annual report

2023 - 2024

VICTORIAN MANAGED
INSURANCE AUTHORITY

VMIA's purpose is to support 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 photography:
Preston Station, image courtesy Level Crossing Removal Project

Content photography:
Scott McAulay (unless otherwise credited)

Artwork:
Gerard Black (Worimi), VMIA Innovate Reconciliation Action Plan (detail)

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-profit organisations, 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.

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.

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

VMIA's purpose is to support 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:

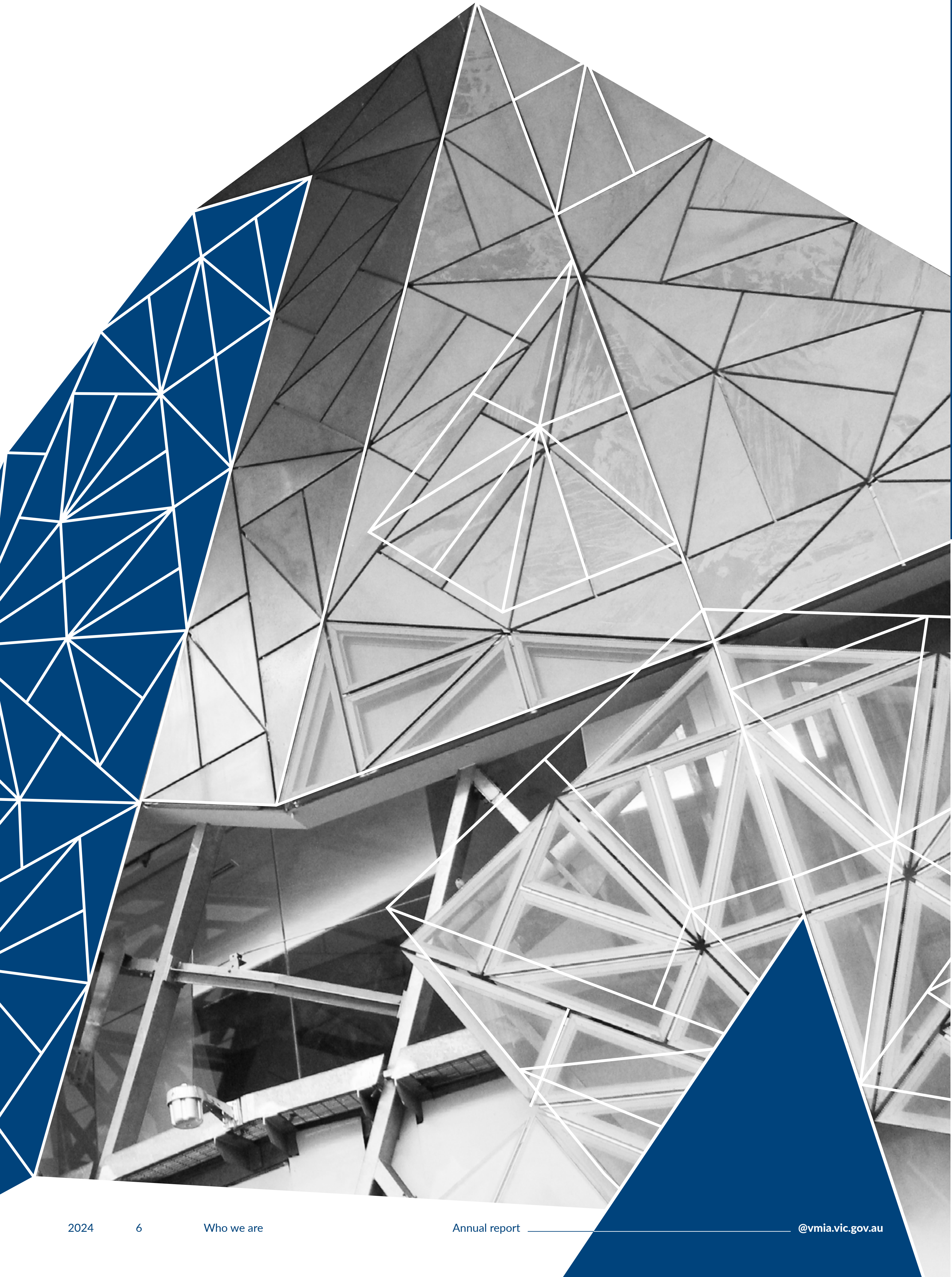
- broad insurance cover for significant financial risks to the State that is unavailable in the commercial market
- value-for-money insurance at significantly below commercial premium rates
- fair interpretations of policy to protect clients from significant loss and help them move quickly to restore critical public services and infrastructure
- investment in harm prevention to reduce losses
- innovative 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 in 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 (DBI), which is compulsory for builders to purchase before receiving 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

VMIA supports our clients to 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.

Photograph by Jacinta Keefe Photography

"Setting VMIA's strategic focus for the next three years involves understanding the risks and challenges ahead for clients so that our advice and insurance evolves to meet their needs."

Andrew Davies, CEO

"This year VMIA continued to support the State as it delivers some of the largest infrastructure projects in the world. Throughout 2023-24, we provided insurance and advice on the Big Build projects that are transforming the way Victorians live and work."

Elana Rubin AM, Chair

Chairperson's and CEO's report

As the Victorian Government's insurer and risk adviser, we were proud to support the important work of our clients and the Government throughout 2023-24, as we continued to strengthen our organisation for the years ahead.

This year, we provided insurance and risk advice on some of the largest infrastructure projects in the world, projects that are shaping our state and transforming the way Victorians live and work.

We experienced another year of high claims across our insurance portfolios. Increases in both the number and costs of claims led to an increase in premiums for our clients. However, our premiums, in aggregate, remained significantly below those offered by the commercial market. This, coupled with broad coverage terms and a focus on risk advice and harm prevention, underscores the value of VMIA to the State.

VMIA conducts regular benchmarking of our property and liability insurances, and we are pleased to note that our 2023-24 premiums for these classes were, on average, 50% lower than the commercial market on a like-for-like basis. Benchmarking also indicates VMIA policies provide broader coverage and lower deductibles.

We invested more in harm prevention this financial year, recognising the best claim is a claim prevented. We know our clients are concerned about the cost of premiums, which is why we will continue to focus on harm prevention in the years ahead, as slowing the growth in claim size and frequency is the most effective way to reduce the cost of risk.

We also want to ensure our clients have the cover they need and are working with them to develop new and innovative insurance solutions for their evolving risks.

New structure and systems

We completed a major restructure of our risk, insurance and claims solutions (RICS) teams during the year. The restructure ensured that VMIA services align to the needs of our clients and support them to reduce their total cost of risk. The restructure also impacted other teams, all of which helped us meet the efficiency savings required by the Victorian Government.

We implemented our new finance and human resources system, Thrive, in late February. By integrating the systems used in finance, procurement and human resources, we have streamlined operations by reducing duplication and the need for some manual tasks.

Strategy 2024

Our five-year strategy, completed in June, delivered significant benefits for clients, our people and the State. Over the past five years, these strategic initiatives strengthened our insurance and risk services, empowered our workforce and reduced the cost of risk to Victoria by $71 million.

Strategy 2024 also reinforced the strong organisational culture we enjoy at VMIA. We provided new training, upskilling and career opportunities for our people — the lifeblood of our organisation. The technological uplift across VMIA also reduced manual tasks, allowing our people to spend more time supporting clients.

Technology transformed client support by digitising annual renewal and claims activities and providing greater control and oversight of clients' insurance arrangements. Our harm prevention activities expanded, and we strengthened our client services with the formation of a claims reduction advisory team, new climate advisory services, cyber benchmarking tools, and cyber risk training. The new claims reduction advisory team delivered detailed claims analysis and subsequent insights. Their work is designed to both reduce harm and decrease the likelihood of claims.

Elevate strategy

Setting VMIA's strategic focus for the next three years involves understanding the risks and challenges ahead for clients so that our advice and insurance evolve with them.

Our most recent stakeholder research acknowledged VMIA's commitment to continuous improvement, with clients praising our risk advisory services, technical expertise, claims management, and the responsiveness of our people. Clients also look forward to future innovation in our insurance products.

From 1 July 2024 VMIA will launch our new three-year strategy – Elevate. Our purpose is unchanged: to support a confident, resilient Victoria through world-leading harm prevention and recovery. Building on Strategy 2024, Elevate has two goals: to reduce our clients' cost of risk, and to become a high-performance organisation.

Elevate will ensure we take an innovative approach toward problem solving for insurable risk transfer, harm prevention, claims reduction and new insurance products.

To become a high-performance organisation we will adapt to the ever-changing operating environment by inspiring our people to build their capabilities and find new ways of working.

Our team are exploring where AI (artificial intelligence) can help us improve service to clients and make efficiencies throughout the organisation to deliver the greatest value.

Domestic Building Insurance

The collapse of Porter Davis Homes on 31 March 2023 ranked as one of the largest domestic builder insolvencies in Australian history. While this was the largest insolvency VMIA responded to in 2023-24, we responded to over 80 other domestic builder insolvencies as well. We understand that all insolvencies are challenging for the homeowners affected, and we strive to manage the resulting claims for owners efficiently and with empathy.

The unprecedented number of claims resulting from the Porter Davis Homes' collapse put our processes and systems under pressure. VMIA responded by bolstering the resources of our domestic building insurance team. This included bringing in building experts from interstate to help assess the large number of claims. For the first time, we launched a dedicated social media group, specifically for these homeowners. Posts in the group helped affected homeowners understand each step of the claims process and helped us respond to the high volume of enquiries.

Every customer of Porter Davis Homes who had an incomplete home at the time of the collapse received an offer from VMIA before Christmas 2023 to support the completion of their home.

While the team reacted quickly, putting in place our large loss response, the scale of the insolvency meant we did not respond to some claims in the way we would normally like to.

As part of VMIA's commitment to a culture of continuous improvement, we will continue to learn from our experiences and further improve our processes.

Our management of domestic building insurance claims is currently under review by both the Victorian Ombudsman and the Victorian Auditor-General. We are fully cooperating with these bodies and look forward to identifying opportunities to further improve our processes.

We are extremely proud of our domestic building insurance team, who worked tirelessly throughout the year to resolve a huge number of claims as quickly as possible. At a difficult time for the construction industry, we were able to find new builders to quote to complete homes for Porter Davis Homes customers at little to no out-of-pocket cost.

Financial results

VMIA takes a long-term view of operating performance to better manage the overall costs to our clients and the State.

Victoria has experienced significant events since 2019, leading to a rise in the number and cost of claims. These include:

- the Black Summer bushfires of 2019-20
- floods and storm events in regional Victoria in late 2022, the largest loss of State assets in VMIA's history
- the Porter Davis Homes collapse in March 2023, one of the largest domestic builder insolvencies in Australia's history.

By spreading the cost of claims over a longer term, VMIA protects the State's balance sheet from the immediate financial impacts of such events. At 30 June 2024, our insurance funding ratio (IFR) was 99.8% against VMIA's preferred range of 100% to 145%.

VMIA has implemented a capital management plan designed to return the IFR to the middle of the preferred range by 30 June 2029. This plan is underway and will continue to be monitored.

While claims exceeded expectations again this year, VMIA's financial outlook remains sound.

Acknowledgements

During the year we said farewell to Board members Bronwyn King AO, Jasmine Doak and Claire Keating. We thank them for their many years of service to VMIA.

Helen Silver AO and Christine Kilpatrick AO joined us as Directors.

We would like to thank the Assistant Treasurer, The Hon. Danny Pearson MP, for his support over the last 12 months.

On behalf of the Board, and Management we thank everyone at VMIA for their hard work during an extraordinarily challenging year. Our people are all committed to doing work that matters, serving the people and institutions of the State of Victoria.

Andrew Davies, CEO

Elana Rubin AM, Chair

Leadership team

Board

Elana Rubin AM (Chairperson)
Appointed in November 2016
Reappointed in May 2023

Helen Silver AO (Deputy Chair)
Appointed in January 2024
Appointed Deputy Chair January 2024

Ross Castle
Appointed in June 2019
Reappointed in June 2022

Jasmine Doak
Appointed in March 2018
Reappointed in March 2021
(until March 2024)

Claire Keating
Appointed in August 2017
Reappointed in August 2020
(until August 2023)

Christine Kilpatrick AO
Appointed in June 2024

Dr Bronwyn King AO
Appointed in June 2018
(until March 2024)

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

Frieda Esquelin
Chief Operating Officer & Corporate Secretary

Efy Karagiannis
Chief Officer - Domestic Building Insurance

Angela Kelly
Chief Insurance Officer

Wayne Kenafacke
Chief Performance Officer

David Martin
Chief Information Officer

Samantha Zimmerman
Chief Risk Officer (from September 2023)

Charlotte Mills
Chief Services Officer & Chief Risk Officer
(until December 2023)

Letter from the Chairperson to the Minister

30 August 2024

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 2023 to 30 June 2024, in accordance with the *Financial Management Act 1994*.

Yours sincerely,

Elana Rubin AM

Chairperson, VMIA Board

2023-2024 highlights

Protected Victoria's assets

$240b

VMIA insured
$240 billion in public assets

Covered clients

$678m

VMIA paid $678 million in claims
an increase from $537 million in 2022-23

Supported Victorian homeowners

77,772

Domestic Building Insurance certificates issued

5,100

Resolved claims

$193m

Payments made

Improved risk maturity in the public sector

Conducted cyber security training for **67 non-executive directors** from 40 Victorian Government agencies

Victorian Government Cyber Maturity Benchmark

173 government entities participated in the benchmark

157 of the 173 have participated since 2021-22. **48%** of these entities reported an increase in cyber maturity over this time

Health services

92%

of participating hospitals completed their Incentivising Better Patient Safety training and received a partial refund on their medical indemnity premium.

