

INVESTIGATION REPORT

***‘We just want to finish our home’:*
Management of Domestic Building
Insurance claims by VMIA**

A parliamentary complaint referred by the
Legislative Council

December 2025

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**The Victorian Ombudsman pays respect to First Nations custodians of Country throughout Victoria.
This respect is extended to their Elders past and present. We acknowledge their sovereignty was never ceded.**

Letter to the Legislative Council and the Legislative Assembly

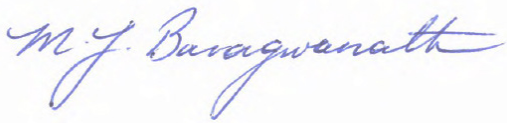
To

The Honourable the President of the Legislative Council

and

The Honourable the Speaker of the Legislative Assembly

Pursuant to sections 25, 25AA and 25AB of the *Ombudsman Act 1973*, I present to Parliament my investigation report '*We just want to finish our home*':
Management of domestic building insurance claims by VMIA.



Marlo Baragwanath

Ombudsman

3 December 2025

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Warning

This report contains language some readers may find offensive.

Privacy

To protect people's privacy, this report has been deidentified. All the names used are pseudonyms.

Summary



[I]f this process was designed to make people give up, it's perfectly designed ...

Homeowner



He said COB today but we don't have COB

DBI team member

What we investigated

In Victoria, if a builder has died, disappeared or become insolvent, homeowners are protected by Domestic Building Insurance ('DBI'). They can claim for incomplete or defective work so they can complete their home.

In March 2023, Porter Davis Homes Group ('Porter Davis') collapsed. This was the biggest builder insolvency in Victoria's history. In the six weeks following the collapse, the Victorian Managed Insurance Authority ('VMIA') received more DBI claims than it had in the entire previous financial year.

The Legislative Council required the Ombudsman to investigate VMIA's management of DBI claims. We considered VMIA's actions both before and after the Porter Davis collapse, with a focus on its:

- preparedness for a major builder insolvency
- claims process
- timeliness in processing claims
- communication with homeowners
- handling of disputes and complaints.

We also considered how DBI claims handling could be improved.

Why it matters

For most people, building or renovating a home is one of the biggest projects they will ever undertake. When a builder becomes insolvent, the impact is immediate and significant, putting housing dreams in jeopardy and throwing lives into turmoil.

This uncertainty can create acute stress for affected homeowners, straining finances, relationships and mental health. Often, people must pay to stay somewhere else until a new builder is lined up and work is completed, or live alongside defects until they're fixed.

DBI is intended to support and protect homeowners through this upheaval, noting it is an insurance product, not a compensation or hardship fund. And it seems for many homeowners, making a DBI claim through VMIA was straightforward.

However, we also heard from some deeply frustrated and distressed homeowners. Their experiences – even if only a small proportion of total claims – offer important insights for improving the future administration of DBI in Victoria. This will ensure the scheme remains both fair and financially viable.

What we found

- **VMIA had taken some steps to prepare for large builder insolvencies, but these were only partly effective.** While the scale of the Porter Davis collapse was unprecedented and VMIA had limited time to prepare, it should have started planning for it sooner.
- **VMIA's process and the changes it made to deal with the Porter Davis collapse were reasonable and legal, however, some individual actions led to unfair outcomes, especially in complex claims.** VMIA's engagement of volume builders worked well for many homeowners, but its lack of transparency was a source of frustration and stress. The use of law firms to help process more claims quickly was seen by some people as too adversarial. VMIA failed to effectively communicate its decisions and intentions to homeowners, creating a justifiable perception of unfairness.
- **On average, there was no unreasonable delay in claims processing for Porter Davis homeowners, but where significant delays occurred, the process caused unreasonable personal and financial hardship for people.** Average claims processing times reduced but as there was little transparency around timelines, homeowners' expectations were often far from the reality.
- **VMIA's communication with homeowners was inadequate and lacked transparency.** Homeowners received little information about how claims were managed and how long the process would take. VMIA's external call centre could not answer substantive questions about claims. Homeowners were frustrated with VMIA's delay or failure to respond to online messages via a dedicated portal. VMIA's communications after the Porter Davis collapse fell short of its obligations as a public sector body to be fair and transparent.
- **VMIA's dispute handling processes and practices met VMIA's legislative obligations, but were not always fair and reasonable.** VMIA did not always advise homeowners that they could ask for a decision to be revisited and there was no documented review procedure at the time of the Porter Davis collapse. The only formal pathway for disputing decisions was through VCAT, a costly and time consuming option.

Overall, VMIA achieved a reasonable outcome for most homeowners with DBI claims, both before and after the Porter Davis collapse. However, for some, especially those living in a home with ongoing defects, the DBI scheme did not live up to its purpose. As a government body VMIA should have exercised more discretion within the bounds of the DBI policy to achieve fair and timely outcomes.

The need for DBI system reform has been recognised by recent legislative changes. However, more needs to be done to improve DBI management processes, communication with homeowners and overall system transparency.

How VMIA responded

VMIA views its performance in managing DBI differently to the Ombudsman. It does not accept that some homeowners received unfair outcomes, and maintains that all claims were determined in line with DBI policy terms.

VMIA recognised the toll that the Porter Davis collapse had on its staff, and commended their performance in difficult circumstances.

While defending its performance, VMIA acknowledged that its communications were inadequate in some respects and said it had made improvements in this area. It also conceded that a relatively small number of homeowners had a poor experience:

To those homeowners who had a difficult experience making a claim with us, we have listened, learned, and changed ... For those few where we did not do well enough, we are sorry.

You can read VMIA's response letter in Appendix 2.

What needs to change

Responsibility for DBI recently transferred to the Building and Plumbing Commission. We have made nine recommendations to the Commission intended to:

- clarify and improve DBI policies
- allow the Commission to more effectively scale up its workforce when there is a large insolvency
- improve communication
- enhance transparency.

We also endorsed three recommendations made by the Victorian Auditor-General's Office. Our recommendations are set out in full on pages 90-91 of this report.

Background

In Victoria, people undertaking domestic building projects – such as building or renovating their home – are protected by Domestic Building Insurance ('DBI'). This is a 'last resort' insurance scheme, meaning that homeowners must first try to resolve any issues with their builder.

However, sometimes that is not possible, including when a builder has died, disappeared or become insolvent. In these situations, a homeowner may be compensated under their DBI policy for the loss resulting from work not being completed or it being defective.

All domestic building projects costing over \$16,000 must be covered by DBI. Builders are responsible for purchasing DBI on behalf of the homeowner but it is the homeowner who ultimately claims on the policy. This is one of the reasons DBI is different from most other types of insurance.

Builders must provide homeowners with a copy of their certificate of DBI insurance and the policy terms and conditions. This usually happens when the building contract is signed.

Theoretically, this informs homeowners about how DBI works and what it covers. In practice, however, many homeowners do not fully understand the policy and know little about DBI until they have to use it.

Historically, DBI was provided by various private insurance companies. However, several insurers stopped offering DBI around 2010.

In 2010 the Government amended the *Building Act 1993* to designate the Victorian Managed Insurance Authority ('VMIA') as a DBI provider. During the second reading speech in Parliament, the Honourable Jenny Mikakos, former Parliamentary Secretary for Planning, stated:

The volatility in recent times of insurers entering and leaving the [DBI] market has led to the state government decision to intervene and provide builders and consumers with an affordable insurance scheme.

VMIA advised that it was directed to offer DBI to the public within the existing scheme on commercial terms, alongside private insurers.

The Government's intervention was designed to protect the Victorian economy by supporting the state's construction industry, and to protect Victorian consumers. At the time, the Government recognised that:

... for most Victorians the biggest outlay of expenditure that any of them will make in their lifetime will be the purchase of their own home ... For most, building or renovating a home is an exciting and satisfying process, but for a small minority it can bring a great deal of stress and in some circumstances even end in disappointment ... as with all consumer protection legislation, there needs to be a strong framework to protect the rights of homeowners.

Why we investigated

In recent years, the number of building companies going out of business in Australia has increased. Some of these builders, like Privium Pty Ltd and Snowdon Developments Pty Ltd, were large companies and they left behind hundreds of unfinished homes.

On 31 March 2023, Porter Davis Homes Group ('Porter Davis') collapsed. This was the biggest builder collapse in Victoria's history, affecting over 1,700 homeowners nationally.

In the six weeks following the Porter Davis collapse, VMIA received more DBI claims than in the entire previous financial year. A quarter of these were lodged in a single day. This put an unprecedented demand on VMIA to process DBI claims in challenging circumstances.

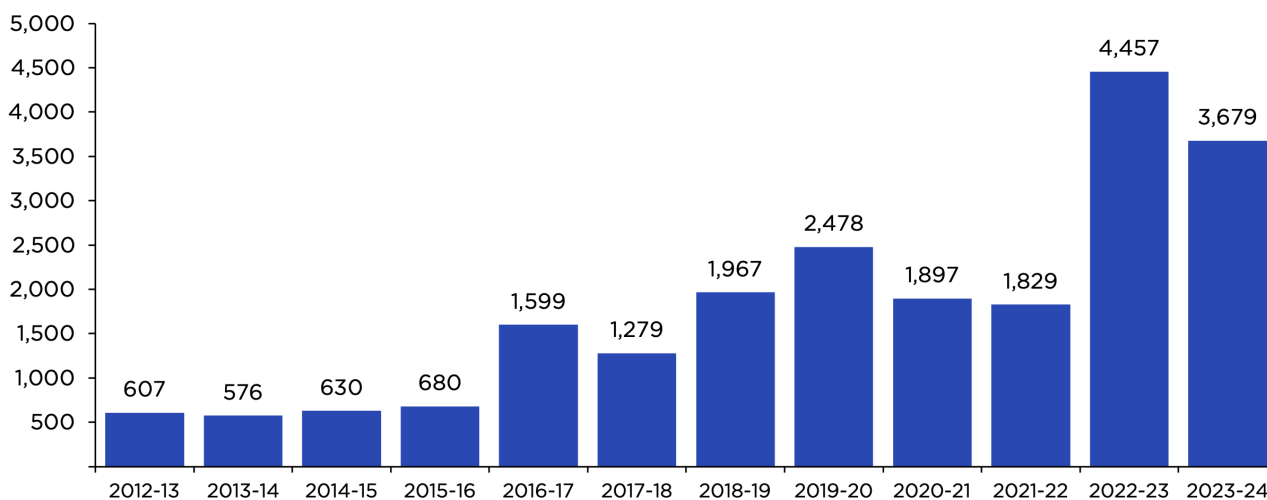
Many homeowners were frustrated with VMIA's handling of their DBI claims and the issue was reported in the media.

In early 2024, one media report quoted a group of homeowners who characterised their experience making a DBI claim as 'a double catastrophe'. They complained that on top of their home not being finished, they had experienced delays, a lack of transparency and unfair practices from VMIA. We also received a notable increase in complaints about VMIA following the Porter Davis collapse.

Some homeowners raised these issues with their Members of Parliament. On 19 June 2024, the Legislative Council passed a motion requiring the Ombudsman to investigate VMIA's management of DBI claims. Under our legislation, if either House of Parliament or a Parliamentary Committee refers a matter to us, we are required to investigate and report to Parliament without delay.

The referral raised concerns that VMIA unreasonably refused, reduced or prolonged domestic building claims, promised remedial action but failed to deliver, ignored requests for transparency, breached good faith by under quoting and used non-disparagement agreements to pressure Victorians to settle their claims. The referral was not limited to claims made as a result of the Porter Davis collapse.

Figure 1: DBI claims lodged each financial year, 2012-13 to 2023-24



Source: Victorian Ombudsman, based on information from VMIA

Figure 2: Extract of Legislative Council referral letter



Legislative Council

19 June 2024

Ms Marlo Baragwanath
Victorian Ombudsman
Level 2, 570 Bourke Street
Melbourne, VIC 3000

Dear Ms Baragwanath,

Referral pursuant to section 16 of the *Ombudsman Act 1973*

I am writing to inform you that on Wednesday, 19 June 2024 the Legislative Council agreed to the following resolution referring a matter to you for investigation and report:

That this House —

- (1) notes —
 - (a) many aspirational Victorians have had their dreams of home ownership undermined by the unexpected insolvency of their builder;
 - (b) the Victorian Managed Insurance Authority (VMIA) has unreasonably refused, reduced, or prolonged domestic building insurance (DBI) claims without transparency;
 - (c) that as at April 2024, according to figures revealed under freedom of information requests, there were over 1,600 outstanding claims with the VMIA in the construction, property and DBI categories;
 - (d) the VMIA has acknowledged there are 2,158 claims currently unresolved, including 661 cases where an offer has been made but not yet accepted;
 - (e) a group of 30 families frustrated with the VMIA wrote to the Ombudsman in December asking for an investigation into how claims for DBI are handled;
- (2) further notes that the VMIA has allegedly engaged in unhelpful practices in relation to DBI claims, including —
 - (a) promising remedial action to claimants but either failing to follow through or undertaking other actions that may be detrimental to a just insurance outcome;
 - (b) ignoring just and fair requests for transparency;
 - (c) breaching good faith by providing building quotes consistently below reasonable market rates;
 - (d) the use of non-disparagement agreements in order to pressure Victorians to settle their claims; and
- (3) pursuant to section 16 of the *Ombudsman Act 1973*, requests that the Ombudsman investigate the VMIA's management of DBI claims.

Parliament of Victoria
Legislative Council

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Parliament House
Spring Street, East Melbourne
Victoria 3002 Australia

What we investigated

To better understand the issues raised by the referral we asked people who had made DBI claims since 2022 to tell us about their experiences. We received 125 submissions, some of which related to DBI claims made before the Porter Davis collapse and some which related to DBI claims made as a result of it. Of these:

- about 41 per cent came from Porter Davis homeowners
- about 45 different builders were represented
- nearly two thirds related to DBI claims made in 2023.

We also reviewed 260 complaints about VMIA's handling of DBI insurance we received from 31 March 2023 to 30 June 2024.

The submissions and complaints we received raised some consistent concerns. We focused our investigation on six commonly raised issues:

- **Preparedness** – Did VMIA take reasonable steps to prepare for a major builder insolvency and the potential associated influx of DBI claims?
- **Processes** – Were the changes to VMIA's normal claims management processes adopted after the Porter Davis collapse reasonable, justifiable and in accordance with relevant legislation and policy, and did they impact the integrity of the claim process or outcomes?
- **Timeliness** – Were there unreasonable delays in VMIA's management of DBI claims during 2022-23 and 2023-24?

- **Communication** – Did VMIA adequately communicate with people during the DBI claim process, including reasonably managing people's expectations?
- **Disputes** – Was VMIA's handling of disputes and complaints about DBI claim decisions reasonable, fair and in line with relevant policy and legislation, including the Victorian Model Litigant Guidelines?
- **Improvements** – Are there improvements that should be made to the way DBI claims are handled (whether by VMIA or a new regulator)?

We also reviewed 46 claim files and identified the same potential issues in some of them. Further information about how we investigated is set out in Appendix 1.

The issue of builders failing to take out DBI for homeowners was considered out of scope, because VMIA was not responsible for this.

In its response to a draft of this report, VMIA said there was a 'profound selection bias' in the material we considered, noting it had resolved over 23,600 claims since it started to administer DBI in 2010.

It is likely that many people had a positive experience making a DBI claim, and that those people would be unlikely to contact us. Given VMIA did not conduct claimant satisfaction research, it is not possible to say with any confidence what proportion of homeowners were satisfied or dissatisfied with VMIA's handling of DBI.

The experiences of the hundreds of frustrated and distressed homeowners who did contact us – even if a small proportion of total claimants – offer important insights into the administration of DBI in Victoria.

VMIA's approach to DBI

VMIA was established by the *Victorian Managed Insurance Authority Act 1996*. It provides strategic risk management advice, training and insurance services to government departments and authorities. In 2023-24, it managed \$240 billion in funds and paid out \$193 million in DBI insurance. DBI was the only insurance product VMIA provided where the beneficiaries of the cover were members of the general public.

Victoria's building industry is regulated by a number of acts and instruments, including:

- the *Building Act 1993*
- building and plumbing regulations outlined in the National Construction Code
- the *Domestic Building Insurance Ministerial Order*.

This ministerial order governs how insurers write DBI policies. Relevantly, the order states that one of its purposes is to specify the:

circumstances in which, and the kinds and amounts of insurance that a builder is required to be covered by before carrying out domestic building work under a major domestic building contract.

VMIA's DBI policy was shaped by several factors. The policy had to comply with the legal baselines established by the ministerial order. It had to consider commercial insurance principles such as financial sustainability. In addition, VMIA told us it had to act in a market neutral manner, meaning it must not act in a way that would prevent private insurers from re-entering the market.

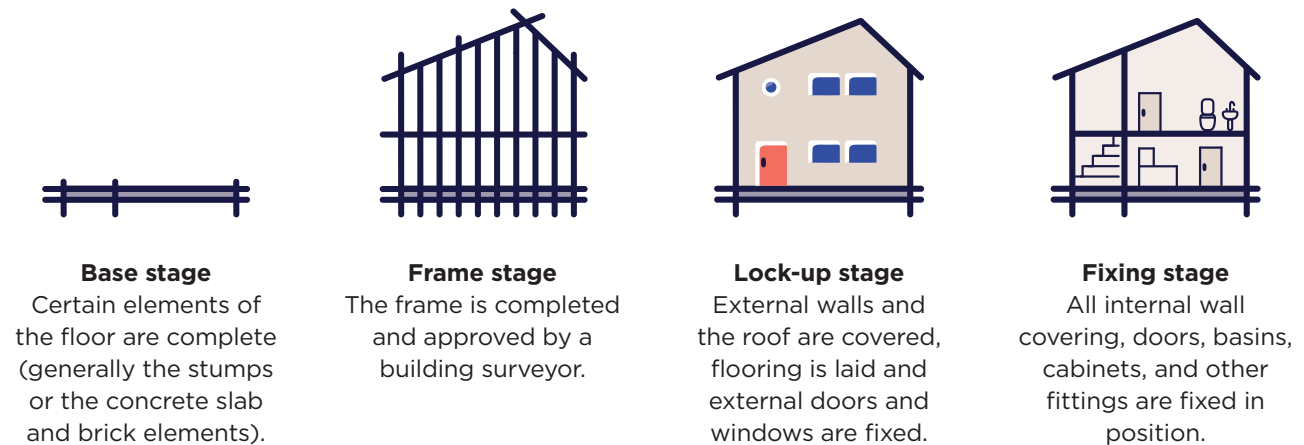
DBI policies are attached to the property, not to individuals. If a home is sold during the coverage period, the policy continues for the next owner up until the end of the coverage period. DBI covers losses up to the limits in the policy arising from non-completion as well as structural defects (for six years) and non-structural defects (for two years) after completion or after the contract was terminated.

DBI policies allow people to claim up to \$300,000. This total covers claims for all defective work, incomplete work and any other losses. Other losses are specific costs created by the home not being finished or by the defect – things like extra rent, storage and temporary fencing for the building site. Some of these are capped, for example, VMIA only covered alternative accommodation for 60 days.

Within the \$300,000 limit, coverage for incomplete works is capped at 20 per cent of the original building contract price.

The 20 per cent cap exists because building contracts are paid by homeowners in staged instalments. Therefore, when a builder has died, disappeared, or become insolvent during the building process, the homeowners should have only paid the builder for the completed stages of the build.

Figure 3: Stages of domestic building works



Source: Victorian Ombudsman, based on information from Consumer Affairs Victoria

Because homeowners pay builders in the stages set out in their contract, they still have the money for the later stages ‘in hand’. This was taken into account by VMIA as DBI will only pay for the additional costs that the homeowner faces if the new builder’s contract for completion is more expensive.

Some VMIA staff described VMIA as a ‘social insurer’. Social insurers are generally government entities that provide financial protection against specific risks, such as workplace injury or transport accidents. In this case, the risk is of a person’s builder becoming insolvent. Social insurers are intended to help people by providing a safety net.

VMIA disagreed with that description, but said that as a statutory government insurance agency, VMIA was required to apply public sector principles to its behaviour, such as good administrative decision making, transparency, responsiveness and respect. VMIA advised that this differs, potentially, from the position a commercial insurer may take, being to achieve the most beneficial financial settlement they can within the terms of their policy. VMIA was required to ensure people making a claim received their full entitlement under the DBI policy in a timely fashion.

However, DBI is an insurance product, rather than a compensation or hardship fund. So VMIA had to operate like an insurer.

For example, VMIA staff reference ‘protecting the policy’, which VMIA has described as:

ensuring that, where possible and appropriate, capacity is retained on the policy to allow for future claims within the terms of insurance (up to six years from project completion).

VMIA has advised that:

this principle is particularly relevant in the case of multi-unit developments where the cost of common property defects must be fairly distributed across all the homes in a development which can also greatly increase the complexity of those claims.

Another concern for VMIA was that keeping payouts low supported the overall financial sustainability of the DBI scheme. Considerations like this may create a tension between VMIA’s aims of managing an insurance product and helping people.

