vmia

Annual Report

2025–2026



VICTORIA State Government

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 do business, 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.

To receive this document in another format such as large print or audio, contact the Head of Corporate Affairs on (03) 9270 6847 or email **contact@vmia.vic.gov.au**.

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VMIA's values

Shared success

VMIA embraces teamwork and celebrates its clients' successful outcomes.

Curious and connected

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

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.

Letter from the Chair to the Minister

October 2026

The Hon. Enver Erdogan MLC
Minister for Finance
Level 3, 1 Treasury Place
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 2025 to 30 June 2026, in accordance with the *Financial Management Act 1994*.

Yours sincerely,



Helen Silver, AO
Chair, VMIA Board

Who we are

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

From iconic cultural institutions, major infrastructure, public schools and hospitals to emergency services and not for profits, our clients are diverse but united in their ambition to make a positive impact in our community.

We share this ambition. Meeting our clients' risk and insurance needs means they can be confident in the face of uncertainty and recover quickly when things don't go to plan.

And because we operate across Victoria's public sector, we're uniquely placed to connect experts and decision makers with world-leading risk management and insurance insights. This leads to smarter ways of working and partnering to prevent harm.

This underpins our purpose – to build a confident, resilient Victoria through world-leading harm prevention and recovery.

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
- provide insurance or insurance services to Victorian Government departments and participating bodies, and at the direction of the Minister for Finance, VMIA may also provide insurance or indemnities to other persons or bodies
- 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.

The value of VMIA insurance

VMIA insurance plays a vital role in safeguarding Victoria's public assets and services, providing protection for more than $273 billion in assets across the state—including schools, hospitals, public buildings, and essential infrastructure. We also help our clients identify, quantify and manage risks—both current and emerging—so they can make informed decisions and move forward with confidence.

Beyond financial protection, VMIA delivers value by pooling risk across the Victorian public sector. This approach shields individual government agencies from the volatility that would come from self-insurance, supporting effective long-term planning.

We work closely with our clients to improve their risk management capability, providing tailored advice, training, and resources. By sharing sector-wide insights and supporting the development of resilient practices, we help our clients reduce the likelihood and impact of adverse events.

When incidents do occur, VMIA's experienced claims team provides guidance and support, ensuring a smooth and efficient recovery process, minimising disruption and enabling agencies to focus on their core responsibilities.

VMIA's insurance and risk services are aligned with whole-of-government policy objectives, supporting good governance, accountability, and the responsible stewardship of public resources.

Through our integrated approach, we help ensure that Victoria's public sector is protected, prepared, and able to deliver for the community—now and into the future.





"We have deepened our understanding of client needs, enhanced our risk advisory services, and embedded data-driven insights across our operations."

Andrew Davies, CEO



"Our investment returns supplement our premium income to cover the long-term cost of claims, making our captive model highly efficient. By pooling the State's risks, we achieve economies of scale for reinsurance and lower operating expenses."

Helen Silver AO, Chair



Report from the Chair and CEO

We are pleased to present the 2025–26 Annual Report for the Victorian Managed Insurance Authority (VMIA).

As Victoria's insurer and risk adviser, VMIA's role is to protect the people, places and projects that help Victorians thrive. From schools and hospitals to major infrastructure and not-for-profit organisations, our clients are united in their ambition to make a positive impact in the community. We share this ambition and are proud to have supported our clients through a year marked by both opportunity and adversity.

Supporting a confident, resilient Victoria

Delivering on our strategy: Elevate

The 2025–26 year marked the second year of our three-year Elevate strategy, which has set a clear direction for VMIA to create greater value for our clients and further reduce the cost of insurable risk across the Victorian public sector. Through Elevate, we are:

- **Reducing our clients' cost of risk** by providing innovative insurance solutions, trusted advice, and harm prevention strategies.
- **Becoming a high-performing organisation** by investing in our people, processes and technology to build new capabilities and drive continuous improvement.

Our progress is evident in the tangible outcomes achieved this year. We have deepened our understanding of client needs, enhanced our risk advisory services, and embedded data-driven insights across our operations. Our new organisational structure, aligned to Elevate, has positioned us to deliver tailored support to the government, health, and infrastructure and energy sectors, ensuring our expertise is focused where it is needed most.

Responding to Victoria's evolving risk landscape

The past year has underscored the importance of resilience and adaptability. Victoria faced significant events, including the January 2026 bushfires and severe flash flooding along the Great Ocean Road. VMIA responded swiftly, supporting affected clients with real-time risk intelligence, proactive claims management, and financial relief for those impacted. Our bushfire monitoring tool and geospatial data capabilities enabled us to identify potential losses early to support our clients.

We also continued to play a critical role in supporting major infrastructure projects, including the Metro Tunnel and SEC's Delburn Wind Farm—the first publicly owned wind-generation project in Australia. These projects demonstrate the value of VMIA's captive model in delivering risk transfer solutions and supporting Victoria's transition to a more sustainable future.

Investing in harm prevention and sector capability

Like insurers globally, we are facing rising costs across all claim areas, especially in Medical Indemnity and Liability.

It is our role to help our clients address these challenges. Harm prevention remains central to our strategy as one way of doing this. This year, we expanded our Incentivising Better Patient Safety program, supporting the rollout of the Operative Vaginal Birth Safety Bundle across Victorian maternity services. Our Hospital Acquired Complications Innovation Fund enabled 10 health services to implement targeted projects, driving measurable improvements in patient safety.

We also help our clients address these challenges by continuing to invest in sector capability through training, benchmarking and innovation. The refreshed Risk Maturity Benchmark and Cyber Maturity Benchmark surveys have provided departments and agencies with actionable insights to strengthen their risk management and cyber resilience. Our cyber scenario analyses and incident simulations have helped clients understand and prepare for emerging threats.

Fostering innovation and embedding insights

Innovation is now a core capability at VMIA. We have adopted artificial intelligence tools to augment claims management, reduce staff exposure to distressing content, and support enterprise risk analysis. These initiatives are improving productivity and supporting compliance with new psychosocial health regulations.

We remain committed to responsible innovation, ensuring that any AI and data-driven decision making is underpinned by human oversight, transparency, fairness and alignment with public sector values.

Building a high-performing, inclusive organisation

Our people are at the heart of VMIA's success. This year, we launched a new Capability Framework and provided extensive development opportunities. We recognise that the transition to our new structure and the exit of the Domestic Building Insurance division represented significant change for our workforce. Our People Matter Survey engagement score of 71, while just below our target, reflects our ongoing commitment to supporting our people through change.

We have strengthened our focus on diversity, inclusion and wellbeing, renewing our membership with Diversity Council Australia, launching a new Anti-Discrimination Policy, and piloting a school holiday program to support working families. Our Innovate Reconciliation Action Plan concluded this year, with foundational work underway for our next plan, deepening our commitment to First Peoples engagement and cultural learning.

Financial sustainability and value for Victoria

VMIA's financial position remains robust, with continued focus through 2025-26 on balance sheet repair and prudent capital management. We are pleased to report that our Insurance Funding Ratio is now above the midpoint of the preferred range. Our reinsurance program was optimised to reduce the annual cost of risk for clients, and we delivered on our savings targets while maintaining broad, value for money cover at rates well below the commercial market.

We have continued to reduce our expense ratio through operational efficiencies and technology investment, ensuring that more of our premium income is directed to protecting Victoria's public assets and services.

Our investment returns supplement our premium income to cover the long-term cost of claims, making our captive model highly efficient. By pooling the State's risks, we achieve economies of scale for reinsurance and lower operating expenses.

The advantages inherent in our business model enable VMIA to retain risks at a lower cost than our clients could do on their own.

Looking ahead

As we enter the final year of Elevate, VMIA is well positioned to build on this year's achievements. We will continue to focus on delivering innovative insurance and risk solutions, investing in harm prevention, and building the capabilities of our people and clients.

Acknowledgements

This year we said goodbye to Elana Rubin AM and Chris Lovell and we thank them for their long service on the Board. We would like to thank all the Board members for their dedication and commitment to VMIA.

We would like to thank the former Minister for Finance, The Hon. Sonya Kilkenny MP, for her support since her appointment in April, and the former Minister for Finance, The Hon. Danny Pearson MP, for his support over many years.

Finally, we thank our clients, partners and especially our staff for their dedication and collaboration throughout the year. Together, we are ensuring that Victoria's public sector is protected, prepared and able to deliver for the community—now and into the future.



Andrew Davies, CEO



Helen Silver AO, Chair

Leadership team

Board

Helen Silver AO (Chair)
Appointed January 2024
Appointed Chair November 2025

Elana Rubin AM (Chair)
Appointed November 2016
(Chair to November 2025)

Ross Castle (Deputy Chair)
Appointed June 2019
Reappointed June 2025

Christine Kilpatrick AO
Appointed June 2024

Julia Ligeti
Appointed June 2026
(to July 2026)

Chris Lovell
Appointed June 2019
Reappointed June 2025
(to April 2026)

David Morris
Appointed November 2025

Pamela Rebecca
Appointed February 2025

Glenn Sedgwick
Appointed November 2019
Reappointed November 2025

Michael Winter
Appointed February 2025

Executive

Andrew Davies
Chief Executive Officer

Frieda Esquelin
Chief Legal Officer & Corporate Secretary

Angela Kelly
Chief Insurance Officer

Wayne Kenafacke
Chief Financial & Operations Officer

Mel Kinnaird
Chief People Officer

Samantha Zimmerman
Chief Risk Officer

Elevate

Elevate builds on the solid foundation of Strategy 2024, and is underpinned by our values and behaviours.

Our strategic direction

Elevate is the 3-year strategy that has guided VMIA's direction since July 2024.

Through Elevate, we are creating value for our clients and reducing our clients' cost of insurable risk.

We are doing this by innovating our products and solutions, giving clients risk advice and harm prevention strategies to minimise their risk exposure.

We are also investing in our people and processes to build a high-performing organisation.

Elevate has two goals:

- **Reducing our clients' cost of risk**

  We provide advice to help our clients develop a greater understanding of their risk profile, and make informed choices about how best to manage or transfer that risk.

  In doing so, we are reducing our clients' cost of risk. To provide valuable and innovative solutions that reduce these costs, we are deepening our understanding of clients' needs and risks, taking a more proactive role in risk advisory and harm prevention, and using data to deliver valuable insights and solutions.

- **Becoming a high-performing organisation**

  We are increasing the productivity of our operations and harnessing the capability of our people so that VMIA can adapt to a changing operating environment. We are encouraging our people to find better ways of working and evolving our practices to meet new opportunities and pursue continuous improvement.

What is the cost of insurable risk?

The 'cost' of a risk is the amount that is expected to be paid in respect of risk event costs (including insurable risks) in an average year. Risks can be retained, or wholly or partially transferred. Insurance is a partial transfer of risk: most of the risk is transferred to the insurer, but some risk usually remains with the insured.

The total cost of insurable risk is the cost of all risks that are insured or could be insured. It includes premiums, retained losses (under-deductible and self-insured claims costs) and other risk management costs (such as staff and other costs managing claims themselves).

How VMIA is reducing the cost of insurable risk

VMIA optimises our clients' cost of insurable risk by helping departments and agencies identify, assess, and manage insurable risks. Strong risk management and harm prevention minimises the risk, and then VMIA helps clients achieve the optimal balance between risk retention and risk transfer for the remaining risk.

Progress at 30 June 2026

Elevate strategy performance

Reduction in cost of insurable risk	Customer satisfaction (ValueSAT)	Harm prevention programs	Client insurable risk maturity uplift
$15.0m	91	2	60%
Target: $10.5 million	Target: 90	Target: (Year 2) 2	Target: 60% of target group

Expense ratio	Staff engagement	Capability uplift
6.8%	70	1
Target: 7.7%	Target: 73	Target: 3 focus areas improved

Reduction in cost of insurable risk: Cumulative annual financial benefit of actions implemented in focus areas since 1 July 2024.
Customer satisfaction (ValueSAT): Percentage of respondents who were satisfied with the service they received.
Harm prevention programs: Number of Board-approved harm prevention initiatives.
Client insurable risk maturity uplift: Improving the risk maturity of VMIA clients through assessing, benchmarking, and enhancing clients' capabilities to identify, manage and mitigate insurable risks.
Expense ratio: Total gross expenses divided by net earned premium.
Staff engagement: Average engagement score across the People Matter Survey and within-year surveys by VMIA.
Capability uplift: Number of targeted focus areas improved to meet our desired state for strategic capabilities.

2025–26 Snapshot

Protected Victoria's assets

$273 billion

VMIA insured $273 billion in public assets

Covered clients

$611 million

VMIA paid out $611 million in claims

Supporting training in health services

38 out of 41

participating hospitals completed their Incentivising Better Patient Safety training and received a partial refund of the Medical Indemnity premium

Improved risk maturity in the public sector

1,445

attendees from the VPS or community service organisations at our training courses

240

people completed our Risk Management in the Public Sector micro-credential

192

organisations completed the annual Cyber Maturity Benchmark

109

organisations completed the Health Sector Cyber Security Assessment

Initiatives that support our Elevate goals

Maturing our client engagement

We are strengthening our engagement with clients to build partnerships and deliver innovative solutions that help reduce the total cost of insurable risk.

By working closely with our clients, we help them make informed decisions about their risks and risk transfer arrangements. This strengthens their confidence in our advice and the solutions they choose.

Harm prevention

Harm is the negative impact of an event that causes damage, injury, loss or disruption to individuals, organisations or communities.

Preventing harm from occurring helps our clients and the broader Victorian community, as it protects individuals and organisations from the immediate effects of adverse events, and it also helps to reduce the overall cost of risk to the State.

Fostering innovation

Innovation is at the heart of how we work, empowering our people to challenge the status quo, explore new possibilities, and turn challenges into opportunities.

By fostering a culture of innovation, we enable our people to inspire others and create meaningful impact for colleagues, clients, and stakeholders. We are supporting this approach by integrating AI into our work practices, with robust controls to ensure its responsible use.

Embedding insights

We are leveraging data to deliver meaningful insights into insurable risks and provide tailored advice to our clients.

By equipping our clients with the right information and building our people's capability to analyse and interpret data, we empower informed and deliberate decision-making about insurable risks.

Workforce capability uplift

Our new capability framework is enabling our people to develop the skills needed to achieve our organisational objectives.

The framework empowers our people to reflect on their strengths, identify growth areas, and set development goals, supported by coaching, feedback, and on-the-job learning. With 7 core capabilities embedded in every role, we are building a consistent, high-performing culture across the organisation.

Insurance and claims

Delburn Wind Farm

We provided the SEC with advice and insurance products to support the acquisition and delivery of Australia's first publicly owned, utility-scale wind generation project in Gippsland.

The wind farm will generate renewable electricity by harnessing wind energy, contributing to the state's renewable energy targets and supporting the transition away from coal-fired power generation. The 33-turbine wind farm will generate up to 205-megawatts of renewable energy to the electricity grid, enough to power more than 130,000 homes once operational in 2028.

In March 2026, VMIA issued insurance policies for the wind farm's construction, which will create more than 300 local jobs during construction and more than $22 million in neighbour and community benefit sharing programs over its operational life (up to 35 years).



Augmented reality visualisation of the SEC Delburn Wind Farm, image courtesy SEC.

Metro Tunnel Project

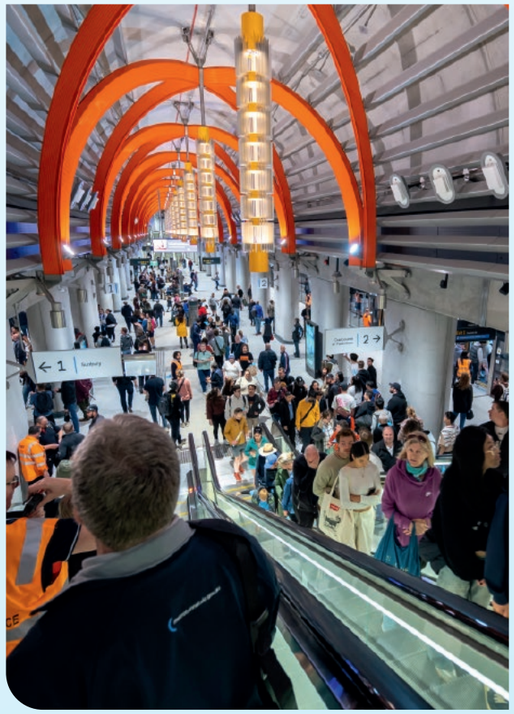
Through our risk advisory and insurance, we continue to support the infrastructure projects that are reshaping our state.