Maintained our strong and engaged workforce

VMIA reached a **73%** level of engagement on the Victorian Public Sector Commission's People Matter survey, well above the public sector average and comparator group.

Stefan Hanke

Package Director, Tunnels and Civil Suburban Rail Loop Authority

"Suburban Rail Loop will deliver a 90km rail line linking every major train service from the Frankston Line to the Werribee Line via Melbourne Airport, better connecting Victorians to jobs, retail, education, health services and each other.

The work the VMIA Construction team did on the insurance program for SRL East was complex.

The VMIA team led meaningful technical and commercial discussions with insurers from all over the world to source appropriate cover for each aspect of the program. Their ability to lead these discussions demonstrates their commercial capability and a deep understanding of construction work."

Covered

VMIA's robust insurance and risk advice safeguard the Victorian Public Sector as it makes a difference to the lives of Victorians.

By covering government departments, public hospitals and infrastructure projects through to smaller community service organisations, we deliver confidence in essential public services, even in uncertain times.

Victoria's Big Build – Suburban Rail Loop

The Suburban Rail Loop (SRL) is the biggest infrastructure project in Victoria's history and will transform how people move around Melbourne and Victoria. The first stage in this project, Suburban Rail Loop East, is expected to cost $30-$34.5 billion and open in 2035.

As well as delivering transport benefits to Melbourne, SRL will help guide how the city develops in the coming decades, with a long-term vision for 70,000 additional homes and 230,000 extra jobs in the neighbourhoods around the SRL East stations.

Since the beginning of the project, VMIA has partnered with the project team and other stakeholders to advise on all aspects of insurable risk. This foundational work was instrumental in ensuring a sound risk assessment and delivery of the required insurances. Engagement with many local and offshore reinsurers was critical and ensured VMIA could provide a suite of world-class tailored insurance products and services to this multi-faceted project.

The construction and material damage policy for the project has one of the longest insurance policy periods issued at inception for any major infrastructure project worldwide.

These insurance products provide value to the State, through effective risk transfer for the project, and reinforce VMIA's expertise and track record of leveraging centralised risk to secure substantial insurance for commercially competitive pricing.

Melbourne Arts Precinct transformation

The Melbourne Arts Precinct Transformation (MAPT) development is set to transform Melbourne's creative precinct and is the largest cultural infrastructure project in Australia's history.

The $1.7 billion project will deliver an 18,000 sqm urban garden and new creative spaces in the heart of the established Southbank Arts Precinct.

The Fox: NGV Contemporary, the National Gallery of Victoria's new space, is the centrepiece. This will be Australia's largest gallery dedicated to Australian and international contemporary art and design.

The redevelopment also includes significant upgrades to Arts Centre Melbourne's Theatres Building with an upgraded loading dock, new rehearsal facilities and new food and beverage outlets to better support Victoria's performing arts sector.

Every new building in the precinct is a complex engineering build as all of them are adjacent to existing properties, and they are being built at the same time.

Delivering a large-scale and complex project presents a unique insurance challenge and we are pleased to have been able to provide a single insurance solution for all the construction packages.

Artist impression: The Fox NGV Contemporary

Domestic Building Insurance

It is compulsory for builders to purchase domestic building insurance before receiving a deposit under any domestic building contract with a contract price of more than $16,000. This insurance protects homeowners if their building project cannot be completed or has defective works which cannot be fixed because their builder has:

- died, disappeared or become insolvent; or
- failed to comply with a Tribunal or Court Order where domestic building insurance was issued by VMIA on or after 1 July 2015.

The Victorian Government first directed VMIA to provide domestic building insurance in March 2010. For deposit-only claims, VMIA refunds the deposit.

Assessing a domestic building insurance claim for incomplete or defective work can be complex and, in many cases, requires the assistance of external experts to accurately assess the required rectification works. For all claims VMIA only nominates builders to quote who have the capacity and experience to complete claimaints' homes in line with the specifications agreed with the original builder, at a price that minimises or eliminates out-of-pocket costs for homeowners.

Homeowners sign new fixed-price contracts with these builders, ensuring prices cannot be revised under Victorian law unless there is a change in the scope of work. This ensures homes meet Victorian laws and regulation standards, maintains the quality of Victoria's building environment and protects current and future homeowners.

Following the liquidation of Porter Davis Homes in March 2023, we entered into agreements with large builders to quote on incomplete and defective homes, so that consumers had access to a broad range of quality builders.

New laws

On 28 February 2024, the Victorian Government made it a criminal offence for builders to receive or ask homeowners for money such as a commencement payment under a major domestic building contract without first buying domestic building insurance.

Porter Davis Homes liquidation

The collapse and liquidation of Porter Davis Homes on 31 March 2023 ranks as one of the largest builder insolvencies in Australia's history.

At 30 June 2023, VMIA had received 1,932 claims from Porter Davis Homes customers — equivalent to nearly a normal year's worth of claims — in three months.

In the 2023-24 financial year we received a further 886 claims from Porter Davis Homes customers and by 30 June 2024 we had resolved 89% of all Porter Davis claims received.

Bolstering our operations

VMIA met the challenge of the Porter Davis Homes insolvency by appointing additional claim assessors and recruiting surveyors and other building experts from interstate to help assess the large number of claims. Immediately after the collapse we held general information sessions and established a dedicated contact centre to help anxious homeowners. The scaled-up level of customer service continued throughout 2023-24.

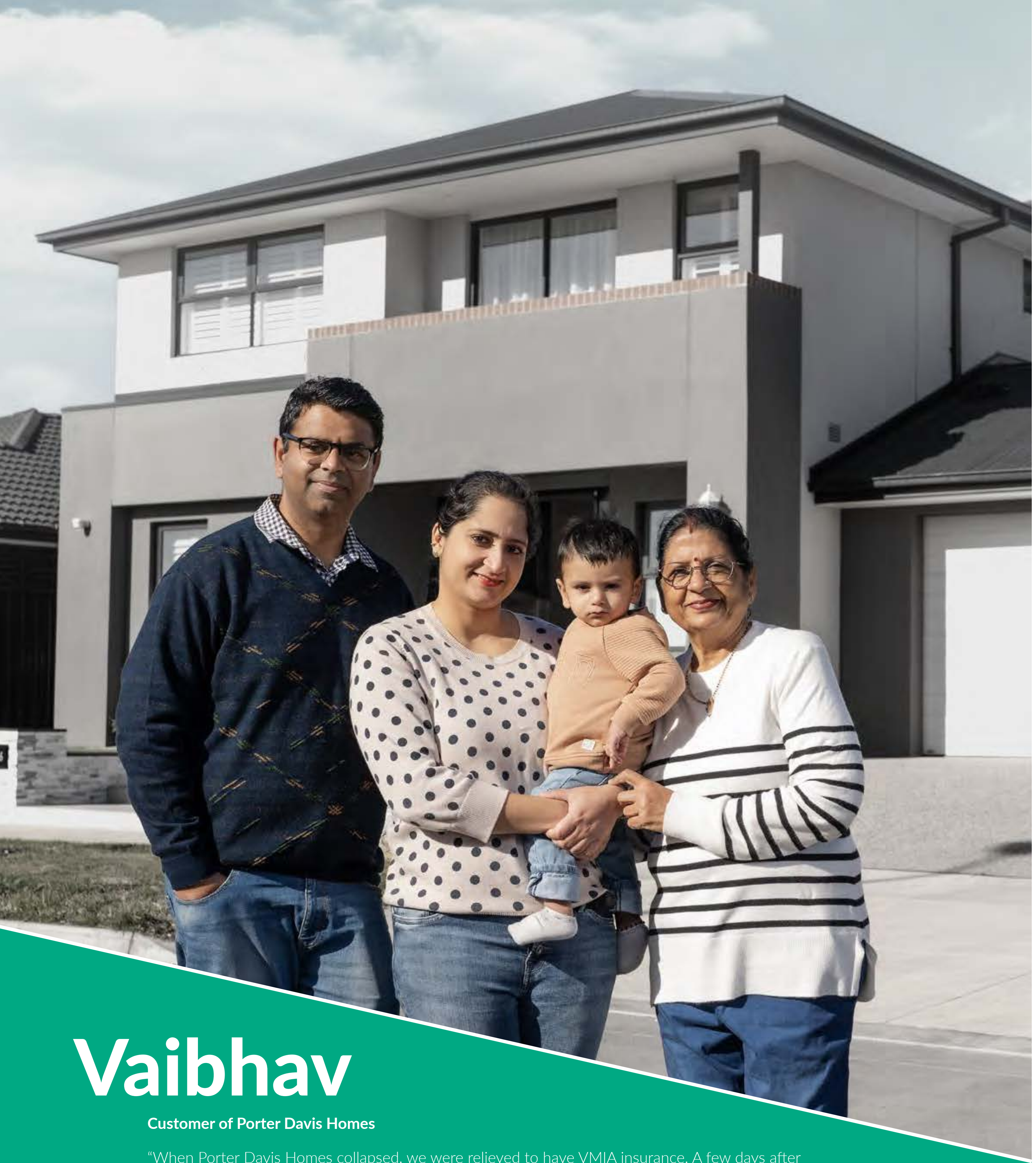
VMIA continues to receive claims from Porter Davis Homes customers, many of whom have made multiple claims for the same property as they discover additional defects or claim for additional costs.

"We devoted so much time and energy to planning our dream home. We checked every detail and seeing our frame go up was a huge milestone and sign of our future. Then, the news hit.

VMIA was a safety net for our build, giving us peace of mind knowing we were insured in case of unexpected issues. We signed a contract with our new builder in November and they couldn't start work until February due to the holiday period. By that time, our frame and slab had become severely damaged by exposure to the elements. VMIA not only approved a knockdown and rebuild of the frame but also covered us for mould treatment.

Now I have complete faith that our dream will become reality soon. I'm incredibly grateful and thankful for VMIA's domestic building insurance, a vital safeguard for Victorian homeowners. Without it, we'd have been lost."

Jhon, customer of Porter Davis Homes



Vaibhav

Customer of Porter Davis Homes

"When Porter Davis Homes collapsed, we were relieved to have VMIA insurance. A few days after the collapse we went to one of their information sessions where they explained how domestic building insurance worked and how they were working to make sure our homes would be finished and built to the original specs. The information they gave us in the session was very clear and we walked away feeling reassured.

I know VMIA was overwhelmed with claims so it was encouraging that at every step of the process, they made an effort to explain all the options that were available to us. VMIA asked Simonds to provide a quote to complete our home. We were so pleased we chose them. The Simonds team was fantastic to work with and there were no out-of-pocket costs. We were thrilled when we got the keys to our new home before Christmas - thank you VMIA and Simonds!"

Keeping homeowners informed

It was imperative that VMIA was able to quickly and clearly respond to the vast number of inquiries from homeowners and the media in the aftermath of the Porter Davis Homes collapse.

The day after the collapse, we organised six homeowner online information sessions, which were delivered a week later and attended by more than 2,000 impacted homeowners. Three general information sessions were followed by three tailored sessions for homeowners with works in progress and for those with completed works with defects. Crucial updates were regularly added to our domestic building insurance website, providing detailed information to help explain the claims process and allay the fears of affected homeowners.

In addition to the website, call centre and webinar information sessions, VMIA established a dedicated Facebook group for Porter Davis Homes customers. It was the first time we used a social media channel to respond to a single insolvency and it helped us reach a widespread audience quickly with important information and updates. By connecting with homeowners and providing them with timely information, we were able to mitigate some of the uncertainty regarding the claims process. This was supplemented by a series of short animations and videos to help explain the claims process.

Builders we nominate to quote

Given the scale of large builder insolvencies, it was challenging to find local builders with the capacity to finish so many incomplete homes. However, VMIA was able to nominate several large builders to provide quotes to finish this important work.

The advantages of working with these builders – including Metricon, Simonds, Cecure and JG King – became increasingly evident as they started work. They were familiar with the building projects that had been started by the insolvent builders and were large enough to take on a significant number of additional projects without compromising project timelines. Their extensive supply chain networks, strong pipelines of work, and their ability to leverage existing trade and supplier agreements meant they were able to quote at a price that minimised out-of-pocket costs for claimants.

Quotes from these builders gave homeowners an option to engage a new builder without the lengthy delays involved in getting their site reassessed and quoted.

VMIA also engaged building surveyors and engineers previously employed by Porter Davis Homes to minimise risk and disruption and accelerate the completion of these homes.

Impact on suppliers and trades

The collapse of Porter Davis Homes affected the outlook for many local trades and building industry suppliers. The builders nominated by VMIA to quote for completion or rectification of Porter Davis Homes' builds were in many cases able to use the same trades and services that began the work.

This not only ensured the continuity of the projects but helped support local suppliers and tradespeople. For example, frames for Porter Davis Homes had already been constructed by external suppliers and could be used by the new builders to finish the projects. As well as speeding up the completion of homes, many individuals employed by those firms remained in work.

