, the underlying inputs and assumptions are reviewed on an ongoing basis to ensure that the valuations reflect the best estimates of the economic conditions at the Balance Sheet date. The value of these investments subject to estimation uncertainty is set out in the table below.

It is possible that the outcomes, within the next financial year, could be different from the inputs and assumptions used in the current valuation models and could require a material adjustment to the carrying amount of these financial instruments.

The disclosure below provides details of the inputs and assumptions used in the current valuation models. Further detailed information has been provided where available. A significant majority of these investments are held via third-party pooled investment vehicles, and as such VMIA is not privy to the detailed inputs and assumptions used to value the underlying investment assets and hence VMIA is not in a position to provide the sensitivity analysis pertaining to the fair value measurement due to changes in unobservable inputs.

Investment class	Valuation methodologies	Key inputs and assumptions
Diversified fixed income investments	Diversified fixed income investments – third party pricing servicers, which source prices from brokers and market makers.	• Appropriate credit spread and other risk premium. • Future risk-free rate. • Estimated future cash flows. • Identification of appropriate comparables. • Future economic and regulatory conditions. • Life expectancy estimates and mortality probabilities.
Non-traditional strategies investments	Prices quoted on an exchange or traded in a dealer market. Less liquid securities – discounted cash flow, amortised cost, direct comparison and others.	
Infrastructure investments	Discounted cash flow.	• Risk premium. • Risk-free discount rate. • Asset utilisation rates. • Capital and operating expenditure forecasts. • Other estimated future cash flows dependent on the longer term general economic forecasts. • Forecast performance of applicable underlying assets.
Private equity investments	Multiples of earnings, discounted cash flow, market equivalents and other market accepted methodologies.	• Risk free discount rate, risk premium. • Estimated future cash flows. • Estimated future profits. • Identification of appropriate comparables. • Future economic and regulatory conditions.
Property investments	Discounted cash flow, capitalisation and direct comparison methodologies.	

8 Other disclosures

Introduction to this section

This section includes additional material disclosure required by accounting standards for the understanding of this financial report.

This section contains the following disclosure:

8.1 New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that may be applicable to VMIA but are not mandatory for the year ended 30 June 2023.

The nature of the application of these standards could impact the classification and measurement of financial assets and financial liabilities.

VMIA will apply these for the annual reporting period beginning on or after the operating dates set out below.

	Title	Operative date
AASB 17	Insurance Contracts	1 July 2026

AASB 2022-9 has been released by the Australian Accounting Standards Board (AASB) in relation to public sector entities adopting AASB 17, which for other entities has an operative date of 1 January 2023. This pronouncement includes numerous amendments for public sector entities, notably a delayed adoption of AASB 17 to 1 July 2026. AASB 4 and AASB 1023 would also be amended to allow public sector entities to continue using these standards until AASB 17 is applied. The impact of AASB 17 has not been fully assessed.

In addition to those accounting standards listed above, the Australian Accounting Standards Board has also released a number of other Australian Accounting Standards and Interpretations. These Australian Accounting Standards and Interpretations are either not applicable or will have a minimal impact on VMIA's financial report and thus have not been specifically identified above.

8.2 Commitments and contingencies

Capital commitments

VMIA has uncalled capital commitments in respect of investments totalling $445.011 million as at 30 June 2023 (2022: $291.550 million).

Commitments include operating and capital commitments and are disclosed at their nominal value and are inclusive of GST.

Contingent Assets and Contingent Liabilities

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and contingent liabilities are presented inclusive of GST.

VMIA has no known contingent assets and contingent liabilities as at 30 June 2023 (2022: Nil).

8.3 Responsible persons

In accordance with the Ministerial Directions issued by the Assistant Treasurer under the *Financial Management Act* 1994, the following disclosure is made with regard to responsible persons for the financial year.

a. Responsible persons

The names of persons who were responsible persons at any time during the financial year are as follows:

Responsible Minister:	D. Pearson MP. (Assistant Treasurer)
Governing Board of Directors:	E. Rubin, J. Doak, C. Keating (until 14 August 2023), B. King, C. Lovell, R. Castle and D.G. Sedgwick
Accountable Officer:	A. Davies

b. Remuneration of responsible persons

The number of responsible persons during the financial year is shown below in their relevant total income bands:

	2023	2022
Directors		
$40,000 - $49,999	6	6
$90,000 - $99,999	1	1
Accountable Officers		
$470,000-$479,999	1	1

The Directors' remuneration shown in the above table is as determined by the Assistant Treasurer.

The Responsible Minister, D. Pearson MP, did not receive any remuneration from VMIA. Remuneration and allowances pertaining to the Assistant Treasurer are set in accordance with the *Parliamentary Salaries and Superannuation Act* 1968 and reported in the Annual Financial Report of the State.

The remuneration, including the superannuation guarantee contribution, received or receivable by responsible persons from VMIA amounted to $845,094 (2022: $828,839).

8.4 Related parties

a. Key management personnel and related parties

The key management personnel of VMIA include the Responsible Minister, the members of VMIA's Board of Directors, the Chief Executive Officer and officers with executive responsibility.