The Metro Tunnel Project is one of the most significant infrastructure projects in Victoria's history. At $13.48 billion, it is the biggest transformation of the city's public transport system in 40 years and has doubled the size of Melbourne's underground rail network. The twin 9 kilometre tunnels and 5 underground stations – Arden, Parkville, State Library, Town Hall and Anzac – have delivered reduced travel times and connected Victorians to jobs, hospitals, universities and arts and entertainment precincts.

The insurance arrangements for the project were complex, reflecting the complicated engineering required to build a tunnel deep beneath Melbourne's CBD.

Trains started running through the tunnel in November 2025, and we continued to deliver risk advice and insurance support as the project transitioned from construction to operation.

As VMIA has supplied both construction and operational insurance, the Metro Tunnel Project will avoid the disputes that can arise when construction insurance and operational insurance are provided by different insurers.





Images courtesy of VIDA Metro

Site risk surveys for property

At VMIA, we are committed to supporting our clients to better understand and manage the risks associated with their physical assets and operations. One of the most effective ways we do this is through our site risk survey program.

A Site Risk Survey is an engineering risk assessment for property insurance clients.

Site risk surveys involve comprehensive inspections of clients' premises, including schools, hospitals, government buildings, and critical infrastructure. These surveys identify potential hazards and vulnerabilities such as fire risks, security weaknesses, and exposures to water damage.

Following each survey, specialist risk engineers provide tailored recommendations that are specific to the client's site and operational context. Recommendations might range from improvements in building maintenance to upgrades in fire protection systems or enhancements to security protocols. Clients receive advice that is both relevant and actionable.

Site risk surveys play an important role in shaping our clients' broader risk management strategies. With a clearer understanding of their property risk profile, clients can prioritise investments, allocate resources effectively, and develop targeted plans to mitigate risks. This helps reduce the likelihood and impact of incidents that could lead to insurance claims and supports the continuity of essential public services.

By addressing the risks identified during these surveys, our clients can better protect their sites and the people who use them.





The value of site risk surveys at Grampians Health

Grampians Health is one of the largest regional public health services serving over 250,000 residents across a 48,500-square-kilometre region of western Victoria.

It employs over 7,000 staff members who deliver hospital, community, aged care, and palliative care services.

Due to Grampians Health having various sites across the region, this year we selected the Ballarat and Horsham campuses for assessments.

Image above: Aaron Taylor (left) with Darryn Wardle, Director Engineering and Infrastructure, Grampians Health

"We did a walk around the whole site and it was really informative. Tanveer, the assessor, was excellent. A few weeks after the visit, we received a detailed report. The whole experience was extremely valuable."

Aaron Taylor, Ballarat Engineering Services Manager, Grampians Health

"The assessor and I conducted a site walk-through to collect the required information and verify the work that had been completed. The assessor demonstrated a strong knowledge of our site and commented positively on the improvements that had been made since his previous visit."

Terry Cameron, Horsham Engineering Services Manager, Grampians Health



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Supporting Victorians through the Great Ocean Road floods

Flash floods hit the area around Lorne on Victoria's Great Ocean Road on the morning of Thursday, 15 January 2026.

In 6 hours, more than 180 mm of rain was recorded in areas along the road, from Lorne down to Skenes Creek. The extreme downpour caused rapid rises in river levels and subsequent flash flooding resulted in the surrounding areas being inundated with water.

The Great Ocean Road was closed due to the dangerous conditions, and hundreds of residents and holidaymakers were evacuated or moved to higher ground or emergency shelters.

Many holidaymakers at campsites along the Great Ocean Road were affected. Water washed through low-lying camp grounds, submerging tents, caravans and vehicles, with cars, caravans and personal possessions swept into the ocean or washed onto beaches.

Our client, The Great Ocean Road Coast and Parks Authority (GORCAPA) operates the Lorne Foreshore Caravan Park, one of several caravan parks and camping grounds in the area.

While VMIA supported GORCAPA to submit a claim and attend to immediate 'make safe' of the damage to the caravan park, we advised their VMIA property insurance would also extend to provide cover to visitors on site at the time who suffered damage to their personal belongings, where these losses were not covered by their personal insurance.

This meant for those campers without insurance, they could claim loss of personal items that were destroyed or damaged because of the flash flooding through VMIA.

We provided GORCAPA with a tailored claim form and instructions, which GORCAPA then distributed to all campers present during the flooding.

Feedback from claimants has been extremely positive as they appreciated some financial relief from their losses.

When travel doesn't go to plan – how we support government schools

All government schools are covered by VMIA travel insurance, purchased on their behalf by the Department of Education. Overseas school trips are a part of the educational offering for some government secondary school students.

In 2025–26 several government schools had their group travel plans affected by the start of the 2026 Iran War on 28 February 2026.

At least 7 secondary schools had to cancel or reroute their group school trips at very short notice due to the conflict.

This put them in a difficult situation and while commercial airlines usually offered full or partial refunds, travel agents and tour providers generally followed their booking Terms and Conditions, which usually didn't allow refunds for cancellations within 30 days of departure. VMIA insurance covered these non-refundable costs and any shortfall in airline refunds.

Some schools encountered difficulties when cancelling international trips that were scheduled to transit through the Middle East. Either their flights were cancelled, or it was no longer considered safe to travel. The Department of Foreign Affairs and Trade also increased its warning levels for most countries in the region. VMIA insurance paid for the additional costs incurred by any re-routed trips, and again covered any shortfall in airline refunds.

VMIA insurance ensures that when travel disruptions happen, families of government school students are not left out of pocket.



"Thank you, VMIA, for your wonderful support. When the Trafalgar High School Art and Food Study Tour was cancelled in March due to the conflict in the Middle East, VMIA gave our families and school real peace of mind, knowing we were covered. The sudden outbreak of war with Iran required cancellation of the trip at short notice and not much hope of tour refunds. The disappointment didn't ease, although the claims process from VMIA was easy, supportive, stress-free and as quick as they could be which meant families weren't left out of pocket — and that made all the difference. Thank you so much to VMIA from the Trafalgar High School Community in Gippsland."

Sharon Lowater, Business Manager,
Trafalgar High School



Helping Victorians recover after bushfire

When disaster strikes, we know how important it is for our clients to get back on their feet quickly, so they can keep serving their communities. The bushfires that swept across Victoria in January 2026 were devastating, leaving a lasting impact on local communities, infrastructure, public assets and the environment.

As the fires escalated, the Victorian Government declared a State of Disaster on 10 January. Communities across Victoria including Walwa, Mt Darling, Longwood and Ruffy, Ravenswood and Harcourt, Carranballac, the Otways, and Natimuk were all affected. Assets such as sporting grounds, community centres, power and telephony infrastructure, and rail and road networks all suffered significant damage.

Many of our clients were affected, including Parks Victoria, the Department of Transport and Planning, Country Fire Authority, Department of Energy, Environment and Climate Action, Corryong Health and a number of local cemetery trusts.

Our claims team worked closely with our clients to provide ongoing support to them through the insurance process. VMIA's bushfire monitoring tool gave us real-time risk intelligence, making it easier to identify potential asset impacts. By using geospatial data and live information feeds, we could see exactly where the risks were and act fast.

Our systems and expertise meant we could identify losses early, helping us support affected clients.





Fogartys Gap Road bushfire that affected Harcourt

When fire swept through central Victoria in January 2026, one of the most affected towns was Harcourt, a town famous for its apple orchards.

With a population of over 1,000 residents, the cemetery has an important place in the community, both as a sacred space and a historic landmark.

Jan Hull is a longstanding volunteer Secretary/Treasurer of the Harcourt Public Harcourt Cemetery, as well as a dedicated captain of the Sutton Grange and Myrtle Creek Fire Brigade. Jan, with her husband and son who are also members of the local fire brigade, were out with fellow brigade members when the fire swept through at night on 9 January 2026.

When Jan awoke the next morning at least 54 homes and several businesses had been destroyed, and the entire community was left exhausted and facing immense loss. At Harcourt Cemetery, fire had swept through, destroying fencing, sheds, and most of the Trust's tools.

For a small community like Harcourt, the effort involved in obtaining quotes and organising replacements for everything lost was daunting. VMIA's claims officer made the process as straightforward as possible for Jan, providing guidance and support at every stage of the claims process.

"VMIA's claims manager was compassionate and went well above and beyond what you'd expect from an insurance company. For a small community like Harcourt, the loss of tens of thousands of dollars' worth of equipment and buildings had a massive impact. We are slowly rebuilding, but it takes time."

Jan Hull, Secretary/Treasurer, Harcourt Cemetery Trust

What is the cost of insurable risk?

One goal of VMIA's Elevate strategy is to reduce the total cost of insurable risk for our clients and by extension the State, but what does "the cost of insurable risk" mean? It is the total cost of all risks insured. For each risk, this could include premiums, retained losses (under-deductible and self-insured claims costs), and other risk management costs.

Risks can be retained, or wholly or partially transferred. Insurance is a partial transfer of risk: most of the risk is transferred to the insurer, but some risk usually remains with the insured. The total cost of insurable risk is the cost of all risks that are insured or could be insured.

Deductible and coverage reviews

Our deductible and coverage reviews are designed to ensure clients' insurance arrangements are suitable for their risk profile and appetite. These involve reviewing current insurance arrangements and, if necessary, making recommendations to improve them.

A department or agency has optimum insurance arrangements if it has:

- the right mix of insurance products for its risk profile
- a deductible level for each policy that reflects the client's appetite for retaining financial risk
- effective claims management that lowers costs and helps inform decisions about retaining and transferring insurable risk.

Deductible and coverage reviews are one way VMIA ensures clients are not unconsciously uninsured.

How VMIA is reducing the cost of insurable risk

Deductible reviews

A deductible is the amount a client pays on covered losses before their insurance policy responds. By reviewing and adjusting deductible levels, clients can potentially reduce their overall cost of insurable risk.

The aim is to ensure a deductible level that reflects the client's appetite for retaining financial risk.

This process is particularly valuable as VMIA can hold financial risk at a lower cost than clients. As a result, clients are generally better off transferring more of their risk to VMIA to reduce their cost of risk.

However, for losses below a certain value, it may be more efficient for the clients to retain the risk, as the administrative burden of making the claim outweighs VMIA's ability to hold risk at a lower cost than clients. What this value is will differ from client to client and depends on how much volatility a client is prepared to take on their balance sheet. Our deductible reviews are designed to identify an optimum value.

Coverage reviews

A coverage review helps clients understand how their insurance products align with their risks, and identify opportunities to strengthen their insurance arrangements, ensuring that they are not unconsciously uninsured.

A protection gap is when risks are not adequately covered by insurance or risk transfer solutions, which can leave organisations exposed to financial loss. Addressing protection gaps is an important part of risk management and resilience planning. If gaps are found, we advise on risk transfer strategies such as increasing limits, adding endorsements or arranging new insurance.

Claims management review

A claims management review assesses how claims are reported, investigated, assessed and resolved. A review of a client's claims history can provide insights which help inform their decisions about retaining and transferring financial risks.

We maintain ongoing engagement with our clients, reviewing changes in their risk profiles and ensuring insurance remains fit for purpose.

By sharing sector insights and benchmarking data, we keep clients informed of emerging trends and best practice across the Victorian public sector.

Risk Scan 2026

We developed Risk Scan 2026 to support Victorian Government departments to identify and manage the emerging, shared risk landscape.

The report highlighted emerging risks that could impact the Victorian Government and/or the Victorian community. Risk Scan 2026 separated the risks into 5 types: digital, environment, public sector, health and social, and economic.

The emerging risk data was drawn from authoritative global and Australian risk research, expert consultation, and horizon scanning techniques. Risk Scan 2026 delivered evidence-based intelligence to inform departments' risk management and support further analysis and deep dives.



Christine Polmear, Director Performance Measurement and Risk, Northern Health

Northern Health – a new approach to risk management

Over the past year, Northern Health has strengthened their approach to risk management. This is an example of a key Elevate objective: to improve both our clients' insurable risk maturity and their understanding of their insurance arrangements.

To support this objective, VMIA introduced insurance-related questions into the Risk Maturity Benchmark in 2024–25. For the first time, clients were encouraged to consider their insurance covers alongside their broader risk management practices, fostering a more holistic view of risk. These new questions prompted many client risk managers, including those at Northern Health, to deepen their understanding of the role that insurance plays in an overall enterprise risk management framework and particularly in the complex healthcare setting. Northern Health is taking steps to ensure insurable risk is more explicitly captured in its risk register.

Northern Health invited VMIA's client capability team to present to more than 100 of their managers on risk management and insurance. The session focused on understanding insurable risks, particularly those relating to medical indemnity insurance. This practical approach was designed to help Northern Health managers better understand the link between risk management and insurance, and how these functions can work together to support organisational resilience.

To further support Northern Health, VMIA organised a physical site risk survey, which provided a comprehensive report on site safety. Site risk surveys are designed to identify areas for improvement, enabling the client to take steps to reduce risk at their facilities.

In addition, Northern Health had successfully trialled a Decision-making Bundle for Back Pain Care, supporting clinicians to make evidence-based choices and improve patient outcomes. The Back Pain Bundle was introduced as part of our shared efforts to improve the management of patients presenting to emergency departments with back pain.

As a result of these combined efforts, Northern Health is now better placed to understand and manage its insurance arrangements across a range of risks, including cyber, business interruption, patient safety, and facilities management. This integrated approach has positioned Northern Health to make more informed decisions, ultimately strengthening their resilience and supporting safer outcomes.

Maturing our client engagement

Support to boost insurable risk maturity

We help our clients understand their insurable risk maturity and cyber risk maturity so they can identify and then act upon areas for improvement. Our Risk Advisers and Client Capability Team are dedicated to improving our clients' insurable risk and risk management capabilities, equipping them with the skills needed to manage insurable risks and make informed risk transfer decisions. For example, when clients start new programs or significantly change existing programs, we collaborate with them to identify any new or altered insurable risks, and determine how these can be effectively managed and insured.

During periods of change, such as the ongoing reforms to merge public entities with similar functions, or wind down entities that have achieved their policy goals, we work closely with affected organisations to review their updated risk profile and determine whether their insurance coverage remains adequate. Where gaps are identified, we provide appropriate coverage.

Each year, we also support our clients to understand annual changes to their premiums and policy wordings. Insights gained from these discussions inform ongoing conversations with clients on how they can improve risk management and reduce their cost of insurable risk.

As part of business-as-usual activities we also provide one-on-one coaching and training resources, such as the Insurable Risk in the Public Sector online micro-credential with RMIT, as well as a range of other courses.

VMIA's training covers diverse areas such as risk culture, climate change, and cyber risk. This support strengthens our clients' ability to assess their own risk environments, which helps inform their decisions about risk management and risk transfer.

Risk Maturity Benchmark

The Risk Maturity Benchmark (RMB) is a voluntary online tool designed to help Victorian public sector organisations assess their risk management practices, benchmark against peers, and create actionable plans for improvement.

In 2024–25 we refreshed the RMB to better reflect the role of insurance in transferring financial risk. The updated benchmark aligns with the Victorian Government Risk Management Framework, enabling agencies to assess their insurable risk maturity. We also improved the reporting dashboard, delivering a smoother experience for users when benchmarking their risk maturity against other organisations.

2025–26 was the second year our clients self-assessed using the revised RMB. The benchmark now encourages agencies to systematically capture and apply lessons learned from incidents and near-misses, fostering a culture of continuous improvement across the sector.

This year, 82% of RMB organisations reviewed their assessments. Overall maturity remained stable, and we were pleased to see continued strong interest in assessing and improving risk and insurance maturity.

Harm prevention

Operative Vaginal Birth Safety Bundle

Operative vaginal births (OVBs) are births that require assistance with forceps or vacuum. These procedures account for approximately 15% of all hospital births in Victoria—around 12,000 per year—and can pose significant risks to both women and their babies. OVBs can be complex, sometimes requiring advanced technical skills and decisive action in high-pressure situations.

We supported Monash Health in a pilot project focused on OVBs from 2022 to 2024. The pilot's results included a 25% reduction in composite neonatal morbidity and a 48% reduction in neonatal birth trauma. This led to the development of a Bundle of care designed to help clinicians enhance the safety and experience of OVBs through a culture of safety, interdisciplinary communication, and adherence to best practices – the Operative Vaginal Birth Safety Bundle. These results prompted Monash Health to embed permanent changes in their clinical practice and support other maternity services to adopt the Bundle.

In 2025, we provided additional funding to Monash Health to develop a comprehensive training experience including resources, to encourage interested level 4–6 maternity services in the Victorian public health system to adopt the Bundle. Level 4-6 maternity services are for women and babies that need additional care.