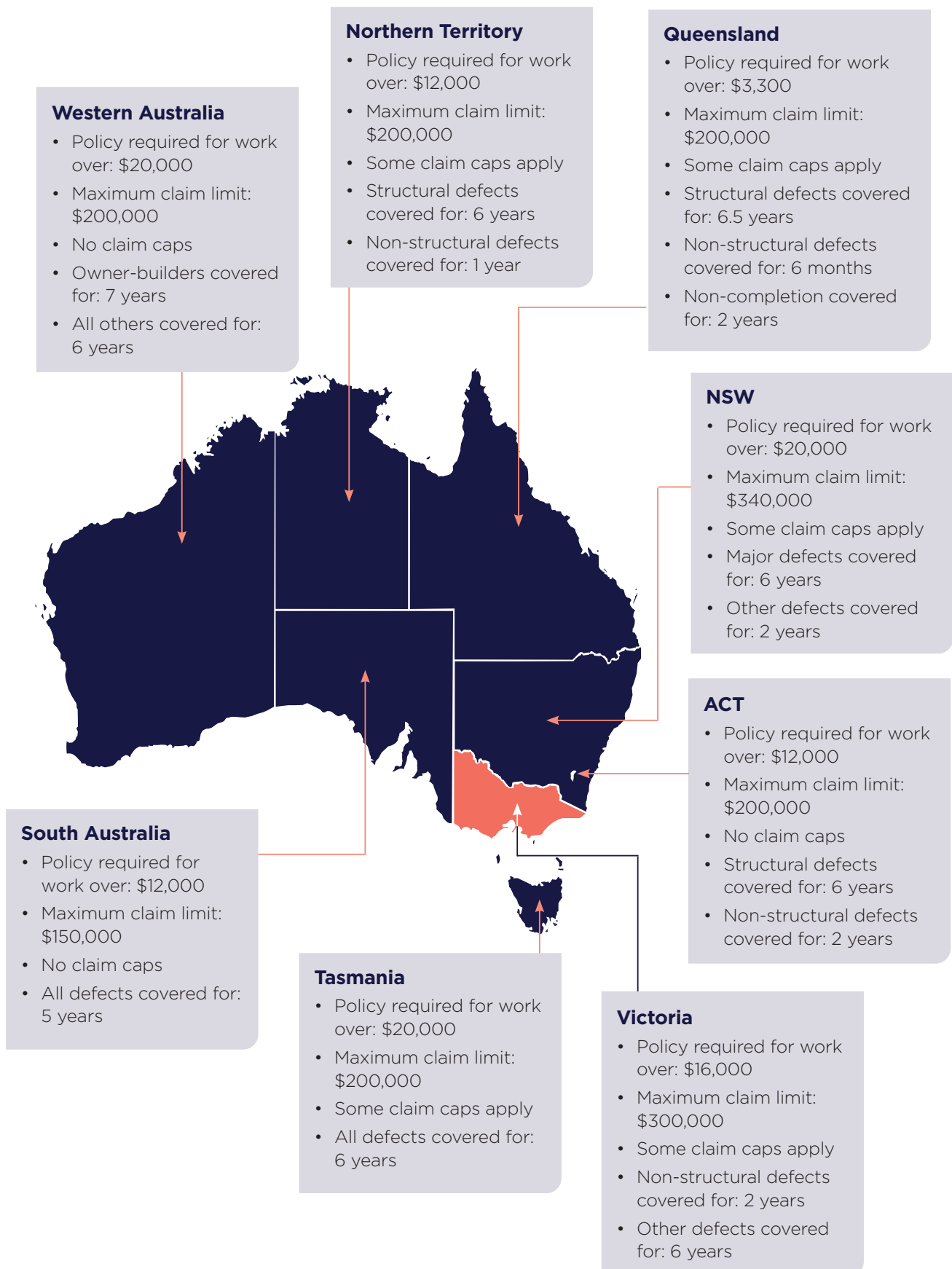
However, whether VMIA is a social insurer or simply a statutory one, like other government agencies, VMIA was required to balance the complexity of providing insurance in a way that was both fair and financially viable. This meant exercising discretion within the bounds of the policy to ensure fair treatment and timely outcomes for homeowners, communicating clearly and respectfully with homeowners, and accepting that, as with any government decision, people had a right to complain or seek a review of decisions made under the scheme.

Approaches to DBI across Australia

All Australian states and territories have DBI schemes, although the name for this type of insurance varies. The schemes all have similar aims and most cover major defects for six years. There is variation in how much can be claimed for certain types of defects and overall.

Queensland currently has Australia’s only ‘first resort’ DBI scheme, allowing claims even if the builder is still alive and in business. First resort schemes provide more protection and support for homeowners, but are more expensive.

Figure 4: DBI schemes across Australia



Source: Victorian Ombudsman based on DBI legislation and policies across Australia, as at July 2025

Recent changes to the DBI scheme

After our investigation had begun, the Victorian Government announced changes to the DBI scheme and amended the *Building Act 1993*.

The biggest change is that the DBI scheme will move from being ‘last resort’ to being ‘first resort’. However, this change will not take effect until 2026. In addition, the DBI threshold will increase. DBI is currently required for building works valued over \$16,000. This will be raised to \$20,000.

The amended Building Act defines ‘incomplete’ work which was not previously defined in legislation. This is significant because of the 20 per cent cap on incomplete works. In the submissions we received, some homeowners raised concerns around VMIA’s decision to classify some claimed defects as incomplete works.

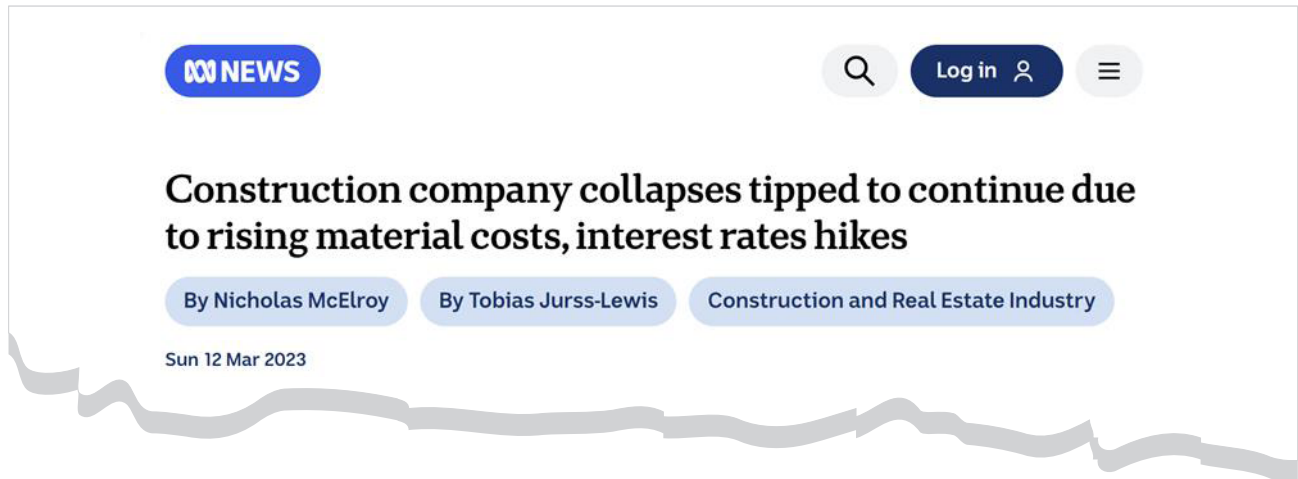
On 1 July 2025, the Building and Plumbing Commission (‘BPC’) began operations. This new regulator:

- oversees builders and plumbers and the registration, enforcement and discipline activities that were previously the responsibility of the Victorian Building Authority
- provides the dispute resolution services that were previously provided by Domestic Building Dispute Resolution Victoria
- provides DBI, which was previously provided by VMIA.

As the responsibility for DBI claims handling has transferred to BPC, our recommendations for improvements are directed at BPC.

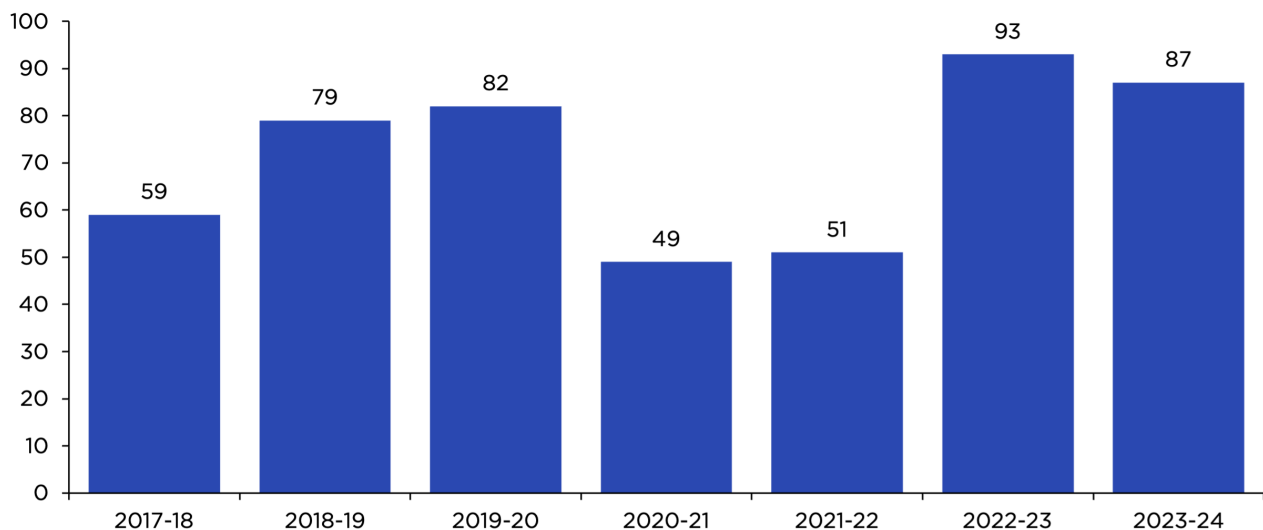
Was VMIA adequately prepared for a 'large loss event'?

Figure 5: Media reporting on builders collapsing



Source: www.abc.net.au/news, 12 March 2023

Figure 6: Number of builder insolvencies each financial year, 2017-18 to 2023-24



Source: Victorian Ombudsman, based on information from VMIA

VMIA considered any builder collapse that involved 100 or more incomplete homes to be a 'large loss event'. VMIA had dealt with three large loss events before the Porter Davis collapse.

During 2022, VMIA was monitoring instability within the building industry. In June, VMIA hired consultants to analyse its outstanding claims liabilities. The consultants noted there was an 'elevated risk' of large builders going under in the current environment.

In late August, VMIA's board heard differing opinions on insolvencies and the economic outlook for the building sector:

- The Housing Industry Association observed that construction company insolvencies were significantly lower than before COVID. It suggested that in 2022-23 builders would 'whip lash out of cash flow problems'.

- Advisory firm McGrathNicol presented a less optimistic view, suggesting there was 'increased stress through the building supply chain'. It noted that although insolvencies were lower than previous levels, 'construction insolvencies as a proportion of all insolvencies increased from 15% in Jan 2018 to 30% in June 2022'.

At this time, VMIA assessed the likelihood of a large builder collapse as 'possible'. This meant VMIA thought a large loss event may occur within a couple years, but they were not expecting one to occur within months.

Figure 7: Major builder insolvencies, 2021 - 2023

Builder	Liquidation date	Number of claims VMIA received	Approximate total paid out on claims
Privium Pty Ltd	17 November 2021	362	\$7.8 million
Langford Jones Homes	30 June 2022	186	\$7.7 million
Snowdon Developments Pty Ltd	13 July 2022	386	\$5 million

Source: Victorian Ombudsman, based on information from VMIA

VMIA's preparation for large loss events

VMIA told us that 'it is challenging to anticipate the likelihood or specific nature of large builder insolvencies'. However, VMIA had 'taken steps to prepare for insolvency events that exceed its capacity to respond in a timely fashion'.

Large Loss Response Guide

In early 2022, VMIA developed a Large Loss Response Guide which provided guidance and a process for staff to follow for such events.

VMIA described this as an 'evolving document'. While we agree it is sensible to continually update such a document, what we saw was an unfinished piece of guidance. The document had several sections highlighted and comments noting that more work was needed.

Because this document was always unfinished and intended to continually be updated, we were unable to establish exactly what information it contained before the Porter Davis collapse.

It appears that at that time the guide was largely based on VMIA's then-recent experiences managing the Privium and Snowdon insolvencies. The guide consisted largely of a table detailing actions to be taken and who was responsible for them. However, there were some gaps, meaning VMIA staff did not have a definitive guide to rely on.

Other guidance materials

VMIA had Claims Handling Guidelines which guided employees through the claim management process, including details about the claim lifecycle, service standards and policy interpretation.

VMIA also had training materials for its online portal specifically for DBI, known as BuildVic.

These documents helped VMIA train new staff at short notice.

Scalable staffing arrangements

VMIA's DBI team had about 12 full time staff. However, this team relied on a number of external parties. There were building inspectors, two external call centres and a panel of law firms that VMIA used to assist with assessing and managing claims.

VMIA's arrangements with these external parties were scalable, meaning it could quickly call on more staff to help meet the increased demand for services during large loss events.

VMIA's awareness of Porter Davis's situation

While VMIA is not a regulator, it did review a builder's financial capacity as part of its process for determining the builder's DBI coverage. VMIA noted this was in line with standard insurance underwriting procedures.

VMIA considered the builder's:

- financial position
- historical trading performances
- debts and equity
- working capital and funding requirements
- directors and key executives
- reporting and management information systems.

Less complex reviews were conducted by VMIA, but for large builders VMIA appointed an external consultant to conduct an independent assessment.

VMIA could also review a builder's financial position at any time. The last time VMIA began a review of Porter Davis was in July 2022. This review was completed in November 2022, four months before the collapse. This review found that there were concerns about Porter Davis's position, but it was 'moving back towards profitability'.

However, by early 2023, Porter Davis was in serious financial trouble. Porter Davis met with the Victorian Treasurer, looking for a \$25 million loan. The Government also talked to the Commonwealth Bank which was Porter Davis's biggest lender. This was outside of the scope of this investigation, so we did not look into this further.

It appears that VMIA became aware of Porter Davis's impending collapse in early March 2023.

Figure 8: Timeline of events immediately before Porter Davis's collapse

7 March 2023	VMIA emailed one of its call centres about potential future large loss events.
8 March 2023	VMIA's Chief Officer, DBI spoke with staff from the Department of Treasury and Finance ('DTF') about Porter Davis.
9 March 2023	The Chief Officer, DBI emailed DTF: Estimated 1,200 Builds in progress ... High level estimate of the potential financial exposure for VMIA in the event of insolvency is in the range of \$90 Million ... Credit searches have not indicated adverse activity, indicating imminent financial collapse by [Porter Davis], however there are indicators of stress ... VMIA will continue to monitor the situation with [Porter Davis] ... and advise DTF accordingly.
14 March 2023	The Chief Officer, DBI shared the 9 March email with VMIA's Head of Government and Stakeholder Relations who was also in contact with DTF. DTF asked VMIA for: • some scenario modelling ... around impacts to VMIA if Porter Davis was to become insolvent. • any options we can see that Government could implement. VMIA will continue to monitor the situation with [Porter Davis] ... and advise DTF accordingly. It was noted that DTF wanted the information as soon as possible to brief the Treasurer that week.
22 March 2023	VMIA was advised that the Treasurer was not going to accept Porter Davis's request for financial support. VMIA reached out to its call centre to organise a phone line for an anticipated large insolvency. VMIA asked Porter Davis for information about its financial position and placed Porter Davis on a project-to-project approval for insurance.

23 March 2023

Staff in VMIA's DBI team begin planning communications about their approach to the insolvency.

VMIA met with Simonds Homes Victoria Pty Ltd ('Simonds') and discussed its possible involvement in the impending Porter Davis insolvency. Two options were discussed:

- Simonds buying out Porter Davis
- Simonds becoming VMIA's preferred contractor if Porter Davis became insolvent. This would see Simonds exclusively engaged to take over Porter Davis builds.

After this meeting VMIA staff were told:

Looks like next Wednesday is the last day that a sale can be considered, after which [Porter Davis] to be placed into liquidation - this is where we are at....nothing decided yet but options 1 and 2 being explored.

30 March 2023

VMIA updated its Large Loss Response Guide.

31 March 2023

Porter Davis went into liquidation.

Source: Victorian Ombudsman, based on information from VMIA

On 31 March, the day Porter Davis became insolvent, a senior DBI team member told VMIA's communications team and the Chief Executive Officer ('CEO') that the DBI team had implemented its large loss response plan. They said they had got a list of all building work in progress from Porter Davis and had prepared information for impacted homeowners. It is clear VMIA contacted its external call centre, and that it was aware of the potential exposure, however it is not clear what other preparations or meetings occurred during March 2023.

It is also now clear that the sheer scale of the Porter Davis collapse was unprecedented and VMIA's team had limited time to prepare as best they could.

Conclusions on VMIA's preparedness

Did VMIA take reasonable steps to prepare for a major builder insolvency and the potential associated influx of DBI claims?

Before the Porter Davis collapse, VMIA had taken steps to prepare for large loss events. Unfortunately, these preparations were only partly effective.

While VMIA did make updates to its Large Loss Response Guide in late March, the document was still not finalised and contained some gaps. VMIA also scaled up its use of call centre and law firm staff, however these arrangements created some problems. Call centre staff used scripted responses which limited their ability to help homeowners with bespoke questions. Law firm staff, while experienced, were not dedicated claims managers.

Whether VMIA took adequate steps to prepare for the Porter Davis insolvency in particular is a more complicated question. As the insurer, VMIA had monitored Porter Davis in the years before its collapse, including a review of its financial position, completed in November 2022.

One consideration VMIA had was that acting prematurely may have caused Porter Davis reputational damage, worsening its financial position. However, given Porter Davis collapsed just four months later, it seems that the review finding that Porter Davis was 'moving back towards profitability' was a significant misjudgement.

By 9 March, VMIA knew that Porter Davis was in talks with the Department of Treasury and Finance ('DTF') and that a collapse would result in 1,200 claims, more than three times as many claims as any previous large loss event. By 14 March VMIA was providing advice to DTF on the impacts to VMIA of a collapse. It would therefore be reasonable to expect VMIA to be planning its response at this time.

However, it seems VMIA was waiting to see if the Government would intervene. On 22 March VMIA was told there would be no intervention. At this time, VMIA was in contact with the building company Simonds Homes Victoria Pty Ltd ('Simonds') and the possibility of a buyout was still on the table. It appears that VMIA was optimistic that a solution would be found before Porter Davis collapsed.

As well as hoping for the best, VMIA should have started planning for the worst sooner. There is no evidence that VMIA conducted a risk or capacity assessment or developed a plan to minimise the impact on homeowners during March 2023. VMIA did take some steps in the limited time it had available, however, knowing the likely claim numbers, VMIA should have foreseen that its existing plans would not be enough and that it needed to do more to prepare. That said, given the scale of the Porter Davis collapse, and the limitations of preparation for large loss events generally, we do not think a few additional weeks of preparation would have made a material difference in this case.

Was VMIA's claims process after the collapse of Porter Davis reasonable and fair?



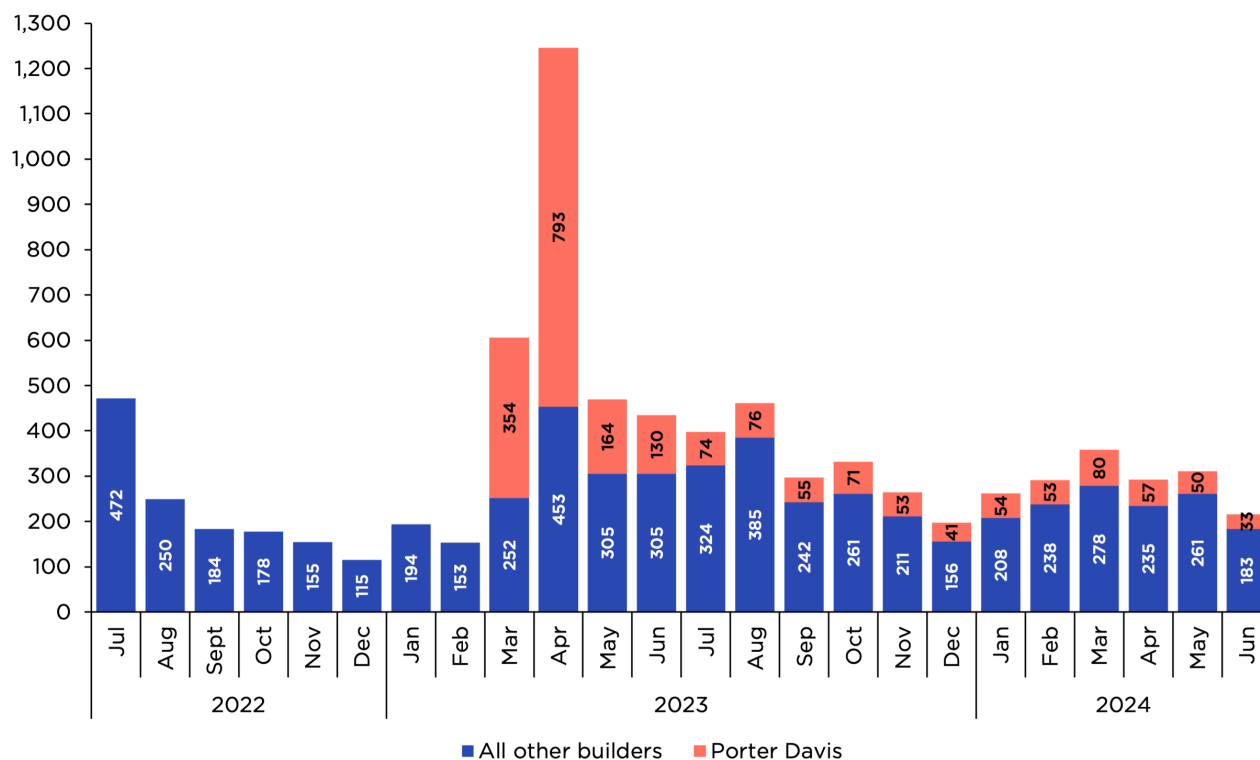
I think the process needs reform ... they haven't started with a process of 'well how can we help these consumers that have run into problems through no fault of their own because their builder's died, insolvent or disappeared?' ... the whole approach was adversarial and just the wrong way around ... if this process was designed to make people give up, it's perfectly designed ...

Homeowner

When Porter Davis became insolvent on 31 March 2023, VMIA received a huge volume of DBI claims. In six weeks it got more claims than in the previous financial year.