"When Simonds Homes took on the additional house builds after the collapse of Porter Davis Homes, it brought about certainty and a renewed energy to the residential construction sector… This assurance has encouraged Flooring Xtra Commercial to continually invest in our business and people to ensure that we can allocate our resources efficiently and deliver high-quality flooring supply and installation services."

Adam Enno,
Managing Director of Flooring Xtra

"As a long-term heating and cooling supplier to Porter Davis, it was a surprise to us that they went into liquidation… We've had to pick up immediate working relationships with multiple builders, including Simonds… Having a great working relationship with Simonds has helped mitigate any losses on the work we had commenced and allowed continuity of completing installations for affected property owners."

Jodie Dartnell,
Executive Heating and Cooling

The Porter Davis Homes collapse was an emotional and stressful period for homeowners, the construction industry and VMIA's people. We introduced trauma training to support our people as they received many calls from anxious claimants.

The unprecedented number of claims in a short period was initially overwhelming and our domestic building insurance team had to quickly make significant changes to improve and streamline processes.

One of the most significant changes was the decision to enter into agreements with established large builders to use their building experience and economies of scale.

These changes contributed to VMIA helping a record number of claimants get their home build moving again, often without any out-of-pocket costs. Domestic building insurance continues to play a critical role in bringing peace of mind to customers of builders at a time of industry uncertainty.

VMIA acknowledges that despite the changes there are always opportunities to improve our systems, and we will continue to make improvements.

We are cooperating with domestic building insurance-related inquiries of the Victorian Auditor-General and Victorian Ombudsman that will take place in 2024-25 and will look to identify opportunities from those processes to further improve the domestic building insurance claims experience for homeowners.

Greater access and transparency

VMIA launched Policy Verification in July 2023, a simple online feature that allows homeowners to confirm the validity of the domestic building insurance policy number supplied by their builder. It was an important development in a year when some insolvent builders were found to have failed to purchase domestic building insurance.

To promote the use of Policy Verification, all VMIA policies issued from 30 April 2024 include a QR code. The code takes the user directly to VMIA's policy verification webpage and pre-fills the policy number. This makes it easy for a homeowner to ensure that the correct insurance has been taken out by their builder.

Straight Through Payment processing

VMIA streamlined invoicing and payments for external service providers supporting domestic building insurance claims, by introducing Straight Through Payment (STP) in September 2023.

This system allows third-party suppliers, such as lawyers and building inspectors, to easily submit their invoices through the domestic building insurance portal and reduces the need for manual review.

Cheryl Hildebrandt

CEO Tullamarine Community House and Men's Shed Inc

"Without the insurance cover VMIA provides, we couldn't continue with our broad offering of programs to our local community."

Supporting our volunteers

Volunteers and community groups make vital contributions to local communities throughout the state.

We are proud to support the important and diverse work they do by providing comprehensive Group Personal Accident (GPA) insurance. Our GPA policy provides cover for permanent or temporary bodily injury resulting from an accident that may occur when undertaking volunteering duties.

We also provide insurance that covers the property of volunteer caregivers — primarily foster and kinship carers — in the event their property is damaged by individuals in their care.

Each year, we receive and settle hundreds of claims under these two policies, ensuring that volunteers across Victoria are supported when they suffer injury or property damage during their volunteer activities.

"Foster carers are volunteers who provide a home, family life and care to children and young people who are unable to live with their birth family or kin for a variety of reasons. Carers make a huge contribution to the lives of many vulnerable children and young people. The insurance cover provided to volunteer caregivers for property damaged by individuals in their care is one important way that the Victorian Government supports our foster carers and the valuable work they do."

Aubrey Mair,
Manager Governance Department of Families, Fairness and Housing (DFFH)

Tullamarine Community House and Men's Shed Inc. (TCHMS) is an important part of the local community, offering a welcoming space for residents.

Established in 1987, it provides a broad range of social programs for residents of Tullamarine and surrounding areas. A key part of TCHMS is the Men's Shed, which engages men from the local community in collaborative projects, fostering supportive friendships. This reduces social isolation, strengthens community ties and enhances participants' overall quality of life.

Helping vulnerable Victorians return home

A milestone arrived at the beginning of the financial year, when Homes Victoria residents affected by floods in the Greater Shepparton, Echuca and Seymour regions were able to begin returning to their homes.

Homes Victoria manages a portfolio of nearly 70,000 properties across the state, providing social housing for more than 116,000 Victorians, many of whom have special needs. Houses, apartments, units and group homes accommodating residents were impacted by widespread flooding in late 2022.

VMIA worked closely with Homes Victoria to gather the information needed to rapidly assess and lodge a claim for repairs and provide advice on the works required.

We immediately raised an insurance claim on behalf of Homes Victoria for the costs to repair damaged properties, rent relief, and the additional costs incurred to maintain alternative accommodation for affected renters.

Through a concerted effort, renters and carers were able to return home as soon as possible or were supported to remain in their homes while repairs were undertaken.

This collaborative effort underscores VMIA's goal of supporting communities and essential services in Victoria to recover quickly when disaster strikes.

"We were very pleased with the support VMIA provided to Homes Victoria and our renters. VMIA assisted us every step of the way to ensure our renters could return to their homes as soon as possible."

Simon Newport,
CEO Homes Victoria

Supporting Victoria's emergency services

VMIA played an important role supporting Fire Rescue Victoria (FRV) as it recovered from a major cyber attack.

The impact of the cyber attack was far reaching and saw business operations disrupted as systems became inaccessible, forcing FRV to activate business continuity plans. Despite this, FRV continued providing critical fire and rescue services and responded to all emergencies.

Immediately following notification of the incident, VMIA met with FRV to discuss the claims support we could provide and engaged appropriate experts to provide advice and assistance as FRV navigated the process of recovery and restoration.

Throughout that process, VMIA provided our continued advice and support, ensuring a positive relationship with the key personnel at FRV. VMIA's Cyber Insurance policy responded, contributing significantly to the restoration costs that were incurred.

Connected

We underpin our insurance and advice with leading data, research and global insights. By leveraging our local and international relationships, we connect clients to contemporary risk management trends and engage productively on the issues that matter most.

Harm Prevention

VMIA's harm prevention initiatives are long-term investments in the safety and wellbeing of Victorians.

As well as sponsoring dedicated harm prevention projects in the health sector, we work closely with our partners in government and the broader health sector, to develop risk reduction initiatives to help clients assess and manage their risks.

Research in harm prevention often leads to improved outcomes for patients in health settings and a reduction in the growth rate of claims against our clients.

Harm Prevention in the Emergency Department

VMIA has a pilot underway to support how Emergency Departments identify and respond to patients presenting with symptoms of dizziness and back pain.

Since March 2023, the trial of two emergency care bundles at St Vincent's Public Hospital Melbourne and Northern Health has sought to improve emergency department procedures for managing high-risk conditions associated with these symptoms.

The pilot builds on our 2022 report, *Preventing patient harm in emergency and urgent care settings*, which looked at the most significant contributors to patient harm. These related to clinical decision making and patient management, with an emphasis on emergency situations. Results from the Emergency Care Bundle pilot are expected by June 2025.

Improving outcomes in Operative Vaginal Births

Women and babies at Monash Health are experiencing safer births following the implementation of a Safety Bundle.

VMIA provided support to help Monash Health develop the Operative Vaginal Birth (OVB) Safety Bundle, a set of four tools for clinicians designed to reduce the likelihood of human error in instrumental births. Each year, 12,000 Victorian births require assistance with an instrument. These births can be complex and require crucial technical skills and decisive action in high-pressure situations.

Monash Health trialed the OVB Safety Bundle in their four hospitals over 12 months. The pilot showed increased safety; lowering the prospect of babies having poor outcomes by 27% and improving the accurate diagnosis of the baby's position by 92%. Communication between healthcare workers improved, and patients reported feeling safe and secure, even during complicated births.

The successful pilot led to permanent changes across Monash Health's birthing suites and operating theatres.

As part of our Harm Prevention Roadmap, VMIA is now working with Monash Health to implement the Safety Bundle in other hospitals.

"The results of the pilot are excellent. The Safety Bundle has significantly reduced neonatal morbidity and our multidisciplinary team is working more collaboratively than ever before, which improves the birthing experience for everyone, including parents and babies. If we can get this OVB Safety Bundle implemented throughout the State with VMIA, mothers, babies and clinicians from all over Victoria will benefit."

Associate Professor Ryan Hodges,
Director of Maternity Services and Program Director for Women's and Newborn, Monash Health

* Morbidity means the condition of suffering from a disease, injury or medical condition.

From left: Dr Peter Neil, A/Prof Ryan Hodges, Nadine Murray, Dr Sasha Skinner, A/Prof Daniel Rolnik, and Dr John Regan. Image courtesy of Monash Health

Health Sector Cyber Security Assessment tools

VMIA continues to partner closely with the Department of Health's eHealth division to deliver two online self-assessment tools to over 120 Victorian public health services and community health services.

These self-assessments are a valuable part of eHealth's cyber security assurance program, providing security and risk insights to support the Victorian public health sector better understand the security posture of their IT systems and identify areas for improvement.

Since 2022, VMIA's Health Sector Cyber Security Assessment package includes controls from different frameworks including the Australian Signals Directorate's Essential Eight, the Center for Internet Security, the Australian Cyber Security Centre's Information Security Manual and the National Institute of Standards and Technology. The package recognises the complementary nature of these different controls and their important role as risk mitigants. The package is updated regularly in line with the current cyber threat environment. The most recent update happened in May 2024.

In November 2023, VMIA and eHealth launched the Health Sector Medical Device Security Assessment. Now available to over 60 Victorian public health services, this assesses the security of medical devices.

The Medical Device Security Assessment is aligned with the Heath Sector Cyber Security Assessment and uses a package of controls that are adapted from the Australian Therapeutics Goods Administration's Medical Device Cyber Security Guidance for large-scale providers, and security best practices for industrial control systems.

Both assessment tools give health services an indication of their cyber security maturity so they can make informed decisions about areas for improvement. This ensures health services have the insights and systems in place to allow them to take steps to protect themselves and remain resilient against ever-evolving cyber threats. VMIA and the Department of Health use these cyber self-assessments to further develop programs, products and services to meet the needs of clients, and optimise our insurance solutions.

Incentivising Better Patient Safety

The Incentivising Better Patient Safety (IBPS) program has been running since 2018 and since that time has returned over $18 million in insurance premiums to Victorian public hospitals, which can be reinvested in Victoria's public maternity services.

This state-wide initiative rewards hospitals for training birth suite clinicians in key areas of risk mitigation. If hospitals complete VMIA's IBPS training each financial year, they receive a partial refund on their insurance premium.

This year, more than 92% of participating hospitals completed the training. VMIA commissioned Deloitte to evaluate the program over a three-year period. The final report is due in July 2025.

Confident

We complement our expert advice by supporting clients to become confident and skilled risk managers. As well as providing tailored risk solutions, our advisers help guide clients to assess current and emerging risks, so they can make informed risk management and transfer decisions.

Risk Maturity Benchmark

VMIA continued to support clients to improve their risk management practices through the Victorian Government Risk Maturity Benchmark. This platform allows organisations to assess their own risk management practices and compare their results with the public sector, as well as create improvement action plans.

The benchmark aligns with the International Standard ISO 31000 Risk Management – Guidelines and the Victorian Government Risk Maturity Framework (VGRMF). Victorian organisations covered by the VGRMF must attest each year, and completing the benchmark ensures they are in a strong position to attest.

The client capability team this year supported many of our clients to complete their Risk Maturity Benchmark by directly working with departments and agencies.

We provided in-person reviews with several regional clients including Grampians Health, SuniTAFE, Benalla Health, Alpine Resorts Victoria and Bendigo Health, together with several metropolitan clients including Department of Transport and Planning, Department of Government Services and Melbourne Arts Precinct Corporation.

In 2023-24, 225 organisations were included in the benchmark, and 74 updated their assessments for the year. This strong engagement demonstrates that Victorian Government organisations are actively evaluating their risk management approach and pursuing continuous improvement.

In addition to direct client work, our Client Capability advisers support and contribute to a range of communities of practice across health, justice, emergency services and environment.

This includes chairing the Health Care Risk Managers Community of Practice which has 83 members drawn from health services and health-related government agencies operating across Victoria.

Risk management in the public sector microcredential

VMIA is a leading training provider in risk management and insurance for the public sector. We run a range of courses and online training opportunities designed to help our clients improve their understanding and application of risk management. This year we conducted more than 45 client learning workshops for nearly 800 attendees.

Courses are designed to support them to meet the requirements of the Victorian Government Risk Management Framework (VGRMF).

More than 500 clients and staff enrolled in the Public Sector Risk Management microcredential course to enhance their skills and capability in risk management. This microcredential is run through RMIT Online.

Dovid Clarke

Victorian Government Chief Information Security Officer and Executive Director Data and Digital Resilience

"In the last financial year, we supported more than 65 directors to learn how to prepare their organisation for growing cyber threats.

The Cyber Risk Foundations training arms directors with the practical tools and resources to make informed decisions about their organisation's cyber risk, to help them prevent, respond and recover from cyber threats."

Cyber Risk Foundations training for public sector non-executive directors

In February 2024, VMIA ran four risk foundations workshops in partnership with the Department of Government Services (DGS).

The training is designed to improve the understanding of cyber risk among directors of Victorian Government agencies.

With three face-to-face and one online session, these workshops played a crucial role in helping DGS achieve its goal of training more than 60 board members as part of the Victorian Cyber Strategy. A total of 67 board members from 40 organisations attended the training.