Monash Health is now leading the rollout of the OVB Safety Bundle across 20 level 4–6 maternity services across Victoria. The staged rollout began in March 2025 with hospitals moving into the implementation phase throughout 2026. All eligible Victorian maternity services are participating in the Bundle, and all have signed training agreements.

In September 2025, VMIA incentivised level 4–6 Victorian maternity services to adopt the Bundle by embedding it in our existing Incentivising Better Patient Safety (IBPS) program. The IBPS program is a statewide initiative that financially rewards hospitals for training birth suite clinicians in key risk areas via a partial rebate on the obstetrics component of their medical indemnity premium.

Our approach is designed to support and recognise services as they work towards standardising best practice in obstetric care over the next 3 years, while acknowledging that each service is at a different stage of their improvement.

Hospital Acquired Complications Innovation Fund

Hospital acquired complications (HACs) affect approximately 2% of hospitalisations in Australian public hospitals and are a factor in nearly a quarter of VMIA's medical indemnity claims. Examples include pressure injuries, healthcare-associated infections, delirium, malnutrition, and neonatal birth trauma. These complications can be mitigated through effective clinical risk management strategies.

In 2024–25, VMIA launched a HACs pilot involving 3 health services. The pilot funded advanced software for the health services for 2 years to enable more timely monitoring and benchmarking of HACs indicators. This near real-time data allows clinical coders to validate and review HACs indicators sooner, helping clinicians to confidently target quality improvement and HACs prevention activities. VMIA also provided funding for staffing resources to help use insights from the software to drive quality improvement projects in this space and track progress.

Building on the success of the pilot, VMIA launched the HACs Innovation Fund in 2025–26. The fund awarded a total of $750,000 across 10 health services to implement their own HACs reduction projects. The outcomes were very positive, creating a valuable platform for hospitals to collaborate, share ideas, and leverage collective expertise to drive meaningful improvements in patient safety and quality of care. The HACs Innovation Fund enabled participating hospitals to target specific HACs with tailored, evidence-based solutions that address their unique challenges and priorities.

VMIA will extend the HACs Innovation Fund for another 3 years.



The team that developed Stop the Drop at Sunshine Hospital. Pictured left to right: Julia Gheller, Improvement Specialist; Valerie Dibella, Director of Nursing and Midwifery; Glecy Muir, Associate Nurse Unit Manager, Cardiac care unit; Noma Nkomazana, Acting Nurse Unit Manager. Missing from photo Jenny Lo, Nurse Unit Manager, Cardiac care unit.

Stop the Drop!

A simulation training initiative for preventing hospital-acquired complications

In 2025–26, Western Health used part of its HACs Innovation Fund award to develop Stop the Drop. The initiative strengthens frontline staff's critical thinking and capability to recognise and respond to falls risks by applying existing knowledge through a gamified, simulation-based learning intervention.

Patient falls in hospitals can lead to significant injuries, extended hospital stays and increase healthcare costs. Many falls are preventable through targeted intervention, and frontline hospital staff must be engaged for effective prevention.[1]

The development of this initiative was both data-driven and evidence-based, informed by the latest research in implementation science. The primary objective was to create an interactive, game-based training model, using simulation to replicate real-life scenarios. It was designed to strengthen the existing knowledge and skills of frontline staff in recognising and preventing falls that can result in hospital-acquired complications. A secondary aim was to reinforce established falls prevention strategies within ward-based care through this innovative approach.

After a number of design iterations, the final product resembled an engaging board game, complete with buzzers, timers and a competitive scoring system.

During the trial period (27 November 2025 to 28 January 2026), the game was played 10 times with 94 staff participants.

Throughout the trial, Western Health observed a steady decline in inpatient falls each month. The game also generated an improvement in staff confidence and recall. At the conclusion of the trial, 92% of participants agreed with the statement: "Stop the Drop made me think differently about falls risks during my shifts." By integrating simulation and gamification, Western Health has bridged the gap between education and practical application.

The "Stop the Drop" initiative is seen as a promising tool to strengthen staff engagement in falls prevention and contribute to safer patient outcomes. Western Health is now exploring ways to embed the game within their ongoing education programs.

1 Australian Commission on Safety and Quality in Health Care. (2025). Preventing Falls and Harm from Falls in Older People: Best Practice Guidelines for Australian Hospitals. Falls Guidelines for Hospitals. https://www.safetyandquality.gov.au/publications-and-resources/resource-library/falls-guidelines-hospitals

National Surgical Quality Improvement Program

The National Surgical Quality Improvement Program (NSQIP) is designed to measure and improve the quality of surgical care. It uses clinical data collected by a trained clinician to assess patient outcomes up to 30 days after surgery. This data is then converted into detailed reports that are benchmarked against other hospitals in Australia and internationally. These reports can be used to track and analyse surgical complications and drive targeted quality improvement initiatives.

Hospitals that have introduced NSQIP have reported up to a 45% reduction in preventable post-operative complications and an average 27% decrease in preventable mortality.

In the 2025–26 financial year, VMIA continued to fund Peninsula Health's participation in NSQIP, allowing the hospital to collect and benchmark surgical outcomes data. This data identifies areas for improvement at the hospital and is an essential step to implement evidence-based changes that improve patient safety.

VMIA is committed to supporting other Victorian hospitals to adopt NSQIP as part of our broader harm prevention strategy. On 18 February 2026, VMIA hosted an online information session featuring insights from 3 Victorian hospitals, where participants learned how data-driven approaches are transforming harm prevention in surgery and how VMIA's initiatives can support meaningful improvements in surgical outcomes.

VMIA facilitated a 'Meet the Experts' session on 2 March 2026 at the Peter MacCallum Cancer Centre, featuring experts from the American College of Surgeons (ACS) and local NSQIP specialists. This provided an opportunity for hospital leaders, risk managers, and quality improvement professionals to share experiences, ask questions, and build a community of practice focused on safer surgery for all Victorians.

Advancing safety and innovation in healthcare – Human Factors Seminar Series

In March 2026, Safer Care Victoria, VMIA, WorkSafe Victoria and Monash University presented a series of seminars for Victorian healthcare workers on Human Factors in healthcare.

Human Factors applies knowledge of human physical, cognitive, and social abilities, and limitations, to design systems, organisations, jobs, and technology for safe and efficient performance.

In clinical health settings, this considers how Human Factors relate to technologies such as electronic prescribing software, surgical instruments, and all aspects of organisational, team, and clinical processes.

Over 4 sessions, internationally renowned expert Professor Ken Catchpole and other leading experts shared practical strategies to improve safety for patients and healthcare workers.

VMIA supports health worker education as part of our broad approach to harm prevention.

Working with government to reduce insurable cyber loss

VMIA's role in reducing insurable cyber loss includes client education, simulation and training programs and providing cyber loss thought leadership.

Cyber risk quantification

We delivered comprehensive cyber scenario impact analyses to the Department of Justice and Community Safety, Monash Health, and Grampians Health. These analyses quantified both insurable and non-insurable losses associated with major cyber incidents and provided each agency with a holistic view of their organisational exposure.



"VMIA genuinely invests in the professional growth and development of its people. The supportive culture, focus on collaboration and individual capability development makes VMIA an environment where you can thrive and build a meaningful career in insurance and risk management."

Danielle Lamaris, Innovation Manager

By modelling cyber attacks, we help clients understand potential financial and operational impacts that extend beyond traditional insurance cover. This approach considers both direct and indirect costs, including those that may not be insurable. This enables clients to make informed decisions about risk mitigation strategies, investment in cyber resilience, and prioritisation of resources.

Cyber training for public sector directors and risk managers

VMIA supported the Department of Government Services to deliver cyber risk awareness training to 75 non-executive directors from different Victorian government agencies.

The sessions explored the cyber threat landscape and considered the impacts of possible cyber risk events on organisations and the role of executives and board members in prevention and response. Similar training was delivered to 47 risk professionals.

Victorian Government Cyber Maturity Benchmark

The Victorian Government Cyber Maturity Benchmark is an annual, voluntary self-assessment of baseline cyber security controls across the Victorian public sector.

Participating agencies gain a clear understanding of their baseline cyber risk maturity and areas for improvement. The Department of Government Services uses this data to monitor and report on sector-wide cyber maturity across the State.

In 2025, new questions covering cyber governance, risk and compliance, capability and capacity, incident response, supply chain risk, and cyber awareness and training were added to the benchmark. These changes have provided greater visibility of sector-wide cyber maturity.

In 2025–26, 191 Victorian Public Sector agencies completed the self-assessment and the overall maturity score increased.

Statewide cyber incident simulation in public hospitals

In September 2025 VMIA worked with the Department of Health to run a cyber simulation exercise. It was designed to help health services prepare for complex cyber attacks by raising awareness, finding weaknesses, improving coordination and communication, and strengthening defences.

The exercise tested how well health services could manage a cyber attack while also dealing with other emergencies. Participants had to balance technical responses with the urgent needs of patient care and maintaining public trust.

Health Sector Cyber Self-assessment

VMIA partners with the Department of Health's eHealth division to deliver the Health Sector Cyber Security Assessment to all Victorian public health services. This self-assessment is a key part of eHealth's cyber assurance program, helping health services understand and strengthen their IT resilience.

All Victorian public health services take part, gaining a comprehensive view of their cyber maturity and supporting informed risk management decisions. The assessment draws on leading frameworks such as the Essential Eight, Center for Internet Security's critical security controls, and the Australian Cyber Security Centre's Information Security Manual.



Image: Public Sector Network 2026

Victorian Government Cyber Security Showcase

As part of Government Innovation Week Victoria, VMIA's Chief Information Security Officer, Ian Pham, was a guest speaker at the Public Sector Network's Government Cyber Security Showcase Victoria in March 2026.

Ian spoke on 'Securing innovation without stalling it', sharing insights on balancing agility, security and compliance in the public sector. He highlighted the need to embed cyber risk thinking into digital service delivery and foster collaboration between delivery, risk and security teams.

Fostering innovation

We're developing innovation as a core capability to encourage our people to challenge the status quo, embrace the art of the possible, see challenges as opportunities and to make an impact with their colleagues, clients and stakeholders.

VMIA is committed to fostering an innovation mindset across the organisation, as innovation is essential to delivering better outcomes for our clients. Our executive team leads by example, making innovation a priority. This commitment by our leadership ensures that continuous improvement is at the heart of our insurance, risk, and advisory services.

In 2025–26 VMIA ran a suite of internal education programs on innovation. These sessions provided our people with opportunities to collaborate and develop creative solutions to problems faced by our clients, and equipped them with the skills and confidence to adopt innovative approaches in their everyday work.

We also developed an Innovation Toolkit and Innovation Framework that provide practical tools, templates, and guidance for every stage of the innovation process, from identifying opportunities to implementing and scaling solutions.

Collaboration is a key driver of innovation at VMIA. Teams from across the organisation work together to develop new approaches, drawing on diverse perspectives to generate creative solutions. This ensures innovation is embedded in both our client-facing and internal processes.

One example this year is LOKI (Linking Observations, Knowledge and Insights), a client data aggregation tool designed to consolidate information from multiple sources into a single, streamlined view to improve VMIA's advice to clients.



Embedding insights

Ensuring our clients and staff have efficient access to the right data to make decisions that can reduce the cost of insurable risk and improve our operations is a key focus of our Elevate strategy. Leveraging our data to expand our service delivery to VMIA clients and exploring opportunities to harness AI-enabled processes saw several achievements this year.

We released several new applications and data tools this year. One was the Thematic Generator, which can generate reports and insights from unstructured data sources. Previously, identifying themes across high volumes of complex documents was a laborious process. This new tool enables us to deliver key insights on common themes or trends, supporting decisions around prioritisation and optimisation.

There is also a suite of geospatial tools which provide a better understanding of potential exposures to climate change related perils. Services for fire and flood related perils overlay data of current incidents against client asset locations, helping VMIA direct its attention to clients that may need elevated support. Other perils, such as sea-level rise or storm surges, are modelled using international climate change scenarios to highlight assets which may be more exposed in the future.

Opportunities to automate and improve existing processes have also been developed. The Underwriting Calculator enables a wider number of team members to calculate the impact of potential changes to cover, feeding the outcome into workflows for approvals.

Providing clients with direct access to self-serve information has progressed, with a piloted rollout to allow clients to access standard claims reports and specialised reports on medical indemnity.

We have strengthened our approach to data governance, ensuring our people have a thorough understanding of their obligations.

The adoption of Artificial Intelligence (AI) brings both opportunities and challenges for VMIA. AI enhances data-driven decision-making by rapidly and accurately analysing complex datasets, supporting our risk advisers in understanding claims trends and identifying targeted risk management solutions. Additionally, AI has the potential to improve productivity across the organisation.

Our adoption of AI continues to factor in important considerations regarding data privacy and security, which must be managed in line with legislative requirements as well as ethical considerations. AI algorithms must be transparent and fair, as unchecked bias can lead to unintended and unfair outcomes. We continue to take the extra measures to ensure that our AI-driven decisions are explainable and align with public sector values.

VMIA has taken a cautious approach to the adoption of AI tools, pursuing opportunities where AI can help us to analyse large volumes of structured and unstructured data while maintaining human oversight over all conclusions and decisions.

Two areas where AI has made a significant difference in our operations are outlined below.

Document feature extraction

Document feature extraction is a tool that we developed and use to identify and extract key information from voluminous documents. The tool is particularly valuable when reviewing complex claims documents containing sensitive or distressing material. The tool identifies and extracts key data automatically, for example the dates and locations of key events, proposing this to the manual reviewer and citing the location within each document that the information was extracted from. Its use has reduced the exposure of staff to potentially distressing content to the bare minimum required to ensure accuracy, reducing the risk of vicarious trauma.

This supports our compliance with the new Occupational Health and Safety (Psychological Health) Regulations 2025 that commenced on 1 December 2025.

Enterprise risk

Enterprise risk encompasses a broad range of internal and external risks that may affect the organisation's ability to achieve its objectives including strategic, operational, financial, reputational, and compliance risks.

VMIA has leveraged AI to capture and analyse data relating to our enterprise risks. When an incident occurs, the AI root cause analysis tool guides users through the process of identifying the causes of a risk incident. This enables users to write their own perspective, free from the bias that can occur in a group discussion, and AI then helps synthesise diverse viewpoints from different individuals.

The synthesised outputs produced through the AI platform are then reviewed and assessed by our Chief Risk Officer to identify any treatments or controls that need adjusting.

"AI is helping VMIA streamline risk management processes, enhance critical analysis, and save time. From control reviews and root cause assessments to risk appetite and change management planning, AI enables more consistent, efficient, and accessible risk practices across the organisation."

Samantha Zimmerman, Chief Risk Officer



Aligning to our Elevate strategy

We are increasing the productivity of our operations and harnessing the capability of our people so that VMIA can adapt to a changing operating environment. We are encouraging our people to find better ways of working and evolving our practices to meet new opportunities and pursue continuous improvement.

On 1 July 2025, VMIA introduced a new organisational structure, aligned to our Elevate strategy, to improve our organisational capability and position us to deliver greater value across Victoria's public sector.

To meet our clients' specific needs, we created Government, Health Sector, and Infrastructure and Energy Practice teams to deliver tailored risk, insurance and claims reduction advice to each sector, together with strategic advice and underwriting for less complex risks. This provides clear accountability for our client segments, with a renewed emphasis on higher-risk areas such as health and infrastructure and evolving sectors such as energy.

To support these sector-focused practices, we established an insurance Product Centre, offering expert advice, underwriting, product development and enhancement, portfolio monitoring, and oversight of our reinsurance strategy and placement.

To support our Elevate goal of improving people's capabilities, we created a Chief People Officer role, to focus on workforce strategy, leadership development and cultural transformation.

To support the fostering innovation initiative, we established an innovation team within the innovation and projects office. We also streamlined delivery of technology projects by creating centres of excellence for capabilities such as business analysis.

To enhance our ability to deliver insights and drive innovation, we combined our data and analytics teams. This strengthened our ability to embed insights across the organisation and develop new ways to use artificial intelligence.

To deliver efficient and innovative services, we have consolidated our client service and enablement activities into a new Service and Delivery Practice.



Improving the capability of our people

Our new Capability Framework is a roadmap for our people's development and growth. By investing in our people's development in the capabilities required for VMIA's future success, we are supporting both our people and our goal of becoming a high-performing organisation.

The 7 capabilities are:



In 2025–26 we focused on 3 capabilities: Communicates with impact, Accountability and results, and Client engagement. To help our people access development opportunities in their everyday work, we created a digital portal and an activity-based card set, supported by self-directed learning opportunities, coaching guides and digital learning.