The related parties of VMIA include:

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

Compensation of key management personnel and executive officers	2023 $'000	2022 $'000
Short term employee benefits	2,501	2,498
Post employment benefits	214	218
Other long term benefits	188	(28)
Termination benefits	-	18
Total compensation	**2,903**	**2,706**

Remuneration and allowances pertaining to ministers are reported in the Annual Financial Report of the State. Remuneration of VMIA's officers with executive responsibility, other than the Chief Executive Officer, is reported in Note 8.5.

For information pertaining to related party transactions of ministers, the register of members' interests is publicly available from: **www.parliament.vic.gov.au/publications/register-of-interests.**

8.4 Related parties *(cont.)*

b. Other transactions and balances with key management personnel and other related parties

During the current financial year no key management personnel received or became entitled to receive any benefit from VMIA, other than remuneration disclosed in the financial report, from a contract between VMIA and that key management person or firm or company of which that key management person is a member or has a substantial interest (2022: Nil).

Any transactions or issues that involve related parties listed below are dealt with on normal commercial terms and conditions and without reference to the key management personnel concerned. All income and expense transactions exclude Stamp Duty and GST.

	Gross premium written $	Gross claims paid $	Risk management program expenses $	Administration expenses $	Investment expenses $
2023					
Victorian Funds Management Corporation	1,922,482	-	-	-	8,944,752
VicForests	-	-	-	-	-
Judicial Commission of Victoria	22,981	-	-	-	-
Cenitex	-	-	-	-	-
Coles	-	-	-	2,773	-
Telstra Corporation	-	-	-	3,791	-
PricewaterhouseCoopers	-	-	-	640,343	-
Burnet Institute	130,578	-	-	-	-
Victorian State Emergency Service	618,606	-	-	-	-
Total	**2,694,647**	**-**	**-**	**646,907**	**8,944,752**
2022					
Victorian Funds Management Corporation	1,566,189	-	-	-	8,157,822
VicForests	487,341	-	-	-	-
Judicial Commission of Victoria	21,081	-	-	-	-
Cenitex	137,435	-	-	-	-
Coles	-	-	-	812	-
Telstra Corporation	-	-	-	5,259	-
PricewaterhouseCoopers	-	-	-	658,710	-
Total	**2,212,046**	**-**	**-**	**664,781**	**8,157,822**

VMIA provides insurance and risk services to the related parties of the key management personnel of government sector, including Directors and Officers Liability insurance, disclosed in the table below on normal commercial terms and conditions. The additional comments in the table below provide further disclosure in respect of the transactions with related parties.

Key management person	Related party	Key management person's relationship with related party	Additional comments
J. Doak	Coles Group	General Manager	VMIA purchases goods on normal terms and conditions
	Victorian State Emergency Service	Director	VMIA provides insurance on normal terms and conditions. Commenced February 2023
C. Keating	Yooralla	Director	VMIA provides insurance on normal terms and conditions. Resigned in March 2022
	Australian Super	Director	VMIA contributes superannuation benefits to Australian Super for a number of employees.
	Cenitex	Member of Audit and Risk Committee	VMIA provides insurance on normal terms and conditions. Resigned in March 2022
	Judicial Commission of Victoria	Director	VMIA provides insurance on normal terms and conditions
	PricewaterhouseCoopers	Beneficiary	VMIA contracts for services on normal terms and conditions
E. Rubin	Victorian Funds Managed Corporation (VFMC)	Director	VFMC is VMIA's investment manager and receives investment management fees for its services on normal terms and conditions. VMIA provides insurance on normal terms and conditions Resigned in April 2023
	Telstra Corporation Limited	Director	VMIA contracts for services on normal terms and conditions
C. Lovell	VicForests	Director	VMIA provides insurance on normal terms and conditions. Resigned May 2022
R. Castle	CatholicCare Victoria	Director	VMIA provides insurance on normal terms and conditions through the community service organisation program operated by the Department of Families, Fairness, and Housing
B. King	Burnet Institute	Consultant	VMIA provides insurance on normal terms and conditions. Commenced February 2023

8.5 Remuneration of VMIA officers with executive responsibility

The number of VMIA officers with executive responsibility, other than the Chief Executive Officer and their total remuneration during the financial year is shown in the table below. The total annualised employee equivalent (AEE) is based on working 6.8 (2022: 7.2) ordinary hours per day during the financial year. The AEE provides a measure of full time equivalent executive officers during the financial year.

	2023 $'000	2022 $'000
Short term employee benefits	1,720	1,737
Post employment benefits	149	150
Other long term benefits	188	(28)
Termination benefits	-	18
Total remuneration	**2,057**	**1,876**
Total number of VMIA officers with executive responsibility	**7**	**8**
Total annualised employee equivalent (AEE)	**6.8**	**7.2**

In 2023 no VMIA officer with executive responsibility acted in the Accountable Officer role for part of the financial year (2022: None).

8.6 Subsequent events

No material events affecting VMIA have occurred between the balance sheet date and the date of this report.

Declaration by Chairperson, Chief Executive Officer and Chief Performance Officer

The attached financial report for the Victorian Managed Insurance Authority has been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act* 1994, applicable Financial Reporting Directions, Australian Accounting Standards including interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying notes, presents fairly the financial transactions for the year ended 30 June 2023 and the financial position of the Victorian Managed Insurance Authority at 30 June 2023.

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

We authorise the attached financial report for issue on 29 August 2023.