The workshops covered Victorian Government expectations around cyber risk, developing a clear understanding of essential cyber questions to ask as a Board member, and IT security maturity.

The workshops were positively received by participants.

State Significant Risk

VMIA plays an important supporting role to the State Significant Risk Interdepartmental Committee (SSRIDC). The Committee is designed to help ensure the most significant risks to the State are understood across the Victorian Public Sector.

VMIA supports this Committee by working with its members to identify and manage these risks by researching global trends, facilitating workshops and contributing to improvements in how State significant risks are analysed and evaluated.

Business and operational performance

The People and Culture team is committed to developing our people. Over the past 12 months, we have focused on training and development in key areas including digital skills, project management, leadership and change capabilities.

Digital uplift

VMIA continues to improve our processes and ways of working through digital uplift, including improving our analytics and insights capabilities.

Late February saw the successful implementation of VMIA's new finance and people system — Thrive. Using Oracle Fusion cloud applications, Thrive has given VMIA a seamless, integrated people management system with an intuitive and user-friendly interface. It has improved efficiencies across the organisation by removing many manual tasks. The people application provides improved insights and management of employee lifecycle activities.

To support employees as they develop their use of Thrive, drop-in learning sessions and demonstrations at all staff and team meetings are ongoing.

A dynamic and supportive workplace

Our employees enjoy flexible work arrangements, substantial investment in learning and development, and a commitment to fostering a diverse and inclusive culture. The unique strengths, experiences, and perspectives of our people create a vibrant and connected work community, enhancing both our workplace and our impact.

We place a strong emphasis on the wellbeing and the work-life balance of our employees through adaptable workplace arrangements. These arrangements are made between employees, their people leader and their work team. All teams use guiding principles such as alignment to expectations of clients and stakeholders, increasing productivity and engagement, and benefits for health, wellbeing, diversity and inclusion.

Employees can tailor their work schedules to balance work commitments with personal life, such as morning school drop-offs, medical appointments, or other personal responsibilities.

By providing flexibility, we ensure our employees can manage their professional and personal lives effectively, leading to higher job satisfaction and overall organisational success.

This year we increased secondary caregiver benefits from two to four weeks parental leave. This can now be taken at any time up to 24 months after the birth of the child. The qualifying eligibility period for paid parental leave has been reduced from one year to six months continuous service.

A learning organisation

As a learning organisation VMIA is committed to developing a workforce that has the right capabilities to perform at a high level, one that exceeds our clients' changing needs and expectations. We provide professional development opportunities through internal and external learning and mentoring.

The Leadership Development Program relaunched in May 2024, with the inclusion of a new Leadership Foundations course. This reflects VMIA's ongoing commitment to training and development of our current and future leaders.

Supporting digital uplift across the business

Sean White

Digital Enablement Lead, Financial Accounting

"I had been in my role for three and a half years when I saw an internal secondment. With my manager's support, I applied for and got the role. The secondment has been incredibly valuable, introducing me to agile methodologies and offering significant exposure to new ways of working. This experience has been the best decision I've made since joining VMIA, providing a fantastic opportunity to develop new skills and explore different roles within the organisation."

VMIA's Business Essentials Program is underway for a second year. This suite of courses is open to all employees and includes Project Management Fundamentals, Agile Delivery, Strategy, and Financial Management Fundamentals. The program was delivered in partnership with the Australian Institute of Management.

People Value Proposition

Our people are inspired to work for a purposeful organisation, providing meaningful work that helps Victorians thrive. They strive for the highest levels of achievement, for both our clients and our organisation.

Launched in February 2024, our refreshed People Value Proposition (PVP) was designed with a core Elevate goal top of mind: to become a high-performance organisation by increasing the productivity of our current operations and harnessing the creativity and potential of our people.

"Our strong organisational culture has our people at its centre, and we are committed to investing in their development, building future-ready skills, knowing this will benefit staff, clients and VMIA."

Andrew Davies,
CEO

Staff benefits include:

- learning and development funding
- access to a wellness subsidy and Employee Assistance Program
- growth opportunities such as secondment programs
- hybrid and flexible working: a mix of office and remote work, with a focus on our people connecting for a purpose
- parental leave after six months of service
- inclusive policies and support for life stages such as parenthood and retirement
- salary sacrifice options, income protection insurance, and transport discounts.

Diversity and Inclusion

VMIA believes an inclusive and diverse workforce promotes productivity and wellbeing and supports our ability to attract and retain the best people.

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.

The Diversity and Inclusion program focuses on enhancing our recruitment practices, onboarding programs and corporate induction process.

VMIA's new and compulsory Prevention of Sexual Harassment training was delivered online. This is one element of VMIA's commitment to providing a safe and healthy work environment and fostering a culture free from discrimination and harassment.

Hybrid events continue to support inclusivity. A deliberate blend of virtual, in-person and hybrid events have featured throughout the year, with an emphasis on coming together in the office for moments that matter.

Setting up Victoria's Big Build for success

Leeva Sheidaee

Major Projects Lead, Construction, Insurance Services

"With a decade of experience as an underwriter and broker, I came to VMIA to work on the insurance programs for Victoria's Big Build. It's been amazing to be part of the team that develops and delivers insurance solutions for such major projects. It's been an exceptional professional development opportunity and I'm proud to be an active participant in the major projects that will shape our state for future generations."

The benefits of flexibility

Ian Pham

Head of Information Security

"I value the flexibility VMIA provides, which allows me to balance work with my family commitments. I start my workday later to accommodate morning school drop-offs and take an hour off one day a week, fully supported by my manager. This allows me to spend more quality time with my kids and relax before the busy day ahead. I keep my manager informed ahead of time. We maintain good communication and transparency, and I'm flexible in return, starting earlier or staying later if needed."

Reference groups

VMIA's Diversity and Inclusion reference groups continue to educate and develop awareness among our people.

Wear it Purple Day was led by the LGBTQIA+ and Allies Reference Group. The Group shared key news, an employee presented their personal story, and there was an interactive learning opportunity.

A Taste of Harmony was led by the Culturally and Linguistically Diverse Reference Group. All staff were invited to bring in examples of food that in some way represented "my identity".

International Women's Day was led by People & Culture and the Gender Reference Group. VMIA was joined by Elana Rubin AM, Chair of VMIA, along with a panel discussion proudly showcasing VMIA leaders and their contributions to improving outcomes for women.

National Reconciliation Week was led by the Reconciliation Reference Group. Our Innovate Reconciliation Action Plan (RAP) launched in May 2024 and continues VMIA's commitment to reconciliation. We will implement the Innovate RAP over the next two years, building on a culture of mutually respectful relationships, partnerships and activities through awareness raising, procurement and improving opportunities in employment with VMIA.

International Day of People with Disability was led by the Disability Reference Group and guests from MatchWorks, a community-based, non-profit organisation committed to empowering people through disability and aged care services. They shared insights into building inclusive workplaces and the positive impacts on organisations and employees.

Gender Equality Action Plan

VMIA's Gender Equality Action Plan 2021–2025 is designed to promote and champion strategies to support gender equality. Our Plan incorporates the actions and activities that enable VMIA to meet its legislative obligations and support positive workplace culture and engagement as part of our broader diversity and inclusion program.

This year's focus has been building awareness and storytelling across all reference groups, reviewing our people and culture policies through a diversity and inclusion lens, enhancing inclusiveness in our recruitment practices and improving our induction and learning programs.

Gender pay gap

As at 30 June 2024, our point in time gender pay gap was 6.8% in favour of males (an increase of 0.7% on June 2023) and our 12-month rolling pay gap was 6.3%. Across our grade levels, the gender pay gap remains within the 3% tolerance for 6 out of our 8 grade levels, with Grade L1 at –3.4% (favourable to females) and Grade L7 4.1% (favourable to males), the only grades outside of the tolerance level.

Support for the transition back to work

Olivia Glover

Client Adviser

"Returning to work full time after my son was born felt quite seamless because of the support I received from VMIA, even when on maternity leave.

I started sessions with a Parental Leave Transition Coach while on leave and continued these after I returned to work. It made the transition less daunting knowing there was someone I could reach out to for advice or just a chat if things felt overwhelming. My manager and colleagues have been helpful in helping me learn or relearn processes, and the flexible work options have helped ease the stress of home life."

Reconciliation Action Plan

In May 2024 we launched our Innovate Reconciliation Action Plan (RAP). Our goals are to deepen our relationships with Aboriginal and Torres Strait Island peoples, engage staff and stakeholders, and progress our vision of connecting the people, places and projects that we insure with First Nations values, customs and stories.

Indigenous Cultural Connections Pty Ltd, a specialist cultural consulting and advisory firm, has been appointed to help assist us with implementation of our Innovate RAP and guide our reconciliation efforts.

As we implement our Innovate RAP over the next two years, VMIA will continuously engage with Aboriginal and Torres Strait Islander peoples and target the social and business opportunities that support Australia's reconciliation movement.

Listening to our people

The 2024 People Matter survey ran from May through to early June 2024. The participation rate was 82% — an increase of 4 percentage points on 2023 — with an engagement score of 73% — an increase of 1 percentage point on 2023. VMIA's participation rate and engagement scores were higher than our comparator group and the Public Sector more broadly.

The highest scoring questions related to the meaningful contribution our people feel that they can make at work, and the sense of achievement that individuals feel through delivery of their work. People also stated that they felt safe and were treated with dignity and respect at work.

Experience of negative behaviours in the workplace fell in all categories (bullying, sexual harassment, violence or aggression, discrimination) in 2024 and were well below our comparator group and the Public Sector.

Our People

Talent acquisition

60%

of all placements were internal appointments

Internal promotions

9

promotions to leadership positions
six promotions to non-leadership positions

Internal secondments

8

internal secondments across the organisation

Ergonomic subsidy

31

people accessed our ergonomic subsidy (available only once every three years)

Financial Summary

Report of operations

Five year summary of financial results	2024 $'000	2023 $'000	2022 $'000	2021 $'000	2020 $'000
Gross premium earned	683,217	621,259	559,967	485,918	417,628
Other income[1]	282,753	571,819	(60,002)	479,290	136,898
Less reinsurance, claims, commission and administration expenses	1,064,638	1,308,515	749,199	703,743	943,717
Operating surplus/(deficit)	(98,668)	(115,437)	(249,234)	261,465	(389,191)
Net cash inflow from operating activities	112,409	202,703	204,840	91,535	167,316
Total assets	4,376,321	3,946,106	3,531,117	3,268,664	2,820,781
Total liabilities	4,853,281	4,324,398	3,793,972	3,282,285	3,081,996
Net assets/(liabilities)	(476,960)	(378,292)	(262,855)	(13,621)	(261,215)

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

Financial performance

VMIA had an operating deficit of $98.7 million for the 2023-24 year. The deficit was driven by higher-than-expected claims experience across most portfolios. This was offset partially by higher-than-expected investment income. While VMIA's insurance funding ratio fell from 103.0% to 99.8%, slightly outside the preferred range of 100% to 145%, VMIA's financial position remains sound. During the year, VMIA undertook a range of actions that aimed to increase the insurance funding ratio progressively over the next five years.

Gross premium earned was $62.0 million higher than the prior year and has increased at a compound annual growth rate of 13% per annum since 2019-20. This premium growth reflects both an expansion in the activities insured by VMIA and the increasing cost of claims being incurred. There are many factors increasing the cost of claims incurred, including higher general damages allowances in compensation payments, expansion of special damages in compensation payments and increasing legal representation costs, which are particularly evident in the medical indemnity and liability portfolios. Claims incurred in the domestic building insurance portfolio have been elevated in the past two years as a result of the insolvency of Porter Davis Homes and high construction cost inflation.

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 the claims expense calculated using long-term Commonwealth bond yields
- impact of the net movement in the unexpired risks liability
- legislative changes and government-directed changes.

For 2023-24, the EIR was a deficit of $195.4 million. The deficit was due to the higher-than-expected claims incurred.

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

Significant changes in financial position

At 30 June 2024, total assets were higher than the prior year by $430.2 million, primarily due to the increase in the investment portfolio, trade receivables and unearned reinsurance. Correspondingly, total liabilities increased by $528.9 million, reflecting the increases in gross claims liabilities and unearned premium. During 2023-24, VMIA generated a net cash inflow of $112.4 million from operating activities. VMIA's equity position decreased by $98.7 million to a deficit of $477.0 million at 30 June 2024 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	2024	2023	2022	2021	2020
Economic Insurance Result (EIR)					
Actual ($ million)	(195.4)	(224.0)	(66.1)	N/A	N/A
Budget ($ million)	80.4	66.3	75.1	N/A	N/A
EIR Combined Ratio	172.1%	182.5%	158.4%	N/A	N/A
Performance from Insurance Operations (PFIO)[3]					
Actual ($ million)	N/A	(282.6)	(111.1)	(31.2)	(180.1)
Budget ($ million)	N/A	51.0	62.6	2.1	34.4
PFIO Combined Ratio	N/A	193.4%	167.6%	128.8%	177.7%
Insurance Funding Ratio	99.8%	103.0%	109.7%	130.8%	118.6%
Return on Investments (before fees)	10.4%	10.9%	(1.8%)	17.9%	1.7%
Return on Investments (after fees)	9.8%	10.2%	(2.8%)	16.9%	1.1%
Return on Assets[1]	(4.9%)	(6.1%)	(2.0%)	(1.0%)	(6.5%)
Number of employees at end of year[2]	242	255	223	226	214
Number of full time equivalent employees at end of year (FTE)[2]	233.1	245.7	213.4	217.8	205.8
Gross Premium Written ($ million)	1,002.7	608.3	781.8	531.9	439.4
Gross Premium Earned ($ million)	683.2	621.3	560.0	485.9	417.6

1. Return on Assets has been calculated based on the EIR in 2024, 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.
3. EIR replaced PFIO in 2024, however PRFIO for previous years has been retained to allow comparisons with prior Annual Reports.