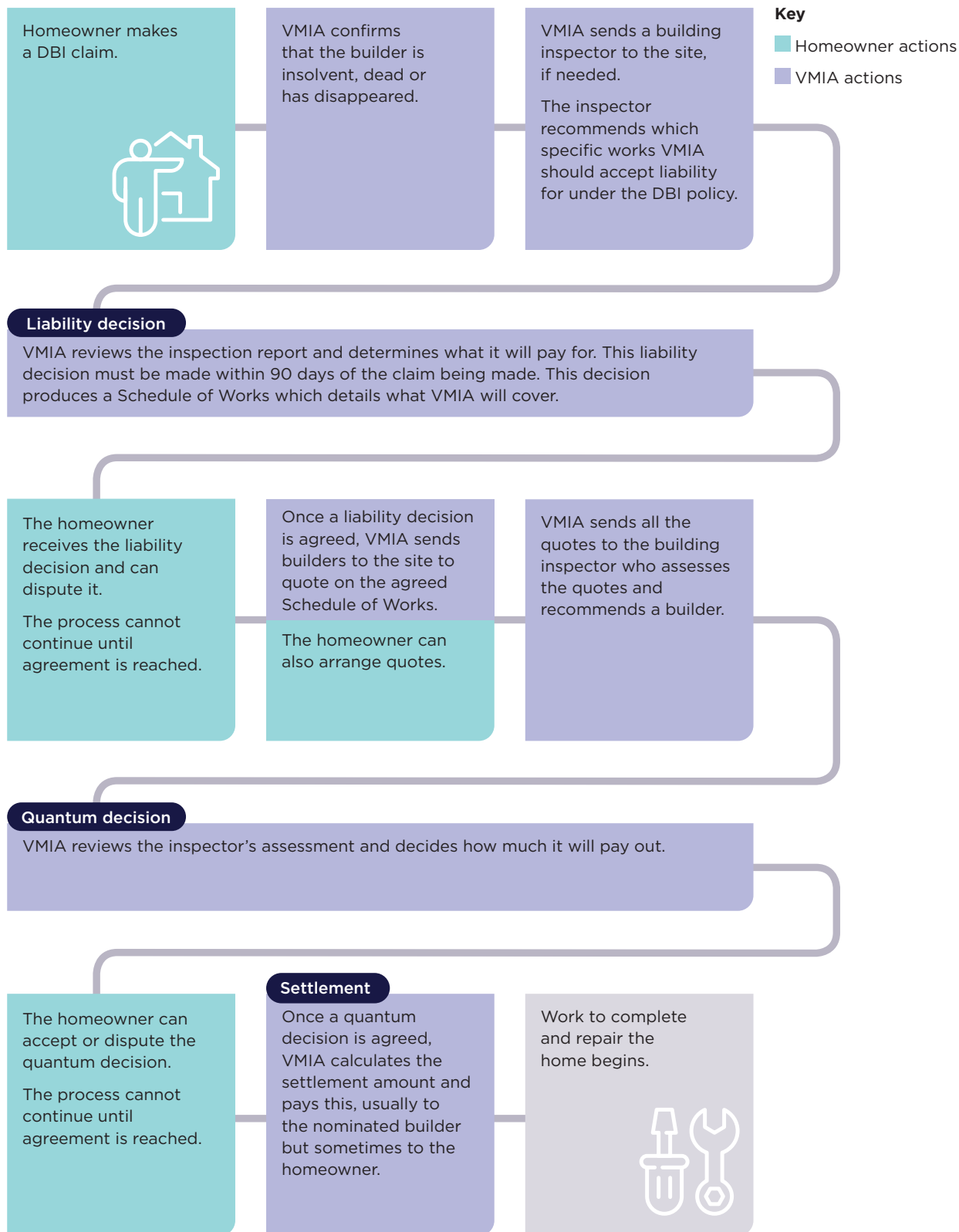
To handle the influx of claims, VMIA tried to increase its capacity and streamline its claims process. VMIA's claims handling process was guided by the ministerial order, VMIA's DBI policy and its Claims Handling Guidelines.

Figure 9: DBI claims by month, July 2022 to June 2024



Source: Victorian Ombudsman, based on information from VMIA

Figure 10: VMIA's usual claims process



Source: Victorian Ombudsman, based on VMIA's Claims Process Map and DBI Claims Handling Procedure

Throughout this process, a homeowner could deal with several different people at VMIA. At this time, claims were not assigned to a single claims manager, so a homeowner could speak to a different person at every stage of the process.

Following the Porter Davis collapse, VMIA changed its process:

- In some cases, VMIA based its liability and quantum decisions on a 'desktop review'.
- VMIA increased its use of law firms to manage claims.
- VMIA entered into agreements with two 'volume builders' to quote for work on Porter Davis homes.

Volume builders are large construction companies that build hundreds of homes a year. They are able to build homes cheaper than smaller companies because they buy materials in bulk and use standardised designs.

Response to the Porter Davis collapse

VMIA told us that following the announcement of Porter Davis's collapse it immediately:

- assessed the potential impact and planned the initial claims response
- activated its large loss response plan and established a dedicated Porter Davis response team
- set up a response team room, daily Porter Davis information sharing sessions, daily reporting and other arrangements to track developments
- started planning to boost DBI team resources
- contacted key stakeholders across government to coordinate responses and communication, including DTF, the Assistant Treasurer's office, the Victorian Building Authority and Consumer Affairs Victoria.

In the weeks and months following the collapse, VMIA:

- established a dedicated phone number and email address
- activated, briefed and trained external call centre staff
- established a dedicated Porter Davis page on its website and a dedicated Facebook group
- delivered seven information sessions to Porter Davis homeowners
- engaged:
 - three law firms to help assess and manage claims
 - former Porter Davis employees with 'deep knowledge of existing defect issues' to help with defect claims for occupied homes
 - two external providers to do building inspections
 - media and communications experts to supplement its internal team.

VMIA also received detailed information about all incomplete and defective building projects from Porter Davis's liquidator, Grant Thornton. This was intended to streamline initial claims assessments, make it easier for builders to quote and save time and costs on claim assessment.

Liability decisions

VMIA took steps to streamline its liability decision process where it could. It:

- used aerial photography to confirm building works had not started where homeowners were claiming back their deposit only
- engaged the building surveyors originally responsible for signing off the building work on Porter Davis sites to help substantiate incomplete works claims
- sometimes undertook 'desktop reviews' to make liability decisions on claims of incomplete works instead of sending an inspector out to the property. This was done where VMIA had 'sufficient information' from the liquidator and quoting builders to decide without a site visit.

VMIA acknowledged that this was 'bypassing normal verification processes' but is confident that these process changes did not compromise liability decisions.

While these process changes appear to be reasonable, they are not without risk. In some cases an assessment is simple and a desktop review may be appropriate (for example, where only the slab of a home had been laid and it is agreed there are no defects). However, in complicated cases a desktop review may not always be sufficient.

Another issue with liability decisions was the lack of detail in inspection reports. The files we reviewed showed a decrease in the detail and reasons given which raised transparency concerns for some homeowners.

Defects or incomplete works

Some homeowners told us they didn't understand VMIA's classification of items as being defects or incomplete works.

When lodging a DBI claim on an incomplete home, the homeowner should list each individual item they consider is a defect in addition to identifying that the building is incomplete. Inspection reports then recommend which items should be accepted and whether the items are defects or incomplete works. These reports should also provide reasons for their recommendations but did not always.

While VMIA considered inspection reports when making liability decisions, it was ultimately VMIA that determined which items were defects and which were incomplete works.

VMIA considered any item that would be fixed by a builder in the ordinary course of completing the build to be an 'incomplete work'. VMIA gave this example:

A bathroom which is complete with the exception of fittings such as towel rails, mirrors etc.

- A homeowner may perceive this as a defect, not being in line with the specification in the contract and clearly not fit for purpose
- This would be incomplete works as the works had not previously been undertaken and a builder in completing the works would complete the installation to the standard specified.

When asked how VMIA determined what would be fixed in the ordinary course of building, VMIA said it relied on prior experience and advice from builders. VMIA said it ensured consistency in decision making through:

- the application of the ministerial order
- the application of the DBI policy
- the application of the Claims Handling Guidelines
- the building inspection and other expert reports
- discussions and meetings with team members.

Given the ministerial order, policy and Claims Handling Guidelines did not define incomplete works, it is unclear how these documents assisted VMIA in making consistent determinations. At times VMIA's decision would differ from that of the inspectors. Its decisions could not be easily documented in the file and clearly communicated to a homeowner, giving them little confidence that the decision was made fairly.

This is notable because claims for incomplete works are capped at 20 per cent of the original contract value. Claims for defective work are limited only by the \$300,000 total policy cap. When VMIA reclassified as incomplete works items the homeowners considered defects, some homeowners felt VMIA was unfairly trying to reduce the payout. Some submissions we received speculated that this approach was taken to minimise costs.

The inspection reports relied on by VMIA and subsequent decisions could, at times, appear to contradict the findings of inspections that the homeowners had commissioned. This caused extra stress and concern for some homeowners.

Resolving a disagreement about a classification was difficult because there was no definition for 'incomplete works' in legislation, the DBI ministerial order or in VMIA's policies. Defects are defined in the *Domestic Building Contracts Act 1995* and this definition is reflected in the ministerial order and VMIA's DBI policy. This gap has been recognised and the new *Building Legislation Amendment (Buyer Protections) Act 2025* includes a definition for incomplete works.

Clarity of liability decisions

The claim files we reviewed showed that:

- there was often no internal VMIA record of reasoning for decisions
- there was generally no reasoning provided to homeowners
- VMIA occasionally reclassified items as incomplete works that had been classified as defects by building inspectors.

Similar concerns were observed in the decision letters issued at the quantum decision stage of the claims process.

Homeowners were informed about VMIA's liability decision through an outcome letter with an attached Schedule of Works. However, these often contained no explanation about why items claimed as defects were reclassified as incomplete works.

Figure 11: Example of information in Schedule of Works

Domestic Building Insurance

Schedule of Works

Property Address: [REDACTED]

Property Owner(s): [REDACTED]

Schedule of items accepted for incomplete works

Item	Location & Description	Schedule of Works
1.	Incomplete Works	Complete the works in accordance with the agreed original contract documents, Project Specifications and plans, plus any additional and documented agreed variations. NOTE: This schedule is not a specification; it is a guide describing the works generally required. The contractors carrying out the works are responsible to ensure that the completion works are carried out in accordance with original contract documents inclusions and exclusions, and they comply with relevant Regulations, Codes and Standards. Carry out all work with protection for the building and safe working OH&S compliant. Clean up any debris as a result of these works. It would be necessary to extend the building permit in the name of the completing builder, including new warranty insurance to cover the remaining building project.
Various	2, 3, 4, 5, 8, 9, 10, 12, 13, 14, 16, 17, 21, 22, 23, 25, 26, 27, 28, 30, 31, 32, 33, 34, 35, 37, 38, 39, 40-43, 47, 48, 51, 52, 53, 58, 59, 60, 61	Included as part of the incomplete works in item 1.

Source: VMIA

This could create confusion, especially when homeowners had their own inspection reports with contradictory findings. This lack of documented decision making also meant that we could not form an opinion on whether VMIA's classification decisions were generally reasonable.

This lack of transparency also created an issue when homeowners wanted to dispute VMIA's decisions. Without documented reasons it was not possible for a homeowner to determine whether VMIA's decision was reasonable and therefore whether they should pursue the matter further. This put the homeowner at a disadvantage if they decided to challenge VMIA's decision at the Victorian Civil and Administrative Tribunal ('VCAT').

Concerningly, we also saw instances where VMIA reclassified items with the acknowledgement that the decision may need to be changed if the homeowner disputed it. One claim file had a note saying:

... VMIA changed [the law firm's] draft to include items 2, 3, 5, 25, 28, 37, 39, 42, 43, 47, 48 as incomplete work, although there is a very strong possibility that the VMIA would need to accept those works as defective work, in accordance with [the law firm's] advice, if dispute was raised. The position may need to be revisited.

There were also instances of inconsistency in VMIA's decisions about adding items to claims. In some instances, homeowners were directed to lodge a new claim and reference their existing one. In others, homeowners were told to add items to their existing claim.

Additions to existing claims had to be made 48 hours before the inspection. However, we saw an instance where VMIA rejected items on the basis that they were added too close to the inspection time, even though they were outside the 48-hour cut off.

VMIA disagreed that there was material disadvantages to homeowners through this process and said:

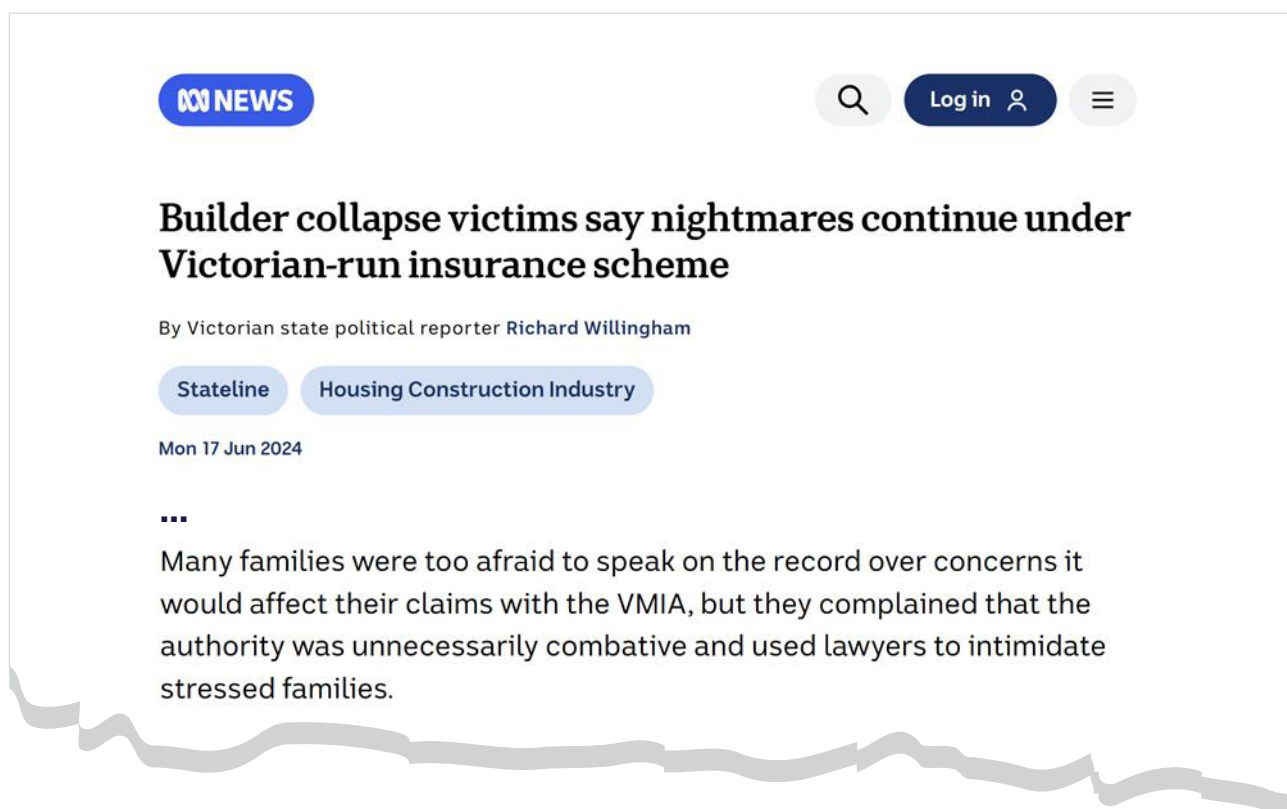
Homeowners can lodge as many claims as they need as defects arise. Allowing additional items to be added to an existing claim may be an effective measure in some circumstances and not in others.

This is in fact beneficial to the policy holder.

These sorts of inconsistencies and the general lack of transparency around decision making led some homeowners who contacted us to distrust VMIA and conclude that its decisions were not fair or reasonable.

Panel law firms

Figure 12: Media reporting on VMIA's handling of DBI claims



Source: www.abc.net.au/news, 17 June 2024

... the involvement of a law firm is just the wrong way. The law firm should be providing legal advice on legal issues ... and the VMIA should appoint a claims manager ... they are trained and deal in ... managing a claim, getting to the root ... cause of what actually is the problem ... Law firms just aren't equipped to do that. They're equipped to fight claims. And to be difficult ... Law firms are just not the right people to manage claims.

Homeowner

VMIA had an ongoing relationship with a number of law firms. Before the Porter Davis collapse, these firms:

- provided advice and representation for matters being challenged at VCAT
- drafted decision letters
- managed complex matters
- managed matters relating to specific insolvencies.

To handle the influx of claims after the Porter Davis collapse, VMIA scaled up its arrangements with its panel of law firms to boost its capacity:

- VMIA temporarily engaged graduate lawyers and paralegals from its panel law firms.
- VMIA referred specific matters to its panel law firms for management.

VMIA told us that it considered alternative options, such as traditional recruitment or temporary staffing, but that these would not have provided the same rapid upscaling and would have drawn resources from the immediate claims response. VMIA said that law firm staff were already familiar with VMIA's DBI policy and were able to contribute effectively with basic training on the BuildVic system.

VMIA's position was that the 'optimum way to respond to the greatest number of homeowner claims in the fastest time possible was to augment VMIA internal resources via engagement with existing panel law firms'.

VMIA advised that:

panel legal firms were mainly tasked with specific elements of the claims assessment process ... All actions by legal panel firms were under instruction from VMIA with decisions approved by VMIA staff with delegated authority.

Scope of law firms' involvement

VMIA used law firms to both complete specific tasks on claims and to manage stages of claim files.

In our review of limited claims files, what we saw was that generally speaking, law firms received individual instructions from VMIA in relation to their actions and decisions. The process for issuing and following instructions did not always run smoothly. At times, this created tension between the law firms and VMIA. A senior DBI team member wrote to a law firm:

I cannot keep giving the same instructions to people. Seriously, I do not have the time. I just need these decisions issued, particularly if I have given instructions already ... I allocated the easy files ... I really didn't think there would be this many ongoing queries. If we cannot get at least 40 decisions from you guys in a day, I really need to move these files elsewhere, because I have deliverables to meet on a daily basis

Similarly, VMIA claims handlers were frustrated:

I love it how I am getting referred back to a file that we have briefed out? [Are they] billing us to write to me to get me to do [their] work?

And on the other side, law firms were frustrated when VMIA provided delayed instructions:

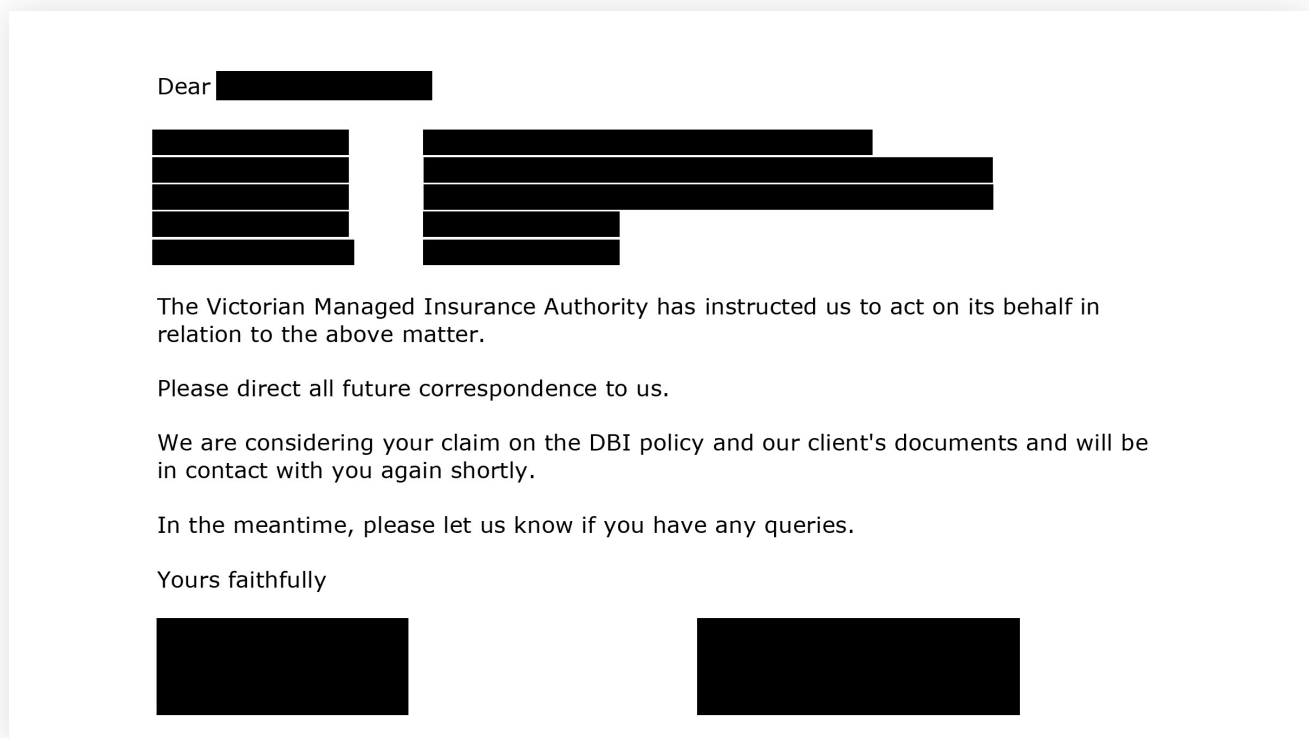
We have been persistently seeking instructions since 1 May 2023 ... We received those instructions on 1 August 2023 (a period of 3 months).