Development isn't limited to formal training: we deliberately emphasise learning from others through coaching, feedback and on-the-job experience, rather than relying on one-off external sessions. Effective coaching and feedback from people leaders are central to this, so 'Communicates with impact' was prioritised for leaders first.

Our people

Staff engagement

Our engagement score in the Victorian Public Sector Commission's People Matter Survey 2026 was 71. This is up from 70 in the 2025 Survey and against a target of 73. This score is different from our Elevate staff engagement score, which is a combination of our score in the Victorian Public Sector Commission's People Matter Survey, and 2 internal pulse surveys during the year.

This has been a year of significant organisational change, following the exit of our Domestic Building Insurance division and the structural realignment that followed as we transitioned the organisation toward Elevate. We recognise that periods of meaningful change can affect how people experience their work, and we treat change itself as a workplace factor to be actively managed, not only a strategic milestone to be delivered.

This understanding is shaping the next phase of our people agenda. We are reviewing our people frameworks, governance and forums to ensure they are fit for the organisation we are becoming, so that workload, change and support are managed in a way that is consistent, accountable and responsive to our people's experience.

We are also taking action to strengthen respect and safety in the workplace. While our results on incivility were broadly consistent with the wider public sector, we see an opportunity to lead in this space.

New supervision framework for sensitive claims

Our claims managers oversee the end-to-end claims process, from notification to settlement, assessing claims, gathering information and coordinating with stakeholders. Because claims often respond to distressing and sometimes traumatic events, our claims professionals can be exposed to vicarious trauma.

This is most pronounced in our Sensitive Liability Claims team, which manages complex, sensitive civil claims, including claims alleging sexual misconduct or historical child abuse. These staff work with claimants, legal representatives, government agencies and support services to ensure a coordinated and respectful approach that minimises re-traumatisation and prioritises the wellbeing and dignity of claimants.

This year we introduced the Professional Supervision Program, a targeted control for the specific psychosocial hazard of exposure to traumatic material. Through the program, claims staff have structured, facilitated conversations with an external specialist psychologist experienced in trauma, vicarious trauma and workforce wellbeing. The program focuses on reflective practice, emotional load, boundaries, sustainable practice and the impacts of the work, and supports staff to recognise early signs of stress or burnout.

Working well together workshops

To strengthen respect at work and support our obligations to prevent and respond to workplace sexual harassment, we ran our 'Working well together' workshops. Led by Professor Melissa Casey, the workshops brought teams together to define what respectful behaviour looks like at VMIA and how to co-create safe, supportive environments. This work sits within our duty to take proactive, reasonable and proportionate measures to eliminate sexual harassment and sex discrimination.



"VMIA really encourages learning and development. I started a Graduate Diploma of Applied Corporate Governance and Risk Management in 2024. It's not easy working full-time, studying part-time, and of course managing family life, but my manager and team have been very supportive throughout my studies."

Jamila Jamal, Risk Adviser



Wellbeing

Flexibility and support

This year, our flexible leave policy was extended to allow employees to substitute designated public holidays for other culturally significant days, providing flexibility and recognising cultural diversity. Over the Easter break a number of our people chose to substitute Easter Monday for another day with religious or cultural significance to them.

Other staff benefits

- 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
- inclusive policies and support for life stages such as parenthood and retirement
- salary sacrifice options, income protection insurance, and transport discounts.

Diversity and inclusion

We believe that fostering an inclusive and diverse workforce, supported by wellbeing initiatives and genuine employee engagement, strengthens organisational performance and our ability to attract and retain outstanding talent.

This year we renewed our membership of Diversity Council Australia, maintaining access to research, workforce data and specialist resources that guide our approach. We reviewed position descriptions to ensure inclusive language and proportionate, genuinely necessary role requirements, so that selection criteria do not create unintended barriers. All people leaders completed unconscious-bias training, supporting them to recognise and respond to bias across hiring, performance, flexibility and team decisions.

Our People and Capability team run regular communications to raise awareness and understanding across culturally and linguistically diverse communities, disability, gender equality and LGBTIQA+ inclusion.

A review of our diversity and inclusion activities reaffirmed the importance of how our people experience respect and belonging at VMIA and identified clear opportunities to bring our efforts together under a more integrated and connected approach. Reflecting our continued focus in this space, we appointed a new People Experience Specialist, focused on Belonging, Wellbeing and Compliance, with a remit to bring employee voices front and centre.

This year has established a strong baseline from which to build. We completed and submitted a new 4-year Gender Equality Action Plan, reaffirming our commitment to gender equality over the long term, and we are strengthening our use of data and insights to better understand and respond to the experiences of our people. We have also reviewed and are launching core compliance training to ensure consistent standards of awareness and conduct across the organisation. Together, these steps position us to move toward a more integrated, connected approach to respect and inclusion in the year ahead.

Social Committee

Our volunteer Social Committee organised a range of activities throughout the year, starting with an after-work trip to the Australian Open in January 2026.

March was a particularly busy month, with events such as Neurodiversity Celebration Week, Harmony Week, Eid al-Fitr and St Patrick's Day. In the spirit of bringing everyone together, the Social Committee hosted a Pot Luck lunch that celebrated all these dates in one inclusive event. All our people were invited and participation was very high.

We also held an Easter egg guessing competition, raising funds for the Good Friday Appeal for the Royal Children's Hospital, Melbourne.



"VMIA is a great place to work because it genuinely invests in the professional growth and development of its people. I've been promoted twice since I joined the Client Advisory team in 2023 and have been given the opportunity to broaden my understanding of claims, operational risk management and insurance. The supportive culture, focus on collaboration and individual capability development makes VMIA an environment where you can thrive and build a meaningful career in insurance and risk management."

Ivan Kibet, Claims Specialist

Reconciliation Action Plan

VMIA launched our Innovate Reconciliation Plan in May 2024 as part of National Reconciliation Week and it concluded in May 2026.

Throughout 2025–26, we advanced our commitment to reconciliation through a review of existing policies and the launch of a new Anti-Discrimination Policy in early 2026. We intentionally connected the policy launch to a moment of cultural significance: on 18 February 2026, VMIA took part in a smoking ceremony at Birrarung Marr led by Elder Willy Xiberras, held in recognition of the Anniversary of the National Apology to the Stolen Generations.

Cultural learning remained a priority across the year. We delivered education sessions on Acknowledgement of Country and the significance of key cultural dates facilitated by an external First Peoples' cultural advisor. A cultural learning survey circulated among staff in March 2026 identified gaps in knowledge and engagement, that are now shaping our ongoing cultural learning strategy.

We have continued to develop our approach to First Peoples' employment, with an Aboriginal and Torres Strait Islander recruitment strategy in development. Procurement opportunities with First Peoples' businesses cover a range of services including education, graphic design and printing services.

The Risk and Insurance Client Services team has also established a database of First Peoples' client service organisations, and is working to help these organisations better understand and manage their insurance arrangements.

Throughout the year, VMIA staff have had the opportunity to participate in a range of activities that reflect our ongoing commitment to reconciliation and deepening our understanding of First Peoples' culture.

On 4 June, Rob Hyatt from the Koorie Heritage Trust visited VMIA for a Q&A discussion with our CEO, Andrew Davies, providing staff with the opportunity to ask questions and further their understanding of First Peoples' history and culture.

The SBS First Nations course was added to the suite of training available to all VMIA staff.

These and other activities have not only enriched our workplace culture but also reinforced VMIA's commitment to reconciliation and respectful engagement with First Peoples' communities.

In consultation with Reconciliation Australia, we are preparing to develop our Innovate RAP v2, with foundational work underway across cultural capability development, First Peoples' employment pathways and planned National Reconciliation Week engagement.



Image: Installation view of the *Bark Salon* gallery at The Ian Potter Centre, NGV Australia, Melbourne.

Financial summary

Report of operations

5 year summary of financial results	2026 $'000	2025 $'000	2024 $'000	2023 $'000	2022 $'000
Gross premium earned	887,095	827,150	683,217	621,259	559,967
Other income[1]	419,970	554,422	282,753	571,819	(60,002)
Less reinsurance, claims, commission and administration expenses	960,106	1,263,512	1,064,638	1,308,515	749,199
Operating surplus/(deficit)	346,959	118,060	(98,668)	(115,437)	(249,234)
Net cash inflow from operating activities	467,286	343,218	112,409	202,703	204,840
Total assets	5,069,345	4,855,559	4,376,321	3,946,106	3,531,117
Total liabilities	4,604,920	5,214,459	4,853,281	4,324,398	3,793,972
Net assets/(liabilities)	464,425	(358,900)	(476,960)	(378,292)	(262,855)

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 surplus of $347.0 million for the 2025–2026 year. The surplus was driven by higher-than-expected net premium earned and investment income and by lower-than-expected claims experience, mostly due to favourable movements in economic assumptions. VMIA's insurance funding ratio increased from 107.4% to 130.3%, which was above the midpoint of the preferred range of 100% to 145%.

Gross premium earned was $59.9 million higher than the prior year. This premium growth reflects the expected increase in cost of claims being incurred. Claims incurred was lower than the prior year but continues to face inflationary pressures including higher general damages awarded in compensation payments, broader application of special damages and a sustained rise in legal representation expenses associated with claims resolution.

This financial year was VMIA's third operating surplus in the past 8 years, underscoring the inherent volatility in claims incurred across our insurance portfolio and in the investment returns. The variability in claims incurred is influenced by a range of factors, including the complexity of claims, inflationary pressures, and the ever-changing risk environment faced by our clients. In addition to claims volatility, investment returns have also demonstrated variability within financial years, reflecting broader market conditions. To ensure the ongoing financial sustainability of VMIA and to provide a buffer against this volatility, VMIA maintains capital levels within the preferred range for the insurance funding ratio. This prudent approach to capital management supports our ability to meet current and future obligations to the State and our clients.

Economic Insurance Result

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

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

For 2025–2026, the EIR was a surplus of $207.0 million against a budgeted surplus of $183.3 million. The variance to budget was due to higher-than-expected net premium earned arising from additional insurance coverage for clients that commenced during the year.

Significant changes in financial position

As part of the Victorian Government's reforms to strengthen consumer protection and oversight in the domestic building sector, the government established the Building and Plumbing Commission (BPC) as a single regulator and insurer for the domestic building sector. To facilitate this reform VMIA was required to transfer the total of our responsibilities for the Domestic Building Insurance (DBI) portfolio to BPC on 1 July 2025. As at 30 June 2025 the DBI portfolio had assets of $213.7 million and liabilities of $691.2 million giving a net asset position of -$477.5 million as a result of claims having exceeded total premiums for a period leading up to the transfer, exacerbated by the collapse of Porter Davis Homes and other home builders impacted by the inflationary pressures that followed the COVID-19 pandemic.

To facilitate this transfer, on 1 July 2025, VMIA received a capital contribution of $590.0 million from the State. On the same day, VMIA transferred the $590.0 million capital contribution to the BPC along with all other assets and liabilities that VMIA held in relation to its DBI portfolio. Given VMIA's DBI liabilities exceeded its DBI assets, this transfer improved VMIA's net financial position by $477.5 million relative to that reported at 30 June 2025. VMIA had significantly increased the price of DBI policies in 2023 and again in 2024 in response to these claims pressures and had expected to recover the net liability over a period of approximately 5 years if VMIA had continued to administer the portfolio and had the terms and conditions of the DBI insurance remained unchanged.

At 30 June 2026, total assets were higher than the prior year by $213.8 million, primarily due to the increase in the investment portfolio, offset by a reduction in cash due to the transfer of the DBI portfolio. Total liabilities decreased by $609.5 million, reflecting the transfer of the DBI portfolio for gross claims liabilities and unearned premium, and an increase in the gross claims liabilities for the continuing portfolios. During 2025–2026, VMIA generated a net cash inflow of $467.3 million from operating activities. VMIA's equity position increased by $823.3 million to a surplus of $464.4 million at 30 June 2026 as a result of the transfer of the DBI portfolio and the operating surplus for the year.

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	2026	2025	2024	2023	2022
Economic Insurance Result (EIR)					
Actual ($ million)	207.0	35.9	(195.4)	(224.0)	(66.1)
Budget ($ million)	183.3	101.0	80.4	66.3	75.1
EIR Combined Ratio[1]	106.8%	132.2%	172.1%	182.5%	158.4%
Insurance Funding Ratio	130.3%	107.4%	99.8%	103.0%	109.7%
Return on Investments (before fees)	10.4%	12.1%	10.4%	10.9%	(1.8%)
Return on Investments (after fees)	9.8%	11.5%	9.8%	10.2%	(2.8%)
Return on Assets[2]	4.2%	0.8%	(4.9%)	(6.1%)	(2.0%)
Number of employees at end of year[3]	208	244	242	255	223
Number of full-time equivalent employees at end of year (FTE)[3]	200.8	235.0	233.1	245.7	213.4
Gross Premium Written ($ million)	837.5	918.0	1,002.7	608.3	781.8
Gross Premium Earned ($ million)	887.1	827.2	683.2	621.3	560.0

1. EIR Combined Ratio is the total of the Net claims incurred, Commission incurred and Administration expenses (all calculated on an Economic Insurance Result basis) as a percentage of the Net premium earned.
2. Return on Assets has been calculated based on the EIR.
3. All figures reflect employees paid in the last full pay period of June each year. Excluded are those on leave without pay, secondees, external contractors/consultants and temporary staff employed by employment agencies.

Financial report

The Victorian Managed Insurance Authority (VMIA) presents its audited general purpose financial statements for the financial year ended 30 June 2026 and provides users with the information about VMIA's stewardship of resources entrusted to it. It is presented in the following structure:

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Comprehensive Operating Statement

For the financial year ended 30 June 2026

	Note	2026 $'000	2025 $'000
Gross premium earned	2.1, 2.7	**887,095**	**827,150**
Reinsurance premium incurred	2.7	(111,955)	(98,270)
Decrease/(increase) in unexpired risks liability	2.8(b)	11,082	(1,317)
Net premium earned		**786,222**	**727,563**
Gross claims incurred	2.2, 2.3(b)	(789,027)	(1,099,170)
Reinsurance and other recoveries	2.2, 2.3(b)	13,492	105,893
Net claims incurred	2.2	**(775,535)**	**(993,277)**
Commission incurred		(1,866)	2,600
Other income		3,948	4,238
Administration expenses	5.1	(46,583)	(58,786)
Underwriting result		**(33,814)**	**(317,662)**
Investment income	3.1	391,448	445,608
Investment management expenses		(10,675)	(9,886)
Net investment income		**380,773**	**435,722**
Net result		**346,959**	**118,060**
Comprehensive result		**346,959**	**118,060**

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

Balance Sheet

As at 30 June 2026

	Note	2026 $'000	2025 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	3.2	177,843	299,954
Trade receivables	2.10	10,300	3,214
Non-trade receivables		4,993	4,461
Investments	3.3(c)	4,243,335	3,767,614
Total financial assets		**4,436,471**	**4,075,243**
Non-financial assets			
Trade receivables	2.10	41,176	81,621
Non-trade receivables		4,646	31,545
Prepaid expenses		2,897	4,494
Furniture, fittings, equipment and motor vehicles		207	187
Right-of-use assets	4.1	8,824	10,754
Deferred acquisition costs	2.8(a), 2.9	-	16,738
Unearned reinsurance	2.7	312,300	345,251
Reinsurance and other recovery assets	2.3(b), 2.3(d)	262,824	289,726
Total non-financial assets		**632,874**	**780,316**
Total assets		**5,069,345**	**4,855,559**
LIABILITIES			
Trade payables	2.11	92,244	124,521
Non-trade payables	4.3	23,473	26,792
Derivative liabilities	3.3(c)	16,192	15,262
Provisions		6,788	7,835
Lease liability	4.2	9,909	11,426
Unearned premium	2.7	560,326	915,263
Unexpired risks	2.8(b)	134,738	145,820
Gross claims liabilities	2.3(a), 2.3(b) , 2.3(c)	3,761,250	3,967,540
Total liabilities		**4,604,920**	**5,214,459**
Net assets		**464,425**	**(358,900)**
EQUITY			
Contributed capital	6.1, 8.1	476,366	-
Accumulated surplus/(deficit)		(11,941)	(358,900)
Total equity		**464,425**	**(358,900)**