Elana Rubin AM Chairperson	Andrew Davies Chief Executive Officer	Wayne Kenafacke Chief Performance Officer

Independent Auditor's Report

VAGO
Victorian Auditor-General's Office

Independent Auditor's Report

To the Board of the Victorian Managed Insurance Authority

Opinion

I have audited the financial report of the Victorian Managed Insurance Authority (the Authority) which comprises the:

- balance sheet as at 30 June 2023
- comprehensive operating statement for the year then ended
- statement of changes in equity for the year then ended
- cash flow statement for the year then ended
- notes to the financial statements, including significant accounting policies
- declaration by Chairperson, Chief Executive Officer and Chief Performance Officer.

In my opinion the financial report presents fairly, in all material respects, the financial position of the Authority as at 30 June 2023 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of the *Financial Management Act 1994* and applicable Australian Accounting Standards.

Basis for opinion

I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

My independence is established by the *Constitution Act 1975.* My staff and I are independent of the Authority in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

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

Key audit matter	How I addressed the matter
Valuation of investment assets and derivative liabilities	
Refer to Note 3.3(c) of the financial report for the accounting policy associated with the valuation of investment assets and derivative liabilities and Note 7.3 of the financial report for the methods and assumptions applied by management in valuing investment assets and derivative liabilities.	

Investment assets: $3.3 billion
Derivative liabilities: $46.7 million
I considered this to be a key audit matter because:
• investment assets and derivative liabilities are financially significant
• there are several types of investment assets and derivative liabilities with varying observable and unobservable inputs impacting how and when they are valued
• sufficient and appropriate audit evidence may not be present for the valuation of some investment assets and derivative liabilities. This includes those with stale investment prices at reporting date and/or those which are subject to significant estimation uncertainty
• the performance of financial markets fluctuated over the period impacting the value of investment assets and derivative liabilities
• the management of investment assets and derivative liabilities is outsourced to a fund manager and a master custodian
• extensive disclosures are required by Australian Accounting Standards which are critical to the users understanding of the valuation of investment assets and derivative liabilities.
Management engaged an independent assurance auditor to report on the:
• description, design and operating effectiveness of controls at the fund manager and master custodian
• existence, valuation and rights and obligations of investment assets and derivative liabilities at 30 June.
	My key procedures included:
	• gaining an understanding of key controls over the outsourced arrangement, and assessing and testing their operating effectiveness
	• obtaining reports provided by the independent assurance auditor and:
	  o assessing the adequacy of the scope of work agreed between management and the assurance auditor
	  o assessing the professional competence and independence of the assurance auditor in the context of the engagement
	  o evaluating findings provided in the assurance reports
	  o relying on the assurance reports to confirm the description, design, and operating effectiveness of controls at the fund manager and master custodian
	  o relying on the assurance reports to confirm the existence, valuation and rights and obligations of investment assets and derivative liabilities at 30 June
	  o assessing the impact of any limitations, disclaimers or exceptions noted in the assurance reports on the audit.
	• reviewing and assessing the impact of other representations given by the fund manager and master custodian
	• obtaining further audit evidence that the value of investment assets and derivative liabilities not covered in the independent assurance auditor's report were materially correct
	• assessing the completeness and adequacy of financial report disclosures against the requirements of Australian Accounting Standards.

Key audit matter	How I addressed the matter
Valuation of gross claims liabilities	
Refer to Note 2.3(a) of the financial report for the accounting policy associated with the valuation of the gross claims liabilities and Note 2.4 of the financial report for the actuarial assumptions and methods applied by management in valuing the liabilities.	

Gross claims liabilities - $3.5 billion
I considered this to be a key audit matter because:
• the gross claims liabilities are financially significant
• the underlying model used to value the liabilities is complex
• the valuation of the liabilities is subject to significant management assumptions and estimation uncertainty
• a small adjustment to a key assumption may have a significant effect on the total value of the liabilities
• extensive disclosures are required by Australian Accounting Standards which are critical to the users understanding of the valuation of this liability
• Management engaged actuaries to value the liabilities as at 30 June.
	My key procedures included:
	• assessing and testing the operating effectiveness of key controls supporting the underlying claims data used in the model
	• assessing the completeness and accuracy of the claims data used in the model by reconciling this data to underlying claims data in the insurer's systems
	• assessing the professional competence and independence of management's actuary in the context of the engagement
	• obtaining management's actuarial report, and engaging an appropriately qualified independent actuary to:
	  o assess the appropriateness of management's selection and application of the methods, significant assumptions and data used in valuing the liabilities
	  o evaluate the appropriateness of the model used to value the liabilities
	  o challenge the reasonableness of key assumptions by comparing against claims history and accepted industry benchmarks
	  o assess the reasonableness of the reported liabilities value
	• assessing the adequacy of financial report disclosures against the requirements of applicable Australian Accounting Standards.

The Board's responsibilities for the financial report	The Board is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error. In preparing the financial report, the Board is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.

Auditor's responsibilities for the audit of the financial report

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

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

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

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

Auditor's responsibilities for the audit of the financial report (continued)

From the matters communicated with the Board, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. I describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

MELBOURNE
5 September 2023

Andrew Greaves
Auditor-General

Attestation for financial management compliance with Standing Directions 5.1.4

I, Elana Rubin, on behalf of the Victorian Managed Insurance Authority, certify that the Victorian Managed Insurance Authority has complied with the applicable Standing Directions made under the *Financial Management Act* 1994 and Instructions.