There were also instances where it was not clear who was responsible for managing a claim and the claim was left unattended. This appears to have happened because there was confusion about whether law firms were managing a stage of the claim or just undertaking specific actions, such as drafting an outcome letter. A claim would appear to be allocated to a law firm in the BuildVic system, but they may have only been doing a specific task. These cases were only identified when homeowners complained about the delay.

The involvement of law firms, and the reasons for it, were not adequately communicated to homeowners.

At times, the first communication homeowners would receive, after an automated acknowledgement from BuildVic, came from a law firm advising that it was acting on behalf of VMIA.

Figure 13: Excerpt of letter from law firm to homeowner



Source: VMIA claim file

While there is nothing inappropriate in this letter, some homeowners could have found it confusing or intimidating to be contacted by lawyers, especially where they had not been contacted first by VMIA.

It could also be difficult for homeowners to know who they were really dealing with as law firm staff would engage in different ways. Sometimes they used VMIA's generic DBI email address, other times they used their legal firm's letter head.

Some homeowners found that the involvement of law firms was the key to getting their claims progressed. Others who made submissions told us they found communications from law firms quite confronting. One homeowner whose case was passed from VMIA to a law firm with no warning wrote:

I received an email from individuals I had never heard of, claiming to represent VMIA, and instructing that all future communication had to go through them. I thought it was a scam. When I asked for proof of their legitimacy, I was told I was not entitled to it and should simply trust that they were acting on behalf of VMIA. I tried contacting the VMIA to verify ... and eventually just gave up and trusted a stranger that emailed me randomly that they represented the VMIA because this was how the process worked, apparently.

Another homeowner wrote:

The VMIA is spending money on lawyers that aren't required. I had not threatened any legal action, yet got a letter without warning saying that the VMIA had engaged lawyers to deal with my case. This is combative and not helping solve the problem. Not to mention a massive waste of money that isn't required if they followed their processes consistently.

VMIA acknowledged that it could have done better in overseeing how its panel lawyers framed their communication with homeowners. Lawyers often write as though the matter is the subject of litigation or dispute. VMIA advised that the use of such legal language in ordinary communications with homeowners about their claims would be inappropriate.

Even before the Porter Davis collapse, VMIA was aware of how communications could be received and tried to improve them. When one law firm asked for a draft to be reviewed, a senior DBI team member wrote:

Whilst your letter was an excellent response from a litigator, as a public sector entity we always have to be mindful that any response prepared by us or on our behalf could potentially end up as a complaint to the Minister's Office. I therefore like to make sure our response is self explanatory enough to show that we were acting reasonably if anybody was ever provided with it.

We agree that, as a public service entity, VMIA should have communicated clearly and transparently in a way that homeowners could understand. As case study 1 shows, the involvement of lawyers could make the process more adversarial.



Case study 1: VMIA's lawyers take an adversarial approach to claims management

In 2020, Delco Building Group built nine townhouses in inner-north Melbourne and sold them all by late 2021. The owners identified a range of problems after moving in, some to do with plumbing and waterproofing. Delco began repairs, but on 1 February 2023, it became insolvent.

Two weeks later, one of the townhouse owners, Steve Robinson, made a DBI claim for items at both his unit, and common property. As the Chair of the Owners Corporation, Steve also co-ordinated the claims on behalf of the other owners and one claim for the common property. Altogether the owners identified over 170 defects and other items. Some of these were duplicates across individual homeowner claims and the Owners Corporation claim.

Steve liaised with VMIA and the panel law firm they assigned to the claims. Steve was a lawyer himself, which meant he was in a better position than most people to understand and challenge, where necessary, the legal correspondence from VMIA's lawyers.

In March 2023, VMIA's appointed inspector attended Steve's townhouse. They recommended that VMIA accept liability for five of the 18 defects Steve had claimed for. Steve also arranged an independent building inspection of the whole property in March.

The claims became very complex. The VMIA lawyers informed the nine owners they could make new claims for the additional defects. In order to lodge a claim for the common property defects, the two Owners Corporation representatives, of which Steve was one, needed to make a separate claim.

There were 19 separate claim files in total, each with a \$500 excess. This resulted in 49 decision letters being issued over a 16-month period from the first lodged claim as decisions were amended and superseded.

VMIA told us that 'while the circumstances of a multiunit development are always complex, the items contained in the claim were, for the most part, straightforward'. Some items were denied on the basis that they were addressed in another claim, arose outside the coverage period, or there was no evidence of a defect at inspection.

In early May, the lawyers provided VMIA with detailed advice on Steve's claim. Being lawyers, they approached the claim in an adversarial manner. They recommended denying some items 'at the first instance' on the basis that the policy may allow for the rejection, despite the inspection recommending those items should be accepted. They advised VMIA to 'review this position if the Claimant disputes the denial'.

This approach does not appear fair from a statutory insurer who could have taken a more beneficial view while remaining within the terms of the policy.

One week after giving that advice, the lawyers issued a formal VMIA liability decision accepting two items in line with their advice. This was 87 days after Steve made his claim.

Steve was unsatisfied with the decision and disputed some of the denied items. It took several months to resolve this dispute with Steve and the lawyers going back and forth. Steve told us he tried repeatedly to arrange a meeting with the lawyers to discuss the claims and met them on at least two occasions. However, other times Steve said the lawyers refused to meet and their 'whole approach was adversarial'.

Liability decisions for the second round of claims were issued on 25 August, then revised on 22 December. These last decisions were sent out on a late Friday afternoon, three days before Christmas.

Steve was concerned these letters contained errors and he considered taking the matter to VCAT. VCAT appeals must be lodged within 28 days of the decision being made. However, acknowledging the holiday period, the law firm told Steve VMIA agreed not to oppose any application he lodged outside of the 28 days, if he did so before 16 February 2024. Steve told us he contacted the law firm but he did not receive a response until late January 2024.

He asked whether going to VCAT would delay the whole process, or whether VMIA would pay the agreed items. The lawyers advised VMIA that '... it may put the claimant off appealing if VMIA halts the claim pending the outcome of the appeal. The claimant is difficult and a former solicitor. We recommend proceeding with quantification and settlement of the accepted items.'

This was on 1 March 2024, more than a year after Steve first made his claim.

VMIA decided to pay out the accepted defects and got quotes from three builders for the accepted items for all nine townhouses and common property. In April 2024, the lawyers advised VMIA to go with the 'most competitive' quote and sent Steve the quantum decision.

This was revised in June as it did not originally include the right number of toilets, and Steve was able to add an item to his claim for alternative accommodation. The lawyers revised the settlement terms for all the owners affected.

On 9 September 2024, 19 months after making his claim, Steve accepted a settlement of \$26,390 for his individual unit. Each homeowner also received \$881 from the Owners Corporation claim for common property.

For some of the other townhouse owners, Steve told us the matter dragged on even longer. He said that more than two years after the claims were made, the repairs were still not complete and some waterproofing defects have since been found to be more extensive than originally identified.

We understand variations to the initial claims for additional works for these defects have been accepted and are currently being addressed. Speaking on their experience with the new BPC, the homeowners said they have found it to be 'more customer focused, helpful and responsive'.

The DBI team explained that the timeframes Steve experienced were typical of multi-unit claims that involve multiple homeowners. Identifying the root causes of issues, and coordinating repairs, is more complex for such claims than for single dwellings.

Cost of law firms



VMIA needs to stop external law firms being de facto claims handlers. Turns it into an adversarial process and must be costing a proverbial 'bomb' in fees.

Homeowner

While using law firms did increase VMIA's capacity to manage claims, it also carried a significant financial cost.

Figure 14: VMIA's expenditure on law firms for DBI, 2022 to 2024

Year	Law Firm A	Law Firm B	Law Firm C	Law Firm D	Total
2022	\$14,830	\$1,050,510	\$84,730	\$3,006,930	\$4,156,980
2023	\$21,200	\$1,248,360	\$861,260	\$5,204,140	\$7,334,960
2024	\$18,750	\$1,631,290	\$2,686,310	\$7,018,490	\$11,354,850
Total	\$54,780	\$3,930,160	\$3,632,300	\$15,229,560	\$22,846,790

Source: Victorian Ombudsman, based on information from VMIA

Some VMIA staff questioned the value of the lawyers:

DBI team member: we should get rid of some of these grads because they are just not listening ...

Senior DBI team member: Tell me who you don't need and is a liability

DBI team member: Most of them. They just don't care and think its beneath them. We are wasting money

Senior DBI team member: That's OK. They cost us a lot of money and if there is no value, we are better off getting one competent additional resource or two.

DBI team member: Just pay me what you pay them and I'll do it lol

The use of lawyers to manage claims and the associated expense could lead some homeowners to question the fairness of their insurance outcome where they were dissatisfied due to a perceived imbalance of power.

While spending large amounts on lawyers may seem manifestly unfair to homeowners, VMIA executives considered this was required to avoid extended delays.

Quantum decisions and volume builders



Our quantum decision took a long time ... the amount is underquoted ... We think that they didn't even read what we have submitted. We felt like they have already made up their mind on which builder's quote they will take ... we just want to finish our home and go back home.

Homeowner

VMIA made other changes to its process including:

- VMIA stopped sending builders quotes to the original building inspector to assess
- VMIA entered into agreements with two volume builders giving them the opportunity to provide quotes for most of the incomplete Porter Davis homes.

After a liability decision had been made and builders had quoted on the job, VMIA's usual process was to refer the quotes to the original building inspector to confirm they met the Schedule of Works. The inspector could also express a view on relevant elements of any quote for consideration as part of VMIA's assessment of the quantum decision.

Builders quotes were assessed against four criteria:

- The quote had to comply with the approved Schedule of Works.
- The builder had to have the capacity to undertake work to the appropriate standard.
- The builder had to have the capacity to start and complete the works in a reasonable timeframe.
- Price could be considered where there were multiple quotes.

A quote had to meet all criteria to be chosen as the basis for a quantum decision. Once a preferred quote was chosen, a VMIA staff member would make a quantum decision and issue a decision letter to the homeowner. This staff member needed the appropriate financial delegation, meaning they had to have the authority to commit VMIA funds to that value.

The quantum decision letter offered the homeowner a settlement amount based on the chosen builder's quote and the price of the original building contract. The homeowner could accept the quantum decision or seek a review.

Homeowners could choose to use a different builder to the one VMIA based its quantum decision on, however this would not change the decision. VMIA would only pay out the amount it calculated based on its chosen quote. If homeowners wanted to use a more expensive builder, they would have to pay the difference themselves.

Referral of quotes to original inspectors for validation

Having the original building inspector review the quotes served two main purposes:

- It ensured the proposed works would be sufficient to address all the defects and incomplete works that VMIA accepted liability for.
- It minimised the risk that a builder would not complete the works to a satisfactory standard.

However, instead of referring quotes to the original building inspector, VMIA relied on its internal staff to undertake this review. VMIA told us that the former Porter Davis staff it had hired provided it with the technical expertise to assess quotes.

In some cases, VMIA assessed and approved quotes in batches. This involved VMIA staff working in a group to evaluate quotes against the four criteria and presenting them to someone with the appropriate financial delegation. VMIA said this ensured that assessments were efficient, consistent, valid and fair.

VMIA's view was that this process worked particularly well. While the decisions were recorded in the BuildVic system, as would be the case in a standard assessment process, we did not identify detailed records of these meetings.

Engaging volume builders

In response to the Porter Davis collapse, VMIA did something it had never done before. It partnered with two volume builders that were comparable in scale to Porter Davis. On 28 July 2023, after several months of negotiation, VMIA entered into 'Opportunity Agreements' with Simonds and Metricon Homes Pty Ltd ('Metricon').

Figure 15: The volume builders VMIA partnered with



Source: www.simonds.com.au and www.metricon.com.au

VMIA chose these builders as they had the 'infrastructure and capacity to complete an unprecedented number of homes for impacted homeowners within reasonable timeframes'.

VMIA told us that volume builders could 'quote multiple projects simultaneously' and with 'similar volume-based pricing structures' to Porter Davis. By partnering with Simonds and Metricon, VMIA intended for homeowners to minimise any out-of-pocket losses they may have had by engaging another builder.

VMIA's view was that volume builders could bring capacity and efficiencies to the work and this would lead to a better outcome in terms of cost and policy coverage for some homeowners, and a faster project start and finish.

VMIA was confident that the scale and experience of the volume builders meant homeowners could be assured that the quality of the work would match what Porter Davis would have provided. However, VMIA did not assure homeowners about the volume builders' capability to perform the work.

Simonds and Metricon were provided with high-level claims information for about 300 Porter Davis builds. The volume builders could then use this information to conduct either a desktop review or an onsite inspection.

VMIA told us that it was acting as a prudent insurer in using this strategy to get the best value for money, as doing so protected the total cap on the policy. This meant that the owner, or subsequent owner, could make an additional DBI claim if they needed to. VMIA observed that it would only worsen the situation for the homeowner if the cap was exhausted. In addition, keeping claim costs as low as possible helps keep the cost of the DBI policy down.

The Opportunity Agreements did not oblige VMIA to award the volume builders the Porter Davis contracts and were clear that the homeowner kept the option to choose a builder.

However, VMIA was required to provide the volume builders with a reason if their quote was unsuccessful and to allow them to requote on the relevant properties. In an email from VMIA issuing instructions to a panel law firm, a senior DBI team member noted:

Where a Metricon quote is more than the owner's quotes, please refer the matter back to us via email and we will invite them to revisit their quote within an expedited timeframe.

It is not clear whether the option to requote was presented to other builders.

The volume builders could charge VMIA a set fee for their quote if they ultimately did not proceed as the chosen builder.

VMIA told us that while it was not in the written agreements, there was a verbal understanding with the volume builders that there would be ‘smoothing’ of quotes to ensure as many as possible came in under the 20 per cent cap. It was VMIA’s understanding that if the volume builders were given a large number of properties to quote on, they would underquote on some, and overquote on others to get as many through under the 20 per cent cap as possible.

While smoothing can benefit the DBI scheme overall, it is not always fair to individual homeowners. If a homeowner was overquoted because of ‘smoothing’, they would have less of their \$300,000 cap left to claim against, should any defects arise in the future. However, other owners benefited, and we accept VMIA was trying to maximise the benefit of the DBI policies for homeowners as a whole. We also acknowledge that the ‘smoothing’ may not have had any practical implication for most homeowners who would primarily be concerned with getting their house built within policy caps.

The practice of smoothing was never communicated publicly, meaning homeowners whose quotes were affected by this approach had no idea.

After entering into the Opportunity Agreements, VMIA monitored the volume builders. VMIA engaged an external advisory consultant to ensure the volume builders were viable and could handle the extra work.

The Opportunity Agreement also allowed for VMIA to audit both volume builders’ records to ensure they met their obligations, and set out regular reporting requirements and a dispute resolution mechanism.

Volume builders quotes

VMIA obtained its own quotes from its preferred builders, in addition to those submitted by homeowners, because it had a responsibility to ensure value-for-money outcomes.

The volume builder quotes were often notably lower than the next nearest quote. Given volume builders can generally deliver builds for less, this was to be expected. In fact, this was one of the reasons why VMIA entered these agreements.

In response to a draft of this report VMIA noted that for:

the purpose of assessing a homeowners loss, price variations between quotes are irrelevant as long as they comply with the specification and the builder can be held to the works in a reasonable timeframe at the quoted price under a domestic building contract.

VMIA was satisfied that the builders were prepared to complete the project to the appropriate standard and specification at the quoted price.

However, in some cases, the variation between the volume builder’s quote and the rest of the quotes was so significant it is unclear how it was considered reasonable. Some homeowners described some volume builder quotes as a ‘low ball quote’, a ‘highly questionable underquote’ and ‘an absolute joke’.

We understand why some homeowners felt this way when they received a lower quote that was often just one line without details. By contrast, homeowners were told that any quote they obtained needed to contain details of the works and it was VMIA’s preference that all defects be itemised.

VMIA advised that it could rely on the established relationship with the volume builders to be confident the quote would deliver to the original specification. However, homeowner sourced quotes needed to be in sufficient detail so that VMIA could be confident that the works would fully resolve all the items in the Schedule of Works. This, however, does not appear to have been immediately clear to the homeowner receiving the one-line quote.

Sometimes VMIA only got one quote. VMIA told us that following the Porter Davis collapse, the availability of builders comparable to Porter Davis was significantly limited. This meant seeking multiple quotes was not always possible and could have created further delays.

VMIA took the view that one quote was sufficient in some cases, dependent on:

- the nature of the incomplete and defective works
- the high volume of quotes for similar claims which provided a reliable reference point for necessary works and appropriate pricing
- the capability and capacity of the builder being asked to quote.

Submissions from some homeowners expressed frustration that their quotes were not used by VMIA, which relied on the volume builder quotes.

VMIA was aware that some homeowners felt the volume builder quotes were unreasonable. One email from a senior DBI team member to a panel law firm said:

I am keen to ensure we develop wording for application to similar circumstances as this places us in the best position to counter claims from others to say that the quote is not real. Simonds are indeed keen for this project so it can be done for the amount quoted.

The reality was that where a volume builder's quote was the cheapest, and they could deliver the works to the required standard and specification within a reasonable timeframe, VMIA would rely on it to make a quantum decision. Also, as the volume builders were given the opportunity to requote if VMIA was considering going with an alternative, they were more often than not the cheapest and therefore successful quote.

A cheap quote was a good outcome for VMIA, who were concerned with keeping costs down and protecting the policy cap for six years. It was also a good outcome for many homeowners who were able to complete their builds without being further out of pocket.

However, where homeowners chose to use a different builder, they were often unsatisfied with VMIA's quantum decision based on a volume builder quote. VMIA should have communicated better with homeowners about its arrangements or planned arrangements with the volume builders to better manage expectations.

Case study 2 shows how the process of reaching a quantum decision was not always straightforward for complex claims, particularly where VMIA relied on a quote that the homeowners felt was an underquote.



Case study 2: VMIA struggles to resolve a complicated quantum decision

Matthew and Sarah Nguyen began building their Warranwood home with Porter Davis in February 2022. When Porter Davis collapsed, their house was incomplete.

They made a DBI claim on 2 April 2023 and very quickly organised an inspection to determine incomplete works and defects.

The Nguyens wanted to keep their build moving as they were paying rent as well as their mortgage and could not afford to continue paying both. They decided to take on the role of owner-builders so they could manage the remaining works themselves and took photos of the defects before beginning work. They told VMIA they were continuing as owner-builders on 1 May 2023, and tried to make sure VMIA had all the information it needed before they started works.

On 2 June, VMIA sent out an inspector. The report said that the majority of the defects had already been fixed.

VMIA made a liability decision on 26 June.

In August, five months after making their claim, the Nguyens finished building their home, but they were still awaiting a quantum decision. They told VMIA that '[t]he length of time to process our claim is excessive and the lack of communication is unconscionable'.

On 6 September, VMIA replied, asking them to supply invoices and receipts for the defective items that they had already fixed so it could make the quantum decision. The Nguyens told us this requirement had not been mentioned before.

The Nguyens went back and forth with VMIA over this issue several times. It was not simple for them to provide this documentation. In some cases they had paid cash to keep their costs down and had no receipts. In other cases the defective works were repaired alongside new works, like fixing water damaged plaster while the remaining plastering was done, so separate invoices could not be provided. The Nguyens provided a breakdown of all their costs and outstanding defects to be rectified on 5 October.

VMIA sought a quote from Builder A, a builder that specialises in completing building works where the original builder cannot. On 13 October, Builder A provided its quote, however, it contained photos of the wrong house and the Nguyens thought the quote was unrealistically low. VMIA also got a quote from Simonds.

In the same month, the Nguyens were told all correspondence should go through VMIA's panel law firm.

Four and half months after making the liability decision, VMIA made a quantum decision for \$169,020. This was the first of three quantum decisions. This one was based on the Builder A quote – the lowest total by over \$86,000.

The Nguyens queried this decision, saying they had spent \$373,030 rectifying items. Builder A requested on 20 November, with the total costs quoted at \$440,355. VMIA used this new quote to make its second quantum decision for \$252,620. VMIA told the Nguyens they could accept the decision, or could seek a review at VCAT.

The Nguyens emailed VMIA seeking a review of the decision. They wrote:

... the quantum decision issued on 17/11/23 was based on the assumption that we'd completed **all** of the defective works whereas the quantum decision on 01/12/23 was on the assumption we'd completed **none** of the defective works. I wanted to understand how these assumptions had been made? ...

As you can appreciate this process has been extremely stressful both mentally and financially and we're just trying to understand these inconsistencies in decision making which we believe are mainly due to a lack of communication.

VMIA did an internal review and made another quantum decision on 24 January 2024, which superseded the previous one. This decision related to incomplete works and alternative accommodation. The decision noted:

you will provide us with a breakdown of costs incurred, by way of invoices and receipts ... VMIA will review the costs incurred and issue a further quantum decision.

The Nguyens provided their receipts but felt they were being treated unfairly as they knew other owner-builders in similar situations had not been asked for this evidence. They accepted this offer for the incomplete works, but the decision regarding defects was not resolved. In April 2024, over a year after they had made their claim, the Nguyens spoke to the media about their experience with VMIA.

In late May, VMIA wanted to visit the Nguyens' house with Builder A to see what defects still needed fixing to help them decide what more they would pay.

The Nguyens were frustrated by this, noting:

[Builder A] has already undertaken this assessment and quoted the figure \$158,925. This figure ... was approved by the VMIA and ... we confirmed our acceptance ... we are simply awaiting payment of the agreed amount and fail to understand the reason for this ongoing and distressing delay.

VMIA said the inspection was necessary:

In circumstances where you cannot produce evidence of the costs incurred ... we would be legitimately entitled to reject your claim for those defects ...

However, the VMIA is looking to work with you to resolve your claim ... You can choose not to participate in that process, but this will give us no option but to reject your claim for defects in its entirety.

The inspection occurred and Builder A provided a new quote, but the Nguyens were still concerned about being underquoted.