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 2026

	Note	Contributed capital $'000	Accumulated surplus/(deficit) $'000	Total $'000
Balance at 30 June 2024		**-**	**(476,960)**	**(476,960)**
Comprehensive result for the year		-	118,060	118,060
Balance at 30 June 2025	**6.1**	**-**	**(358,900)**	**(358,900)**
Capital contribution from the State to facilitate machinery of government transfer of DBI	6.1, 8.1	590,000	-	590,000
Property, Rights, and Liabilities transferred under machinery of government restructure	6.1, 8.1	(112,438)	-	(112,438)
Return of capital to the State	6.1(a)	(1,196)	-	(1,196)
Comprehensive result for the year		-	346,959	346,959
Balance at 30 June 2026	**6.1**	**476,366**	**(11,941)**	**464,425**

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 2026

	Note	2026 $'000	2025 $'000
Cash flows from operating activities			
Insurance premium received		1,034,464	1,261,232
Other income		4,343	4,663
Reinsurance premium paid		(131,635)	(142,779)
Gross claims paid		(807,362)	(945,050)
Reinsurance and other recoveries received		29,624	23,190
Reimbursement of claims paid on behalf of others		203,701	140,097
Gross commission paid		(1,208)	(13,978)
Payments to employees and suppliers for services and goods		(64,898)	(70,954)
Dividends, distributions and other investment income received	3.1	312,292	234,773
Interest received	3.1	23,500	14,485
Goods and Services Taxation paid		(63,096)	(78,542)
Stamp Duty paid		(72,439)	(83,919)
Net cash inflow from operating activities	**3.2(a)**	**467,286**	**343,218**
Cash flows from investing activities			
Acquisition of furniture, fittings, equipment and motor vehicles		(128)	(68)
Proceeds on disposal of furniture, fittings, equipment and motor vehicles		41	74
Acquisition of investments		(1,863,646)	(3,304,032)
Proceeds on disposal of investments		1,473,093	3,196,093
Net cash inflow/(outflow) from investing activities		**(390,640)**	**(107,933)**
Cash flows from financing activities			
Capital contribution from the State to facilitate machinery of government restructure	6.1, 8.1	590,000	-
Cash transferred as part of machinery of government restructure	1.2	(786,044)	-
Return of capital to the State	6.1(a)	(1,196)	-
Lease payments (principal component)		(1,517)	(1,359)
Cash outflow from financing activities		**(198,757)**	**(1,359)**
Increase/(decrease) in cash and cash equivalents		(122,111)	233,926
Cash and cash equivalents at beginning of year		299,954	66,028
Cash and cash equivalents at end of year	**3.2**	**177,843**	**299,954**

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

Notes to the Financial Statements

1 About this report

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

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

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

1.1 Basis of preparation

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

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions and financial consequences of events are reported. The accounting policies have been applied in preparing the financial report for the year ended 30 June 2026 and the comparative information presented for the year ended 30 June 2025.

On 1 July 2025 the Domestic Building Insurance operations including all assets and liabilities were transferred to the Building and Plumbing Commission as part of a machinery of government restructure. Refer to Note 8.1 for further details.

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

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

The financial report has been prepared on a going concern basis. VMIA recorded net assets as at 30 June 2026 of $464 million (2025: negative $359 million), a net profit for the financial year ended 30 June 2026 of $347 million (2025: profit of $118 million) and positive cash flows from operating activities of $467 million (2025: $343 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 (Tier 1) 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 Minister for Finance 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 Minister for Finance.

The financial report was authorised for issue by the Board of Directors on 4 September 2026.

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 disclosures:

2.1 Gross premium earned
2.2 Net claims incurred
2.3 Claim liabilities
2.4 Critical actuarial judgements, assumptions and estimates
2.5 Reinsurance program
2.6 Insurance contracts – risk management policies and procedures
2.7 Net unearned premium liability
2.8 Unexpired risks liability
2.9 Deferred acquisition costs
2.10 Trade receivables
2.11 Trade payables

VMIA's business is very diverse with 6 main lines of business classifications being Medical Indemnity, Liability, Dust Diseases and Workers' Compensation, Property, Construction, and Other activities.

VMIA ceased writing domestic building insurance (DBI) on the 30 June 2025 as part of a machinery of government restructure, however the prior year comparatives have not been restated to exclude DBI balances.

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.

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 Minister for Finance.

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 Victorian Government entities. The portfolio is in run-off. The last Dust Diseases and Workers' Compensation insurance contract expired on 31 January 1995.

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	2026 $'000	2025 $'000
Gross premium earned			
Domestic Building Insurance		-	108,259
Liability		235,703	194,293
Medical Indemnity		386,935	303,769
Property		130,943	122,304
Construction		101,814	70,231
Other		31,700	28,294
Total gross premium earned		**887,095**	**827,150**

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.

	2026			2025		
	Current year $'000	Prior years $'000	Total $'000	Current year $'000	Prior years $'000	Total $'000
Gross claims incurred						
Undiscounted	980,857	(32,766)	948,091	969,767	129,329	1,099,096
Discount movement	(201,618)	33,316	(168,302)	(149,225)	137,898	(11,327)
Unallocated claims expenses	9,238	-	9,238	11,401	-	11,401
Total gross claims incurred	**788,477**	**550**	**789,027**	**831,943**	**267,227**	**1,099,170**
Reinsurance and other recoveries						
Undiscounted	(38,556)	38,303	(253)	(67,258)	(44,561)	(111,819)
Discount movement	2,352	(15,591)	(13,239)	6,582	(656)	5,926
Total reinsurance and other recoveries	**(36,204)**	**22,712**	**(13,492)**	**(60,676)**	**(45,217)**	**(105,893)**
Total net claims incurred	**752,273**	**23,262**	**775,535**	**771,267**	**222,010**	**993,277**

2.3 Claim liabilities

(a) Gross claims liabilities

	2026 $'000	2025 $'000
Undiscounted central estimate	3,980,974	4,053,302
Discount to present value	(715,816)	(574,375)
Discounted value of central estimate	**3,265,158**	**3,478,927**
Claims handling expenses	62,798	81,177
Risk margin	433,294	407,436
Total gross claims liabilities	**3,761,250**	**3,967,540**
Current	742,560	928,223
Non-current	3,018,690	3,039,317
Total gross claims liabilities	**3,761,250**	**3,967,540**

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

	2026			2025		
	Gross $'000	Reinsurance & other recoveries $'000	Net $'000	Gross $'000	Reinsurance & other recoveries $'000	Net $'000
Claims liabilities at beginning of year	**3,967,540**	**(289,726)**	**3,677,814**	**3,664,367**	**(210,136)**	**3,454,231**
Effect of changes in economic assumptions	(129,965)	7,834	(122,131)	68,635	(3,535)	65,100
Effect of changes in other assumptions	12,001	23,130	35,131	66,241	(34,704)	31,537
Effect of claims moving one year closer to settlement	118,514	(8,252)	110,262	132,351	(6,978)	125,373
Claims incurred for most recent policy year	788,477	(36,204)	752,273	831,943	(60,676)	771,267
Claims incurred charged/(credited) to income	**789,027**	**(13,492)**	**775,535**	**1,099,170**	**(105,893)**	**993,277**
Net claim payments during the year	(610,618)	40,394	(570,224)	(795,997)	26,303	(769,694)
Liabilities transferred under machinery of government restructure	(384,699)	-	(384,699)	-	-	-
Claims liabilities at end of year	**3,761,250**	**(262,824)**	**3,498,426**	**3,967,540**	**(289,726)**	**3,677,814**

2.3 Claim liabilities *(cont.)*

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

	2026 $'000	2025 $'000
Under 1 year	649,187	805,267
1–5 years	1,913,985	1,932,094
Over 5 years	1,417,802	1,315,941
Total	**3,980,974**	**4,053,302**

(d) Reinsurance and other recovery assets

	2026 $'000	2025 $'000
Reinsurance recoveries in respect of claims liabilities	232,419	214,156
Other recoveries in respect of claims liabilities	61,841	120,245
Discount to present value	(31,436)	(44,675)
Total reinsurance and other recovery assets	**262,824**	**289,726**
Current	105,752	110,641
Non-current	157,072	179,085
Total reinsurance and other recovery assets	**262,824**	**289,726**

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 10 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.

Construction	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000	2024 $'000	2025 $'000	2026 $'000	Total $'000
Original estimate of ultimate net claims incurred at end of policy year	13,795	8,627	8,961	9,156	24,049	27,836	35,889	44,270	38,445	32,204	
One year later	13,501	7,137	8,281	14,806	32,177	28,379	70,659	33,836	55,176		
Two years later	11,465	6,716	12,042	14,001	29,173	31,542	79,026	31,402			
Three years later	10,991	9,932	12,347	14,153	33,106	24,726	77,720				
Four years later	11,259	10,853	11,348	15,884	25,155	26,474					
Five years later	11,560	9,676	14,383	11,844	24,881						
Six years later	13,356	11,907	13,336	12,473							
Seven years later	13,852	14,721	15,662								
Eight years later	12,774	13,755									
Nine years later	12,772										
Current estimate of ultimate net claims incurred	**12,772**	**13,755**	**15,662**	**12,473**	**24,881**	**26,474**	**77,720**	**31,402**	**55,176**	**32,204**	**302,519**
Cumulative payments	(12,756)	(13,038)	(13,127)	(10,612)	(16,347)	(12,005)	(35,471)	(12,412)	(35,290)	(101)	(161,159)
Net claims liabilities – undiscounted	**16**	**717**	**2,535**	**1,861**	**8,534**	**14,469**	**42,249**	**18,990**	**19,886**	**32,103**	**141,360**
2016 and prior years											800
Total net claims liabilities – undiscounted											**142,160**
Discount to present value											(16,337)
Claims handling expenses											3,488
Risk margin											44,359
Net claims liabilities at 30 June 2026											**173,670**

Dust Diseases and Workers' Compensation	Total $'000
Nine years previous	547,545
Eight years previous	567,996
Seven years previous	518,230
Six years previous	510,120
Five years previous	520,930
Four years previous	542,165
Three years previous	561,489
Two years previous	575,747
One years previous	600,538
Current estimate of ultimate net claims incurred	**617,286**
Cumulative payments (since 30 June 1999)	(319,494)
Net claims liabilities – undiscounted	**297,793**
Discount to present value	(106,615)
Claims handling expenses	3,824
Risk margin	55,661
Net claims liabilities at 30 June 2026	**250,662**

2.3 Claim liabilities *(cont.)*

(e) Net claims development tables (cont.)

Liability	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000	2024 $'000	2025 $'000	2026 $'000	Total $'000
Original estimate of ultimate net claims incurred at end of policy year	23,427	29,814	65,292	75,983	72,186	74,653	98,668	116,513	121,155	156,548	
One year later	19,335	31,234	57,168	85,700	81,650	95,533	98,214	113,574	122,009		
Two years later	18,453	26,107	55,014	165,182	110,213	106,792	98,603	112,244			
Three years later	19,162	32,226	86,765	132,561	123,307	106,973	101,984				
Four years later	21,405	37,584	88,996	121,343	119,568	108,789					
Five years later	27,411	39,108	92,527	123,594	131,576						
Six years later	25,030	42,645	102,111	129,762							
Seven years later	23,525	42,836	100,696								
Eight years later	24,224	34,907									
Nine years later	38,120										
Current estimate of ultimate net claims incurred	**38,120**	**34,907**	**100,696**	**129,762**	**131,576**	**108,789**	**101,984**	**112,244**	**122,009**	**156,548**	**1,036,635**
Cumulative payments	(22,676)	(33,488)	(94,141)	(118,363)	(121,935)	(82,291)	(62,821)	(55,680)	(27,620)	(8,802)	(627,817)
Net claims liabilities – undiscounted	**15,444**	**1,419**	**6,555**	**11,399**	**9,641**	**26,498**	**39,163**	**56,564**	**94,389**	**147,746**	**408,818**
2016 and prior years											14,186
Total net claims liabilities – undiscounted											**423,004**
Discount to present value											(45,218)
Claims handling expenses											8,833
Risk margin											122,791
Net claims liabilities at 30 June 2026											**509,410**

Medical Indemnity	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000	2024 $'000	2025 $'000	2026 $'000	Total $'000
Original estimate of ultimate net claims incurred at end of policy year	189,902	195,181	214,474	231,067	260,201	298,885	347,452	402,597	473,730	522,641	
One year later	191,175	203,207	212,998	242,740	271,533	324,494	358,855	418,958	472,065		
Two years later	200,175	206,332	217,291	273,036	291,330	324,494	368,894	429,495			
Three years later	194,972	221,188	237,680	282,163	292,449	324,494	368,894				
Four years later	175,105	228,318	245,226	282,163	303,923	314,316					
Five years later	176,367	256,691	273,939	282,163	297,237						
Six years later	188,848	240,554	273,939	279,250							
Seven years later	187,384	235,454	273,939								
Eight years later	179,135	247,658									
Nine years later	185,225										
Current estimate of ultimate net claims incurred	**185,225**	**247,658**	**273,939**	**279,250**	**297,237**	**314,316**	**368,894**	**429,495**	**472,065**	**522,641**	**3,390,720**
Cumulative payments	(133,606)	(166,716)	(185,588)	(170,299)	(91,130)	(82,590)	(43,036)	(12,132)	(3,570)	(1,642)	(890,309)
Net claims liabilities – undiscounted	**51,619**	**80,942**	**88,351**	**108,951**	**206,107**	**231,726**	**325,858**	**417,363**	**468,495**	**520,999**	**2,500,411**
2016 and prior years											125,822
Total net claims liabilities – undiscounted											**2,626,233**
Discount to present value											(502,368)
Claims handling expenses											42,913
Risk margin											176,881
Net claims liabilities at 30 June 2026											**2,343,659**

2.3 Claim liabilities *(cont.)*

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

Property	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000	2024 $'000	2025 $'000	2026 $'000	Total $'000
Original estimate of ultimate net claims incurred at end of policy year	40,331	9,447	27,688	109,131	30,974	38,877	104,516	42,879	48,901	32,935	
One year later	51,358	14,665	24,311	98,259	78,927	53,982	85,644	59,481	64,754		
Two years later	48,066	12,387	24,869	116,154	82,732	43,917	90,640	63,436			
Three years later	43,296	12,021	23,167	108,845	75,194	43,880	87,239				
Four years later	43,488	14,129	24,642	111,090	73,128	44,521					
Five years later	41,121	13,815	22,215	108,984	72,924						
Six years later	41,372	13,694	22,171	108,830							
Seven years later	39,421	12,984	22,237								
Eight years later	39,421	11,917									
Nine years later	39,421										
Current estimate of ultimate net claims incurred	**39,421**	**11,917**	**22,237**	**108,830**	**72,924**	**44,521**	**87,239**	**63,436**	**64,754**	**32,935**	**548,214**
Cumulative payments	(39,421)	(10,858)	(20,393)	(79,638)	(42,596)	(26,077)	(86,042)	(20,427)	(29,433)	(7,750)	(362,635)
Net claims liabilities – undiscounted	**-**	**1,059**	**1,844**	**29,192**	**30,328**	**18,444**	**1,197**	**43,009**	**35,321**	**25,185**	**185,579**
2016 and prior years											248
Total net claims liabilities – undiscounted											**185,827**
Discount to present value											(12,707)
Claims handling expenses											3,462
Risk margin											31,701
Net claims liabilities at 30 June 2026											**208,283**

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

Other	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000	2024 $'000	2025 $'000	2026 $'000	Total $'000
Original estimate of ultimate net claims incurred at end of policy year	1,024	1,489	1,596	10,466	13,209	16,085	20,825	23,898	26,435	27,570	
One year later	1,061	1,222	1,181	7,431	13,233	15,452	18,449	23,595	24,478		
Two years later	1,038	1,166	1,324	9,431	13,080	15,360	18,599	22,733			
Three years later	965	1,141	1,039	9,223	12,716	15,874	18,247				
Four years later	1,029	838	1,206	9,802	12,421	15,719					
Five years later	897	1,441	1,569	9,325	12,210						
Six years later	1,257	1,208	1,407	8,788							
Seven years later	1,190	1,145	1,201								
Eight years later	1,143	1,098									
Nine years later	1,307										
Current estimate of ultimate net claims incurred	**1,307**	**1,098**	**1,201**	**8,788**	**12,210**	**15,719**	**18,247**	**22,733**	**24,478**	**27,570**	**133,351**
Cumulative payments	(1,062)	(1,019)	(1,085)	(8,328)	(12,072)	(15,211)	(17,574)	(21,985)	(22,738)	(20,729)	(121,803)
Net claims liabilities – undiscounted	**245**	**79**	**116**	**460**	**138**	**508**	**673**	**748**	**1,740**	**6,841**	**11,548**
2016 and prior years											149
Total net claims liabilities – undiscounted											**11,697**
Discount to present value											(1,136)
Claims handling expenses											278
Risk margin											1,902
Net claims liabilities at 30 June 2026											**12,741**

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 present value of the central estimate 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.)*

Dust Diseases and Workers' Compensation	Liability, Property, Construction and Other	Medical Indemnity
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% (2025: 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 $2.210 million at 30 June 2026, up from $2.080 million at 30 June 2025 to better reflect the emerging experience.