Elana Rubin AM
Chairperson

Corporate governance and compliance

The Board

The Board is responsible for the management of the affairs of VMIA and for exercising the powers conferred on VMIA under the *Victorian Managed Insurance Authority Act* 1996.

The Board has established clearly defined accountabilities and delegations for the Chief Executive Officer of VMIA. Directors are appointed by the Governor in Council on a nomination from the Assistant Treasurer.

Note: Elana Rubin AM is a Non-Executive Director of Slater and Gordon and joins the Board of the Reserve Bank of Australia on 31 August 2023. Chris Lovell is Chairman of Holding Redlich. Slater and Gordon and Holding Redlich act for clients who may bring a claim against VMIA. The Directors remain at arm's length at all times and are not involved in the management of, or any decision-making regarding, these claims.

Board Committees

The Board has three committees:

- Audit Committee
- Capital and Risk Committee
- Remuneration and Capability Committee

Each committee assists the Board with the specified responsibilities set out in each committee's charter.

Audit Committee

Members as at 30 June 2023:

- Claire Keating, Chairperson
- Chris Lovell
- Elana Rubin AM (to November 2022)
- Glenn Sedgwick.
- Dr Bronwyn King AO (appointed March 2023)

The Committee is responsible for the independent review and oversight of the:

- integrity and effectiveness of the systems of controls for financial management, performance and sustainability, accounting and financial reporting processes of VMIA, including risk management and compliance of those processes with applicable regulatory requirements
- external and internal audit of VMIA.

Capital and Risk Committee

Members as at 30 June 2023:

- Ross Castle, Chairperson
- Claire Keating
- Glenn Sedgwick
- Chris Lovell

The Committee is responsible for making recommendations to the Board regarding the prudential policies of VMIA, monitoring prudential policy issues and, in particular, their effect on:

- premium pricing on capital
- investment risk on capital
- insurance and reinsurance risk on capital
- claims trends and liability risk
- capital attribution, including equity injection or return of equity.

The Committee is also responsible for the review and oversight of VMIA's actuarial processes, risk management framework, practices and systems. The Committee assists the Board in setting VMIA's risk appetite and tolerance levels.

The Committee has oversight of any risks to the successful implementation of VMIA's corporate plan.

Remuneration and Capability Committee

Members as at 30 June 2022:

- Jasmine Doak, Chairperson
- Dr Bronwyn King AO (to November 2022)
- Elana Rubin AM
- Chris Lovell (appointed March 2023)

The Committee is responsible for assisting the Board to discharge its responsibilities in relation to VMIA' s people, their remuneration and the culture of VMIA. The Committee is also responsible for reviewing the remuneration policy, framework and outcomes for all employees and assessing the alignment of the capability of VMIA to its strategic objectives.

Directions of the Assistant Treasurer

During the 2022-2023 financial year, the Assistant Treasurer directed VMIA, pursuant to section 25A of the *Victorian Managed Insurance Authority Act* 1996, to provide the following entities with appropriate insurance for the periods detailed below:

- medical indemnity cover for public patients admitted in private health facilities under the terms of two 'pilot' agreements between the State and those private health facilities
- entities that support the Australian Grand Prix Corporation with the Formula One Grand Prix and Motorcycle Grand Prix
- Treaty Authority Panel Insurance to Panellists of the Treaty Authority Panel
- Victorian Marine Search and Rescue service providers
- The Shepparton Search and Rescue Squad.

Declarations of Participating Bodies by the Assistant Treasurer

There were no new declarations of Participating Bodies by the Assistant Treasurer, during the 2022-2023 financial year, pursuant to section 4 of the *Victorian Managed Insurance Authority Act* 1996.

Occupational Health and Safety

VMIA is committed to the health and safety of our people and visitors. The Occupational Health and Safety Committee meets monthly and has representatives from across VMIA. VMIA maintains a strong approach to health and wellbeing to ensure its people remain mentally and physically well.

VMIA has established and maintains a COVIDSafe Plan that encompasses and evolves with changing Government Regulations and Guidelines and is available to our employees on the intranet.

A number of OHS initiatives are continuing in 2022-2023 including:

- air purifiers (with HEPA filters) installed throughout the office
- hybrid working arrangements that provide flexibility for people to work from the office or remotely
- technology uplift at the commencement of the pandemic that has provided all employees with the means to work remotely with minimal (if any) operational impact.

Health and wellbeing support

During 2022-2023, we continued to offer programs to support employee health and wellbeing, including:

- Wellness Day - allowing employees to use two additional personal leave days per calendar year to support health and wellbeing
- managing mental health and wellbeing in the workplace training
- mental health and wellbeing programs, including a Wellness subsidy to support employees who wish to undertake health and wellbeing related activities (e.g. fitness classes, mindfulness and meditation workshops)
- onsite and offsite flu vaccinations
- an upgraded Employee Assistance Program offering services by experienced and qualified registered/ clinical psychologists.

Pandemic-related support (continuing in 2022-2023)

- ergonomic allowance for home workspace (introduced in March 2020) to support the purchase of additional equipment
- special pandemic leave and special pandemic carers leave (introduced in April 2020) to assist with managing COVID-19 related absence
- access to an additional half day of leave to obtain COVID-19 vaccinations
- ergonomic home self-assessments, with the option of this being carried out by an external provider where additional support was required.