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Financial Report

The Victorian Managed Insurance Authority (VMIA) presents its audited general purpose financial statements for the financial year ended 30 June 2024 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 2024

	Note	2024 $'000	2023 $'000
Gross premium earned	2.1, 2.7	**683,217**	**621,259**
Reinsurance premium incurred	2.7	(103,033)	(86,187)
Decrease/(increase) in unexpired risks liability	2.8(b)	3,476	20,535
Net premium earned		**583,660**	**555,607**
Gross claims incurred	2.2, 2.3(b)	(882,640)	(1,146,633)
Reinsurance and other recoveries	2.2, 2.3(b)	(55,204)	233,627
Net claims incurred	2.2	**(937,844)**	**(913,006)**
Commission incurred		(11,236)	(10,291)
Other income		3,131	2,632
Administration expenses	5.1	(57,442)	(56,459)
Underwriting result		**(419,731)**	**(421,517)**
Investment income	3.1	331,350	312,566
Investment management expenses		(9,689)	(8,945)
Net investment income		**321,661**	**303,621**
Receipt from / Payments to the State	6.1(a)	(598)	2,459
Net result		**(98,668)**	**(115,437)**
Comprehensive result		**(98,668)**	**(115,437)**

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

Balance Sheet

As at 30 June 2024

	Note	2024 $'000	2023 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	3.2	66,028	53,305
Trade receivables	2.10	59	391
Non-trade receivables		4,504	4,200
Investments	3.3(c)	3,475,216	3,266,953
Total financial assets		**3,545,807**	**3,324,849**
Non-financial assets			
Trade receivables	2.10	228,079	120,896
Non-trade receivables		8,598	3,331
Prepaid expenses	4.3	5,633	2,056
Furniture, fittings, equipment and motor vehicles		295	470
Intangibles	4.4	2,500	7,523
Right-of-use-assets	4.1	12,682	7,701
Deferred acquisition costs	2.8(a), 2.9	-	-
Unearned reinsurance	2.7	362,591	179,053
Reinsurance and other recovery assets	2.3(b), 2.3(d)	210,136	300,227
Total non-financial assets		**830,514**	**621,257**
Total assets		**4,376,321**	**3,946,106**
LIABILITIES			
Trade payables	2.11	174,466	130,391
Non-trade payables	4.5	17,272	18,353
Derivative liabilities	3.3(c)	7,867	46,690
Provisions		7,615	7,108
Lease liability	4.2	12,785	8,918
Unearned premium	2.7	824,406	504,958
Unexpired risks	2.8(b)	144,503	147,979
Gross claims liabilities	2.3(a), 2.3(b) , 2.3(c)	3,664,367	3,460,001
Total liabilities		**4,853,281**	**4,324,398**
Net assets		**(476,960)**	**(378,292)**
EQUITY			
Contributed capital		-	-
Accumulated surplus/(deficit)		(476,960)	(378,292)
Total equity		**(476,960)**	**(378,292)**

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 2024

	Note	Contributed capital $'000	Accumulated surplus/(deficit) $'000	Total $'000
Balance at 30 June 2022		**-**	**(262,855)**	**(262,855)**
Comprehensive result for the year		-	(115,437)	(115,437)
Balance at 30 June 2023	**6.1**	**-**	**(378,292)**	**(378,292)**
Comprehensive result for the year		-	(98,668)	(98,668)
Balance at 30 June 2024	**6.1**	**-**	**(476,960)**	**(476,960)**

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 2024

	Note	2024 $'000	2023 $'000
Cash flows from operating activities			
Insurance premium received		1,054,461	813,250
Other income		3,444	2,895
Reinsurance premium paid		(225,277)	(82,352)
Gross claims paid		(788,570)	(602,676)
Reinsurance and other recoveries received		34,916	15,712
Reimbursement of claims paid on behalf of others		75,095	69,626
Gross commission paid		(10,349)	(10,086)
Payments to employees and suppliers for services and goods		(78,910)	(69,363)
Dividends, distributions and other investment income received	3.1	169,044	165,173
Interest received	3.1	11,909	10,224
Goods and Services Taxation paid		(63,444)	(47,808)
Stamp Duty paid		(69,312)	(61,892)
Payments to the State		(598)	-
Net cash inflow from operating activities	**3.2(a)**	**112,409**	**202,703**
Cash flows from investing activities			
Acquisition of furniture, fittings, equipment and motor vehicles		(106)	(196)
Proceeds on disposal of furniture, fittings, equipment and motor vehicles		152	72
Acquisition of investments		(1,856,343)	(2,417,608)
Proceeds on disposal of investments		1,758,410	2,224,369
Net cash inflow/(outflow) from investing activities		**(97,887)**	**(193,363)**
Cash flows from financing activities			
Lease payments (principal component)		(1,799)	(1,756)
Cash outflow from financing activities		**(1,799)**	**(1,756)**
(Decrease)/increase in cash and cash equivalents		12,723	7,584
Cash and cash equivalents at beginning of year		53,305	45,721
Cash and cash equivalents at end of year	**3.2**	**66,028**	**53,305**

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 supports 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 South, 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 2024 and the comparative information presented for the year ended 30 June 2023.

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 I*ncome 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 2024 of $477 million (2023: negative $378 million) and a net loss at 30 June 2024 of $99 million (2023: loss of $115 million), it delivered positive cash flows from operating activities of $112 million (2023: $203 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 the 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 30 August 2024.

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	2024 $'000	2023 $'000
Gross premium earned			
Domestic Building Insurance		89,852	83,165
Liability		117,323	101,905
Medical Indemnity		257,147	244,994
Property		102,889	91,191
Construction		90,183	74,342
Other		25,823	25,662
Total gross premium earned		**683,217**	**621,259**

Premium includes amounts charged to policyholders but excludes Stamp Duty and Goods and Services Taxation. Some premiums are received relating to risks that are borne across multiple financial years and premium is recognised in the Comprehensive Operating Statement when it has been earned, not when it is received. 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.

	2024			2023		
	Current year $'000	Prior years $'000	Total $'000	Current year $'000	Prior years $'000	Total $'000
Gross claims incurred						
Undiscounted	829,978	102,100	932,078	1,247,885	39,311	1,287,196
Discount movement	(127,261)	66,135	(61,126)	(186,782)	34,896	(151,886)
Unallocated claims expenses	11,688	-	11,688	11,323	-	11,323
Total gross claims incurred	**714,405**	**168,235**	**882,640**	**1,072,426**	**74,207**	**1,146,633**
Reinsurance and other recoveries						
Undiscounted	(23,429)	67,429	44,000	(264,375)	12,034	(252,341)
Discount movement	2,516	8,688	11,204	16,101	2,613	18,714
Total reinsurance and other recoveries	**(20,913)**	**76,117**	**55,204**	**(248,274)**	**14,647**	**(233,627)**
Total net claims incurred	**693,492**	**244,352**	**937,844**	**824,152**	**88,854**	**913,006**

2.3 Claim liabilities

(a) Gross claims liabilities

	2024 $'000	2023 $'000
Undiscounted central estimate	3,732,639	3,490,802
Discount to present value	(563,146)	(502,019)
Discounted value of central estimate	**3,169,493**	**2,988,783**
Claims handling expenses	74,510	69,471
Risk margin	420,364	401,747
Total gross claims liabilities	**3,664,367**	**3,460,001**
Current	958,527	919,674
Non-current	2,705,840	2,540,327
Total gross claims liabilities	**3,664,367**	**3,460,001**

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

	2024			2023		
	Gross $'000	Reinsurance & other recoveries $'000	Net $'000	Gross $'000	Reinsurance & other recoveries $'000	Net $'000
Claims liabilities at beginning of year	**3,460,001**	**(300,227)**	**3,159,774**	**2,850,702**	**(82,260)**	**2,768,442**
Effect of changes in economic assumptions	(21,312)	1,428	(19,884)	(60,099)	1,295	(58,804)
Effect of changes in other assumptions	66,372	84,657	151,029	51,165	15,306	66,471
Effect of claims moving one year closer to settlement	123,175	(9,968)	113,207	83,141	(1,954)	81,187
Claims incurred for most recent policy year	714,405	(20,913)	693,492	1,072,426	(248,274)	824,152
Claims incurred charged/(credited) to income	**882,640**	**55,204**	**937,844**	**1,146,633**	**(233,627)**	**913,006**
Net claim payments during the year	(678,274)	34,887	(643,387)	(537,334)	15,660	(521,674)
Claims liabilities at end of year	**3,664,367**	**(210,136)**	**3,454,231**	**3,460,001**	**(300,227)**	**3,159,774**

(c) Undiscounted gross central estimate of claims liabilities maturity profile

	2024 $'000	2023 $'000
Under 1 year	823,967	794,742
1-5 years	1,760,364	1,685,801
Over 5 years	1,148,308	1,010,259
Total	**3,732,639**	**3,490,802**

(d) Reinsurance and other recovery assets

	2024 $'000	2023 $'000
Reinsurance recoveries in respect of claims liabilities (undiscounted)	162,487	286,012
Other recoveries in respect of claims liabilities (undiscounted)	86,398	41,733
Discount to present value	(38,749)	(27,518)
Total reinsurance and other recovery assets	**210,136**	**300,227**
Current	61,890	155,318
Non-current	148,246	144,909
Total reinsurance and other recovery assets	**210,136**	**300,227**

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.)*

(e) 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	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000	2024 $'000	Total $'000
Original estimate of ultimate net claims incurred at end of policy year	45,577	52,563	64,226	53,697	59,672	68,987	81,980	84,454	137,285	107,955	
One year later	39,879	69,285	59,381	51,686	69,962	66,676	94,179	146,767	172,827		
Two years later	44,170	70,792	72,897	73,239	66,458	52,909	111,629	190,156			
Three years later	49,033	84,479	100,920	78,298	63,745	71,457	113,252				
Four years later	51,207	99,962	110,609	79,051	83,096	69,041					
Five years later	55,277	110,985	115,173	87,418	91,656						
Six years later	56,396	117,667	123,771	97,137							
Seven years later	74,522	117,027	137,056								
Eight years later	68,242	132,130									
Nine years later	74,215										
Current estimate of ultimate net claims incurred	**74,215**	**132,130**	**137,056**	**97,137**	**91,656**	**69,041**	**113,252**	**190,156**	**172,827**	**107,955**	**1,185,425**
Cumulative payments	(64,470)	(108,355)	(100,560)	(60,949)	(48,774)	(22,782)	(45,729)	(92,268)	(64,432)	(1,120)	(609,439)
Net claims liabilities - undiscounted	**9,745**	**23,775**	**36,496**	**36,188**	**42,882**	**46,259**	**67,523**	**97,888**	**108,395**	**106,835**	**575,986**
2014 and prior years											8,396
Unearned liabilities											(240,633)
Total net claims liabilities - undiscounted											**343,749**
Discount to present value											(27,786)
Claims handling expenses											11,059
Risk margin											72,517
Net claims liabilities at 30 June 2024											**399,539**

Dust Diseases and Workers' Compensation	Total $'000
Nine years previous	565,876
Eight years previous	533,804
Seven years previous	547,545
Six years previous	567,996
Five years previous	518,230
Four years previous	510,120
Three years previous	520,930
Two years previous	542,165
One year previous	561,489
Current estimate of ultimate net claims incurred	**575,747**
Cumulative payments (since 30 June 1999)	(293,549)
Net claims liabilities – undiscounted	**282,198**
Discount to present value	(97,342)
Claims handling expenses	5,546
Risk margin	54,348
Net claims liabilities at 30 June 2024	**244,750**

2.3 Claim liabilities *(cont.)*

(e) Net claims development tables (cont.)