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

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
2026							
Inflation rate (% p.a.)	-	3.5	3.4	3.4	3.4	3.4	3.4
Superimposed inflation rate (% p.a.)	-	2.0	-	3.5	-	-	-
Discount rate (% p.a.)	-	5.0	4.5	4.7	4.5	4.5	4.5
Weighted average term to settlement (years)	-	7.9	2.4	4.4	1.4	2.8	1.9
Non-large claims costs for the latest policy year ($ per 1,000 separations)*	-	-	-	121,900	-	-	-
Ultimate claims ratio (% for the latest policy year)	-	-	63.8	-	-	-	-
Large claim frequency for the latest policy year (% per 1,000 separations)*	-	-	-	1.6	-	-	-
Claim frequency (% of total certificates)	-	-	-	-	-	-	-
Number of incurred but not reported (IBNR) claims	-	604	-	-	-	-	-
Average claim size ($ per claim at end of year)	-	254,000	-	-	-	-	-
Average claim size for large claims ($ million per claim at end of year)*	-	-	-	3.6	-	-	-
Claims handling expense (CHE) rate (% of claim payments)	-	2.0	2.0	2.0	1.2	2.0	2.0
Risk margin (% p.a.)	-	28.5	31.8	8.2	18.0	34.3	17.5
2025							
Inflation rate (% p.a.)	3.9	3.5	3.4	3.4	3.4	3.4	3.4
Superimposed inflation rate (% p.a.)	-	2.0	-	3.5	-	-	-
Discount rate (% p.a.)	3.5	4.4	3.5	3.8	3.5	3.5	3.5
Weighted average term to settlement (years)	2.9	8.3	2.2	4.3	1.2	2.8	2.0
Non-large claims costs for the latest policy year ($ per 1,000 separations)*	-	-	-	113,500	-	-	-
Ultimate claims ratio (% for the latest policy year)	-	-	61.1	-	-	-	-
Large claim frequency for the latest policy year (% per 1,000 separations)*	-	-	-	1.6	-	-	-
Claim frequency (% of total certificates)	2.1	-	-	-	-	-	-
Number of incurred but not reported (IBNR) claims	-	608	-	-	-	-	-
Average claim size ($ per claim at end of year)	74,400	242,000	-	-	-	-	-
Average claim size for large claims ($ million per claim at end of year)*	-	-	-	3.1	-	-	-
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.)	23.5	28.5	30.8	4.5	16.9	29.3	17.5

(*) The threshold for a large claim has changed from $2.080 million (2025) to $2.210 million (2026).

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 policies of VMIA from time to time.

(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.

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

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% (2025: 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% (2025: 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 %	Dust Diseases & Workers' Compensation $'000	Liability $'000	Medical Indemnity $'000	Property $'000	Construction $'000	Other $'000
Inflation rate (% p.a.)	+0.5 −0.5	9,537 (8,980)	5,950 (5,848)	5,299 (16,293)	1,585 (1,572)	2,251 (2,212)	132 (128)
Superimposed inflation rate (% p.a.)	+0.5 −0.5	7,979 (7,506)	- -	5,299 (16,293)	- -	- -	- -
Discount rate (% p.a.)	+0.5 −0.5	(9,098) 9,747	(5,887) 6,045	(47,964) 49,784	(1,548) 1,576	(2,179) 2,238	(126) 131
Non-large claims costs for the latest policy year ($ per 1,000 certificates)	+10.0 −10.0	- -	- -	2,344 (36,616)	- -	- -	- -
Ultimate claims ratio (% for the latest policy year)	+20.0 −20.0	- -	26,986 (26,986)	- -	- -	- -	- -
Large claim frequency for the latest policy year (% per 1,000 separations)	+0.2 −0.2	- -	- -	1,453 (22,818)	- -	- -	- -
Number of incurred but not reported (IBNR) claims	+10.0 −10.0	23,652 (23,652)	- -	- -	- -	- -	- -
Average claim size ($ per claim at end of year)	+10.0 −10.0	23,652 (23,652)	- -	- -	- -	- -	- -
Average claim size for large claims ($ million per claim at end of year)	+5.0 −5.0	- -	- -	8,005 (10,276)	- -	- -	- -
Claims handling expense (CHE) rate (% of claim payments)	+1.0 −1.0	2,457 (2,457)	5,819 (5,819)	21,631 (21,631)	3,519 (3,519	2,342 (2,342)	163 (163)
Risk margin (% p.a.)	+1.0 −1.0	1,950 (1,950)	3,866 (3,866))	21,668 (21,668)	1,766 (1,766)	1,293 (1,293)	108 (108)

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 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 reinsurers 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, 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.

2.6 Insurance contracts — risk management policies and procedures *(cont.)*

(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

	2026			2025		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Unearned premium liability/(asset) at beginning of year	**915,263**	**(345,251)**	**570,012**	**824,406**	**(362,591)**	**461,815**
Premium transferred under machinery of government restructure	(305,340)	-	(305,340)	-	-	-
Premium written	837,498	(79,004)	758,494	918,007	(80,930)	837,077
Premium (earned)/incurred	(887,095)	111,955	(775,140)	(827,150)	98,270	(728,880)
Unearned premium liability/(asset) at end of year	**560,326**	**(312,300)**	**248,026**	**915,263**	**(345,251)**	**570,012**
Current	187,255	(67,450)	119,805	292,036	(60,406)	231,630
Non-current	373,071	(244,850)	128,221	623,227	(284,845)	338,382
Unearned premium liability/(asset) at end of year	**560,326**	**(312,300)**	**248,026**	**915,263**	**(345,251)**	**570,012**

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 the 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 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.

2.8 Unexpired risks liability *(cont.)*

(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
2026							
Net premium liability	-	249,438	413,187	100,021	160,012	32,707	955,365
Net present value of future policy costs	-	(201,514)	(426,020)	(81,102)	(131,490)	(29,499)	(869,625)
Risk margin	-	(62,534)	(82,968)	(13,881)	(50,969)	(5,088)	(215,440)
Gross deferred acquisition costs recognised	-	-	-	-	-	-	-
Gross premium (deficiency)/surplus	**-**	**(14,610)**	**(95,801)**	**5,038**	**(22,447)**	**(1,880)**	**(129,700)**
Deferred acquisition costs written down	-	-	-	-	-	-	**-**
Net premium deficiency	**-**	**(14,610)**	**(95,801)**	**-**	**(22,447)**	**(1,880)**	**(134,738)**
Deferred acquisition costs recognised in Balance Sheet	-	-	-	-	-	-	-
2025							
Net premium liability	305,340	213,600	385,700	92,373	180,352	29,850	1,207,215
Net present value of future policy costs	(233,683)	(147,911)	(414,780)	(76,367)	(155,303)	(25,495)	(1,053,539)
Risk margin	(54,919)	(45,733)	(80,794)	(13,064)	(60,958)	(4,392)	(259,860)
Gross deferred acquisition costs recognised	(23,980)	-	-	-	-	-	(23,980)
Gross premium (deficiency)/surplus	**(7,242)**	**19,956**	**(109,874)**	**2,942**	**(35,909)**	**(37)**	**(130,164)**
Deferred acquisition costs written down	7,242	-	-	-	-	-	7,242
Net premium deficiency	**-**	**-**	**(109,874)**	**-**	**(35,909)**	**(37)**	**(145,820)**
Deferred acquisition costs recognised in Balance Sheet	16,738	-	-	-	-	-	16,738

(b) Movement in unexpired risks liability

	2026 $'000	2025 $'000
Current		
Unexpired risks liability at beginning of year	**145,820**	**144,503**
Increase/(decrease) in unexpired risks liability	(11,082)	1,317
Unexpired risks liability at end of year	**134,738**	**145,820**

2.9 Deferred acquisition costs

Deferred acquisition costs movement:

	Note	2026 $'000	2025 $'000
Deferred acquisition costs at beginning of year		**16,738**	**-**
Acquisition costs transferred under machinery of government restructure		(16,738)	-
Acquisition costs deferred		-	12,707
Amortisation charged to income		-	7,039
Decrease/(increase) in write down due to premium deficiency		-	(3,008)
Decrease in deferred acquisition costs	**2.8(a)**	**(16,738)**	**16,738**
Deferred acquisition costs at end of year	**2.8(a)**	**-**	**16,738**

All deferred acquisition costs were incurred as part of DBI operations and have been transferred as part of the MoG restructure.

2.10 Trade receivables

	2026 $'000	2025 $'000
Current		
Insurance receivables – non-financial (statutory)	41,176	81,621
Other receivables – financial (contractual)	10,300	3,214
Total trade receivables	**51,476**	**84,835**

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. $1.2 million of insurance receivables were past due at 30 June 2026 (2025: $1.7 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 2026.

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 2026 (2025: Nil).

No provision for doubtful debts has been raised at 30 June 2026 (2025: 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

	2026 $'000	2025 $'000
Current		
Trade payables – financial (contractual)[i]	28,333	84,176
Deposits held to meet future claim payments – financial (contractual)[ii]	63,911	40,345
Total trade payables	**92,244**	**124,521**

(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 disclosures:

3.1 Investment income
3.2 Cash and cash equivalents
3.3 Investments

3.1 Investment income

	Note	2026 $'000	2025 $'000
Investment income			
Dividends and distributions		312,292	234,773
Interest		23,500	14,485
Fair value movements through income	3.2(a)	55,656	196,350
Total investment income		**391,448**	**445,608**

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 2025 or the cost of acquisition (for investments purchased during the year), and sales proceeds or their fair value at 30 June 2026.

3.2 Cash and cash equivalents

	2026 $'000	2025 $'000
Current		
Cash at bank	177,843	299,954
Total cash and cash equivalents	**177,843**	**299,954**

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

3.2 Cash and cash equivalents *(cont.)*

(a) Reconciliation of net cash inflow from operating activities to net result

	Note	2026 $'000	2025 $'000
Net result		**346,959**	**118,060**
Profit on disposal of furniture, fittings, equipment and motor vehicles		(6)	(9)
Depreciation		2,001	2,040
Amortisation of intangible assets		-	2,501
Fair value movements through income	3.1	(55,656)	(196,350)
Interest credited to clients		(1,469)	(3,997)
Change in fair value of investments as a result of outstanding settlements		(27,112)	23,281
Changes in operating assets and liabilities:			
(Increase)/Decrease in trade receivables		33,359	143,303
(Increase)/Decrease in non-trade receivables		26,367	(22,904)
(Increase)/Decrease in prepaid expenses		1,597	1,139
(Increase)/Decrease in deferred acquisition costs	2.8(a)	16,738	(16,738)
(Increase)/Decrease in reinsurance and other operating assets		59,853	(62,250)
Increase/(Decrease) in trade payables		(32,277)	(49,945)
Increase/(Decrease) in non-trade payables		(3,319)	9,520
Increase/(Decrease) in provisions		(1,047)	220
Increase/(Decrease) in gross insurance liabilities		(572,309)	395,347
Net liability movement from machinery of government restructure		673,607	-
Net cash inflow from operating activities		**467,286**	**343,218**

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 Minister for Finance. 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 2026, 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

	2026 $'000	2025 $'000
Australian equities	549,248	503,429
Australian bonds	146,953	112,751
US bonds	45,294	80,183
Emerging market debt	-	(2,313)
Inflation linked bonds	232,969	177,199
Infrastructure	403,162	392,090
International equities	1,330,994	1,187,882
Other strategies	48,389	-
Private credit	294,312	272,387
Insurance investments	16	4,296
Hedge funds	502,547	460,748
Private equity	-	2,827
Property	377,201	282,382
Derivative overlay	(763)	1,312
Short-term money market funds	296,821	277,179
Total fair value of investment portfolio at 30 June	**4,227,143**	**3,752,352**
Investments	4,243,335	3,767,614
Derivative liabilities	(16,192)	(15,262)
Total fair value of investment portfolio at 30 June	**4,227,143**	**3,752,352**

3.3 Investments *(cont.)*

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 time frame 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 disclosures:

4.1 Right-of-use assets
4.2 Lease liability
4.3 Non-trade payables

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

	2026 $'000	2025 $'000
Non-current		
Cost	13,004	13,004
Accumulated depreciation	(4,180)	(2,250)
Total right-of-use assets	**8,824**	**10,754**

4.2 Lease liability

	2026 $'000	2025 $'000
Current	1,685	1,517
Non-current	8,224	9,909
Total lease liability	**9,909**	**11,426**

The right-of-use asset and lease liability relate to VMIAs occupancy of its principle address.

4.3 Non-trade payables

	2026 $'000	2025 $'000
Current		
Accruals and other payables – financial (contractual)	3,087	3,622
Goods and Services Taxation – non-financial (statutory)	11,979	13,432
Stamp Duty – non-financial (statutory)	8,407	9,738
Total non-trade payables	**23,473**	**26,792**

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 disclosures:

5.1 Administration expenses
5.2 Superannuation benefits

5.1 Administration expenses

	2026 $'000	2025 $'000
Staff and related	38,208	44,667
Professional services	3,033	4,582
Information services	6,409	9,104
Harm prevention initiatives	2,054	2,054
Depreciation and amortisation	2,001	4,541
Other operating	4,116	5,239
Total administration expenses	**55,821**	**70,187**
Less: unallocated claims expenses	(9,238)	(11,401)
Net administration expenses	**46,583**	**58,786**
Total administration expenses include the following:		
Auditor-General's fees	203	185
Operating lease expenditure	1,180	1,189

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.

The prior year comparative includes the net administration expenses of the DBI operations ($7.2 million).

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 2026 (2025: Nil).

6 Equity and capital management

Introduction to this section

This section covers equity and transactions with the State.

This section contains the following disclosures:

6.1 Equity

6.2 Insurance funding ratio

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 Minister for Finance and VMIA's Board of Directors.

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*.

On 1 July 2025, VMIA received contributed capital of $590 million from the State to facilitate the transfer of its DBI portfolio to the Building and Plumbing Commission (BPC). On the same day, VMIA transferred the $590 million contributed capital to the BPC along with the other assets and liabilities it held in relation to the DBI portfolio, of $214 million and $691 million respectively. This improved VMIA's net financial position by $478 million relative to that reported at 30 June 2025 and has been recognised as Contributed Capital in the Statement of Changes in Equity arising from a machinery of government restructure.

(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 Minister for Finance and VMIA's Board of Directors. No dividend was paid during the financial year ended 30 June 2026 (2025: Nil).

(ii) Capital Repatriation

In accordance with section 12 of the *State Owned Enterprises Act 1992*, VMIA is required to pay a capital repatriation as determined by the Treasurer after consulting with the Minister for Finance and VMIA's Board of Directors. A capital repatriation of $1.2 million was paid during the financial year ended 30 June 2026 (2025: Nil).

(b) Statutory guarantee

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

(c) Guarantee fee

Pursuant to section 27 of the *Victorian Managed Insurance Authority Act 1996*, the State has guaranteed amounts payable by VMIA as a result of, or in connection with, liabilities of VMIA. In accordance with section 27(3) of the *Victorian Managed Insurance Authority Act 1996* VMIA must, in respect of this statutory guarantee, pay to the Treasurer for payment into the Consolidated Fund from any surplus for the year ended on the preceding 30 June such amount as the Treasurer determines after consultation with VMIA. VMIA has not received any Treasurer's determination in relation to the payment of a guarantee fee for the financial year ended 30 June 2026 (2025: Nil).

6.2 Insurance funding ratio

VMIA targets 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

7.2 Offsetting financial assets and financial liabilities

7.3 Fair values

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% (2025: 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.

	2026 $'000	2025 $'000
Impact on comprehensive result and equity from a movement in equity prices		
Listed investments prices		
Decrease of 15%	5,945	(12,168)
Increase of 15%	(5,945)	12,168
Unlisted investments prices		
Decrease of 15%	(591,283)	(525,593)
Increase of 15%	591,283	525,593

7.1 Financial risk management *(cont.)*

(a) Market risk *(cont.)*

(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% (2025: 25%) of international equities exposure and 100% (2025: 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% (2025: 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.