Other support offered to employees

- supporting for transition through life stages (parenthood, retirement)
- updated flexible work and leave policies
- family violence support, including an in-house trained Family Violence support officer.

We continue to conduct regular employee pulse surveys to understand how our employees are feeling and what support is required, particularly as we continue to navigate through the pandemic. Employee engagement remains strong – with an average pulse score of 7.2 out of 10 based on the six surveys conducted over the financial year 2022-2023. Our people continue to feel supported by VMIA and appreciate the ability to work flexibly (in line with our principles of place-based work). Manager and team support, engaging work and regular communication about COVID-19 related developments are noted as strong positives.

Guide to Hybrid Work at VMIA was launched to staff on 12 May 2022, highlighting the importance of flexibility and purpose driven use of the office. It is anticipated that people will be connecting in-person in the office two to three days a week.

Performance against occupational health and safety management measures

VMIA has established and maintains a COVIDSafe Plan that encompasses and evolves with the changing Government Regulations and Guidelines. This is available to our employees on the intranet.

- Includes employee reported COVID-19 hazards (suspected exposures or risks) or illnesses since January 2020.
- This financial year, workplace hazards that are unrelated to COVID-19 are reported separately from COVID-19 related hazards (suspected exposures or risks). No workplace hazards (non-COVID-19 related) were identified this financial year; however, 55 COVID-19 related hazards were registered.

Employment and conduct principles

VMIA is committed to applying merit and equity principles when appointing new employees. The selection processes ensure applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other accountabilities without discrimination.

All VMIA positions and employees have been classified within VMIA's classification structure.

Public administration values and employment principles

VMIA has a suite of detailed employment policies and procedures, including policies covering talent attraction and selection, flexible work, learning and development, resolution of workplace issues, remuneration and redeployment. These policies are reviewed regularly to ensure they comply with legislative requirements and contemporary workplace practices.

Workforce data

	All Employees						Ongoing									Fixed Term & Casual					
	Number (Headcount)			FTE			Fullt-time Headcount			Part-time Headcount			FTE			Number (Headcount)			FTE		
	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021
Gender																					
Women	153	138	135	145.4	130.5	129.3	96	84	84	25	27	20	114.8	104.9	99.3	32	27	31	30.6	25.6	30
Men	102	85	91	100.3	82.9	88.5	73	63	63	5	6	4	76.5	67.1	65.1	24	16	24	23.8	15.8	23.4
Self-described	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	255	223	226	245.7	213.4	217.8	171	147	147	28	33	24	191.3	172	164.4	56	43	55	54.4	41.4	53.4
Age																					
15-24	4	1	5	4	1	4.6	0	0	3	0	0	0	0	0	3	4	1	2	4	1	1.6
25-34	50	41	43	50.4	40.2	42.2	34	31	32	1	2	1	34.8	32.2	32.2	16	8	10	15.6	8	10
35-44	80	66	71	75.2	62.6	67.5	54	41	34	10	12	12	60.8	50.4	43.1	15	13	25	14.4	12.2	24.4
44-54	69	65	64	67.3	62.9	61.9	50	45	47	5	6	6	53.9	49.7	51.5	14	14	11	13.4	13.2	10.4
55-64	42	39	36	39.8	36.4	35.3	27	23	27	8	10	2	32.8	30.4	28.3	7	6	7	7	6	7
65+	10	11	7	9	10.3	6.3	6	7	4	4	3	3	9	9.3	6.3	0	1	0	0	1	0

Workforce inclusion

VMIA continues to work towards creating an inclusive working environment where equal opportunity and diversity are valued, and that reflects the communities that we serve.

In March 2022, VMIA delivered its first Gender Equality Action Plan to the Commission for Gender Equality in the Public Sector (CGEPS). As part of it, a number of diversity and inclusion measures were identified, including tracking progress towards a positive culture within VMIA in relation to employees of different genders, who are Aboriginal and/or Torres Strait Islander, from varied cultural backgrounds, who identify as LGBTQIA+, of different age groups, and with disability.

The 2023 People Matter survey results reveal that our people agree that there is a positive culture at VMIA in relation to employees with the intersectional attributes mentioned above (agreement of 80% and above).

Compliance with Local Jobs First Act 2003

The *Local Jobs First Act* 2003 brings together the Victorian Industry Participation Policy (VIPP) and Major Projects Skills Guarantee (MPSG) policy which were previously administered separately. Victorian Departments and public sector bodies are required to report on the implementation of the Local Jobs First - Victorian Industry Participation Policy (Local Jobs First - VIPP). Departments and other public sector bodies are required to apply the Local Jobs First - VIPP for all procurement activities in all projects valued at $3 million or more in metropolitan Melbourne and for state-wide projects, and $1 million or more for procurement activities based in regional Victoria. MPSG applies to all construction projects valued at $20 million or more.

Projects commenced – Local Jobs First Standard

During 2022-2023, VMIA commenced one Local Jobs First Standard project totalling $3.3 million (incl. GST). This project is a state-wide project.

The outcomes expected from the implementation of the Local Jobs First policy to this project is as follows:

- commitment to use 97% local content for the project
- commitment to only use goods produced and services supplied for the project with a minimum 97% local content
- office locations in Melbourne
- retention and creation of local jobs for the project.