VMIA offered to pay the Nguyens \$130,810, which was less than Builder A had quoted the year before because the value of defects was assessed in a different way. In July 2024, a year and three months after making their claim, the Nguyens accepted this settlement. The Nguyens told us they were not happy with this amount but felt unable to continue to fight the matter.

The DBI team noted that VMIA was required to administer public funds responsibly and asked for receipts for this reason. The DBI team said:

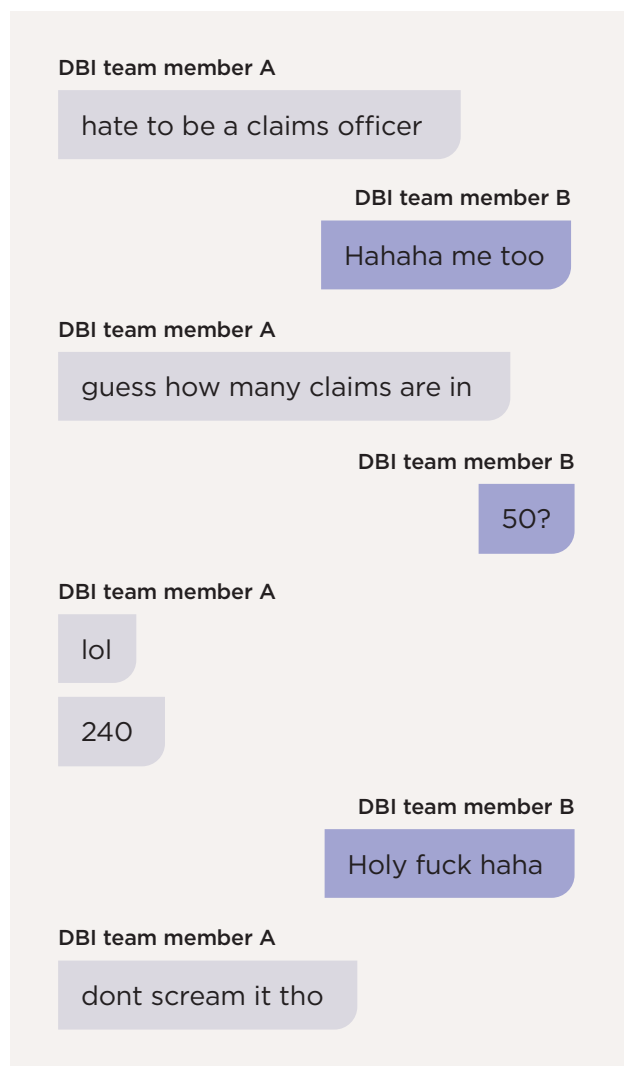
This is standard practice across industry and government to minimise tax evasion and fraud fostered by a cash based economy.

The DBI team noted that:

VMIA provided the [Nguyens] with an offer some six months before their claim was finally resolved, which would have been more favourable to them if accepted at the relevant time. Instead, the [Nguyens] opted to challenge the VMIA's quantum decision, resulting in the parties agreeing on a methodology for assessing the value of their defect claim which ultimately resulted in an outcome less favourable to them in monetary terms.

Impact of the Porter Davis collapse on VMIA staff

Figure 16: VMIA staff conversation, 31 March 2023



Source: VMIA Teams chats

The claims flowing from the Porter Davis collapse had a significant impact on staff welfare. VMIA staff were dealing with high workloads and high expectations while responding to people making claims who were also in a highly stressed situation, dealing with financial, personal and relationship hardships.

Workload pressures



He said COB today but we don't have COB



DBI team member



Would like to take tomorrow off.



Written on a Saturday
DBI team member



*im logging off in a minute,
havent fucken stopped, eyes
gone blurry*



DBI team member

The DBI team had about 12 claims handlers reporting to one Manager who reported to the Head of DBI. This structure created the potential to delay the progress of high value claims, especially during large loss events, as only a small number had the financial delegation to approve decisions to pay out more than \$150,000.

Regardless of their delegation, all staff were working very long hours. DBI team members were asking each other for help with their workloads:

If I am desperate ... are you free/around this weekend to jump on for a few hours?

...

I am hoping to not work saturday. I would like to have a day off at some point lol

i think im up to like day 26 or something obscene

The allocation of claims to DBI team members was also a source of frustration for staff. A portion of the team worked on Porter Davis claims only, with the remaining team members assigned any other claims.

In correspondence we reviewed, there did not appear to be much opportunity for staff to move between claim types.

Expectations were not always clear. Staff were trying to process as many claims as possible, but when one DBI team member allocated to Porter Davis helped another staff member with non-Porter Davis claims, senior staff questioned why they did so.

DBI team members were frustrated with senior staff contradicting themselves, one saying 'This whole thing has been so confusing'.

Expectations and targets

Amid an increasing volume of Porter Davis claims volumes, senior management set targets for staff to ensure liability decisions were issued within 90 days.

A senior DBI team member told staff:

hitting the daily target number is mandatory and non-negotiable ... I know it is a bit of a challenge, but I am confident we can deliver if we work as a team.

The first target for Porter Davis claims was set in April 2023. Staff had to make two liability decisions per person per day, or 50 per week for the whole team of five. Based on statistics for the last week of April, this target was not being met.

By the beginning of May 2023, the target increased to 50 decisions per day or 250 per week. Individual case allocations varied from 5-10 decisions daily, while some panel law firms were given as many as 50 to complete in a day.

Targets also fluctuated multiple times during the same week.

Figure 17: Target tracking dashboard

PDH LIABILITY DECISIONS
DASHBOARD | Salesforce 

Liability Decision	
Total	1,155
Target 10/5	50
Completed 10/5	21
Target 11/05	60
Completed 11/05	42
Remaining to daily target	18
TARGET 12/05	40
Completed 12/05	22
Remaining to daily target	18

Source: VMIA

The team could not consistently meet these targets. In some instances, management expressed disappointment with the team's failure to meet the previous day's target and went so far as to outline what work each individual staff member was to focus on.

The pressure to meet targets was also heightened through a rigorous reporting schedule. At times staff were required to provide updates three times a day:

'[...] please provide an update on how you are tracking towards achieving your target for tomorrow at 11, 1 and 3.30'.

Another email between senior DBI team members read:

'I am keen for numbers to be reported at lunch then 3pm. Then 5pm ...'.

Setting targets in and of itself is not a concern; however, it is clear that following the collapse of Porter Davis staff at VMIA were under a huge amount of pressure and stress.

Stressed homeowners

The emotional and financial stress stemming from the Porter Davis collapse had a significant impact on homeowners' welfare. Many told VMIA they were struggling with their mental health and overall wellbeing.

DBI staff faced difficult conversations. After one DBI team member had a distressed call from a homeowner, senior staff checked in on their welfare. The DBI team member responded:

Many thanks for this kind message. [The management team] have proved to be very supportive of me and all of us dealing with difficult client situations and [Porter Davis].

These kinds of calls are not uncommon at all, and I would say that perhaps as many as 3/10 (30%) of them mention depression, suicide, or financial related stressed.

...

these calls are a normal part of this job.

To help its staff respond to these difficult conversations, VMIA developed suggested responses for staff to use when faced with welfare concerns. Sometimes VMIA was proactive in contacting homeowners whose welfare they had identified to be at risk. In one instance, a homeowner threatening a hunger strike was swiftly assessed and contacted by a member of the DBI team. Staff directed distressed homeowners to relevant support services.

However, staff responses to distressed homeowners were not consistent. We also saw incidents where VMIA staff failed to respond adequately. Specifically, their responses were generic and failed to address or even acknowledge the homeowner's concerns.

As well as dealing with people who were struggling and distressed, VMIA staff were dealing with others who were angry and frustrated. Staff faced challenging behaviours from some homeowners, including abusive language and aggressive behaviour. VMIA received abusive emails and calls, and 'credible threats of violence'.

In some cases, homeowners undertook what VMIA described as 'digital stalking' to locate staff on social media and contact them directly. One homeowner had 'messed every person on LinkedIn with a VMIA profile'. The messages in this case were not at all threatening, and the homeowner even apologised for approaching the staff this way. Regardless, the impact was that staff felt harassed.

VMIA also closed its office to the public to protect staff, following attempts by members of the public to gain access.

While the DBI team was doing its very best to resolve claims as quickly and effectively as possible, unfortunately, the combined stressors of an intense workload, high expectations and difficult behaviour from some homeowners impacted the attitude that some VMIA staff had toward homeowners.

Staff attitude toward homeowners

At times, VMIA staff lacked empathy and failed to try and understand homeowners' experiences. We saw a tendency among VMIA staff to view homeowners as roadblocks in the way of processing the claim. Sometimes VMIA staff would distrust or assume the worst of homeowners.

For example, VMIA's DBI team told us that they sometimes considered the higher quotes obtained by homeowners to be deliberately inflated to maximise their payout. They referred to this as 'gaming the system'.

Insurance providers have a responsibility to protect the policy and ensure payments are consistent with its terms. As a government body VMIA should have exercised its discretion within the terms of the policy to achieve fairness. VMIA advised us that it did exercise discretion, however it acknowledged it could have done more.

It is likely 'gaming the system' does happen, however in a sample of files we reviewed we did not see evidence of this. A number of homeowners who contacted our office didn't understand why the volume builder was able to complete the project at a significantly lower cost.

Issues like this, combined with the abuse VMIA staff received from some homeowners and their significant workload, led to some very negative attitudes. This could be seen in the internal communications between VMIA staff.

We saw multiple examples of DBI team members dismissing homeowners' concerns and using inappropriate language to describe them.

Figure 18: VMIA staff comments about homeowners

DBI team member 1

im on fire today, called a C**t owner at 8.15 this morning, put her in her place

DBI team member 2

I hate them all

7.55am
DBI team member 3

just called an owner and woke them, score

stupid effen query

DBI team member 4



Source: VMIA Teams chats and emails

VMIA's senior management was not aware of these staff communications at the time they were occurring. When VMIA senior management became aware of the exchanges during our investigation, they told us about them. They advised that these communications did not meet their expectations and they took action to address this behaviour.

Support for VMIA staff

VMIA already had systems in place to support its staff. It had an Employee Assistance Program ('EAP') and Manager Assist Program which offered counselling services, advice and guidance.

To support staff further, as time progressed, VMIA put additional resources in place specifically for the DBI team. These included content customised to the types of interactions the team were likely to have and strategies to deal with them, such as mandatory vicarious trauma training, optional wellness sessions and access to an online wellbeing program.

In August 2023, VMIA conducted a risk assessment on the impact of the Porter Davis collapse on staff. The assessment accounted for threats made to DBI team members by email, phone or Facebook, and acknowledged the long hours they were working. It concluded that within months there was likely to be a 'moderate' impact on service delivery and workers' mental health.

VMIA said it was important that staff were 'adequately supported' through this period. The DBI management team regularly checked in with team members to encourage them and give positive feedback recognising good outcomes:

[the CEO] and the Directors were impressed by the way in which you took everything in your stride and serviced owners – the attached update set out the impact you all had today which was simply outstanding ...

In another email to staff, management acknowledged:

[t]his is an extremely stressful time for impacted customers, and our focus is firmly on supporting them at this time. By extension, this can be stressful for our staff working with impacted homeowners, and I urge you to be mindful of this in the coming days and to use the EAP support services when needed.

It is not clear how quickly additional support was available to DBI staff after the collapse of Porter Davis, however it is clear that VMIA was aware of the impact the collapse was having on staff and took steps to support them.

Conclusions on VMIA's process

Were the changes to VMIA's normal claims management processes adopted after the Porter Davis collapse reasonable, justifiable and in accordance with relevant legislation and policy, and not impacting the integrity of the claim process or outcomes?

As a whole, VMIA's changes to its claims management process following the collapse of Porter Davis were reasonable and in line with relevant legislation. VMIA's process and its engagement of volume builders worked well for many homeowners. However, some individual actions led to unfair outcomes, especially in complex claims. VMIA failed to effectively communicate its decisions and intentions to homeowners, creating a justifiable perception of unfairness.

VMIA does not accept that some homeowners received unfair outcomes, and maintains that while individuals perceived some level of unfairness in their outcome, all claims were determined in keeping with the terms of the insurance policy.

A key issue for some homeowners was the classification of items as defects or incomplete works. VMIA lacked a clear definition for incomplete works which made it difficult for homeowners to understand the liability decisions.

VMIA's rationale for decisions was not always adequately recorded nor communicated to homeowners. This led some homeowners to perceive VMIA's decision making to be unfair and lacking transparency.

Similarly, while the law firms allowed VMIA to process more claims quickly, their use was perceived by some homeowners to be adversarial and disproportionate to resolve what was in essence a standard insurance claim.

The reasons why law firms were engaged to assist with claims management were not always understood by homeowners, who would naturally expect VMIA to deal with the claim itself in the first instance.

The use of lawyers implies litigation and was intimidating for some homeowners which caused them anxiety and made them suspicious that their claim would not be dealt with fairly. Victorians seeking financial relief from a public body at a time of personal crisis would expect to deal with claims managers, not litigators.

Ideally, VMIA would have a surge workforce of claims handlers rather than relying on lawyers. We understand why VMIA engaged law firms given the immediate urgency and unprecedented spike in claims. However, VMIA should have explained the reasons for its use of lawyers, and should have more closely managed the way its lawyers communicated with homeowners to ensure this was consistent with community expectations of a government agency. Over time VMIA should also have increased its number of claims handlers and decreased its reliance on lawyers.

Some homeowners were also concerned by VMIA's arrangements with the volume builders.

On the whole, VMIA's engagement of Simonds and Metricon to provide quotes was a prudent way for VMIA to maximise the number of claims it could settle under the 20 per cent cap. VMIA advised us its approach was designed to facilitate the full resolution of the maximum number of claims, in the shortest timelines and on the most beneficial terms possible for homeowners. However, to us, it appears that VMIA's approach in leveraging the economy of scale afforded by using volume builders was motivated to protect the policy and save money to ensure there was still access to insurance for any future claims by the homeowner.

Overall, this was a reasonable approach, but it created problems for two reasons.

Firstly, the reasons for using volume builders and the way the process worked were poorly communicated because:

- VMIA's pre-assessment of the volume builders, their agreement to 'smooth' the costs, and the opportunity provided to volume builders to requote was not sufficiently explained
- VMIA did not sufficiently explain what they considered to be the benefits of the arrangements to homeowners, specifically that the volume builders brought capacity and efficiencies to the work that would lead to better outcomes in terms of cost and policy coverage as well as faster commencement and completion of their projects for some homeowners.

This was demonstrated by the confusion and dissatisfaction that homeowners felt when quotes from volume builders were significantly lower than those obtained by the homeowners themselves.

The lack of explanation from VMIA and the lack of details on volume builder quotes made people feel they were being lowballed and led to a distrust in the decision and process.

The second problem created by using volume builders was that while it benefitted most homeowners, and worked on average, in some instances homeowners suffered bad outcomes, long delays and a great deal of stress.

VMIA did not agree with our conclusion noting that 'it is not appropriate [for us] to suggest homeowners suffered bad outcomes'. It stated that all outcomes were delivered in accordance with the policy conditions.

Overall, VMIA's process and the changes it made to deal with the Porter Davis collapse were reasonable. Generally the process worked well, but in complex cases, or when disputes arose, VMIA's lack of transparency was a source of frustration and stress for some homeowners.

Were there unreasonable delays in VMIA's processing of claims?



[We] are trying to move on from this debacle and we seem to have been forgotten about

Homeowner



Is this ever going to end?

Homeowner

Many people, particularly those making claims following Porter Davis's collapse, told us VMIA took an unreasonably long time to finalise claims. Delays were mentioned in half of the submissions and two thirds of the complaints we received about DBI claims management between April 2023 and June 2024.

People told us that the delays they experienced caused them financial and personal stress, including months and sometimes years of unstable living arrangements.

But VMIA's average claims resolution time has actually been continually decreasing since VMIA began offering DBI in 2010.

Figure 19: Average time to process claims



Source: Victorian Ombudsman, based on information from the Essential Services Commission and VMIA

VMIA told us that the reduction in resolution time over the last two years was due to improved processes, like getting claims information early and communicating with homeowners about what was needed to assess their claim and the process involved.

However, some people were unhappy with the speed of VMIA's claim handling. This dissatisfaction stemmed from two issues:

- VMIA did not inform homeowners of indicative timeframes for key steps in the claims process, so people's expectations were not aligned with the reality of what VMIA could do.
- While the average claim processing time after the Porter Davis collapse was seven and a half months, some claims took far longer.

Simpler claims, such as those made at the deposit or frame stage, generally took much less time to resolve than complex claims. But claims involving a later stage of works, multiple units and common property, or claims requiring inspections and specialist reports, often suffered considerable delays. These complex claims often had resolution times well above the average and some dragged on for years.

VMIA acknowledged that while simple claims were being finalised more quickly there was room for improvement, especially with complex claims.

VMIA’s timeframes vs homeowners’ expectations

At the time of the Porter Davis collapse VMIA’s internal service standards did not have any timeframes beyond the liability decision.

Figure 20: VMIA’s service standards, March 2023

Action	Timeframe
Acknowledge receipt of the claim and seek more information from homeowner if necessary	Within 2 business days of receiving the claim
Appoint a building inspector to assess the claim	Within 5 business days of receiving the required information
Make the liability decision, accepting or denying the claimed items	Within 90 days of receiving the claim

Source: Victorian Ombudsman, based on information from VMIA

In July 2023, during the Porter Davis aftermath, these standards were updated to include a timeframe for making the settlement payment – within 28 days of the homeowner accepting the settlement.

However, in between making the liability decision and paying out the claim, VMIA had to obtain quotes from builders and make the quantum decision. There were no standards for these steps until June 2024. This part of the process – waiting for quotes from builders – is precisely where many people experienced the greatest delay.

The 2024 update specified that:

- builders quotes should be obtained within 28 to 40 business days of the liability decision being made
- the quantum decision should be made within 15 to 21 business days of the builders quotes being received.

The 2024 standards estimated that the total timeframe for processing a claim was around 200 days, or just over six and a half months. The only publicly available information about how long VMIA took to process a claim was the legislated 90 days for a liability decision.

In April 2023, VMIA sent Porter Davis homeowners a general update which said:

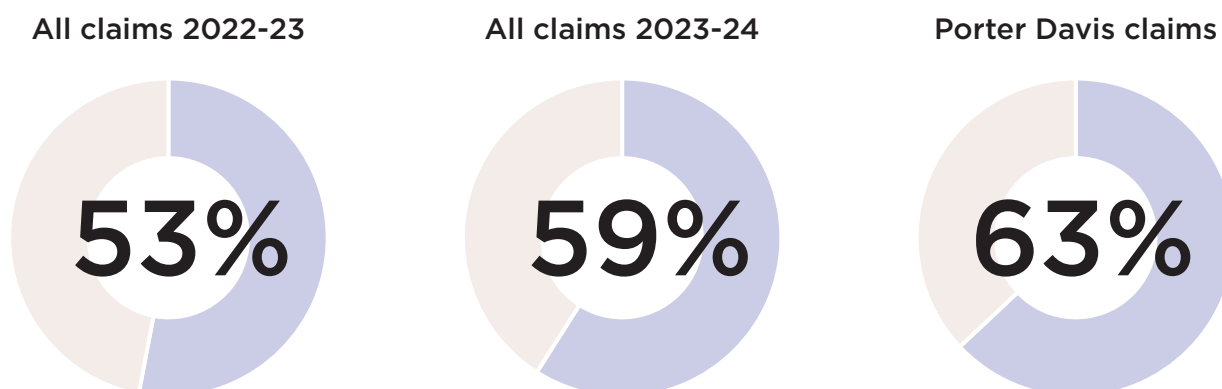
Generally, it takes up to 90 days to assess a claim (from the time all supporting documents have been submitted), particularly where claims are relatively complex and take time to work through ...

For Porter Davis customers, however, we are doing all we can to process your claim in a shorter time frame.

This letter was unclear and its effect was misleading, as it did not explain that this 90 day timeframe was for only part of the process. The reality was that the whole process took much longer. This may explain why there was such an expectation gap between what homeowners thought would happen, and what VMIA could deliver.

From VMIA's perspective, it was tracking well on timeliness. VMIA claims data shows that the average processing time for Porter Davis claims was not much longer than VMIA's usual performance. On some measures, it was better.

Figure 21: Quantum decisions made within 150 days of claim submission



Source: Victorian Ombudsman, based on information from VMIA

The VMIA board papers, internal management briefings and briefings to the Minister we reviewed were largely positive about VMIA's handling of Porter Davis claims, including the timeliness of decision making. For example, an October 2023 briefing advised that VMIA had received over 2,243 Porter Davis claims and had issued 2,109 liability decisions and 1,212 quantum decisions.