Liability	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000	2024 $'000	Total $'000
Original estimate of ultimate net claims incurred at end of policy year	24,657	34,968	23,427	29,814	65,292	75,983	72,186	74,653	98,668	116,513	
One year later	24,926	32,793	19,335	31,234	57,168	85,700	81,650	95,533	98,214		
Two years later	20,299	39,131	18,453	26,107	55,014	165,182	110,213	106,792			
Three years later	17,041	38,825	19,162	32,226	86,765	132,561	123,307				
Four years later	14,705	38,783	21,405	37,584	88,996	121,343					
Five years later	14,582	43,843	27,411	39,108	92,527						
Six years later	15,526	45,171	25,030	42,645							
Seven years later	18,911	45,040	23,525								
Eight years later	19,446	44,217									
Nine years later	19,435										
Current estimate of ultimate net claims incurred	**19,435**	**44,217**	**23,525**	**42,645**	**92,527**	**121,343**	**123,307**	**106,792**	**98,214**	**116,513**	**788,518**
Cumulative payments	(15,453)	(40,792)	(20,099)	(38,793)	(89,722)	(105,563)	(66,762)	(40,498)	(33,635)	(8,931)	(460,248)
Net claims liabilities - undiscounted	**3,982**	**3,425**	**3,426**	**3,852**	**2,805**	**15,780**	**56,545**	**66,294**	**64,579**	**107,582**	**328,270**
2014 and prior years											13,961
Total net claims liabilities - undiscounted											**342,231**
Discount to present value											(34,721)
Claims handling expenses											10,179
Risk margin											100,626
Net claims liabilities at 30 June 2024											**418,315**

Medical Indemnity	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000	2024 $'000	Total $'000
Original estimate of ultimate net claims incurred at end of policy year	194,564	194,232	189,902	195,181	214,474	231,067	260,201	298,885	347,452	402,597	
One year later	178,022	176,145	191,175	203,207	212,998	242,740	271,533	324,494	358,855		
Two years later	145,890	160,011	200,175	206,332	217,291	273,036	291,330	324,494			
Three years later	129,310	147,412	194,972	221,188	237,680	282,163	292,449				
Four years later	143,737	142,970	175,105	228,318	245,226	282,163					
Five years later	145,176	149,766	176,367	256,691	273,939						
Six years later	134,492	155,887	188,848	240,554							
Seven years later	146,146	159,480	187,384								
Eight years later	156,329	160,838									
Nine years later	159,819										
Current estimate of ultimate net claims incurred	**159,819**	**160,838**	**187,384**	**240,554**	**273,939**	**282,163**	**292,449**	**324,494**	**358,855**	**402,597**	**2,683,092**
Cumulative payments	(109,359)	(104,122)	(108,909)	(116,964)	(84,481)	(83,378)	(25,315)	(12,852)	(6,384)	(768)	(652,532)
Net claims liabilities - undiscounted	**50,460**	**56,716**	**78,475**	**123,590**	**189,458**	**198,785**	**267,134**	**311,642**	**352,471**	**401,829**	**2,030,560**
2014 and prior years											121,190
Total net claims liabilities - undiscounted											**2,151,750**
Discount to present value											(337,881)
Claims handling expenses											37,057
Risk margin											118,038
Net claims liabilities at 30 June 2024											**1,968,964**

2.3 Claim liabilities *(cont.)*

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

Property	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000	2024 $'000	Total $'000
Original estimate of ultimate net claims incurred at end of policy year	27,110	8,899	40,331	9,447	27,688	109,131	30,974	38,877	104,516	42,879	
One year later	27,180	10,270	51,358	14,665	24,311	98,259	78,927	53,982	85,644		
Two years later	24,275	10,283	48,066	12,387	24,869	116,154	82,732	43,917			
Three years later	24,290	9,675	43,296	12,021	23,167	108,845	75,194				
Four years later	24,075	9,671	43,488	14,129	24,642	111,090					
Five years later	24,054	9,670	41,121	13,815	22,215						
Six years later	24,062	9,669	41,372	13,694							
Seven years later	24,055	9,659	39,421								
Eight years later	24,049	9,659									
Nine years later	24,049										
Current estimate of ultimate net claims incurred	**24,049**	**9,659**	**39,421**	**13,694**	**22,215**	**111,090**	**75,194**	**43,917**	**85,644**	**42,879**	**467,762**
Cumulative payments	(24,049)	(9,659)	(39,421)	(11,909)	(20,247)	(73,057)	(31,635)	(21,799)	(48,151)	(6,254)	(286,181)
Net claims liabilities - undiscounted	**-**	**-**	**-**	**1,785**	**1,968**	**38,033**	**43,559**	**22,118**	**37,493**	**36,625**	**181,581**
2014 and prior years											263
Total net claims liabilities - undiscounted											**181,844**
Discount to present value											(7,173)
Claims handling expenses											5,240
Risk margin											26,406
Net claims liabilities at 30 June 2024											**206,317**

Construction	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2018 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000	2024 $'000	Total $'000
Original estimate of ultimate net claims incurred at end of policy year	3,767	4,301	13,795	8,627	8,961	9,156	24,049	27,836	35,889	44,270	
One year later	1,686	5,607	13,501	7,137	8,281	14,806	32,177	28,379	70,659		
Two years later	2,591	4,975	11,465	6,716	12,042	14,001	29,173	31,542			
Three years later	1,995	4,750	10,991	9,932	12,347	14,153	33,106				
Four years later	1,565	4,739	11,259	10,853	11,348	15,884					
Five years later	2,522	3,068	11,560	9,676	14,383						
Six years later	2,282	3,603	13,356	11,907							
Seven years later	2,173	4,201	13,852								
Eight years later	2,143	4,083									
Nine years later	2,237										
Current estimate of ultimate net claims incurred	**2,237**	**4,083**	**13,852**	**11,907**	**14,383**	**15,884**	**33,106**	**31,542**	**70,659**	**44,270**	**241,923**
Cumulative payments	(2,147)	(3,995)	(11,925)	(8,056)	(8,453)	(7,264)	(11,844)	(4,039)	(15,676)	(167)	(73,566)
Net claims liabilities - undiscounted	**90**	**88**	**1,927**	**3,851**	**5,930**	**8,620**	**21,262**	**27,503**	**54,983**	**44,103**	**168,357**
2014 and prior years											84
Total net claims liabilities - undiscounted											**168,441**
Discount to present value											(18,153)
Claims handling expenses											4,952
Risk margin											46,205
Net claims liabilities at 30 June 2024											**201,445**

2.3 Claim liabilities *(cont.)*

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

Other	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000	2024 $'000	Total $'000
Original estimate of ultimate net claims incurred at end of policy year	1,114	1,592	1,024	1,489	1,596	10,466	13,209	16,085	20,825	23,898	
One year later	1,819	1,431	1,061	1,222	1,181	7,431	13,233	15,452	18,449		
Two years later	2,117	1,557	1,038	1,166	1,324	9,431	13,080	15,360			
Three years later	2,878	1,072	965	1,141	1,039	9,223	12,716				
Four years later	2,514	1,402	1,029	838	1,206	9,802					
Five years later	2,202	1,603	897	1,441	1,569						
Six years later	2,071	1,612	1,257	1,208							
Seven years later	2,104	1,424	1,190								
Eight years later	2,154	1,371									
Nine years later	2,014										
Current estimate of ultimate net claims incurred	**2,014**	**1,371**	**1,190**	**1,208**	**1,569**	**9,802**	**12,716**	**15,360**	**18,449**	**23,898**	**87,577**
Cumulative payments	(1,945)	(1,282)	(1,062)	(1,019)	(866)	(8,404)	(11,967)	(14,081)	(16,859)	(16,914)	(74,399)
Net claims liabilities - undiscounted	**69**	**89**	**128**	**189**	**703**	**1,398**	**749**	**1,279**	**1,590**	**6,984**	**13,178**
2014 and prior years											364
Total net claims liabilities - undiscounted											**13,541**
Discount to present value											(1,341)
Claims handling expenses											478
Risk margin											2,225
Net claims liabilities at 30 June 2024											**14,904**

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 on 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% (2023: 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 $1.955 million at 30 June 2024, up from $1.832 million at 30 June 2023 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
2024							
Inflation rate (% p.a.)	3.8	3.4	3.3	3.3	3.3	3.3	3.3
Superimposed inflation rate (% p.a.)	-	2.0	-	3.5	-	-	-
Discount rate (% p.a.)	4.2	4.5	4.2	4.2	4.2	4.2	4.2
Weighted average term to settlement (years)	2.3	8.5	2.5	4.1	1.3	2.8	2.0
Non-large claims costs for the latest policy year ($ per 1,000 separations)*	-	-	-	102,600	-	-	-
Ultimate claims ratio (% for the latest policy year)	-	-	96.0	-	-	-	-
Large claim frequency for the latest policy year (% per 1,000 separations)*	-	-	-	1.6	-	-	-
Claim frequency (% of total certificates)	2.2	-	-	-	-	-	-
Number of incurred but not reported (IBNR) claims	-	636	-	-	-	-	-
Average claim size ($ per claim at end of year)	65,000	221,000	-	-	-	-	-
Average claim size for large claims ($ million per claim at end of year)*	-	-	-	2.8	-	-	-
Claims handling expense (CHE) rate (% of claim payments)	3.5	3.0	3.0	2.0	1.8	3.0	3.0
Risk margin (% p.a.)	22.2	28.5	31.7	6.4	14.7	29.8	17.5
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

(*) The threshold for a large claim has changed from $1.832 million (2023) to $1.955 million (2024).

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 hence 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% (2023: 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% (2023: 25%) allowance for diversification between insurance lines of business. The risk margins utilised 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 $'000
Inflation rate (% p.a.)	+0.5	3,870	10,029	4,987	3,357	980	2,646	171
	-0.5	(3,783)	(9,416)	(4,857)	(4,019)	(981)	(2,606)	(167)
Superimposed inflation rate (% p.a.)	+0.5	-	8,528	-	3,357	-	-	-
	-0.5	-	(7,998)	-	(4,019)	-	-	-
Discount rate (% p.a.)	+0.5	(3,783)	(9,542)	(4,731)	(36,788)	(968)	(2,572)	(165)
	-0.5	3,870	10,258	4,896	38,086	976	2,636	170
Non-large claims costs for the latest policy year ($ per 1,000 certificates)	+10.0	-	-	-	(89)	-	-	-
	-10.0	-	-	-	828	-	-	-
Ultimate claims ratio (% for the latest policy year)	+20.0	-	-	18,951	-	-	-	-
	-20.0	-	-	(18,951)	-	-	-	-
Large claim frequency for the latest policy year (% per 1,000 separations)	+0.2	-	-	-	(1,264)	-	-	-
	-0.2	-	-	-	1,290	-	-	-
Claim frequency (% of total certificates)	+0.1	18,164	-	-	-	-	-	-
	-0.1	(18,164)	-	-	-	-	-	-
Number of incurred but not reported (IBNR) claims	+10.0	-	23,106	-	-	-	-	-
	-10.0	-	(23,106)	-	-	-	-	-
Average claim size ($ per claim at end of year)	+10.0	39,954	23,106	-	-	-	-	-
	-10.0	(39,954)	(23,106)	-	-	-	-	-
Average claim size for large claims ($ million per claim at end of year)	+5.0	-	-	-	4,167	-	-	-
	-5.0	-	-	-	(4,185)	-	-	-
Claims handling expense (CHE) rate (% of claim payments)	+1.0	3,860	2,376	4,468	18,646	3,389	2,142	187
	-1.0	(3,860)	(2,376)	(4,468)	(18,646)	(3,389)	(2,142)	(187)
Risk margin (% p.a.)	+1.0	3,270	1,904	3,177	18,509	1,799	1,552	127
	-1.0	(3,270)	(1,904)	(3,177)	(18,509)	(1,799)	(1,552)	(127)

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 Victorian 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

	2024			2023		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Unearned premium liability/(asset) at beginning of year	**504,958**	**(179,053)**	**325,905**	**517,946**	**(210,119)**	**307,827**
Premium written	1,002,665	(286,571)	716,094	608,271	(55,121)	553,150
Premium (earned)/incurred	(683,217)	103,033	(580,184)	(621,259)	86,187	(535,072)
Unearned premium liability/(asset) at end of year	**824,406**	**(362,591)**	**461,815**	**504,958**	**(179,053)**	**325,905**
Current	211,046	(53,127)	157,919	201,461	(47,609)	153,852
Non-current	613,360	(309,464)	303,896	303,497	(131,444)	172,053
Unearned premium liability/(asset) at end of year	**824,406**	**(362,591)**	**461,815**	**504,958**	**(179,053)**	**325,905**

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
2024							
Net premium liability	230,179	173,178	307,661	86,634	179,400	26,589	
Net present value of future policy costs	(220,004)	(133,769)	(342,990)	(71,057)	(140,358)	(18,954)	
Risk margin	(51,705)	(41,441)	(47,113)	(12,148)	(57,541)	(3,253)	
Gross deferred acquisition costs recognised	(20,972)	-	-	-	-	-	
Gross premium (deficiency)/surplus	**(62,502)**	**(2,032)**	**(82,442)**	**3,429**	**(18,499)**	**4,382**	
Deferred acquisition costs written down	20,972	-	-	-	-	-	
Net premium deficiency	**(41,530)**	**(2,032)**	**(82,442)**	**-**	**(18,499)**	**-**	**(144,503)**
Deferred acquisition costs recognised in Balance Sheet (i)	-	-	-	-	-	-	
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)	-	-	-	-	-	-	

(i) The decrease in deferred acquisition costs recognised in the Comprehensive Operating Statement during the financial year amounted to Nil (2023: Nil).

(b) Movement in unexpired risks liability

	2024 $'000	2023 $'000
Current		
Unexpired risks liability at beginning of year	**147,979**	**168,514**
Increase/(decrease) in unexpired risks liability	(3,476)	(20,535)
Unexpired risks liability at end of year	**144,503**	**147,979**

2.9 Deferred acquisition costs

Deferred acquisition costs movement:

	Note	2024 $'000	2023 $'000
Deferred acquisition costs at beginning of year		-	-
Acquisition costs deferred		9,408	9,169
Amortisation charged to income		(9,654)	(10,062)
Decrease/(increase) in write down due to premium deficiency		246	893
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

	2024 $'000	2023 $'000
Current		
Insurance receivables - non-financial (statutory)	228,079	120,896
Other receivables - financial (contractual)	59	391
Total trade receivables	**228,138**	**121,287**

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 premium 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. $2.9 million of insurance receivables were past due at 30 June 2024 (2023: $17.9 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 2024.

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 2024 (2023: Nil).

