# Medical Indemnity Risk Rated Premium 2025-2026

## Frequently Asked Questions

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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.

# Introduction

**The Risk Rated Premium (RRP) model has been developed by the Department of Health (DH) and VMIA. The model allocates a share of the State-wide medical indemnity insurance premium to individual health services.**

For 2025-2026, the total medical indemnity premium pool is $390.6 million (excluding GST and stamp duty charges). The proportion of the total medical indemnity premium pool allocated to public hospitals $380.9m (excluding GST and stamp duty charges), an increase of 26.4% on 2024-2025. This is a material increase, which is due to deteriorating claims experience, including an increasing claim frequency and rising settlement sizes. Specific factors contributing to the increasing premium pool are:

- Claims frequency (the number of claims per separation) has increased considerably in recent years, by 47% over the last four years and by 27% in the last 12 months.
- Claims settlement sizes have been under pressure for some years and continue to rise, with settlement sizes increasing by 11% per year over the last four years.
- Nervous shock claims frequency has risen significantly, having more than doubled in the last four years and increased by 34% in the last 12 months.

VMIA regularly benchmark our premiums against the commercial insurance market to ensure we are delivering value for money outcomes for our clients. We are confident our pricing reflects a significant discount to commercial insurance premiums.

Here is more information on the RRP model, and responses to some frequently asked questions.

# Frequently Asked Questions

## What is the purpose of the RRP model?

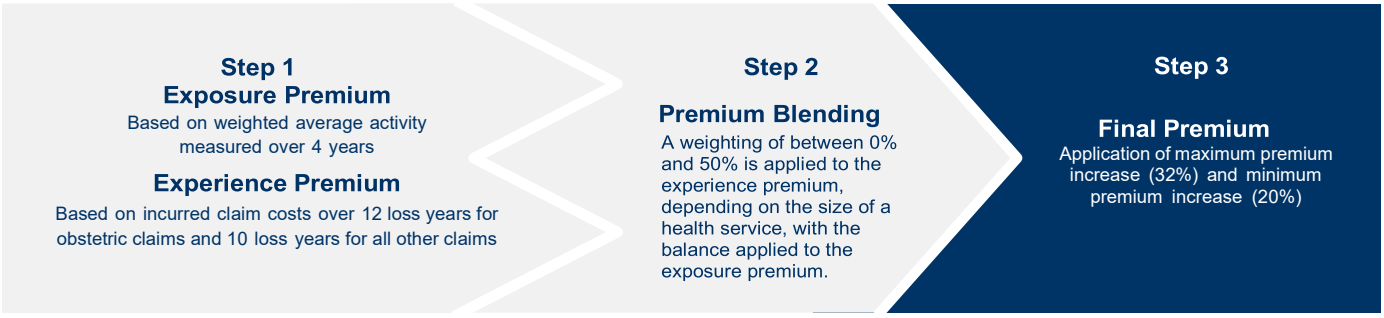
The RRP model is designed to increase awareness of medical indemnity claims. It's also designed to encourage continuous improvement of healthcare services through a focus on risk management and investment in patient safety initiatives.

## What changes have been made to the RRP model this year?

There have been no changes to the RRP model in 2025-2026. The aim of the RRP model is to reduce premium volatility while delivering an equitable premium allocation across health services. This has resulted in most hospitals experiencing modest variations in premiums over the last six years.

## How is the RRP calculated?

There are several factors and steps involved in calculating RRP for hospitals and health services. Below is a summary of the steps and methodology used to allocate premiums.




## How does my hospital's claims experience affect my premium?

The RRP model uses the last 12 loss years of obstetric claims costs and the last 10 years of claims costs for all other specialties to calculate the 'experience' component of the premium allocation. This ensures that premium allocation uses a mixture of finalised claims and current claims to reflect your hospital's long-term claims experience. Your claims experience represents anywhere between 0% and 50% of your final premium, depending on the size of your health service. Specific information for your health service is provided with your premium notification letters.

## How do my hospital's activities affect my premium?

To calculate the 'exposure' component of your premium, the RRP model uses the weighted average of four years of your activities, using activity data received from DH. This reduces the premium volatility caused by significant changes to activities from one year to the next. Your exposure premium represents between 50% and 100% of your final premium, depending on the size of your health service. Specific information for your health service is provided with your premium notification letters.

## What are the final premium adjustments for the year 2025-2026?

Final premium adjustments ensure that your health service's premium movement from one year to the next is kept within an agreed range. The maximum movement will vary from year-to-year depending on the premium pool movement. For 2025-2026 premiums, the maximum increase is capped at 32% and the minimum increase is 20%.

## What are the 18 exposure specialties?

The 18 exposure specialties used for the calculation and allocation of the exposure component of your premium are:

| Category | Specialty |
|---|---|
| 1 | Obstetrics |
| 2 | Oncology |
| 3 | Gynaecology |
| 4 | Neurosurgery |
| 5 | General Medicine |
| 6 | General Surgery |
| 7 | Orthopaedics |
| 8 | Neonatology |
| 9 | Paediatrics |
| 10 | Gastroenterology |
| 11 | Cardiothoracic Surgery |
| 12 | Emergency Medicine |
| 13 | Specialist non-surgical |
| 14 | Sub-acute |
| 15 | Specialist Surgical |
| 16 | Anaesthetics |
| 17 | Psychiatry |
| 18 | Intensive Care |

## When will we receive our premium invoice?

All Victorian public hospitals and health services receive their medical indemnity premium notification in April 2025.

Invoices will be sent in June 2025 and are due for payment within 30 days from the date of the invoice. The invoiced amount will include GST and Stamp Duty.

## Who do I talk to about my premium?

### RRP enquiries:

Call 9270 6900 or email contact@vmia.vic.gov.au

### NWAU details and premium funding:

Contact the relevant Service Performance Lead at the Department of Health.