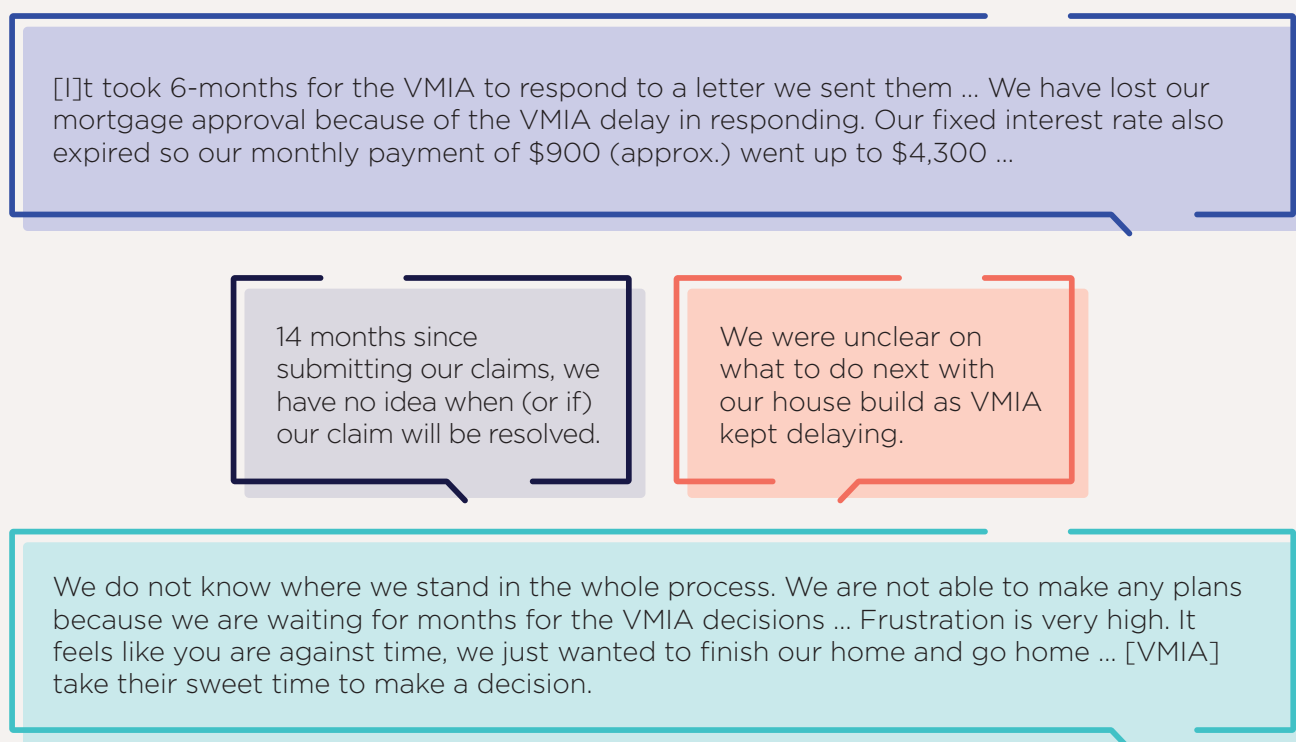
However, that is not the way all homeowners viewed VMIA's performance.

This difference between VMIA's view of its timeliness and the views of many homeowners who contacted us was caused by the expectation gap. This gap existed because VMIA did not provide these homeowners with enough information.

Whether the seven and half months Porter Davis customers waited on average was reasonable, is another question. This was clearly considered too long by many people who were trying to pay rent and a mortgage at the same time, or people whose half-built houses were deteriorating in the weather while they waited.

Regardless of whether that timeframe was reasonable, it was not reasonable to expect that VMIA would be able to significantly reduce it given the increase in demand caused by the collapse of Porter Davis. However, given what the timeframes were, VMIA should have prepared homeowners better. Homeowners' uncertainty and dissatisfaction would have been reduced if they were aware of indicative timeframes and what they could do to assist if the process stalled.

Figure 22: Homeowners' views on VMIA's timeliness



Source: Homeowners' submissions

Causes of delay



[T]he Porter Davis situation occurred, and things got even worse - we stopped mattering entirely

Non-Porter Davis homeowner

There are a number of ways in which VMIA's processing of claims could be delayed. Several of these were outside VMIA's control.

VMIA needed to wait for:

- homeowners to provide requested information
- building inspectors to contact homeowners, conduct inspections and provide VMIA with inspection reports
- builders to contact homeowners, visit properties and provide quotes.

While VMIA had agreements with building inspectors and builders which specified expectations and timeframes, in reality these timeframes were not always able to be met due to circumstances out of VMIA's control.

However, there were some factors VMIA did control. Some of VMIA's internal arrangements and processes impeded its ability to process claims quickly. Some decisions taken in response to the Porter Davis collapse also affected VMIA's timelines, particularly the delay created by waiting for the volume builders.

Claims prioritisation methods

VMIA set targets for the number of claims decisions staff had to issue. Immediately following the Porter Davis collapse, targets were mainly focused on issuing decisions for 'deposit only' claims. These were claims where a deposit had been paid but no building works had started. These were not complex, were quick to assess and accounted for a small portion of Porter Davis claims.

This approach allowed VMIA to process simple claims faster, providing a satisfactory outcome for homeowners with deposit only claims. However, encouraging staff to prioritise simpler claims compounded the delay for complex cases.

Delegations

A reasonable number of claim handlers were delegated to make quantum decisions for up to \$150,000. However, only a small number of staff were able to approve claims from more than \$150,000.

In some instances, claims with complex issues were of a higher value, meaning they must be approved by one of two people. This could potentially have delayed complex cases. Subject to appropriate governance requirements, this risk could have been mitigated by more claims staff with a higher delegation. VMIA told us the risk of delay in more complex cases is more a factor of the complex issues involved than financial delegation but acknowledged the availability of more senior, experienced claims staff may have helped advance these claims.

Lack of single claims manager

Following the Porter Davis collapse VMIA stopped assigning a single case manager to each claim. While VMIA worked through the increased volume of claims, any given claim could be worked on by several members of the team as well as staff from VMIA's panel law firms.

While this approach may have some benefits, the downside was that each new staff member to deal with a claim had to become familiar with it. This likely took time, especially in complex cases. This approach meant that claims handlers did not always have a comprehensive understanding of the claim and related issues.

Because no one individual took ownership of a whole claim, delays were also sometimes caused by information not being passed on. For example, in one case a senior DBI team member wrote:

Could you please respond to this letter as a priority, which I just came across? I note it demanded a response in 7 days, which given it was only uploaded to the claim folder rather than sent to a real person, means that I only just discovered it.

The involvement of law firms could also cause delay, with time spent on briefing lawyers and more time spent when lawyers had questions or had to wait for instructions from VMIA. While the use of lawyers overall was designed to increase VMIA's capacity, this was not always an efficient or effective system.

The lack of a single claims manager meant there was no individual accountability for claims. This led to poor communication, with homeowners often having their queries redirected:

As there are multiple people working across your claim at any given time, the most efficient method of communication is via the portal.

This frustrated homeowners who were never sure who was dealing with their claim and could not contact a single person for answers.

Waiting for volume builders

One of the causes for delay following the collapse of Porter Davis was VMIA's arrangements with Simonds and Metricon. It took four months for the Opportunity Agreements to be finalised. During that time, many homeowners sought quotes from other builders and did not understand why their claim was not progressing.

VMIA told us that the delay caused by waiting for the volume builders would have been recovered in most cases by the efficiencies the volume builders could bring to the building work. VMIA were confident that this approach led to no overall delay for homeowners and a better outcome in terms of cost and policy coverage for some.

While this may be correct in many cases, again it was not adequately communicated to homeowners, who were left waiting. It was also not true for everyone. This is an example of VMIA making a decision that makes sense at a system level and works on average, but led to negative outcomes for individuals. Case study 3 illustrates this with a story about a homeowner whose house was already completely built before the volume builder even quoted on it for VMIA.



Case study 3: VMIA takes five months to make a quantum decision and offers only \$975

Jessica and Cameron Pearson started building a family home in south-east Melbourne in January 2022 with BPS Property Group, which was part of Porter Davis. When Porter Davis went under in March 2023, just over a year after construction began, the Pearsons' house was at the final stage, meaning some of the inside was still unfinished.

The Pearsons immediately made a DBI claim. They and their two preschool aged children were living with Jessica's parents 'in a tight fit'. This situation was meant to last a few months. Ultimately, they were there for more than a year and a half.

The Pearsons took as many steps as they could to speed up the process; seeking legal advice about their rights, arranging builders quotes and contacting VMIA for updates.

On 18 April 2023, they had their property inspected. This report described their cracked floors as a 'major defect/safety hazard'. VMIA inspected the house on 28 April. The Pearsons' initial claim described all their issues as one item, but the VMIA inspection detailed these as 36 items. The report recommended VMIA accept all of these and estimated that it would cost \$186,210 to complete the house.

Over the following months, the Pearsons got builders quotes, two of which were under \$200,000. VMIA also obtained a builders quote, which was higher. VMIA made its liability decision on 15 June 2023. At this stage, VMIA could have made a quantum decision, but was waiting for the volume builders.

Keen to finish their home as soon as possible, the Pearsons signed a contract with Builder B who had quoted \$176,000. They informed VMIA on 1 July 2023, but a month later, there was still no quantum decision. The Pearsons contacted VMIA again to ask that it use the Builder B quote only to make its decision.

VMIA responded two weeks later, saying it would consider their information but:

... the quantum assessment will be based on the most competitive quote provided and may not necessarily reflect the contract price you have entered into.

By early November, the Pearsons' home was finished and they had moved in.

In mid-November they sent VMIA a letter asking about the progress of their claim and explaining the impact of the delays on their family:

... our young children ... have been significantly impacted living in makeshift arrangements for much longer than expected ... Their education, enrolments in childcare, sports and development had been negatively impacted ... Our whole family unit and marriage has been under immense strain being displaced so long, which has now extended into financial strain.

This letter seems to have sparked some action. Simonds provided a one-page quote of \$136,680. This quote was for work Simonds was never going to be able to do, given the Pearsons had already finished building their home. The quote was \$50,000 less than the VMIA inspector's estimated cost.

On 17 November 2023, three days after receiving the Simonds quote, VMIA made the quantum decision. This was several months after VMIA had received quotes from their other builders. The quantum decision was based on the Simonds quote.

To calculate the quantum decision, VMIA considered how much money the Pearsons still had 'in hand'. This is the remainder of what they would have spent with Porter Davis if it hadn't collapsed, and this was \$163,010. VMIA considered Simonds' quote of \$136,680 to be a reasonable cost to finish the build, and compared it to the amount the Pearsons had 'in hand'.

On the basis that the Pearsons had more money 'in hand' than the quote, VMIA decided to pay them nothing as they had 'not suffered any indemnifiable loss under the policy'.

The only part of their claim that VMIA agreed to pay was their 'other losses' like the costs of storage and temporary fencing. This amounted to \$975.

The Pearsons were shocked and unhappy with this decision. They replied on 19 November that the quote was 'totally unreasonable and unrealistic'.

On 5 December 2023, the Pearsons lodged a formal complaint and asked that VMIA review its decision. In the end they had paid a total of \$495,400 to Porter Davis and Builder B, which was \$20,610 more than their original contract price. They asked VMIA to 'be reasonable' and give them the \$20,610 they had lost because of the Porter Davis collapse. They asked to have their claim 'reasonably reconsidered' before they went to VCAT.

The Pearsons contacted VMIA three times seeking a response before receiving two letters on 20 December. One letter was one-page long. It stated that VMIA had internally reviewed the decision and maintained it.

The second letter said 'WITHOUT PREJUDICE' at the top in large, bold text, suggesting it was prepared by one of VMIA's law firms. This letter reiterated VMIA's rationale for its quantum decision and stated that 'no further review of their quantum will be conducted'.

It also said that VMIA believed VCAT would agree with its decision and that if VCAT found in VMIA's favour, the Pearsons may be ordered to pay VMIA's court costs.

Ultimately the Pearsons withdrew their application to VCAT because of this 'unprofessional, borderline threatening letter from VMIA, immense stress on [their] family and financial strain'. They never accepted VMIA's \$975 offer, still hoping to appeal the decision in some way.

The DBI team noted that VMIA repeatedly informed homeowners that if they chose their own builder before getting a quantum decision, they ran the risk of being left out of pocket. BPC said this position was in line with the ministerial order and the DBI policy.

The DBI team also commented on VMIA's approach to VCAT costs. It said that bringing the 'potential cost consequences' to homeowners' attention was a courtesy meant to help 'empower claimants to reach an informed decision'. It did not comment on whether telling homeowners they may have to pay VMIA's costs in a no costs jurisdiction was reasonable.

Impact of delays on homeowners

When people enter a domestic building contract, they agree on a date of completion. Based on this date, people plan their living and personal arrangements. This includes where they'll live while the house is built and how they'll pay for that accommodation.

When a builder goes out of business, the expected completion date can almost never be met. For most homeowners, having to extend any temporary arrangements creates immediate stress.

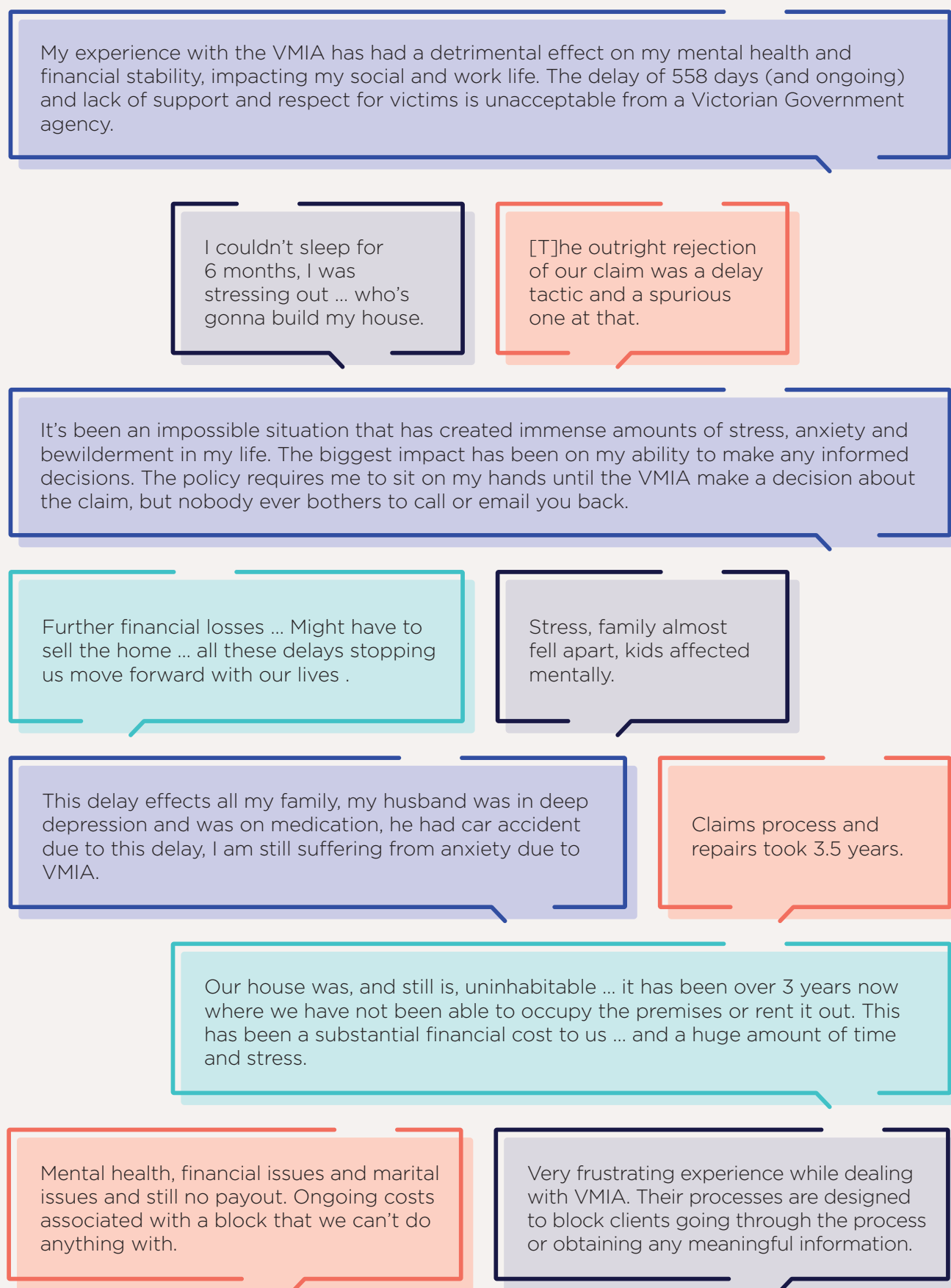
There are many stressful impacts of a delay. Those who have to pay rent longer than anticipated, in addition to mortgage payments, suffer financial pressure. Those who are temporarily living with family or friends often find themselves in a difficult home environment. Those who have children they want to enrol in a local school they don't yet live near have to make difficult choices about their children's education.

Some homeowners who had to extend their existing arrangements told us they felt that their lives were put on hold.

This was the circumstance for some Porter Davis customers, who were part way through their build when Porter Davis collapsed. But DBI also covers homeowners for defects they find after moving in.

Some defects, such as leaks and dampness, can have dire consequences. Some rooms may become unusable, people can become ill, or may need to move out. In these circumstances, a delay in processing a DBI claim would have an acute impact.

Figure 23: Homeowners' comments on how delays impacted them



Source: Homeowners' submissions

The DBI policy acknowledges the impacts delay can have, particularly the financial pressure caused by the delay in completing a build. One of the 'other losses' that it will pay for is accommodation. However, it only pays for up to 60 days, which for many homeowners, did not adequately cover the delay they experienced.

While VMIA did not control the terms of the DBI policy and told us that reducing delay was one of its primary objectives, it could have better managed homeowner's expectations, and therefore their ability to make interim plans. In our view, as a statutory government insurance agency providing insurance to the public, VMIA should have better considered the impacts of delay on some homeowners. The uncertainty and instability some homeowners experienced was not acceptable, and in some cases unjust.

Delays in 'make safe' works

When homeowners find defects after moving in, they can sometimes end up living in a home which becomes unsafe. In these cases in particular, a delay in processing the claim can have a very significant impact.

In recognition of this, VMIA policies allow for 'make safe' works. These are emergency rectification works which can be done immediately, before VMIA has made any decisions on the claim. Unfortunately, it is not clear whether all homeowners with relevant claims were made aware that they could undertake make safe works.

Homeowners are normally cautioned not to undertake any works before consulting with VMIA. VMIA acknowledged that this could lead some homeowners to think that they should not proceed with any works before receiving a decision from VMIA, including works to make the home safe. In this context, the onus of informing people about the right to do make safe works, sits with VMIA.

Case study 4 shows that VMIA was not suggesting make safe works in a timely manner, even when claims were taking far longer than average to resolve.



Case study 4: VMIA takes over eight months to suggest ‘make safe’ works for leaking property with significant mould problem

In August 2021, Katerina Pappas bought an apartment in McKinnon for herself and her five-year-old daughter. The complex had been built by EAD Concepts, a builder which had become insolvent four months earlier.

Soon, Katerina began to notice leaks and water damage in her apartment. The problem became quite serious. Her floors were so damp that her furniture became water damaged too. Katerina even cut out some of her carpet in an effort to prevent health issues after finding mould.

Katerina made a DBI claim for damage in the family room and three bedrooms. The issues with her home were initially part of a claim submitted by the Owners Corporation in March 2023. However, after being advised by the law firm representing VMIA to lodge her own separate claim, Katerina did so on 5 June 2023.

VMIA was slow to respond to Katerina’s claim. However it was also addressing the influx of claims following the Porter Davis collapse. While awaiting the liability decision, Katerina tried to contact VMIA several times. On 10 August, she wrote:

These defects are black and white and all the information has been provided. I don’t know why this claim has not been a priority when I am living in a home that is a concern to my health and my daughter’s ...

Katerina then made a formal complaint about the handling of her claim:

Everyday I feel distress as I have real concerns about the safety of my unit on the health of my family. We are continually sick. I am experiencing mould and a foul smell ... This has left me in a state of uncertainty, severe health concerns, financial insecurity and frustration.

On 3 October, an inspector engaged by VMIA attended her property. The inspector accepted five defects and estimated that repairs would cost \$52,250.

On 27 October, Katerina called VMIA and was informed she would have a liability decision in the next week. VMIA did not meet that deadline. Katerina was still chasing a decision in November:

Again I really need to enforce the deep stress on my side that myself and my daughter are sick again, my daughter sleeps in her room and gets a sore throat all the time - we have mould issues and extensive water damage and this needs to be urgently fixed. Please acknowledge our concerns and expedite the claims as promised.

On 4 December, VMIA asked a builder, Builder C to quote on repairing Katerina's apartment. The builder was also asked to 'undertake mould remediation works or any other make safe you consider necessary to make the premises liveable ...'

This was the first mention of the option to undertake make safe works.

In December, Katerina received a liability decision. On 21 December, Builder C provided a quote of \$54,900 for repairs and \$4,440 for make safe works. Katerina continued to contact VMIA in January and February 2024 to progress her claim.

As the issues in Katerina's unit were part of two separate claims, one quantum decision was issued in February, and a second in the following month.

Unfortunately, this was not the end of Katerina's problems.

In September 2024, the builder found that the causes of the water damage and repairs required to fix it had been underestimated.

In October, Katerina wrote:

At the moment I have tools in my living room ... no builder can continue. I have waited 2 years for the builders to begin and now we have discovered the balcony above is one of the main root causes of the damage ...

Katerina's apartment was made watertight and some mouldy materials were removed but the root cause needed to be addressed. VMIA made a liability decision about the leaking balcony in December 2024, with a revised quantum decision accepting the builder's variations issued on 16 June 2025.

Katerina was living in her water damaged apartment for more than two years while waiting for the problem to be resolved.

The DBI team explained that the multiple claims submitted took longer to assess, including an additional inspection of the water ingress, which protracted a resolution of the problem.

The DBI team noted that information on emergency works is 'readily available' on VMIA's website and it is up to homeowners to undertake make safe works and then claim back those costs. VMIA's decision to pay for leak detection was above the minimum requirements of the policy. It also noted that make safe works are often not practical with water leaks as the source of the problem needs to be addressed.

Conclusions on VMIA's timeliness

Were there unreasonable delays in VMIA's management of DBI claims during 2022-23 and 2023-24?

VMIA's average claims resolution time reduced to 227 days in the period following the Porter Davis collapse. VMIA also managed to almost always meet its 90 day statutory timeframe for liability decisions.

Compared to VMIA's usual performance, there was no unreasonable delay in claims processing for Porter Davis homeowners, on average. It is commendable that VMIA was able to reduce average claims processing times given the pressures on it. However, there was little transparency around timelines and homeowners expectations were often quite different from the reality.