No provision for doubtful debts has been raised at 30 June 2024 (2023: 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

	2024 $'000	2023 $'000
Current		
Trade payables - financial (contractual) [(i)]	142,531	81,606
Deposits held to meet future claim payments - financial (contractual) [(ii)]	31,935	48,785
Total trade payables	**174,466**	**130,391**

(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	2024 $'000	2023 $'000
Investment income			
Dividends and distributions		169,044	165,173
Interest		11,909	10,224
Fair value movements through income	3.2(a)	150,397	137,169
Total investment income		**331,350**	**312,566**

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 2023 or the cost of acquisition (for investments purchased during the year), and sales proceeds or their fair value at 30 June 2024.

3.2 Cash and cash equivalents

	2024 $'000	2023 $'000
Current		
Cash at bank	66,028	53,305
Total cash and cash equivalents	**66,028**	**53,305**

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	2024 $'000	2023 $'000
Net result		**(98,668)**	**(115,437)**
Profit on disposal of furniture, fittings, equipment and motor vehicles		(45)	(47)
Depreciation		1,960	1,947
Amortisation of intangible assets		5,023	5,065
Remeasurement of make-good Provision		(50)	-
Gain on lease modification		(1,051)	-
Fair value movements through income	3.1	(150,397)	(137,169)
Interest credited to clients		(3,159)	(2,242)
Change in fair value of investments as a result of outstanding settlements		4,403	83
Changes in operating assets and liabilities:			
(Increase)/Decrease in trade receivables		(106,851)	73,843
(Increase)/Decrease in non-trade receivables		(5,571)	(153)
(Increase)/Decrease in prepaid expenses		(3,577)	23
(Increase)/Decrease in reinsurance and other operating assets		(93,447)	(186,901)
Increase/(Decrease) in trade payables		44,075	(13,297)
Increase/(Decrease) in non-trade payables		(1,081)	791
Increase/(Decrease) in provisions		507	421
Increase in gross insurance liabilities		520,338	575,776
Net cash inflow from operating activities		**112,409**	**202,703**

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 2024, 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

	2024 $'000	2023 $'000
Australian equities	476,957	426,048
Australian bonds	139,679	125,994
US bonds	70,793	62,635
Emerging market debt	92,542	85,326
Inflation linked bonds	192,589	179,775
Infrastructure	326,830	268,376
International equities	1,121,763	1,047,278
Opportunistic	21,547	21,080
Private credit	231,745	186,990
Insurance investments	4,280	3,798
Hedge funds	345,567	299,889
Private equity	2,870	2,769
Property	242,656	253,229
Derivative overlay	1,016	(96)
Short term money market funds	196,515	257,172
Total fair value of investment portfolio at 30 June	**3,467,349**	**3,220,263**
Investments	3,475,216	3,266,953
Derivative liabilities	(7,867)	(46,690)
Total fair value of investment portfolio at 30 June	**3,467,349**	**3,220,263**

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

	2024 $'000	2023 $'000
Non-current		
Cost	13,004	14,696
Accumulated depreciation	(322)	(6,995)
Total right-of-use-asset	**12,682**	**7,701**

4.2 Lease liability

	2024 $'000	2023 $'000
Current	1,359	1,949
Non-current	11,426	6,969
Total lease liability	**12,785**	**8,918**

The right-of-use asset and lease liability relate to VMIA's occupancy of its principal address. The existing agreement was terminated on 30 April 2024 and the net carrying value was recognised in the Comprehensive Income Statement. VMIA entered into a new lease agreement at the same address on 1 May 2024.

4.3 Prepayments

	2024 $'000	2023 $'000
Operating expenses	2,750	2,056
SaaS implementation costs	2,883	-
Total prepayments	**5,633**	**2,056**

Operating expenses represent payments that are made in advance, for example, software license fees, insurances, and subscriptions. SaaS (Software as a Service) implementation costs represent payments paid to an implementation partner and will be expensed over the contracted period. These payments do not qualify as an intangible asset under *AASB 138 Intangible Assets* and the technical interpretation released by the IFRS Interpretations Committee (IFRIC) in 2021.

4.4 Intangibles

	2024 $'000	2023 $'000
Computer software		
Opening balance	15,008	15,008
Additions	-	-
Closing balance	**15,008**	**15,008**
Accumulated amortisation on computer software		
Opening balance	(7,485)	(2,420)
Amortisation expense	(5,023)	(5,065)
Closing balance	**(12,508)**	**(7,485)**
Net book value at end of financial year	**2,500**	**7,523**

4.5 Non-trade payables

	2024 $'000	2023 $'000
Current		
Accruals and other payables - financial (contractual)	2,457	3,117
Goods and Services Taxation - non-financial (statutory)	8,172	8,591
Stamp Duty - non-financial (statutory)	6,643	6,645
Total non-trade payables	**17,272**	**18,353**

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

	2024 $'000	2023 $'000
Staff and related	43,889	42,197
Professional services	3,053	4,208
Information services	9,776	7,730
Harm prevention initiatives	1,483	1,414
Depreciation and amortisation	6,983	7,012
Other operating[(i)]	3,946	5,221
Total administration expenses	**69,130**	**67,782**
Less: unallocated claims expenses	(11,688)	(11,323)
Net administration expenses	**57,442**	**56,459**
Total administration expenses include the following:		
Auditor-General's fees	155	149
Operating lease expenditure	1,069	1,064

(i) Other operating for the current year includes a gain on lease modification of $1.05m

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 2024 (2023: 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 of capital was paid during the financial year ended 30 June 2024 (2023: NIL). VMIA did not earn grant revenue in 2024 (2023: $2.5 million), as the provision of COVID-19 event cancellation insurance has ceased.

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*.

(i) 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 2024 (2023: Nil).

(ii) Capital Repatriation

In accordance with section 12 of the *State Owned Enterprise Act 1992* and by formal determination by the Treasurer, VMIA was required to pay a capital repatriation of $0.6m during the financial year ended 30 June 2024 (2023: NIL).

(c) 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.

(d) 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 2024 (2023: 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 disclosures:

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. VFMC 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% (2023: 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.

	2024 $'000	2023 $'000
Impact on comprehensive result and equity from a movement in equity prices		
Listed investments prices		
Decrease of 15%	(1,290)	(2,461)
Increase of 15%	1,290	2,461
Unlisted investments prices		
Decrease of 15%	(492,500)	(450,702)
Increase of 15%	492,500	450,702

(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% (2023: 25%) of international equities exposure and 100% (2023: 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 15% (2023: 15%) 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.

	2024 $'000	2023 $'000
Impact on comprehensive result and equity from a movement in foreign exchange rates		
Decrease of 15%	(242,961)	(247,852)
Increase of 15%	198,786	183,195

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:

		2024			2023		
	Note	Fixed rate $'000	Variable rate $'000	Total $'000	Fixed rate $'000	Variable rate $'000	Total $'000
Financial assets							
Cash and cash equivalents		-	66,028	66,028	-	53,305	53,305
Short-term money market funds		-	172,036	172,036	-	255,900	255,900
Financial assets exposed to interest rate risk		**-**	**238,064**	**238,064**	**-**	**309,205**	**309,205**
Financial liabilities							
Short-term money market funds		-	270	270	-	500	500
Trade payables (i)	2.11	-	31,935	31,935	-	48,785	48,785
Lease liability	4.2	12,785	-	12,785	8,918	-	8,918
Financial liabilities exposed to interest rate risk		**12,785**	**32,205**	**44,990**	**8,918**	**49,285**	**58,203**
Net exposure		**(12,785)**	**205,859**	**193,074**	**(8,918)**	**259,920**	**251,002**

(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
2024					
Trade receivables (i)	2.10	(150)	-	209	59
Non-trade receivables		-	-	4,504	4,504
Total (ii)		**(150)**	**-**	**4,713**	**4,563**
2023					
Trade receivables (i)	2.10	248	-	143	391
Non-trade receivables		-	-	4,200	4,200
Total (ii)		**248**	**-**	**4,343**	**4,591**

(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 S&P Global Ratings ratings of BBB+ to BBB-. Not rated financial assets include assets that have not been formally rated by S&P Global Ratings 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
2024					
Financial liabilities					
Financial derivatives	7.2	7,867	-	-	7,867
2023					
Financial liabilities					
Financial derivatives	7.2	46,690	-	-	46,690

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 (2023: 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
2024					
Derivative assets		18,385	(4,029)	(97)	14,259
Derivative liabilities	3.3(c), 7.1(c)	(7,867)	4,029	-	(3,838)
2023					
Derivative assets		5,101	(3,969)	(360)	772
Derivative liabilities	3.3(c), 7.1(c)	(46,690)	3,969	-	(42,721)

7.3 Fair values

Measurement of fair values

A number of VMIA's accounting policies and disclosures 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
2024					
Financial assets and financial liabilities					
Cash and cash equivalents	3.2	66,028	-	-	66,028
Trade receivables	2.10	-	59	-	59
Non-trade receivables		-	4,504	-	4,504
Investments and derivative liabilities					
Australian equities	3.3(c)	53	476,904	-	476,957
Australian bonds	3.3(c)	-	139,679	-	139,679
US bonds	3.3(c)	-	70,793	-	70,793
Emerging market debt	3.3(c)	-	92,542	-	92,542
Inflation linked bonds	3.3(c)	(6)	192,595	-	192,589
Infrastructure	3.3(c)	-	46,148	280,682	326,830
International equities	3.3(c)	(12)	1,121,775	-	1,121,763
Opportunistic	3.3(c)	-	-	21,547	21,547
Private credit	3.3(c)	-	11,819	219,926	231,745
Insurance investments	3.3(c)	-	110	4,170	4,280
Hedge funds	3.3(c)	-	14,475	331,092	345,567
Private equity	3.3(c)	-	-	2,870	2,870
Property	3.3(c)	-	422	242,234	242,656
Derivative overlay	3.3(c)	212	804	-	1,016
Short term money market funds	3.3(c)	173,498	23,017	-	196,515
Trade payables	2.11	-	(174,466)	-	(174,466)
Non-trade payables	4.5	-	(2,457)	-	(2,457)
Total financial assets and financial liabilities		**239,773**	**2,018,722**	**1,102,521**	**3,361,016**

	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	4.5	-	(3,117)	-	(3,117)
Total financial assets and financial liabilities		**310,604**	**1,779,384**	**1,054,663**	**3,144,651**

Transfers between fair value hierarchy levels

During the current financial year there were no transfers (2023: $4.3 million) 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

	2024 $'000	2023 $'000
Level 3 fair value hierarchy reconciliation of investments		
Balance at beginning of year	**1,054,663**	**926,890**
Transfer in	-	4,250
Acquisitions	173,759	153,097
Disposals	(129,088)	(37,221)
Gains/(losses) on disposal credited to income	12,043	4,582
Gains/(losses) on changes in fair value	(8,856)	3,065
Balance at end of year	**1,102,521**	**1,054,663**

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 services, 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 disclosures:

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 2024.

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 18	Presentation and Disclosure in Financial Statements	1 January 2028

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 $206.468 million as at 30 June 2024 (2023: $445.011 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 2024 (2023: 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 (until 13 March 2024), C. Keating (until 14 August 2023), B. King (until 30 March 2024), C. Lovell, R. Castle, D.G. Sedgwick, H. Silver (commenced 30 January 2024), and C. Kilpatrick (commenced 18 June 2024)
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:

	2024	2023
Directors		
$0 - $9,999	2	-
$10,000 - $19,999	1	-
$20,000 - $29,999	1	-
$30,000 - $39,999	1	-
$40,000 - $49,999	3	6
$90,000 - $99,999	-	1
$100,000 - $109,999	1	-
Accountable Officers		
$470,000-$479,999	-	1
$490,000-$499,999	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 $821,242 (2023: $845,094).

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	2024 $'000	2023 $'000
Short term employee benefits	2,628	2,501
Post employment benefits	247	214
Other long term benefits	37	188
Termination benefits	85	-
Total compensation	**2,997**	**2,903**

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 (2023: 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 $
2024					
Victorian Funds Management Corporation	-	-	-	-	-
Judicial Commission of Victoria	28,198	-	-	-	-
Coles	-	-	-	-	-
Telstra Corporation	-	-	-	1,280	-
PricewaterhouseCoopers	-	-	-	58,640	-
Burnet Institute	161,814	-	-	-	-
Victorian State Emergency Service	747,623	11,964	-	-	-
Total	**937,635**	**11,964**	**-**	**59,920**	**-**
2023					
Victorian Funds Management Corporation	1,922,482	-	-	-	8,944,752
Judicial Commission of Victoria	22,981	-	-	-	-
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**

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 Resigned in June 2023.
	Victorian State Emergency Service	Director	VMIA provides insurance on normal terms and conditions. Commenced February 2023
C. Keating	Australian Super	Director	VMIA contributes superannuation benefits to Australian Super for a number of employees.
	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 Management 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

Key management person	Related party	Key management person's relationship with related party	Additional comments
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 7.3 (2023: 6.8) ordinary hours per day during the financial year. The AEE provides a measure of full time equivalent executive officers during the financial year.

	2024 $'000	2023 $'000
Short term employee benefits	1,873	1,720
Post employment benefits	185	149
Other long term benefits	37	188
Termination benefits	85	-
Total remuneration	**2,180**	**2,057**
Total number of VMIA officers with executive responsibility	**9**	**7**
Total annualised employee equivalent (AEE)	**7.3**	**6.8**

In 2024 no VMIA officer with executive responsibility acted in the Accountable Officer role for part of the financial year (2023: 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 2024 and the financial position of the Victorian Managed Insurance Authority at 30 June 2024.