	2026 $'000	2025 $'000
Impact on comprehensive result and equity from a movement in foreign exchange rates		
Decrease of 15%	(155,500)	(90,091)
Increase of 15%	114,935	66,589

7.1 Financial risk management *(cont.)*

(a) Market risk *(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:

		2026			2025		
	Note	Fixed rate $'000	Variable rate $'000	Total $'000	Fixed rate $'000	Variable rate $'000	Total $'000
Financial assets							
Cash and cash equivalents		-	177,843	177,843	-	299,954	299,954
Short-term money market funds		-	231,712	231,712	-	239,654	239,654
Financial assets exposed to interest rate risk		**-**	**409,555**	**409,555**	**-**	**539,608**	**539,608**
Financial liabilities							
Short-term money market funds		-	-	-	-	-	-
Trade payables[i]	2.11	-	63,911	63,911	-	40,345	40,345
Lease liability	4.2	9,909	-	9,909	11,426	-	11,426
Financial liabilities exposed to interest rate risk		**9,909**	**63,911**	**73,820**	**11,426**	**40,345**	**51,771**
Net exposure		**(9,909)**	**345,644**	**335,735**	**(11,426)**	**499,263**	**487,837**

(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.

7.1 Financial risk management *(cont.)*

(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 diligence 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
2026					
Trade receivables[i]	2.10	10,300	-	-	10,300
Non-trade receivables		-	-	4,993	4,993
Total[ii]		**10,300**	**-**	**4,993**	**15,293**
2025					
Trade receivables[i]	2.10	3,214	-	-	3,214
Non-trade receivables		-	-	4,461	4,461
Total[ii]		**3,214**	**-**	**4,461**	**7,675**

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

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

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

7.1 Financial risk management *(cont.)*

(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
2026					
Financial liabilities					
Financial derivatives	7.2	14,434	1,758	-	16,192
2025					
Financial liabilities					
Financial derivatives	7.2	10,060	5,202	-	15,262

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 (2025: 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.

	Note	Net amount disclosed in Balance Sheet $'000	Related amounts not set-off in the balance sheet		Net amount $'000
			Related amounts subject to master netting agreements $'000	Collateralised obligation $'000	
2026					
Derivative assets		66,165	(14,710)	-	51,455
Derivative liabilities	3.3(c), 7.1(c)	(16,192)	15,782	-	(410)
2025					
Derivative assets		20,366	(13,389)	-	6,977
Derivative liabilities	3.3(c), 7.1(c)	(15,262)	13,389	-	(1,873)

7.3 Fair values

Measurement of fair values

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

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

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

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

	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2026					
Financial assets and financial liabilities					
Cash and cash equivalents	3.2	177,843	-	-	177,843
Trade receivables	2.10	-	10,300	-	10,300
Non-trade receivables		-	4,993	-	4,993
Investments and derivative liabilities					
Australian equities	3.3(c)	(279)	549,527	-	549,248
Australian bonds	3.3(c)	-	146,953	-	146,953
US bonds	3.3(c)	-	45,294	-	45,294
Emerging market debt	3.3(c)	-	-	-	-
Inflation linked bonds	3.3(c)	-	232,969	-	232,969
Infrastructure	3.3(c)	-	12,675	390,487	403,162
International equities	3.3(c)	(31)	1,331,025	-	1,330,994
Other strategies	3.3(c)	-	-	48,389	48,389
Private credit	3.3(c)	-	34,274	260,038	294,312
Insurance investments	3.3(c)	-	16	-	16
Hedge funds	3.3(c)	-	37,172	465,375	502,547
Private equity	3.3(c)	-	-	-	-
Property	3.3(c)	-	769	376,432	377,201
Derivative overlay	3.3(c)	(763)	-	-	(763)
Short-term money market funds	3.3(c)	235,285	61,536	-	296,821
Trade payables	2.11	-	(92,244)	-	(92,244)
Non-trade payables	4.3	-	(3,087)	-	(3,087)
Total financial assets and financial liabilities		**412,055**	**2,372,172**	**1,540,721**	**4,324,948**

7.3 Fair values *(cont.)*

	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2025					
Financial assets and financial liabilities					
Cash and cash equivalents	3.2	299,954	-	-	299,954
Trade receivables	2.10	-	3,214	-	3,214
Non-trade receivables		-	4,461	-	4,461
Investments and derivative liabilities					
Australian equities	3.3(c)	5	503,424	-	503,429
Australian bonds	3.3(c)	-	112,751	-	112,751
US bonds	3.3(c)	-	80,183	-	80,183
Emerging market debt	3.3(c)	-	(2,313)	-	(2,313)
Inflation linked bonds	3.3(c)	-	177,199	-	177,199
Infrastructure	3.3(c)	-	1,339	390,751	392,090
International equities	3.3(c)	129	1,187,753	-	1,187,882
Private credit	3.3(c)	-	14,200	258,187	272,387
Insurance investments	3.3(c)	-	(2)	4,298	4,296
Hedge funds	3.3(c)	-	19,704	441,044	460,748
Private equity	3.3(c)	-	-	2,827	2,827
Property	3.3(c)	-	6,949	275,433	282,382
Derivative overlay	3.3(c)	14	1,298	-	1,312
Short-term money market funds	3.3(c)	243,293	33,886	-	277,179
Trade payables	2.11	-	(124,521)	-	(124,521)
Non-trade payables	4.3	-	(3,622)	-	(3,622)
Total financial assets and financial liabilities		**543,395**	**2,015,903**	**1,372,540**	**3,931,838**

Transfers between fair value hierarchy levels

During the current financial year there were no transfers from Level 2 to Level 3 (2025: $102.6 million) 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

	2026 $'000	2025 $'000
Level 3 fair value hierarchy reconciliation of investments		
Balance at beginning of year	**1,372,540**	**1,102,521**
Transfer in	-	102,644
Acquisitions	569,953	190,535
Disposals	(384,339)	(72,862)
Gains/(losses) on disposal credited to income	77,878	3,377
Gains/(losses) on changes in fair value	(95,311)	46,325
Balance at end of year	**1,540,721**	**1,372,540**

7.3 Fair values *(cont.)*

Key inputs and assumptions subject to estimation uncertainty

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

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

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

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

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

8 Other disclosures

Introduction to this section

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

This section contains the following disclosures:

8.1 Domestic Building Insurance machinery of government transfer
8.2 Comparative information following machinery of government restructure
8.3 New accounting standards and interpretations
8.4 Commitments and contingencies
8.5 Responsible persons
8.6 Related parties
8.7 Remuneration of VMIA officers with executive responsibility
8.8 Subsequent events

8.1 Domestic Building Insurance machinery of government transfer

On 24 October 2024, the Minister for Planning announced the establishment of the Building and Plumbing Commission (BPC) as part of the Victorian Government's reforms to strengthen consumer protection and oversight in the domestic building sector. As part of these reforms, the administration of the Domestic Building Insurance (DBI) product, managed by the Victorian Managed Insurance Authority (VMIA) since 31 March 2010, was required to be transferred to BPC, along with the functions of the Victorian Building Authority (VBA) and Domestic Building Dispute Resolution Victoria (DBDRV). The *Building Legislation Amendment (Buyer Protections) Act 2025* was given Royal Assent on 3 June 2025, and subsequently the administration of DBI and all associated property, rights and liabilities were transferred from VMIA to BPC on 1 July 2025 under Part 15 of the *Building Act 1993* as a machinery of government (MoG) restructure.

On 1 July 2025, VMIA received contributed capital of $590 million from the State to facilitate the transfer of its DBI portfolio to the Building and Plumbing Commission (BPC). On the same day, VMIA transferred the $590 million contributed capital to the BPC along with the other assets and liabilities it held in relation to the DBI portfolio, of $214 million and $691 million respectively. This improved VMIA's net financial position by $478 million relative to that reported at 30 June 2025 and has been recognised as Contributed Capital in the Statement of Changes in Equity arising from a machinery of government restructure.

No DBI income or expense has been recognised in the Comprehensive Operating Statement for the financial year. Comparative amounts for the prior year have not been adjusted to exclude DBI.

Assets and liabilities transferred to the BPC on 1 July 2025	1 July 2025 $'000
ASSETS	
Financial assets	
Cash and cash equivalents	786,044
Total financial assets	**786,044**
Non-financial assets	
Prepaid expenses	845
Furniture, fittings, equipment, and motor vehicles	44
Deferred acquisition costs	16,738
Total non-financial assets	**17,627**
Total assets	**803,671**

8.1 Domestic Building Insurance machinery of government transfer *(cont.)*

Assets and liabilities transferred to the BPC on 1 July 2025	1 July 2025 $'000
LIABILITIES	
Provisions	1,194
Unearned premium	305,340
Gross claims liabilities	384,699
Total liabilities	**691,233**
Net assets transferred and recognised in the Statement of Changes in Equity	**112,438**

8.2 Comparative information following machinery of government restructure

To assist readers of the financial statements to understand the movement from the prior year to the current year, the tables below adjust the prior-year comparative amounts to exclude the DBI operations machinery of government restructure as if it had applied for the full comparative period.

Operating Result excluding DBI operations

	2026 $'000	2025 Excluding DBI operations $'000
Gross premium earned	**887,095**	**718,891**
Reinsurance premium incurred	(111,955)	(98,270)
Decrease/(increase) in unexpired risks liability	11,082	(42,847)
Net premium earned	**786,222**	**577,774**
Gross claims incurred	(789,027)	(870,148)
Reinsurance and other recoveries	13,492	105,829
Net claims incurred	**(775,535)**	**(764,319)**
Commission incurred	(1,866)	(1,431)
Other income	3,948	4,238
Administration expenses	(46,583)	(51,566)
Underwriting result	**(33,814)**	**(235,304)**
Investment income	391,448	435,996
Investment management expenses	(10,675)	(9,886)
Net investment income	**380,773**	**426,110**
Net result	**346,959**	**190,806**
Comprehensive result	**346,959**	**190,806**

8.2 Comparative information following machinery of government restructure *(cont.)*

Net assets excluding DBI operations

	2026 $'000	2025 Excluding DBI operations $'000
ASSETS		
Financial assets		
Cash and cash equivalents	177,843	293,735
Trade receivables	10,300	62
Non-trade receivables	4,993	15,745
Investments	4,243,335	3,776,090
Total financial assets	**4,436,471**	**4,085,632**
Non-financial assets		
Trade receivables	41,176	81,621
Non-trade receivables	4,646	31,218
Prepaid expenses	2,897	3,649
Furniture, fittings, equipment and motor vehicles	207	187
Right-of-use assets	8,824	10,754
Unearned reinsurance	312,300	345,251
Reinsurance and other recovery assets	262,824	289,726
Total non-financial assets	**632,874**	**762,406**
Total assets	**5,069,345**	**4,848,038**
LIABILITIES		
Trade payables	92,244	124,521
Non-trade payables	23,473	23,357
Derivative liabilities	16,192	15,262
Provisions	6,788	6,643
Lease liability	9,909	11,426
Unearned premium	560,326	609,923
Unexpired risks	134,738	145,820
Gross claims liabilities	3,761,250	3,582,841
Total liabilities	**4,604,920**	**4,519,793**
Net assets	**464,425**	**328,246**

8.3 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 2026. The nature of the application of these standards could impact the classification and measurement of financial assets and financial liabilities.

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

	Title	Operative date
AASB 17	Insurance Contracts	1 July 2026
AASB 2022-9	Insurance Contracts in the Public Sector	1 July 2026
AASB 18	Presentation and Disclosure in Financial Statements	1 January 2028

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.

AASB 17 Insurance Contracts and AASB 2022-9 Insurance Contracts in the Public Sector

AASB 17 is a new accounting standard for insurance contracts, replacing AASB 4 Insurance Contracts and AASB 1023 General Insurance Contracts. AASB 2022-9 provides for numerous amendments to AASB 17 for public sector entities, notably simplifications and a delayed adoption of AASB 17 to 1 July 2026.

(i) Measurement model

AASB 17 introduces 3 measurement models, the general measurement model (GMM) , the variable fee approach, and the premium allocation approach (PAA). The PAA is similar to the current basis on which premium revenue is recognised under AASB 1023 and is less complex for organisations to calculate than the GMM. AASB 2022-9 permits all public sector entities to adopt the PAA without considering the eligibility criteria. Therefore, VMIA will adopt the PAA method to determine the liability for remaining coverage (being the obligation to provide future insurance services in relation to contracts in force at the balance sheet date).

(ii) Onerous contracts

AASB 17 requires the identification of onerous contracts that arise where the cash flows to fulfill insurance contracts with remaining coverage exceed the carrying amount of the liability for remaining coverage, resulting in a loss on the insurance contract. The identification of onerous contracts replaces the liability adequacy test (LAT) performed under AASB 1023. Contracts measured using the PAA are assumed not to be onerous unless facts and circumstances indicate otherwise. Like the LAT, VMIA's independent actuary will assist in the determination of onerous contracts at the balance sheet date and consider the facts and circumstances that may indicate the existence of onerous contracts.

A further change is that under AASB 1023 the LAT considers insurance policies for which the coverage period has not commenced but for which a constructive obligation has arisen. By contrast, under AASB 17 the LAT will only consider policies for which the coverage period has commenced or the first payment of premium has become due. This means that policies commencing on 1 July (ie after the balance date) will no longer be included in the LAT under AASB 17.

When onerous contracts are identified, they are measured based on the extent to which the fulfilment cash flows exceed the liability for remaining coverage for that group of contracts. Under the PAA, onerous contract losses will be immediately recognised in the comprehensive operating statement, and a loss component will be added to the liability for remaining coverage.

8.3 New accounting standards and interpretations *(cont.)*

(iii) Discount rates

AASB 1023 requires the net central estimate of outstanding claims to be discounted using risk-free discount rates as described in Note 2.4(b)(iii). AASB 17 requires estimates of future cash flows to be discounted to reflect the time value of money and financial risks related to those cash flows but does not prescribe a method to determine the discount rates used. VMIA will apply a 'bottom up approach' which requires the use of risk-free rates adjusted to reflect the illiquidity characteristics of the insurance contracts, which will result in higher discount rates relative to that calculated under AASB 1023. The illiquidity premium within the discount rates will be calculated using the credit default swaps method.

(iv) Risk adjustment

The measurement of insurance contract liabilities includes a risk adjustment which replaces the risk margin under AASB 1023. The risk margin under AASB 1023 reflects the inherent uncertainty in the net discounted central estimate, whereas the risk adjustment under AASB 17 is defined as the compensation required for bearing the uncertainty that arises from non-financial risk.

VMIA currently uses a 75% probability of sufficiency as prescribed by the Prudential Insurance Standard for Victorian Government insurance agencies. This standard will be updated and will maintain the 75% probability of sufficiency as the basis for determining the risk adjustment under AASB 17.

(v) Presentation and disclosure

AASB 17 introduces changes to the presentation and disclosure of VMIAs insurance contracts. This includes new items on the statement of comprehensive income and financial position, and changed disclosures compared with existing reporting requirements under AASB 1023.

Existing insurance and reinsurance asset and liability lines on the statement of financial position (including trade debtors from insurance contracts, unearned reinsurance, reinsurance and other recovery assets, unearned premium, and gross claims liabilities) will be replaced by insurance contract assets and liabilities, and reinsurance contract assets and liabilities.

(vi) Financial impact

AASB 17 applies retrospectively on the adoption date of 1 July 2026. Based on the above and the work performed to date, the initial impact of adopting AASB 17 on VMIA's net assets as at 1 July 2025 is estimated to be a $149 million increase. The opening net asset initial impact is mainly driven by the removal of policies commencing 1 July (after the balance date) from the LAT and from the higher discount rates reflecting the inclusion of the illiquidity premium.

8.4 Commitments and contingencies

Capital commitments

VMIA has uncalled capital commitments in respect of investments totalling $368.793 million as at 30 June 2026 (2025: $364.519 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 2026 (2025: Nil).

8.5 Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance 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 (Minister for Finance – resigned 15 April 2026) S. Kilkenny MP (Minister for Finance – appointed 15 April 2026 until 4 August 2026) E. Erdogan MLC (Minister for Finance – appointed 4 August 2026)
Governing Board of Directors:	H. Silver, E. Rubin (resigned 21 November 2025), C. Lovell (resigned 17 April 2026), R. Castle, D.G. Sedgwick, C. Kilpatrick, M. Winter, P. Rebecca, D. Morris (commenced 22 November 2025), J. Ligeti (commenced 16 June 2026 and resigned 29 July 2026)
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:

	2026	2025
Directors		
$0 – $49,999	7	7
$50,000 – $99,999	3	-
$100,000 – $199,999	-	1
Accountable Officers		
$500,000 – $599,999	1	1

The Directors' remuneration shown in the above table is as determined by the Minister for Finance.

The Responsible Ministers, D. Pearson MP, and S. Kilkenny MP, did not receive any remuneration from VMIA. Remuneration and allowances pertaining to the Minister for Finance 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 $996,082 (2025: $897,699).