The 125 submissions and 240 complaints we received about VMIA's DBI claims management showed that this expectation gap created significant confusion and distress. However, measuring individual homeowner experiences more broadly was not possible. VMIA itself did not conduct any homeowner satisfaction surveys so it is hard to gauge how many homeowners felt the process took too long.

It appears that simpler claims, like those at the deposit only or frame stage, were reasonably uncomplicated for VMIA and the homeowner to resolve. But there was a cohort of homeowners who waited considerably longer, sometimes for years, for their claims to be resolved.

For some complex claims, such as builds close to lock up stage, a delay of months would have felt unreasonable. For complex non-Porter Davis matters, such as apartments or multi-unit dwellings, delays sometimes ran into years. Complex cases were often given to VMIA's panel law firms to manage, which came with its own issues. Homeowners going through this process were often financially stretched and dealing with a range of uncertainties.

These complex cases were more likely to be delayed by challenges such as obtaining specialist reports and resolving disputes regarding liability or quantum decisions.

It is apparent that homeowners needed more targeted claims management in these complex cases to identify where claims were 'stuck' and required intervention. Dedicated claims managers who could troubleshoot delays and their underlying reasons and exercise appropriate discretion would have improved VMIA's case management and its communication with homeowners.

Another key reason for delays was VMIA's new approach of partnering with volume builders. After the Porter Davis collapse it took nearly four months to secure Opportunity Agreements with Simonds and Metricon and it then took months for them to quote on all the Porter Davis properties, including properties such as the Pearson's where there was no prospect of them undertaking the work. This meant complex claims were delayed longer than they would have been if other builders had been engaged. VMIA could have more clearly differentiated the cases where volume builders were appropriate to use, and explained the benefits of this approach to homeowners who were frustrated waiting for quotes.

Homeowners needed to be better informed about the rationale for VMIA's decisions, and how long the process really takes. Where significant delays occurred, VMIA's process caused unreasonable personal and financial hardship for people.

Our investigation found that the distress and hardship homeowners experienced was concentrated in a relatively small number of complex and delayed cases. The new BPC, which began managing DBI in July 2025, should review any long-running cases it inherits from VMIA and try to resolve these as quickly as possible to avoid further distress.

Was VMIA communicating with people clearly, transparently and frequently enough?



We send them email requests for updates and all we heard are crickets. They do not even have a courtesy to acknowledge our email. If you call them, they will only say that they do not handle your case and someone will call you back or they ask you to send email to portal. But then again no response will be received.

Homeowner



[T]here is no direct line of communication. It was virtually impossible to get any form of information or support from the VMIA

Homeowner

Almost all the submissions we received (96 per cent) raised concerns about VMIA's communication during the claims process.

The main mechanism for communication between homeowners and VMIA was the online BuildVic portal. The portal allowed people to send messages and documents, like builder quotes, and make enquires. It also allowed VMIA to send people specific updates on their claim and broad updates on Porter Davis claims in general.

The other main way for homeowners to get information was to ring VMIA's call centre. This was staffed by external contractors who were not claims managers and who did not have full access to people's claims files.

People were dissatisfied with both these methods of communications. They were particularly frustrated with VMIA's delay or failure to respond to messages sent through the BuildVic portal and the inability to speak directly to a VMIA staff member on the phone.

We saw several issues with VMIA's communications across both Porter Davis and non-Porter Davis claims:

- VMIA did not provide homeowners with enough information, often giving impersonal and generic answers that failed to address the homeowner's specific queries.
- Some information VMIA provided around timelines created expectations for homeowners that were not realistic.
- VMIA did not always effectively communicate the reasons for its decisions to homeowners. This created misunderstanding and challenges for homeowners wanting to dispute a decision.
- VMIA did not communicate with homeowners frequently or quickly enough. Responses were often delayed and homeowners felt ignored and passed around.

Clarity of communications

A call centre and an online portal can both be useful tools for managing large volumes of enquiries. However, the way VMIA used these tools did not lead to effective communication with all homeowners.

Call centre staff could often not answer people's questions and could do little more than take messages and provide scripted responses. Sometimes they directed homeowners to use the BuildVic portal. But some homeowners reported going months without having their questions answered when they followed this process.

Homeowners were often left lacking information and in some cases were given imprecise information.

Lack of information



We've been completely in the dark. It's been horrible. It has turned us from rational, sound minded individuals, to paranoid people, believing a conspiracy surrounds the VMIA - believing that their lack of communication and dragging this out over years, is a deliberate commercial tactic used to force us to give up and walk away from hundreds of thousands of dollars. It almost feels like they're gaslighting us.

Homeowner



[Y]ou can't talk to the VMIA, you can talk to the call centre

Homeowner

Many homeowners felt as though VMIA's responses were generic and did not address their specific queries. This was particularly true of VMIA's call centre.

This was because call centre staff did not have sufficient access to claims information to provide homeowners with meaningful updates. This was a significant problem, given callers were often seeking specifics.

The call centre's role seems to have been providing generic information and taking messages to pass to VMIA staff. But in some cases, call centre staff did not even have enough access to identify the relevant claims manager to direct queries to.

The call centre's limited role frustrated many homeowners, with one saying VMIA needed to:

[e]mpower the staff on the telephone line with information and access to case information so that they can provide assistance rather than being message takers.

Some interactions suggested that call centre staff were also frustrated. One homeowner reported:

On one occasion I rang looking for an answer, and my husband also rang as we were fighting about the answer to get clarification and we both happened to get the same girl who yelled at him 'I told your wife this yesterday' and simply hung up on him.

VMIA had reasons for limiting the call centre's role. In an email circulating information for call centre staff, a senior DBI team member noted they 'don't really want them to give advice on the policies so have kept it generic'.

This recognises that the call centre staff were not claims handlers and should not be offering certain kinds of advice. While this is a valid consideration, the consequence was that call centre staff were limited to using generic scripts and responses.

Some VMIA staff saw that providing generic responses was not always appropriate. When discussing generic updates on the timeframe for quantum decisions, one DBI team member stated:

the antidote to escalated complaints or urgent calls is not a scripted answer. We know that this tends to only push the claimant to further escalation.

What they want is an understanding ... It seems they want certainty that their waiting time is not unlimited and that there is an end in sight ...

VMIA advised us that the calls centres were intentionally not set up to provide information about individual claims, and that if required, a homeowner would be directed to speak to the relevant claims manager.

VMIA's call centre offered generalised responses, provided little useful information and was not an effective replacement for speaking directly to a person who had knowledge of their claim, especially in complex cases. Some homeowners who contacted the investigation did find they were able to easily talk to claims managers.

Imprecise information

Some of VMIA's communications were imprecise. This was particularly an issue with information about timelines.

In April 2023, VMIA provided homeowners with a general update which said 'it takes up to 90 days to assess a claim', despite that timeframe applying only to the liability decision.

In June, standardised letters were going out telling people:

We expect to receive quotes from our builders within 14 days of our request for a quote. Once we have received a quote ... we will assess the quote ... and will be back in touch with a decision within 14 days.

While there is no evidence to suggest VMIA intended to mislead homeowners, it should have appreciated that this was not realistic. It was intending to rely on volume builder quotes but the Opportunity Agreements were not yet in place when it sent these letters.

In August, a homeowner emailed VMIA as they had had no response to a complaint they made. It had been 13 weeks since they received their liability decision, and they were chasing a quantum decision. The homeowner wrote:

the information you provide on your website is completely misleading and unethical ... your website mistakenly leads victims to believe they'll receive a quantum decision and be contacted within 14-21 days.

This prompted staff to note that the website should be updated to 'make sure we are not misleading any claimants'. However, VMIA was aware that its communication to people about timelines was not realistic in June when one of its panel law firms commented on the generic letters.

A law firm told VMIA that the standard content about providing decisions within 14 days of getting quotes was 'too promissory'. The law firm suggested that the message 'be softened a bit to provide us more wriggle room'.

It seems that the task of updating generic content in letter templates and on the website was not a high priority for VMIA. While we appreciate that VMIA was focussed on processing claims at this time, its communications created unmet expectations among homeowners. This led to misunderstanding, frustration and complaints.

Transparency in decision making

The lack of information homeowners faced was not just an issue when they were seeking updates on the status of their claim. There was also insufficient information provided about many decisions VMIA made, which created a lack of transparency.

Homeowners who contacted us were often unable to adequately understand liability decisions because:

- homeowners did not get to see building inspection reports
- if they did see the inspection reports, these often lacked detail
- the Schedule of Works and liability decision letters did not explain why items were reclassified from 'defects' to 'incomplete works'.

Similarly, many homeowners received insufficient information about quantum decisions. They were not informed about the four criteria that quotes are assessed against and no explanation was offered when volume builders quotes were significantly lower than the rest.

This lack of transparency in communicating the reasoning behind decisions was concerning. Even more concerning was VMIA's attitude toward providing homeowners with information.

VMIA told us it released a range of documents to homeowners alongside their outcome letters as part of its normal process. These included any documents homeowners may need to source builders quotes or to lodge an application with VCAT to review a decision, such as:

- copies of specialist technical reports (for example, engineering or leak detection reports) used as a basis for a liability decision
- a copy of the most competitive compliant quote used as the basis for a quantum decision.

However, VMIA did not usually provide other documents from third parties that it used to make decisions. This included things like the inspection report it relied on to make the liability decision and builders quotes that it did not use to make the quantum decision.

VMIA's view was that an inspection report was an internal working document. It explained that giving this to homeowners would likely create confusion and cause them to focus on irrelevant matters. This is because VMIA staff applied the terms of the insurance policy when assessing liability for each item of the claim. This meant the accepted items in the Schedule of Works would not always align with the recommendations in an inspection report. On that basis, VMIA customarily refused to provide inspection reports to homeowners.

But there was some disagreement among VMIA staff about this approach. One senior DBI team member said:

I tried to resist the release of [an inspection] report to prevent us from looking stupid and, [another staff member], said looking dishonest looks worse. Sigh

...

So just very stupid

If homeowners asked for extra documents, VMIA would 'politely decline' to provide them in the first instance. If pressed, VMIA would decide case-by-case whether to release those documents.

This approach was not appropriate for a statutory insurer like VMIA and was inherently adversarial. Requests for further information should have been considered case-by-case at the first request, not just if pressed.

If homeowners are not able to get the information they want, they can make a formal request under the *Freedom of Information Act 1982*.

Following the Porter Davis collapse, VMIA faced a significant increase in requests under the Freedom of Information Act. VMIA told us that in response to this it adjusted its approach and stopped opposing the release of inspection reports. VMIA instead released these reports with appropriate disclaimers about the limitations of the document, and with personal information redacted.

Frequency



We had absolutely no idea what VMIA were doing throughout the entire process. We tried multiple times via their portal, emails and telephone to obtain these updates and received no response, were promised call-backs that never occurred or were redirected to a generic 'consultant' that didn't know or have access to any particulars of our case ... It's the worst communication experience I've had with any organisation.

Homeowner

VMIA did not have any internal guidance about how frequently it should contact homeowners during the claims process.

All homeowners were contacted at three key points:

- when their claim was acknowledged
- when a liability decision was made
- when a quantum decision was made and the settlement was finalised.

Aside from these points in the process, there was no prescribed time or manner for updating people on their claims. In the pressured circumstances that followed the Porter Davis collapse, this meant people sometimes waited several months for any meaningful communication from VMIA.

There were some differing views among VMIA staff about how communications should be handled. On one occasion a senior DBI team member directed a DBI team member to call all homeowners regardless of whether there was any progress on their claim:

We must ring them - proactively - given we are not updating them via portal every week. This is the biggest criticism. Can you please let me know this is done as well as we will continuously get criticised. Even if update goes today I want calls made.

But on other occasions, VMIA actively discouraged homeowners from querying the status of their claim so that they would not have to talk to them if there was nothing to report. A senior DBI team member wrote a response to a homeowner that was then offered as a potential guide for others to copy:

...We have also repeatedly requested owners not to ask for a status update on their claim. You can check the status of your claim at any time by logging into the portal. If your status has not changed, there is no significant development to report in relation to your claim. Repeated queries from owners for status updates on their claim require us to divert resources from processing claims to respond to those queries in circumstances where there is no update to provide.

While VMIA had no internal service standards for how frequently it should communicate, it did have a standard for how quickly it should respond to queries. At the time of the Porter Davis collapse, VMIA was supposed to return all telephone calls within one business day. Shortly after the collapse this was increased to two days.

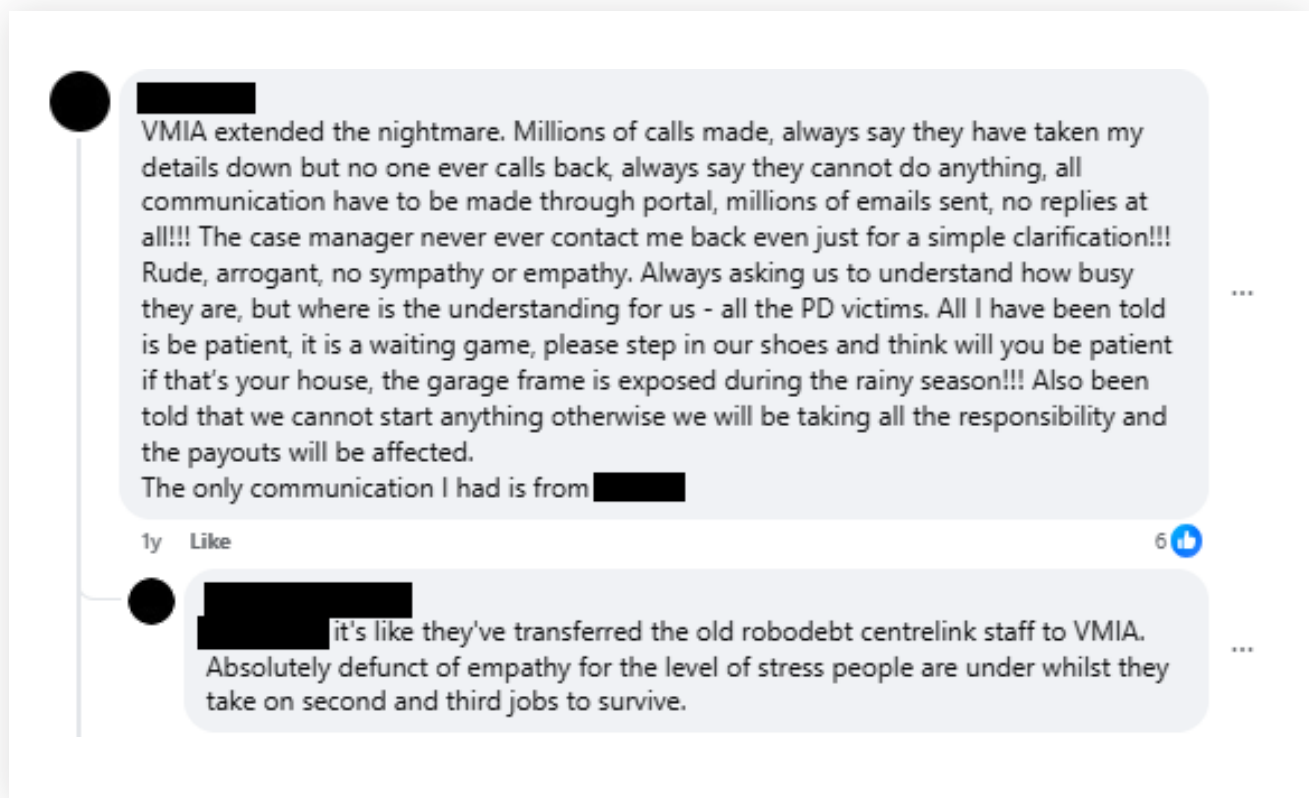
VMIA did not track its performance against this standard, but evidence from the submissions we received, and claims files we reviewed makes it clear that VMIA was not always meeting it.

One homeowner complained to VMIA about its poor communication:

As we have not received any response for over a month from either phone calls or portal messages, we felt that our only option was to lodge a complaint. When we tried to do this via the phone number on the VMIA web page for complaints handling, the number reverts back to the FAQ call centre and is answered by someone who is unable to assist.

Others took to social media to express their dissatisfaction with the lack of communication from VMIA.

Figure 24: Complaint on social media



Source: VMIA Official Domestic Building Insurance Claims Information Facebook page

Case study 5 details one homeowner's experience of VMIA's poor communication, including not being given necessary information, and delayed and generic responses.



Case study 5: VMIA fails to tell homeowner about an inspection and provides unhelpful, generic, and much delayed responses to her queries

Olivia Barton started building their home in Mitcham in August 2022 with BPS Property Group, which was part of Porter Davis. They submitted their DBI claim on 1 April 2023.

On 21 April, VMIA emailed Olivia requesting further information, but not specifying what information it needed. Olivia went back to VMIA immediately to clarify and provided the documents a few days later.

Around the same time, on 23 April, VMIA sent an inspector to Olivia's property. Despite speaking with Olivia days before, VMIA had not told them that this inspection was happening. This meant that they weren't there to unlock the fence and the inspector couldn't get on to the property.

The inspection report noted that the building frame did not meet the required standards and made general observations about what was and wasn't complete. However, the report did not itemise the required works or defects and didn't estimate the cost of finishing the build.

Olivia organised their own inspection on 15 May which produced a detailed report. It specified incomplete works and defects and made recommendations for addressing these.

Olivia provided this report to VMIA soon after. However, VMIA appears to have used its inspection report as the basis for the liability decision it made on 19 May.

Olivia was concerned that VMIA's inspection had not been conducted properly. They emailed VMIA on 31 May asking how the property could have been inspected when it was locked up and fenced off. They asked if VMIA would arrange another inspection, but VMIA did not respond or conduct another inspection.

In early June, Olivia tried to get builders to quote on finishing their house. They contacted more than 30 builders but were only able to get three to quote. Builder D quoted \$348,680 and Builder E quoted \$400,310. The third quote for \$332,190 from Simonds was less than the previous two and did not include any details of the works that needed to be done.

On 8 June, VMIA sent Olivia a generic response saying it expected to receive quotes from builders within 14 days of requesting a quote and would provide a quantum decision 14 days after that. However, at this stage VMIA had not yet requested any quotes.

During June and July, Olivia chased VMIA for updates. They sent emails on 14 June, 22 June and 26 June. VMIA responded on June 30 with an impersonal message:

As part of VMIA's response to the collapse of the Porter Davis group, our team has focused on finding innovative solutions to expedite the finalisation of as many claims as possible in shortened timeframes.

Olivia emailed again in late July expressing their dissatisfaction. It had been 10 weeks since the liability decision was made and VMIA had not responded to their queries, only directed them to their FAQs.

On 31 July, VMIA told Olivia that it had received their quotes and one from VMIA's builder. VMIA said that although there was no definitive timeframe, Olivia should expect a quantum decision soon.

Almost two months later, on 26 September, Olivia chased VMIA again, but it did not respond until October 5.

Olivia had written:

We have been patient, since your last update two months ago, but this patience with absolutely no correspondence from you, or details of what is actually happening behind the scenes, other than very broad statements not related to our specific case is running very thin.

VMIA said it was still in the process of obtaining a quote from its preferred builder. On 9 October, Simonds provided VMIA a quote for \$326,690. Like the quote it provided to Olivia, it did not include any details regarding the build.

VMIA used this quote to make a quantum decision on 18 October 2023. After considering how much money Olivia had 'in hand', VMIA decided to pay them \$134,100.

Due to VMIA's delays in communication and in making the quantum decision, Olivia had already engaged their preferred builder, Builder D, at this stage. Olivia was unhappy with the settlement but accepted it because it had already been so delayed.

Conclusions on VMIA's communication

Did VMIA adequately communicate with people during the DBI claim process, including reasonably managing people's expectations?

The submissions and complaints we received raised communications as a major issue, both for claims made following the collapse of Porter Davis and other claims. Based on the files we reviewed, we found that in some respects VMIA's communication with homeowners was inadequate and lacked transparency.

VMIA only recently created an information sheet to provide to homeowners when they make a claim. The VMIA DBI website was updated to provide a step-by-step guide on how to make a DBI claim in late 2023. Before this, homeowners received little information about how claims were managed and how long the process would take.

VMIA's use of an external call centre was largely ineffective in answering substantive questions about claims. This meant some who contacted the call centres did not receive satisfactory answers to their questions. Where a matter was simple, the call centre could provide a quick response, but call takers were not able to provide complex information or answers regarding a specific claim. This resulted in increased frustration for homeowners seeking detail.

When homeowners did get to speak to someone about their case, they did not have a consistent point of contact. The lack of a case manager or other single point of contact compounded homeowner stress and anxiety.

VMIA's BuildVic portal was supposed to allow different claims handlers to access claims at different stages of the process. However, when homeowners sought responses via BuildVic, the response time could be lengthy and some specific questions were never answered.

The call centre and BuildVic left homeowners lacking information, but of more concern was the inadequate information about timelines VMIA provided to anxious homeowners.

With delay being a key concern, communications which indicated faster resolutions than people were likely to get them, was unhelpful. VMIA did not adequately manage expectations around timelines and this ultimately created further problems.

VMIA lacked transparency in its communications about how it made decisions. VMIA's communication of claims decisions provided limited information about what was accepted and what was not, and no reasons for decisions.

This, combined with the quotes from volume builders that contained no detail, left many homeowners with complex claims in a position where they lacked confidence in the claim decision but with insufficient information to determine whether they had grounds to dispute it. Additionally, VMIA was hesitant to provide documents to homeowners, in many instances requiring homeowners to make Freedom of Information requests.

VMIA's communications with homeowners after the Porter Davis collapse fell short of its obligations as a public sector body to be fair and transparent. VMIA has acknowledged that its communications were inadequate.

As a result of its evaluation of its response to the Porter Davis insolvency VMIA advised us that it had taken steps to strengthen its communications. VMIA advised that it had developed communication templates, distributed a DBI information sheet to new claimants, and published videos on the DBI website.

