

## Victorian Independent Remuneration Tribunal Submission

Public entity name: Victorian Managed Insurance Authority

Public entity contact: Elana Rubin Position: Chairperson

### VMIA dimensions

VMIA is the Victorian Government's insurer and risk adviser, covering the people, places and projects that help Victorians thrive. VMIA is a government-owned enterprise, enacted under the Victorian Managed Insurance Authority Act 1996 (VMIA Act) and insuring more than \$208 billion in State assets and providing services to over 4,600 clients. VMIA also provides Domestic Building Insurance (DBI), providing 16,000 residential builders cover to ensure Victorian homeowners have the confidence to invest in building a home.

Features of VMIA's scale and complexity:

- One of the largest social insurers in the southern hemisphere, with a gross earned premium of over \$400 million, managing government and consumer insurance services;
- Provides a full suite of general insurance products including Medical Indemnity, Property, General Liability, Terrorism, Cyber, Professional Indemnity, Directors and Officers, Motor, Construction, Accident & Health and DBI and a run-off asbestos portfolio. Several of these products are highly specialised.
- Provides clients with very high limits of cover to protect the risks of the State, including \$3.625 billion for Property, \$1.5 billion for Terrorism and \$1 billion for Liability, and protects the exposure by making strategic reinsurance purchases in the global market.
- Manages outstanding claims liabilities of more than \$2.4 billion, placing VMIA in the top five (of 75) active APRA-regulated insurers, next to multinational insurers such as IAG, QBE, Suncorp.
- Steps in to provide insurance products where the market has collapsed and in circumstances where insurance is difficult to obtain in the private market.
- Supports the State's "Big Build" as the insurer for major infrastructure projects including the Metro Tunnel and the North East Link Project. These projects require specialist insurance and risk advice as well as global reinsurer support.
- Acts as expert adviser to the State on risk and insurance, supporting policy and legislative reform.

### Talent sources for VMIA executive roles

- VMIA sources select executive roles from the private sector as the required talent is often unavailable internally or within the public sector. For these roles, VMIA is competing against larger, multinational organisations in the financial services sector, where attractive base remuneration packages and significant commercially-based incentives are common features.
- Three executive talent searches for specialist skills and experience were conducted in the previous two years, revealing a large variability in the quality of candidates as well as the time to hire. Search efforts for two of the three roles extended beyond six months. This was a consequence of several market conditions including high demand for insurance and risk management specialties with remuneration pressures that attract second- and third-tier candidates. Often candidates were earning higher remuneration packages than was on offer for the role. Examples include:
  - *Chief Financial Officer* appointed from the financial services sector. The incumbent was retained for less than two years and left to return to the private sector.
  - Search efforts for a *Chief Underwriting Officer* were abandoned after six months as remuneration on offer did not align with the market and a suitable candidate could not be sourced.
- A further challenge identified within this context was “*the ability to attract candidates who held the right balance of technical and leadership capability, given the specialist nature of operations at VMIA.*”  
Source: Executive placement summary report, Fisher Leadership, February 2020.
- The benefits of working in the Victorian Public Sector (VPS) and VMIA’s value proposition are attractive to candidates and are well marketed and articulated. However, competitive remuneration remains one of the top-three considerations for candidate attraction and offer acceptance.

### Fixed remuneration competitiveness

- Named public entities operate in a broad range of sectors. The VPS executive classification ranges have traditionally been benchmarked at the twenty-fifth percentile of the general market, as compared to the financial services pay position which is at the sixty-second percentile of the general market.
- The Premier’s recent decision to remove incentives for entity executives entering into new employment contracts affords VMIA less pay structure flexibility. This decision elevates the importance of competitive fixed remuneration to attract the required talent for select roles.
- The Tribunal is requested to consider **setting executive remuneration bands that are more competitive** and closer aligned **with the general market as well as the financial services market for select roles.**

### Band placement rules

- Existing 80/70 rules in the Public Sector Entity Executive Remuneration policy have afforded VMIA suitable flexibility to accommodate a wide spread of pay positions for its executives.
- The Tribunal is requested to **set band placement rules** and **a determination review process** for executive roles to accommodate some continued flexibility. This will mitigate a one-size-fits-all approach and will recognise that some roles require a premium.
- High competition in the market often leads to a preferred candidate considering multiple offers at the same time. This was VMIA’s experience during a recent executive search. Once the successful candidate has been identified, entities need the ability to proceed to offer at pace.
- The Tribunal is requested to implement an information and engagement model that **provides timely advice and determinations**, enabling entities to proceed to offer and secure identified talent.