Government advertising expenditure

VMIA did not spend any money on government advertising campaigns during 2022-2023.

Information and communication technology expenditure

For the 2022-2023 reporting period, VMIA had a total information and communication technology spend of $14.5 million excluding GST with details shown below.

Business as usual expenditure ($ excl GST)	Non-business as usual expenditure ($ excl GST)	Operational expenditure ($ excl GST)	Capital expenditure ($ excl GST)
7,174,841	7,318,013	2,216,620	5,101,393

Note:

- Business as usual expenditure relates to ongoing activities to operate and maintain current information and communication technology capacity.
- Non-business as usual expenditure relates to extending and enhancing VMIA's current capability. It is the sum of operational expenditure and capital expenditure.

Freedom of Information

The *Freedom of Information Act* 1982 (FOI Act) provides a mechanism for the public to request access to documents held by VMIA. The purpose of the FOI Act is to extend as far as possible the right of the community to access information held by Victorian government departments, local councils, Ministers and other bodies subject to the FOI Act.

An applicant has a right to apply for access to documents held by VMIA. This includes documents created by VMIA or supplied to VMIA by an external organisation or individual. Information about the type of material produced by VMIA is available on **www.vmia.vic.gov.au** under its Freedom of Information Part II Statement.

The FOI Act allows VMIA to refuse access, either fully or partially, to certain documents. Examples of documents that may not be accessed include cabinet documents, some internal working documents, law enforcement documents, documents covered by legal professional privilege, personal information about third parties, and information provided to VMIA.

Decisions must be made by VMIA in response to requests made pursuant to the FOI Act as soon as practicable, but within 30 calendar days. The 30 day period may be extended by up to 15 days if VMIA is required to notify and seek the views of third parties, and it is practicable to consult with those third parties. If VMIA refuses to grant access to a document in accordance with the request, defers the provision of access to a document or decides not to waive or reduce the application fee, applicants have the right to seek a review by the Victorian Information Commissioner. An applicant can also make a complaint to the Victorian Information Commissioner if VMIA decides that a document requested under the FOI Act does not exist or could not be located.

Making a request

Freedom of Information requests can be lodged online and an application fee of $30.60 applied from 1 July 2022 to 30 June 2023. Access charges may also be payable for searching and providing access to documents.

Access to documents can also be obtained through a written request to VMIA's Freedom of Information Officer. When making a freedom of information request, applicants should ensure requests are in writing, and clearly identify what types of material/documents are being sought.

Requests for documents in the possession of VMIA should be addressed to:

The Freedom of Information Officer
Victorian Managed Insurance Authority
Level 10, 161 Collins Street Melbourne VIC 3000

Freedom of Information statistics

During 2022-2023, VMIA received ten valid freedom of information requests.

VMIA made 11 freedom of information decisions during the 12 months ending 30 June 2023 including three that rolled over from the 2021-2022 year. All but one of the 11 decisions were made within the statutory 30-day time period. The one decision that missed the 30-day statutory time period was finalised within five days. Freedom of information requests received late in the financial year (ie mid-June) may not be decided until early in the following financial year (i.e. mid-July) and will be reported in that period (1 July 2023 to 30 June 2024).

During 2022-2023, two requests were subject to an internal review by the Office of the Victorian Information Commissioner. One request was dismissed and the other was not resolved before 30 June 2023.

Compliance with the National Competition Policy

VMIA operates in accordance with the requirements of the National Competition Policy and the Competitive Neutrality Policy Victoria.

Competitive neutrality requires government businesses to ensure where government businesses compete, or potentially compete, with the private sector, any advantage arising solely from their government ownership be removed if it is not in the public interest.

Government businesses are required to cost and price these services as if they were privately owned. Self-assessment against the Victorian Government Competitive Neutrality Policy determined that none of VMIA's activities are within the scope of the policy, as they do not constitute 'significant business activities' for competitive neutrality purposes.

VMIA remains committed to assessing its activities to ensure compliance with the requirements of both the National Competition Policy and the Competitive Neutrality Policy Victoria.

Compliance with the Public Interest Disclosure Act 2012

The *Public Interest Disclosure Act* 2012 encourages and assists individuals to make disclosures of improper conduct or detrimental action by public officers and public bodies. The *Public Interest Disclosure Act* 2012 provides protection to people who make disclosures in accordance with its provisions and establishes a system for matters to be investigated and action to be taken.

VMIA does not tolerate improper conduct by employees, nor the taking of detrimental action against those who come forward to disclose such conduct. VMIA is committed to ensuring transparency and accountability in its administrative and management practices and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

VMIA will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. It will also afford natural justice to the person who is the subject of the disclosure to the extent it is legally possible.

Reporting procedures

Disclosures of improper conduct or detrimental action by VMIA or any of its employees may be made directly to:

The Independent Broad-based Anti-Corruption Commission
Phone: 1300 735 135

Email: **info@ibac.vic.gov.au**

Compliance with the Carers Recognition Act (2012)

VMIA has taken all practical measures to comply with our obligations under the *Carers Recognition Act* 2012. These include considering the carer relationship principles set out in the Act when setting policies. These principles are reflected in VMIA's Flexible Work Policy and Leave Policies.