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 30 August 2024.

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 2024
- comprehensive operating statement for the year then ended
- statement of changes in equity for the year then ended
- cash flow statement for the year then ended
- notes to the financial statements, including material accounting policy information
- declaration by 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 2024 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: $3.5 billion Derivative liabilities: $7.9 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 critical actuarial judgements, assumptions and estimates applied by management in valuing the liabilities.	
Gross claims liabilities - $3.7 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: • gaining an understanding of the systems, processes and model that affect claims data and the outstanding claims liability valuation • 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
10 September 2024

Roberta Skliros
as a delegate for the Auditor-General of Victoria

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 joined the Board of the Reserve Bank of Australia on 31 August 2023. Chris Lovell is consultant at 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 2024:

- Glenn Sedgwick, Chairperson
- Chris Lovell
- Christine Kilpatrick AO
- Ross Castle

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 2024:

- Ross Castle, Chairperson
- Glenn Sedgwick
- Chris Lovell
- Helen Silver AO

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 2024:

- Chris Lovell, Chairperson
- Christine Kilpatrick AO
- Elana Rubin AM

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 2023-24 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:

- Government Rail Insurance Program, 1 July 2024 to 30 June 2029
- Heritage and Tourist Railway Operators and Accredited Rail Operators, 1 July 2024 to 30 June 2029
- Emergency Resource Providers Support Scheme, 1 July to 30 June 2026
- Heide Museum of Modern Art, 1 July 2024 to 30 June 2029
- Treaty Authority, 4 December 2023 to 4 December 2028.

Health and wellbeing support

Our new Wellbeing Strategy and associated Policy was endorsed for implementation in 2024-25.

The objectives of our Wellbeing Strategy are to:

- Create a culture and operating environment that supports employee wellbeing for delivery of high-performance outcomes.
- Build the knowledge and ability of all leaders in the organisation so they are aware of their obligations to support employee wellbeing, and have the capability and capacity to do so.
- Educate all employees about good wellbeing practices to support their own individual wellbeing and provide them with the time, tools and resources to do so.
- Adopt and reinforce practices that enable proactive wellbeing activities focused on circumventing acute instances of mental health issues, and dealing with acute instances if they arise.
- Normalise a culture where wellbeing conversations are part of our everyday culture, and people feel comfortable to speak up and ask for help if they need.

Through the strategy the following new initiatives will be launched:

- A new Wellbeing Policy that includes psychosocial hazards.
- Personal wellbeing reports for individuals in the claims teams who may be exposed to traumatic information when performing their jobs. These reports are designed to help individuals understand their own wellbeing and provide insights for leaders on how to best support their people.
- Customised support sessions and materials for teams in challenging situations, designed to reduce psychological risks.
- A wellbeing toolkit that supports all staff with tools and resources to help them manage their wellbeing.
- The introduction of Green Light to Talk advocates who are mental health first-aid-trained employees available as front-line support for employees who may be experiencing challenges with their wellbeing.

During 2023-24, we continued existing programs including:

- Wellness Day - allowing employees to use two personal leave days per calendar year to support health and wellbeing
- organisational-wide training sessions on personal productivity, navigating change and leading change
- mental health and wellbeing programs, including a wellness subsidy to support employees to undertake health and wellbeing-related activities (e.g. fitness classes, mindfulness and meditation workshops)
- onsite and offsite free flu vaccinations
- an upgraded Employee Assistance Program offering services by experienced and qualified registered clinical psychologists
- 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 for COVID-19 vaccinations
- ergonomic allowance for home workspace (introduced in March 2020) to support the purchase of additional equipment
- ergonomic home self-assessments, with the option of this being carried out by an external provider where additional support is required.

Performance against occupational health and safety management measures

VMIA continues to monitor and manage physical and psychological injuries and illnesses in the workplace. Reporting on instances of physical and psychological injury or illness is done monthly and captured in VMIA's risk reporting to ensure that any potential hazards or occurrences are managed proactively to ensure minimal impact.

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			Full-time Headcount			Part-time Headcount			FTE			Number (Headcount)			FTE		
	2024	2023	2022	2024	2023	2022	2024	2023	2022	2024	2023	2022	2024	2023	2022	2024	2023	2022	2024	2023	2022
Gender																					
Women	145	153	138	138.05	145.4	130.5	96	98	84	24	25	27	113.85	116.6	104.9	25	32	27	24.2	30.6	25.6
Men	97	102	85	95.1	100.3	82.9	78	74	63	4	5	6	80.5	77.5	67.1	15	24	16	14.6	23.8	15.8
Self-described	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	242	255	223	233.15	245.7	213.4	174	172	147	28	30	33	194.35	194.1	172	40	56	43	38.8	54.4	41.4
Age																					
15-24	1	4	1	1	4	1	1	0	0	0	0	0	1	0	0	0	4	1	0	4	1
25-34	43	50	41	43	50.4	40.2	34	40	31	0	1	2	34	40.8	32.2	9	10	8	9	9.6	8
35-44	80	80	66	76	75.2	62.6	54	55	41	12	11	12	62.4	62.6	50.4	14	15	13	13.6	14.4	12.2
45-54	65	69	65	63.75	67.3	62.9	49	50	45	5	5	6	53.15	53.9	49.7	11	15	14	10.6	14.4	13.2
55-64	44	42	39	41.6	39.8	36.4	30	27	23	9	8	10	36.6	32.8	30.4	5	7	6	5	7	6
65+	9	10	11	7.8	9	10.3	6	6	7	2	4	3	7.2	9.1	9.3	1	0	1	0.6	0	1

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.

Our Diversity and Inclusion Program demonstrates our commitment to continue to build a diverse, equitable and inclusive culture, enabling us to fulfill important obligations relating to the *Gender Equality Act 2020*, and much more.

Progress reporting to the Commission for Gender Equality in the Public Sector due February 2024 was submitted ahead of schedule.

In addition to ongoing awareness, education and promotional activities across our diversity and inclusion streams (Culturally and Linguistically Diverse (CALD), Gender, Disability, LGBTQIA+ and Reconciliation), we delivered Unconscious Bias training in November 2023, with in-person sessions for People Leaders facilitated by Seek with a focus on hiring decisions, and one all employee virtual session facilitated by Diversity Council Australia.

A new Prevention of Sexual Harassment Policy was launched in December 2023, in response to the recent Respect@Work changes increasing VMIA's obligation to proactively prevent sexual harassment. This was followed by mandatory Prevention of Sexual Harassment training which launched in March 2024 and was completed by 98% of our workforce.

Our ongoing commitment to our Diversity and Inclusion Program contributes to a culture of diverse thinking and innovation, supporting strategic initiatives and harnessing our inspired, adaptable and curious team.

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 2023-24, VMIA commenced one Local Jobs First Standard project totalling $3.6 million (incl. GST). This is a state-wide project.

The outcomes expected from the implementation of the Local Jobs First Policy to these projects are 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 2023-24.

Information and communication technology expenditure

For the 2023-24 reporting period, VMIA had a total information and communication technology spend of $10.0 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)
6,141,536	3,896,935	1,041,466	2,855,469

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 ww.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 with VMIA. An application fee applies, which is indexed annually. The fee was $31.80 in 2023-24. 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. The same fees apply.

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

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

Freedom of Information statistics

During 2023-24, VMIA received 62 valid freedom of information requests. An additional two requests received during the 2022-23 financial year remained outstanding at the commencement of the 2023-24 financial year.

VMIA made 52 freedom of information decisions during the 12 months ending 30 June 2024.

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

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 2023-24 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 2023–24, there were 18 consultancies, where the total fees paid or payable were $10,000 or greater, excluding GST. The total expenditure was $1,492,237 excluding GST. Details of individual consultancies are outlined below.

Consultant	Purpose of consultancy	Total expenditure ($ exl GST)	Expenditure 2023-24 ($ exl GST)	Future expenditure ($ exl GST)
Anne Dalton and Associates Pty Ltd	Probity services	41,157	25,629	15,528
Cythera Pty Ltd	Incident response service	15,882	15,882	0
Dott Group Pty Ltd	HR advisory services	20,909	20,909	0
Gallagher Reinsurance Australia Limited	Reinsurance strategy	31,818	31,818	0
Global Integration Technology Pty Ltd	2024 Jira & Confluence Cloud migration	21,818	16,364	5,455
Grant Thornton Australia Limited	Financial assessment services	114,658	107,003	7,655
HeadlinePR Unit Trust	Communications services	30,545	22,636	7,909
Isentia Pty Ltd	Media monitoring	11,040	11,040	0
Incotrade Australia Pty Ltd	Optimise integration architecture	144,628	144,628	0
Jitterbit Pty Ltd	IT Consulting	17,273	11,818	5,455
KordaMentha Pty Ltd	Financial assessment services	165,909	130,821	35,088
Landell Consulting	Procurement Framework documentation refresh	46,401	16,882	29,519
Landell Consulting	Procurement consultant	137,455	123,709	13,745
MRFM	Maintenance support and professional services	482,503	298,684	183,818
Nigel Legge Associates	Construction risk engineering services	54,545	15,160	39,385
Now Industries Pty Ltd	Intranet Design Phase 2	19, 164	19,164	0
SmartView Media Pty Ltd	3D inspections	118,182	78,757	39,425
Six O'Clock Advisory Pty Ltd	Communications services	18,350	18,350	0

In 2023-24, there were 11 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.

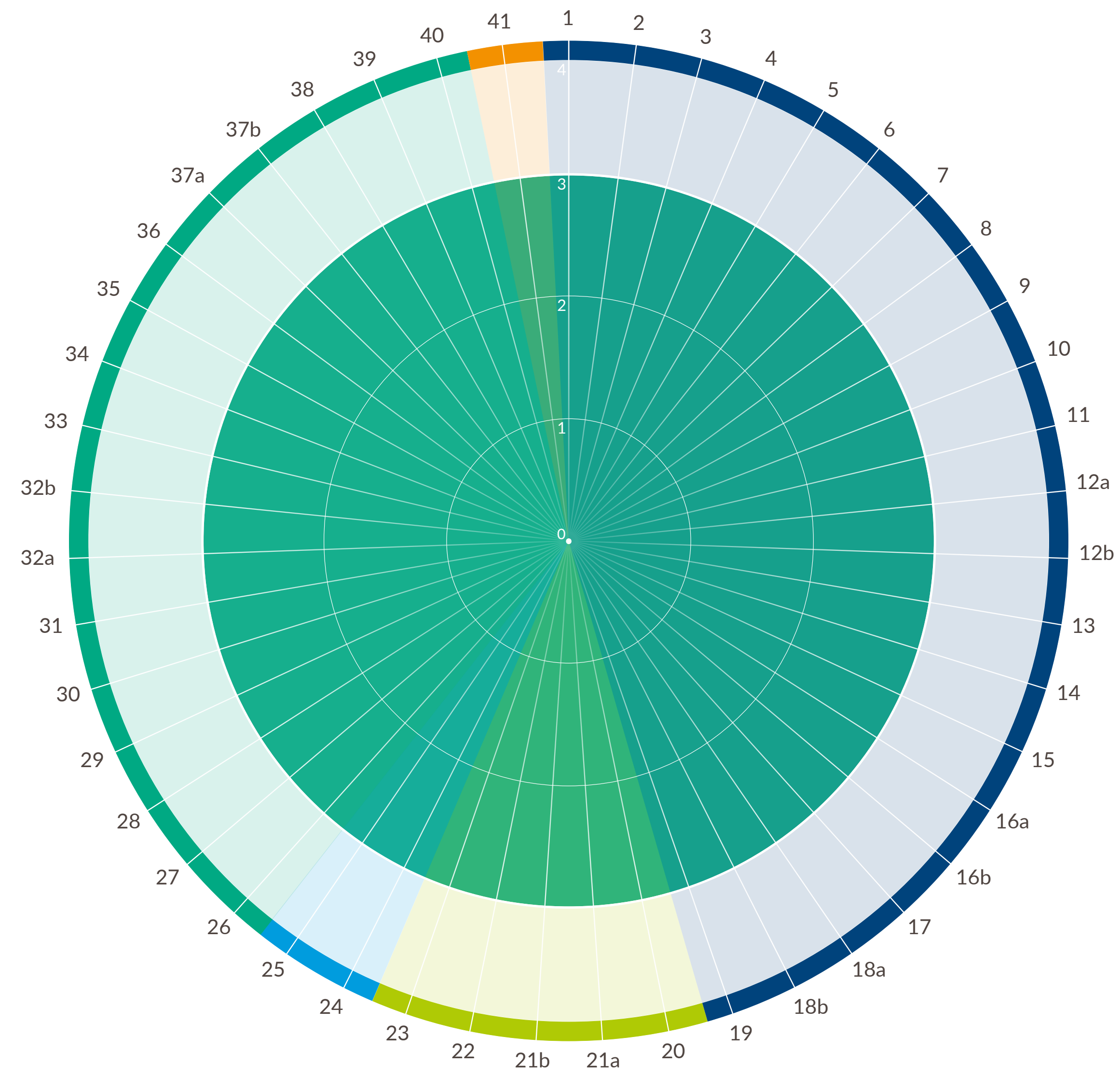
Operation (requirements 26-40)

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	
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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Victorian Managed Insurance Authority

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