8.6 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.

8.6 Related parties *(cont.)*

Compensation of key management personnel and executive officers	2026 $'000	2025 $'000
Short-term employee benefits	2,700	2,676
Post employment benefits	230	275
Other long-term benefits	(133)	87
Termination benefits	-	171
Total compensation	**2,797**	**3,209**

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

(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 (2025: 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 $	Administration expenses $
2026			
Department of Health	64,052,800	4,245,270	-
Emergency Services and State Super	264,752	-	-
Royal Children's Hospital	11,310,426	56,115	-
State Library	818,661	-	-
Telstra Corporation	-	-	986
Total	**76,446,639**	**4,301,385**	**986**
2025			
Department of Health	54,732,072	4,202,905	-
Telstra Corporation	-	-	729
Total	**54,732,072**	**4,202,905**	**729**

8.6 Related parties *(cont.)*

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
E. Rubin	Telstra Corporation Limited	Director	VMIA contracts for services on normal terms and conditions.
C. Kilpatrick	Department of Health	Audit and Risk Committee member	VMIA provides insurance on normal terms and conditions. Resigned in February 2026.
	Royal Children's Hospital	Chairperson	VMIA provides insurance on normal terms and conditions
H. Silver	State Library	President	VMIA provides insurance on normal terms and conditions
P. Rebecca	Emergency Services and State Super	President	VMIA provides insurance on normal terms and conditions

8.7 Remuneration of VMIA officers with executive responsibility

The number of VMIA officers with executive responsibility, other than the Chief Executive Officer and their total remuneration during the financial year is shown in the table below. The total annualised employee equivalent (AEE) is based on working 6.0 (2025: 7.0) ordinary hours per day during the financial year. The AEE provides a measure of full-time equivalent executive officers during the financial year.

	2026 $'000	2025 $'000
Short-term employee benefits	1,776	1,850
Post employment benefits	158	204
Other long-term benefits	(150)	62
Termination benefits	-	171
Total remuneration	**1,784**	**2,287**
Total number of VMIA officers with executive responsibility	**6**	**7**
Total annualised employee equivalent (AEE)	**6.0**	**7.0**

In 2026 no VMIA officer with executive responsibility acted in the Accountable Officer role for part of the financial year (2025: None).

8.8 Subsequent events

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

Declaration by Chair, Chief Executive Officer and Chief Financial and Operations 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 Minister for Finance 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 2026 and the financial position of the Victorian Managed Insurance Authority at 30 June 2026.

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 4 September 2026.

Helen Silver
Chair

Andrew Davies
Chief Executive Officer

Wayne Kenafacke
Chief Financial and Operations Officer

Melbourne
4 September 2026

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 2026
- 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 the Chairperson, Chief Executive Officer and Chief Financial and Operations Officer.

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Authority as at 30 June 2026 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.

Basis for opinion

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

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

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

Key audit matters

Key audit matters are 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.

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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: $4.2 billion
 	
Derivative liabilities: $16.2 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, implementation 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:
	  ○ assessing the adequacy of the scope of work agreed between management and the assurance auditor
	  ○ assessing the professional competence and independence of the assurance auditor in the context of the engagement
	  ○ evaluating findings provided in the assurance reports
	  ○ relying on the assurance reports to confirm the description, design, and operating effectiveness of controls at the fund manager and master custodian
	  ○ relying on the assurance reports to confirm the existence, valuation and rights and obligations of investment assets and derivative liabilities at 30 June
	  ○ 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.

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 - $3.8 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 these liabilities
• 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 gross 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:
	  ○ assess the appropriateness of management's selection and application of the methods, significant assumptions and data used in valuing the liabilities
	  ○ evaluate the appropriateness of the model used to value the liabilities
	  ○ challenge the reasonableness of key assumptions by comparing against claims history and accepted industry benchmarks
	  ○ 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 of the Authority 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 the 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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

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.

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
15 September 2026

Roberta Skliros
as delegate for the Auditor-General of Victoria

Attestation for financial management compliance with Standing Directions 5.1.4

I, Helen Silver, 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.



Helen Silver AM
Chair

Corporate governance and compliance

The Board

The Board is responsible for the management of VMIA's affairs 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 the recommendation of the Minister for Finance.

Board subcommittees

The Board has 3 subcommittees:

- Audit subcommittee
- Risk and Compliance subcommittee
- People and Capability subcommittee.

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

Audit subcommittee

Members as at 30 June 2026:

- Glenn Sedgwick, Chair
- Christine Kilpatrick AO
- David Morris
- Helen Silver AO.

The subcommittee 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 these processes with applicable regulatory requirements
- external and internal audit of VMIA.

Risk and Compliance subcommittee

Members as at 30 June 2026:

- Ross Castle, Chair
- Glenn Sedgwick
- Michael Winter
- Pamela Rebecca.

The subcommittee is responsible for assisting the Board in discharging its responsibilities relating to:

- the implementation, operation and adequacy of the risk management framework used to identify and manage VMIA's material risks
- VMIA's compliance with relevant laws, regulations, standards and codes including the Prudential Insurance Standard for Victorian Government insurance agencies, the Prudential Standard: Victorian Funds Management Corporation (VFMC) and the Centralised Investment Model, and the Victorian Government Risk Management Framework (VGRMF).

People and Capability subcommittee

Members as at 30 June 2026:

- Michael Winter, Chair
- Christine Kilpatrick AO
- Helen Silver AO.

The subcommittee is responsible for assisting the Board in discharging its responsibilities in relation to VMIA's people, their remuneration and the culture of VMIA. The subcommittee 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 Minister for Finance

During the 2025–26 financial year, the Minister for Finance 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:

- Insurance coverage for any body corporates that are subsidiaries (as defined in sections 9 and 46 of the *Corporations Act 2001* (Cth)) of participating bodies (as defined under section 3 of the *Victorian Managed Insurance Authority Act 1996*), 31 May 2026 until revoked.

Declarations of Participating Bodies by the Minister for Finance

During the 2025–26 financial year, the Minister for Finance, pursuant to section 4(1)(c) of the *Victorian Managed Insurance Authority Act 1996*, declared the following entities to be participating bodies:

- VicGrid Body Corporate, as of 9 October 2025.
- Emergency Services and State Superannuation Board, as of 28 October 2025.

Occupational Health and Safety

VMIA is committed to providing and maintaining, so far as reasonably practicable, a working environment that is safe and without risks to health — including psychological health. We identify hazards, assess and control risks, and consult with our people and their representatives through our health and safety arrangements.

Psychosocial health

From 1 December 2025, the Occupational Health and Safety (Psychological Health) Regulations 2025 established a proactive duty for Victorian employers to identify and control psychosocial hazards. We treat organisational change, workload and job demands, workplace behaviour, and exposure to traumatic material as psychosocial factors to be managed through work design, systems of work and leadership, with consultation and review. Specific controls this year included the Claims Professional Supervision Program for staff exposed to traumatic material (described on page 35) and, in response to engagement and behaviour signals, improvements to our people frameworks, governance and forums.

Preventing sexual harassment

Consistent with our duty to prevent and respond to workplace sexual harassment, we maintained our Prevention of Sexual Harassment Policy, trained Contact Officers, and delivered respectful behaviour activities including 'Working well together' workshops. Gender-equality data and our response are reported in the gender equality disclosure below and in our Gender Equality Action Plan progress report.

Health, safety and wellbeing activity

We continued our seasonal influenza vaccination program for employees and maintained our incident management arrangements for reporting, recording, investigating and responding to hazards and incidents, with oversight through our health and safety governance.

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 proactively managed to ensure minimal impact.

Employment and conduct principles

VMIA is established under the *Victorian Managed Insurance Authority Act 1996* and applies the public sector values and employment principles under the *Public Administration Act 2004* and the Code of Conduct for Victorian Public Sector Employees. Our employment processes are designed so that employment decisions are based on merit, employees are treated fairly and reasonably, equal employment opportunity is provided, and human rights are upheld, with reasonable avenues of redress. 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.

Employees are advised on conflicts of interest, gifts, benefits and hospitality, and the management of misconduct. Employment conditions are provided under individual contracts. All VMIA positions and employees have been classified within VMIA's classification structure.

Return to work

As an employer, VMIA holds the primary legal obligation for an employee's return to work. We make early, supportive contact with injured or unwell employees, identify safe and meaningful suitable duties consistent with each person's certificate of capacity, consult with the employee and (with consent) their treating practitioners and our WorkSafe Agent, and monitor and review arrangements. Health information is handled in line with privacy obligations and shared only as needed for safe return to work.

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

The following workforce data is prepared in line with FRD 29 and reflects employees on salary in the last full pay period to 30 June 2026, with 30 June 2025 comparatives. Full-time equivalent (FTE) figures are rounded. The reduction in staff numbers from 2024–25 to 2025–26 was mainly due to the exit of the Domestic Building Insurance division on 1 July 2025.

	All Employees						Ongoing									Fixed Term & Casual					
	Number (Headcount)			FTE			Full-time Headcount			Part-time Headcount			FTE			Number (Headcount)			FTE		
	2026	2025	2024	**2026**	2025	2024	**2026**	2025	2024	**2026**	2025	2024	**2026**	2025	2024	**2026**	2025	2024	**2026**	2025	2024
Gender																					
Women	**125**	143	145	**119**	135.5	138.1	**89**	102	96	**24**	23	24	**107.2**	118.5	113.9	**12**	18	25	**11.8**	17	24.2
Men	**82**	101	97	**80.8**	99.5	95.1	**70**	84	78	**4**	3	4	**72.8**	85.9	80.5	**8**	14	15	**8**	13.6	14.6
Self-described	**1**	0	0	**1**	0	0	**1**	0	0	**0**	0	0	**1**	0	0	**0**	0	0	**0**	0	0
Total	**208**	244	242	**200.8**	235	233.2	**160**	186	174	**28**	26	28	**181**	204.4	194.4	**20**	32	40	**19.8**	30.6	38.8
Age																					
15–24	**3**	3	1	**3**	3	1	**1**	2	1	**0**	0	0	**1**	2	1	**2**	1	0	**2**	1	0
25–34	**47**	46	43	**46.1**	45.8	43	**37**	37	34	**4**	1	0	**40.1**	37.8	34	**6**	8	9	**6**	8	9
35–44	**66**	75	80	**62.9**	71.1	76	**50**	59	54	**12**	11	12	**58.9**	66.5	62.4	**4**	5	14	**4**	4.6	13.6
45–54	**55**	70	65	**53.3**	68	63.8	**43**	52	49	**7**	5	5	**48.5**	55.6	53.2	**5**	13	11	**4.8**	12.4	10.6
55–64	**28**	41	44	**26.9**	38.6	41.6	**22**	30	30	**3**	8	9	**23.9**	35.6	36.6	**3**	3	5	**3**	3	5
65+	**9**	9	9	**8.6**	8.5	7.8	**7**	6	6	**2**	1	2	**8.6**	6.9	7.2	**0**	2	1	**0**	1.6	0.6
Total	**208**	244	242	**200.8**	235	233.2	**160**	186	174	**28**	26	28	**181**	204.4	194.4	**20**	32	40	**19.8**	30.6	38.8

Note: The workforce data figures for the year 2024–25, published in the VMIA Annual Report 2024–25, were incorrect. The correct figures are in the table above. The errors in the VMIA Annual Report 2024–25 did not affect the total reported headcount and FTE for all employees for 2024–25, which were reported correctly.

Workforce inclusion policy

VMIA maintains a workforce inclusion approach focused on building a diverse, inclusive and respectful workplace. Our activity this year is described in the Diversity and Inclusion section on page 37 and includes inclusive recruitment practice, unconscious-bias training for people leaders, membership of Diversity Council Australia, and our gender-equality work set out below.

Gender equality

VMIA is a defined entity under the *Gender Equality Act 2020*. During 2025–26 we completed and submitted our 2026 Gender Equality Action Plan (GEAP) progress report to the Commission for Gender Equality in the public sector, drawing on a workplace gender audit, and we developed our 2026–30 GEAP. The progress report is published and provides the full detail behind the summary below.

Headline results from the audit period included:

- Women made up around 59% of our workforce, a stable and healthy baseline.
- Women's representation in senior leadership increased to 57.1%, the standout positive result for the period.
- Our governing body maintained gender balance at 50%, within the recommended 40–60% range. Directors are appointed by the Governor in Council on the recommendation of the Minister for Finance.
- The mean total remuneration gender pay gap was 8.8%, with median measures improving over the period.
- Men's share of parental leave takers rose to around 48%, supported by strengthened parental leave entitlements.

The 2026–30 GEAP also confirms commitments on progression pathways, recruitment and promotion practice, flexible-work confidence, and establishing an occupational-segregation baseline, which is measuring the current data on 'male-dominated' vs 'female-dominated'.

Compliance with *Local Jobs First Act 2003*

During 2025–26, VMIA commenced 3 Local Jobs First Standard projects totalling $21.06 million (incl. GST). These are statewide projects.

The outcomes expected from the implementation of the Local Jobs First Policy to these projects are as follows:

- commitment to a minimum 97% local content for goods, services and construction activities used in the project
- 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 2025–26.

Sponsorships

VMIA uses sponsorships to maintain industry presence through events and partnerships that position VMIA as a credible thought leader, attract talent and extend our reach. This in turn builds our reputation as a trusted adviser to our clients and the State and positions us as an employer of choice, able to attract strong talent to meet the current and future needs of our business.

Sponsorship summary	Start/End date	Expenditure
Australasian College of Health Service Management (ACHSM) partnership	Started 13 October 2025 Ends 30 June 2028	For FY 2025–26 total expenditure $68,957.43
Safer Care Victoria Consultative Councils Symposium 2026 – Informed Consent	Started 26 February 2026 Ended 31 August 2026	Up to a maximum of $40,000
School Business Managers Victoria	Started 22 April 2021 Ended 31 July 2026	$10,000 annually

Information and communication technology expenditure

For the 2025–26 reporting period, VMIA had a total information and communication technology spend of $7.9 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)
4,017,893	3,899,347	3,899,347	0

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. In line with VMIA's obligations under Part II of the FOI Act, VMIA's FOI statement about the type of material produced by VMIA can be found on VMIA's website at **vmia.vic.gov.au/freedom-information**.

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 generally within 30 calendar days. The 30-day period may be extended by up to 30 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 $33.60 in 2025–26. 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 9, 161 Collins Street
Melbourne VIC 3000
foi@vmia.vic.gov.au

Freedom of Information statistics

During 2025–26, VMIA received 9 valid freedom of information requests. VMIA made 5 freedom of information decisions during the 12 months ending 30 June 2026.

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

Disclosure 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 2025–26 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 the Provision for Reinsurance broking services, professional services partner for test and quality assurance, and Pega professional services partner. 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
- 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.

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.

Consultancy expenditure

In 2025–26, there were 16 consultancies where the total fees paid or payable were $10,000 or greater, excluding GST. The total expenditure was $539,129, excluding GST. Details of individual consultancies are outlined below.

Consultant	Purpose of consultancy	Total expenditure (excl GST $)	Expenditure 2025–26 (excl GST $)	Future expenditure (excl GST $)
Aster Advisory Pty Ltd	Contract advisory	27,287	17,000	10,287
Atlas Counsel Pty Ltd	Legal advice	46,600	46,600	0
Charter Keck Cramer	Development Advisory services	18,600	18,600	0
Dott Group Pty Ltd	Capability framework implementation	21,600	21,600	0
Executive Impact Consulting Pty Ltd	Advisory work on the State risk assessment and emerging risks review	17,500	17,500	0
Indigenous Cultural Connections Pty Ltd	Indigenous cultural connections RAP package	29,600	29,600	0
KPMG	Financial Accounting support	17,625	17,625	0
KPMG	Technical Accounting advice	12,692	12,692	0
KPMG	Development and delivery of Business Continuity and Crisis Management training	59,800	59,800	0
Landell Consulting	Procurement support	86,960	39,915	47,045
Lander & Rogers	Legal advice	14,210	14,210	0
Peckvonhartel Group Pty Ltd	Office Refurbishment Procurement support	20,000	17,480	2,520
Procurement Co Pty Ltd	Probity services	62,928	31,563	31,365
Purple People Consulting	Support in structuring strategy for Health and Government Practices	20,000	20,000	0
Scyne Advisory Pty Ltd	Agreed upon procedures review	38,950	38,950	0
Scyne Advisory Pty Ltd	Executive Cyber Training and Simulation Exercise	44,777	44,777	0

In 2025–26, there were 11 consultancies where the total fees paid or payable were less than $10.000.

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