Compliance with the Building Act (1993)

VMIA does not own or control any government buildings and is exempt from notifying its compliance with the building and maintenance provisions of the *Building Act* 1993.

Social procurement activities

VMIA is committed to incorporating social procurement practices in its core business and strategic functions by applying the *Victorian Government's Social Procurement Framework (Framework).* In doing so, VMIA will use its purchasing power to generate social value above and beyond the value of the goods and services it procures.

During the 2022-2023 financial year, VMIA undertook a range of activities to support the implementation of the Framework and to find opportunities to maximise the take up of social procurement through its procurement activity.

VMIA focused on a number of the Framework's objectives including:

- opportunities for Aboriginal and Torres Strait Islander peoples
- women's equality and safety
- supporting safe and fair workplaces
- environmentally sustainable outputs.

Social value requirements were applied to a variety of procurement activities across a range of goods and services, including legal services. This resulted in a direct spend by VMIA with social benefit suppliers and indirect spend through suppliers that have made social procurement commitments in their procurement contracts.

Office-based environmental impacts

VMIA is committed to proactively contributing to a sustainable environment and aims to minimise its office-based environmental impact through:

- adoption of ISO 14001 Environmental Management System guidelines in the development of its environmental policies
- integration of sustainability principles into the design and fit-out of office space
- establishing internal procedures to maximise alternative use of redundant stationery and used office equipment
- separating office waste into organic, commingled recyclable and landfill streams
- reducing paper and printer toner use with the widespread adoption by staff of laptops, tablets, smartphones and other digital mobile devices.

Consultancy expenditure

In 2022–2023, there were 22 engagements of 13 consultancies, where the total fees paid or payable were $10,000 or greater, excluding GST. The total expenditure was $1,121,705 excluding GST. Details of individual consultancies are outlined below.

Consultant	Purpose of consultancy	Total expenditure ($ ex GST)	Expenditure 2022-23 ($ ex GST)	Future expenditure ($ ex GST)
Pricewaterhouse Coopers	Risk culture survey scope	$84,800	$62,600	$22,200
Pricewaterhouse Coopers	Cyber risk quantification profile	$69,500	$69,500	$0
Landell Consulting	Strategic procurement support - DBI Building Inspection Panel	$133,286	$67,134	$66,152
Deloitte Touche Tohmatsu	Commercial negotiations	$23,185	$23,185	$0
Deloitte Touche Tohmatsu	Independent proof of concept report	$23,185	$23,185	$0
Deloitte Touche Tohmatsu	Procurement management services	$98,956	$98,956	$0
AON Risk Services Australia Limited	Insurable risk profiling & gap analysis for the Forensic Mental Health Expansion project	$22,800	$22,800	$0
AON Risk Services Australia Limited	Insurable risk profiling conducted in respect of VicTrack and Eloque.	$15,000	$15,000	$0
AON Risk Services Australia Limited	Risk management - Invoice VMIA VicTrack and MTM workshops	$29,554	$29,554	$0
AON Risk Services Australia Limited	Insurance gap analysis - GRIP	$45,650	$45,650	$0
Charter Keck Cramer	Level 9 & Level 10, 161 Collins St, lease review	$101,788	$101,788	$0
Arcblue Consulting (Aus) Pty Ltd	Procurement advice for corporate systems	$94,410	$94,410	$0
Accenture Australia Pty Ltd	Tech pilot	$46,800	$46,800	$0
Accenture Australia Pty Ltd	Post-implementation review Client360	$40,000	$40,000	$0
Six O'Clock Advisory Pty Ltd	Strategic communication	$72,844	$72,844	$0
Court Heath Consulting	Probity advice for corporate systems	$35,925	$35,925	$0
Court Heath Consulting	Probity advice - test and quality assurance procurement	$29,213	$29,213	$0
Comprara Group Pty Ltd	Procurement review	$58,410	$58,410	$0
KPMG Financial Advisory Services	Business continuity management exercise	$42,000	$42,000	$0
Three Chairs Consulting Pty Ltd	Coaching sessions- 53 x 1:1 coaching sessions	$21,200	$21,200	$0
Three Chairs Consulting Pty Ltd	Group coaching and accountability sessions	$12,000	$12,000	$0
Mercer Consulting (Australia) Pty Ltd	Job evaluation & classification	$21,200	$21,200	$0

In 2022-2023, there were seven consultancies where the total fees paid or payable were less than $10,000, excluding GST.

Modern slavery

The Modern Slavery Act 2018 (Cth) (MS Act) was enacted to address modern slavery risks within supply chains. The MS Act covers a range of offences, including forced labour, deceptive recruiting, slavery, servitude, debt bondage, human trafficking, and offences involving non-citizens working in Australia without the correct visa.

VMIA continues to be committed to the principles of the MS Act through ensuring that there are provisions in supplier contracts requiring suppliers to comply with the MS Act (where applicable). Suppliers are required to report to VMIA on their compliance with the MS Act and supply chain monitoring. All of VMIA's material contracts have a provision that gives VMIA the right to make enquiries of suppliers about their compliance with the MS Act.

Asset Management Accountability Framework (AMAF) maturity assessment

The following section summarises VMIA's assessment of maturity against the requirements of the Asset Management Accountability Framework (AMAF). The AMAF is a non-prescriptive, devolved accountability model of asset management that requires compliance with 41 mandatory requirements. These requirements can be found on the Department of Treasury and Finance website. **https://www.dtf.vic.gov.au/infrastructure-investment/asset-management-accountability-framework**

VMIA's target maturity rating is 'competence', meaning systems and processes fully in place, consistently applied and meeting the AMAF requirements.

Leadership and accountability (requirements 1-19)

VMIA's target maturity has remained consistent with last year and continues to meet all requirements under this category. VMIA is compliant in the areas of resourcing and skills and allocating asset management responsibility. There is no material non-compliance reported in this category.

Planning (requirements 20-23)

VMIA's target maturity has remained consistent with last year and continues to meet all of the requirements in this category. There is no material non-compliance reported on this category.

Acquisition (requirements 24 and 25)

VMIA has met its target maturity level in this category.

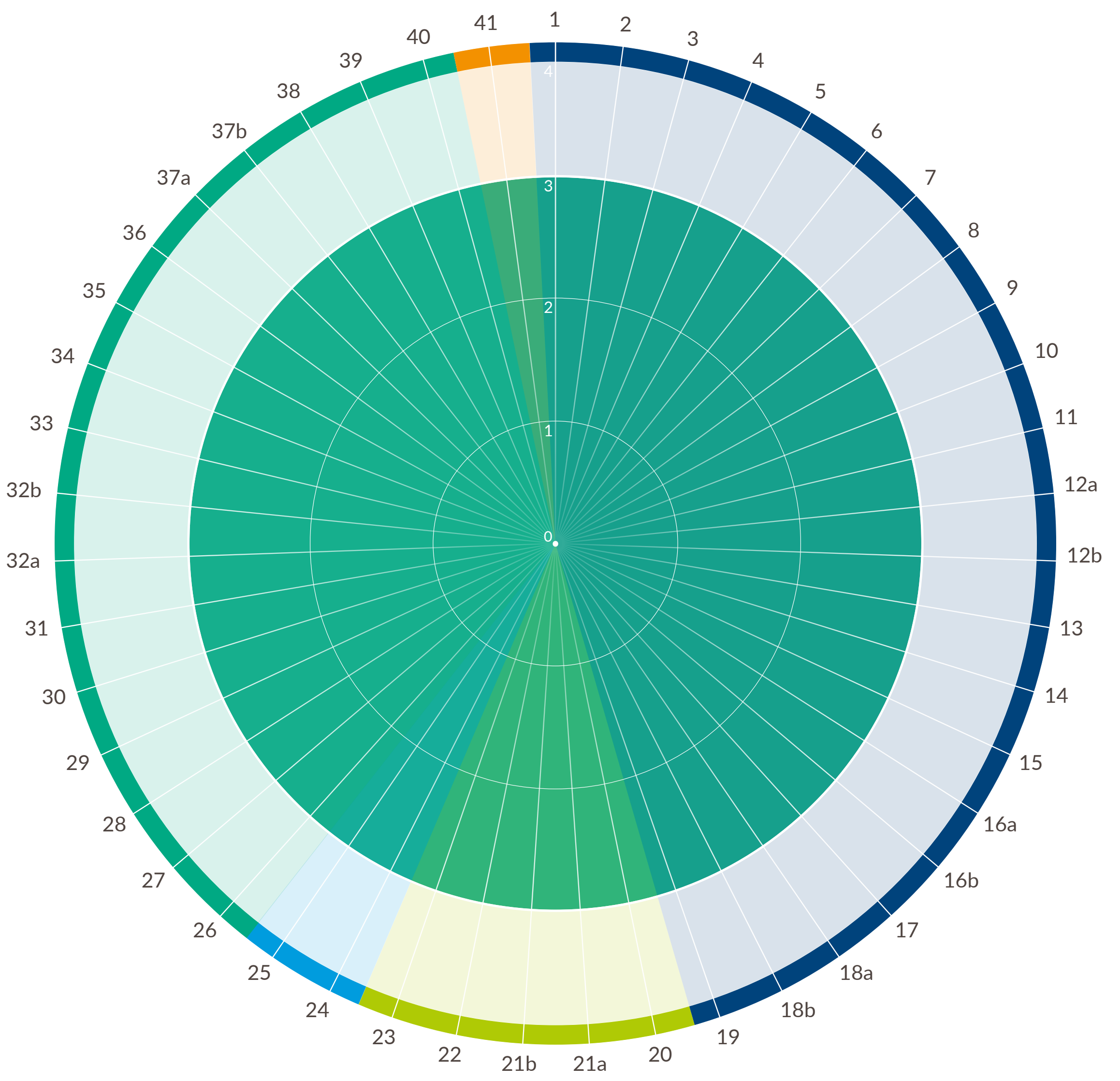
Operation (requirements 26-40)

VMIA's target maturity level has remained consistent from last year in all requirements under this category. There is no material non-compliance reported in this category.

Disposal (requirement 41)

VMIA has met its target maturity level in this category.

VMIA's application of the compliance and rating tool



Asset management maturity

Status	Scale
Not Applicable	N/A
Innocence	0
Awareness	1
Developing	2
Competence	3
Optimising	4
Unassessed	U/A

Target
Overall

Overview and key requirements
Planning
Acquisition
Operation
Disposal

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