Did VMIA handle disputes and complaints fairly?

The majority of VMIA's DBI claims were resolved through its usual process and ended with homeowners accepting a settlement. However, some homeowners were unhappy with VMIA's actions and decisions.

There were three avenues for dissatisfied homeowners:

- They could make a complaint to VMIA about its actions or decisions.
- They could ask VMIA to conduct an internal review of a liability or quantum decision.
- They could appeal a decision at VCAT.

Some homeowners who disputed VMIA's claims decisions found this was a protracted and, in some cases, distressing experience. VMIA's dispute resolution process lacked transparency and was unduly adversarial. The power imbalance between homeowners and VMIA disadvantaged people seeking a review of VMIA's decision.

VMIA's internal processes

At the time of the Porter Davis collapse, VMIA's Complaints Handling Policy provided a process for resolving complaints. This had three steps:

- frontline resolution, which usually meant that the staff member involved in the action or decision being complained about would try to explain the decision and resolve the concern
- escalation to a manager if the matter was unresolved
- external review, which meant taking the matter to VCAT.

The Complaints Handling Policy also had a section specifically on complaints about DBI claims decisions. This said:

The escalation and review process is detailed in the DBI claims decision letters issued by the DBI claims team.

The complaints page of VMIA's website also referred homeowners back to their outcome letters for information. However, not all outcome letters included the same information. Some told homeowners that they could request an internal review of VMIA's decision, but others did not.

At this time, VMIA's Complaint Handling Policy, which had a detailed process for conducting internal reviews for other insurance decisions, did not have an internal review process for DBI. VMIA advised the policy did not apply to DBI because under the ministerial order insurers were required to provide homeowners with a right of appeal to VCAT. The practice of informally trying to resolve concerns, but not having a formal 'internal review' process we saw caused some confusion within the DBI team, with one DBI team member writing:

Just want to confirm our official process on these PD "internal reviews" I had thought we were not entertaining them.

For homeowners who were already distressed by delays and the claims decision, this lack of clarity about the review process increased their distress.

Where homeowners did complain or seek an internal review, their chances of getting a different outcome were minimal. This was also commented on by the Victorian Auditor-General's Office ('VAGO') in its May 2025 report, *Domestic Building Insurance – Independent assurance report to Parliament*.

This review found that while VMIA had policies to effectively manage DBI, VMIA could be more transparent with homeowners. Regarding internal review processes, VAGO observed:

additional documentation is necessary for the review ... it is unlikely to reach a different decision if the review is based on the same information as the original claim.

VMIA's internal reviews were unlikely to result in a different outcome for claimants except in the case of assessment error or where the homeowner provided relevant additional information or evidence. VMIA told us that the appropriate pathway for claimants who wished to seek an independent review of their DBI decisions was VCAT.

VMIA updated its Claims Handling Guidelines in 2024 to include a procedure for internal reviews. This update also clarified some of the other limitations of this review:

VMIA will not conduct an internal review of a quantum decision solely on the basis that the claimant considers the quote used by VMIA to determine the value of the claim too low, or has engaged another more expensive builder ...

This meant all disputes had to go to VCAT to be independently reviewed, as VMIA's internal review practice was only directed to correcting errors in the claims application.

While outcome letters did not always mention the option to have an internal review, they always informed homeowners of their right to challenge decisions at VCAT. While VCAT is the legislated pathway for review of DBI decisions, going to VCAT can be expensive and time consuming.

For many homeowners the prospect of further lengthy delays in resolving their claim and finishing their home led them to accept outcomes they were unhappy with, rather than go to VCAT. We saw some cases, like case study 6, where homeowners accepted a decision they were significantly dissatisfied with because they were financially and emotionally exhausted. For homeowners like this, VMIA's dispute handling process was ineffective and unfair.



Case study 6: VMIA fails to review a liability decision despite a request from a homeowner concerned about her cracked roof frame

Teagan Leung began building her Sunbury home in February 2022. She was almost at lock-up stage when Porter Davis collapsed on 31 March 2023. Teagan made a DBI claim that very day and started getting builders to quote on finishing her home in April.

VMIA sent out an inspector to Teagan's property on 26 May. This visit resulted in two different inspection reports.

The first report, created on 31 May, estimated that it would cost \$256,090 to finish Teagan's house. The second report, created on 16 June, changed the estimated cost to \$143,890. There was no recorded explanation for this decrease of over \$100,000.

The inspection report reclassified ten items from being defects to being incomplete works, and rejected five items.

One of these rejections was a split in the roof frame above Teagan's bedroom. The inspection report noted that an engineer would need to confirm the damage, but no engineer was ever asked to do this. VMIA denied this item in the liability decision it issued on 22 June.

Teagan had several concerns with the decision. She wrote to VMIA on the day she received its decision, asking that it be reviewed. She argued against some reclassifications and against two denials, one of which was the roof frame. Teagan said that she had provided VMIA with evidence that this defect existed before Porter Davis collapsed.

Teagan asked VMIA if it would reconsider or whether she'd need to go to VCAT. Teagan had 28 days from the liability decision to challenge it at VCAT.

She did not get any sort of reply from VMIA until she made a complaint publicly on Facebook in early July. On 4 July, VMIA called Teagan and noted that it answered all her questions and 'explained/defended all policy exclusions'.

On 14 July a comment was made on Teagan's claim file noting that a review of the liability decision was needed. That day, an email was sent to Teagan, acknowledging her complaint of 22 June for the first time. This was 22 days after she had complained, leaving her six days to go to VCAT.

Five days later, on 19 July, Teagan emailed VMIA:

I spoke to [VMIA staff] in early July ...[we] went through my items in detail and I am satisfied with his explanation (not terribly happy about it but failing an application to VCAT I am not going to get the resolution I need).

I do not want this "Review" to further delay my quantum ...

Can you advise how long it will be ...

I'm sure you can appreciate that almost 4 months on and I still don't know how much longer or whether I can finish the house ... I will NOT be submitting an application to VCAT (I can't afford food, medication, rent and a mortgage let alone the application fee for a VCAT hearing).

You have me backed into a corner and I have to accept the liability decision as it stands.

No formal or informal review of Teagan's liability decision ever occurred.

Following Teagan's acceptance of the liability decision, the process of getting a quantum decision was slow. Teagan and VMIA had both obtained builders quotes during May, June and July. These seven quotes ranged from \$213,880 to \$260,630.

The eighth quote VMIA obtained, on 1 September, was from Simonds and was for \$151,280. The figure is in line with the second inspection report. All the other quotes were broadly in line with the higher figure in the first inspection report. The Simonds quote was \$64,000 lower than the quote from Metricon, another volume builder.

VMIA relied on the Simonds quote to make its quantum decision. Confusingly, VMIA sent Teagan two quantum decision letters. The first, sent on 21 September, was a page and a half long and did not include the costs of her 'other losses'. The second letter, sent 22 September, was twice as long. It contained details about how the quantum was calculated and included 'other losses'.

Teagan accepted the settlement the day she received the second letter and signed a contract with Simonds in November. However, the claim wasn't fully resolved.

Teagan emailed VMIA on 8 December as she had not been paid out for her 'other losses'. She had received \$540 less than the decision letter had set out.

In early 2024, Teagan found out that the \$540 was for her rubbish removal claim and it had not been included because she had not provided a receipt. VMIA said that Teagan had only provided an invoice but it needed proof of payment. Teagan pointed out that the invoice listed the price and then listed the amount owing as \$0.00 showing that it had been paid.

Teagan went back and forth with VMIA several more times throughout January and February about the \$540. The process of sorting out this mistake was messy, protracted and required Teagan to chase VMIA. On 14 February, VMIA apologised for its error in not paying this cost which had been accepted in the quantum decision. Soon after, Teagan was paid the full amount.

It took until December 2024 for Teagan's house to be finished. She was frustrated by this. The house was largely complete when Simonds took over, with some of the final fixing stage, like plastering and cabinetry, already done. Teagan finally moved in 21 months after she made her claim.

In response to our draft report, VMIA said that while:

the homeowner had the option to proceed to VCAT, she elected not to. Her house was then completed, and she was compensated for her losses in accordance with the terms of her policy of insurance.

While this reflects her legal rights, the practical reality was that Teagan could not afford to go to VCAT and found the dispute process distressing. Homeowners like this may have benefited from an alternative dispute resolution process.

VCAT

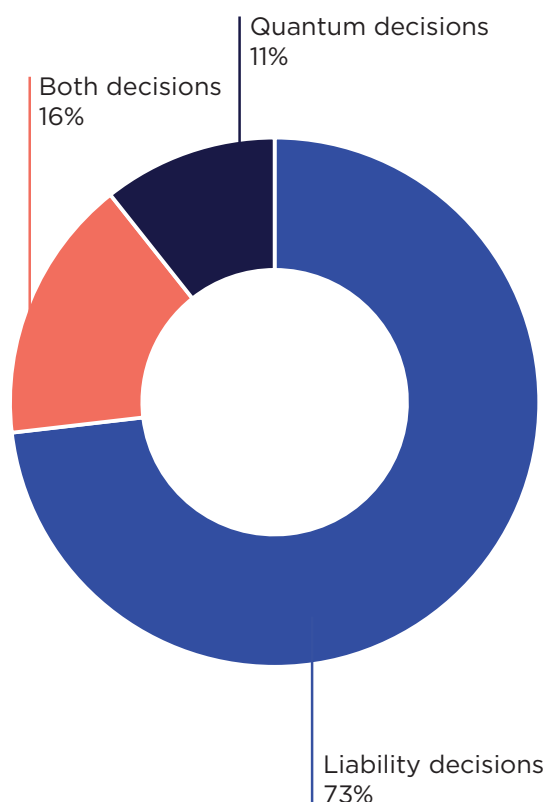
Dissatisfied homeowners who wanted to challenge VMIA's decisions were told they had 28 days to lodge the appeal at VCAT. In practice, VMIA allowed homeowners to lodge an appeal after this timeframe.

This flexibility was likely in recognition of the fact that VMIA was delayed in responding to complaints and requests for decisions to be reviewed. However, VMIA did not inform homeowners that it would be flexible with this timeframe. This caused additional distress to homeowners who were waiting to hear from VMIA as their 28 days ticked by.

Only a small percentage of DBI claims lead to VCAT appeals. VCAT told us that it received only around 100 applications disputing DBI decisions each year from 2016 to 2025.

Between 1 July 2022 and 30 June 2024, 280 homeowners made applications.

Figure 25: Decisions challenged at VCAT, July 2022 to June 2024



Source: Victorian Ombudsman, based on VMIA information

Some homeowners who disputed VMIA's claims decisions were too financially and personally exhausted to pursue an appeals process through VCAT. In many cases, disputes related to a small number of defects or incomplete items but the bulk had been accepted. In those instances particularly, many homeowners felt the time, effort and legal expense involved was not worth it, and they felt forced to accept the outcome.

The three key reason most dissatisfied homeowners did not pursue their matter at VCAT were:

- the delay it would create
- the cost of the appeal
- the power imbalance they felt between themselves and VMIA, and their perceptions of how this would impact their appeal.

Delay

Homeowners whose homes had already been delayed by the collapse of their builder and by VMIA's claims processes were not keen to join VCAT's waiting list.

As with most litigation, VCAT can be a slow process. Only around half of the 280 applications made between 1 July 2022 and 30 June 2024 had been resolved or settled by October 2024.

VMIA's data for the 280 applications shows there is a long wait between making the application and the various other stages. Homeowners waited an average of:

- 196 days (about 6.5 months) for voluntary mediation
- 382 days (about 12.5 months) for a compulsory conference, which is a confidential discussion with a VCAT member present
- 612 days (about 20 months) for a hearing, where the parties present their case and a VCAT member makes a decision about the dispute.

Some homeowners told us they were concerned that the VCAT process would delay them getting their DBI payment, which would compound the financial and emotional distress they suffered.

This was in line with the evidence we saw where VMIA would sometimes not make a quantum decision or proceed with payment for items that were agreed on, if other items in a claim were being disputed at VCAT. One homeowner was told:

Your claims will not progress until the VCAT proceedings are finalised.

Another homeowner challenged VMIA on this practice and VMIA sought advice from one of its panel law firms. It was told:

In certain circumstances, it might be prudent for a decision on quantum to be issued in respect of undisputed items prior to proceedings being resolved however clearly there are advantages to be gained by refraining from making a decision on quantum until a global settlement is reached.

The advantage could be that homeowners would accept the claims decision, even where they object to it, if the alternative was that their whole claim stalls pending the outcome of the VCAT proceedings. VMIA advised us that it approaches disputes as a model litigant and that there are a range of 'other advantages of waiting for the global claim acceptance' for example:

- avoiding the need to quote multiple times for quantum decisions on matters in dispute
- avoiding rework if a subsequent decision accepts a defect that requires rectification work to be reversed
- simple claims efficiency.

Cost

A number of submissions cited the costs involved in a VCAT review as a significant barrier. From the outset, there is a fee for lodging an application to VCAT and if the case progresses to a hearing there may be a fee for that too. Fees vary depending on the claim and other circumstances, but for most people the main cost of going to VCAT is hiring a lawyer.

Homeowners had to decide whether they should and could afford to pay to engage their own lawyer. Many homeowners making DBI claims were already under financial pressure created by the delay in their home being ready. They simply could not afford a lawyer as well. DBI matters are not covered by free legal assistance.

In addition to this, VMIA sometimes threatened homeowners with having to pay VMIA's court costs:

The VMIA's position is that the grounds relied upon by the VMIA are a proper basis that [VCAT] is likely to agree with us. We wish to advise that should you decide to appeal this decision and the Proceeding continues to a hearing, and you fail to obtain judgment against the VMIA, we may make an application and ask [VCAT] to make an order against you to pay our costs ...

This would discourage many homeowners from pursuing the matter at VCAT. But in reality, VCAT would be unlikely to make a homeowner pay VMIA's court costs, a fact VMIA would have been aware of. VCAT rarely orders one party to pay another's costs, and can only do so for specified reasons.

One reason VMIA wanted to avoid VCAT was that there were costs involved for it too. During 2022-23 and 2023-24, VMIA paid its panel law firms a total of \$3.46 million for work associated with VCAT applications. More than half of this related to VCAT applications made in 2022-23, despite a comparably smaller number of applications being made that year.

VMIA paying lawyers to defend its decisions at VCAT was seen by some homeowners who contacted us as especially unfair. Homeowners would have naturally wondered why VMIA was willing to pay lawyers, where the cost of paying out the claim would likely be less than the legal fees.

In response to the draft report VMIA advised that our conclusion failed to acknowledge VMIA's approach to resolving claims as a model litigant. VMIA advised that:

- it does not dispute assessed legitimate entitlements, however, where a claim is not justified by evidence it should be denied
- VCAT is the appropriate pathway for policy holders to seek independent review of DBI decisions
- VMIA conducted itself in accordance with the Model Litigant Guidelines including actively working with claimants to resolve issues so that claimants could minimise further delay and cost.

Imbalance of power

The difference in homeowners' and VMIA's ability to spend money on lawyers is one example of the power imbalance that existed between them. At the time of the Porter Davis collapse, VMIA had a legal panel of four firms it could rely on.

Many homeowners found VMIA's use of lawyers intimidating. Being contacted by a law firm about their claim gave people the impression that VMIA was essentially on a litigation footing from the outset. Homeowners felt that law firms took an adversarial rather than collaborative approach.

We saw that VMIA would in some instances anticipate that its claims decisions would be challenged. This was demonstrated by the letters it sent along with its decisions that threatened homeowners with having to pay VMIA's legal costs at VCAT.

VMIA was also more informed than homeowners. Because VMIA did not routinely share all the information it had about claims, like inspection reports, it had the advantage at VCAT. Even deciding whether a decision was reasonable, and therefore whether it was reasonable to challenge it, was made more difficult for homeowners where they didn't have all the information.

This power imbalance led some homeowners to feel that VMIA had all the advantages. However, we also saw an exchange among staff suggesting that some did not feel that VMIA was in a powerful position when matters went to VCAT (see Figure 26).

Many of the homeowners who contacted us who had lodged an appeal with VCAT came to an agreement with VMIA before the matter reached a VCAT hearing.

Figure 26: Staff comment on VMIA at VCAT

DBI team member 5:

QUIZ: Who in this picture do you reckon i feel like when VMIA go to VCAT.



Caption reads: "The prosecutor says you have to roll over"

Source: VMIA Teams chat

Use of non-disparagement clauses

A non-disparagement clause is a statement in a legal agreement that prevents one party (in this case the homeowner) from making negative comments about the other (in this case VMIA).

Media reporting about VMIA's handling of DBI suggested that VMIA was inappropriately using non-disparagement clauses to prevent homeowners from publicly criticising VMIA's DBI processes and performance. In our view, this had potential to breach Victorians' rights under the *Charter of Human Rights and Responsibilities Act 2006*. The right to freedom of expression means Victorians can openly discuss the performance of government agencies.

We found that since July 2022, VMIA only proposed using a non-disparagement clause once.

This instance related to a longstanding dispute between a homeowner and VMIA, which had caused considerable upset to the homeowner and his family. The homeowner had publicly criticised VMIA's handling of the claim, including in the media.

Hindering a homeowner's ability to critique VMIA in the public domain does not promote transparency. However, based on the files we reviewed, this was an isolated case. The clause was not included in the final agreement.

Conclusions on VMIA's dispute resolution

Was VMIA's handling of disputes and complaints about DBI claim decisions reasonable, fair and in line with relevant policy and legislation, including the Victorian Model Litigant Guidelines?

VMIA's dispute handling processes and practices met VMIA's legislative obligations, but were not always fair and reasonable.

At the time of the investigation, the relevant legislation did not require VMIA to have an internal review procedure, but VMIA did advise some homeowners that a review of a decision was possible. These 'internal reviews' were limited. VMIA would only reconsider a matter if new information was provided. In practice, these reviews rarely resulted in a new outcome.

VMIA did not always advise homeowners of this option and at the time of the Porter Davis collapse, there was no formally documented procedure. The formal pathway for disputing decisions, under the legislation, was through VCAT.

Homeowners who were dissatisfied with an outcome faced a hard decision. Appealing at VCAT was time consuming, expensive and deciding whether it was worth doing so could be difficult because of the lack of detail in VMIA's decision letters.

VMIA's approach to VCAT was not always consistent with the expectation that public service bodies act fairly. We saw instances where homeowners were threatened with paying VMIA's legal costs if they decided to go to VCAT. We also saw VMIA deny parts of claims despite knowing that decisions may be overturned should the matter progress to VCAT.

As a public sector entity, VMIA is obliged to conduct itself in line with the Model Litigant Guidelines. These guidelines stipulate that agencies must act fairly, consistently and promptly when handling claims and make attempts to avoid litigation where possible. If matters proceed to litigation, agencies should seek to keep legal costs reasonable. VMIA advised that where homeowners sought a review of a DBI decision at VCAT, it conducted itself in accordance with the Model Litigant Guidelines.

Letters threatening legal costs should have been used by VMIA as a last resort, however on one occasion we saw this issued at the same time as a decision.

Some homeowners felt they had no choice but to agree to VMIA's decision and sign the settlement agreement. While this might legally indicate that they have accepted the decision, it does not mean that the homeowner was satisfied with their outcome, nor that they thought it was fair.

It is clear that there should be a formal external review option available to homeowners prior to VCAT proceedings, and one that is robust, well communicated and transparent and which promotes timely, cost effective and fair insurance outcomes. VCAT supports our recommendation to establish such a process.

BPC, which became responsible for DBI in July 2025, should create a non-litigation avenue for homeowners to seek a review of their decision. This process should be arms-length from the initial decision maker. It should be clarified in legislation that time for an appeal to VCAT does not start running while a decision is under review. In the interim, the current practice of not opposing reasonable requests for extensions of time to apply to VCAT should continue.

Where there is still disagreement after a review, there would be benefit in a conciliation process before resorting to VCAT.

Overall conclusions

When VMIA was directed to start providing DBI to Victorians, it was required to provide a commercial insurance policy in a private market environment. As a public sector entity it shaped its service delivery around public sector values. There is an inherent tension between these two competing obligations and VMIA managed this well in most cases, but not in all.

Homeowners expected to be protected if their builder died, disappeared or became insolvent. They expected VMIA to compensate them for their loss – to help them complete their build and to not end up out of pocket because of their misfortune. For many homeowners this was true, but for complex cases VMIA fell short on meeting this purpose of the policy.

Both before and after the Porter Davis collapse, VMIA achieved a reasonable outcome for most homeowners, getting them ‘back on track’ and meeting the objectives of the DBI scheme. But for others, especially those living in a home with ongoing defects, the DBI scheme did not live up to its purpose.

When Porter Davis collapsed in 2023, VMIA was faced with the biggest volume builder collapse in DBI history. While the warning signs in the lead up to it were not conclusive, VMIA could have taken steps to better prepare its DBI team quickly. VMIA’s substantial reliance on law firms to fill this gap also had its downsides.

Where a dispute arises, claims management can become an adversarial process and the use of law firms exacerbated that for some homeowners. VMIA’s attitude was also focused on protecting the policy and it sometimes failed to show empathy for homeowners. VMIA acknowledged that ‘sometimes insurers acting in accordance with their formal obligations can give the impression of not having empathy for some homeowners’.

This is not what people expect of a government service. VMIA could have done more to support its staff and service providers to respond compassionately to homeowners who were under significant financial and emotional stress. This did not require VMIA to disregard policy but to better exercise discretion within the terms of the policy.

VMIA’s other changes to its processes were reasonable, but at times the outcomes and perception of the changes were more mixed. Its decision to try a new approach and partner with volume builders led to variable outcomes. Many homeowners had their homes finished quickly and cost effectively, but others suffered extensive delays and felt they had been denied a fair payout. This was particularly so for homeowners where quotes were sought from volume builders even though they were never going to do the work because it had already been completed.

Many homeowners who obtained their own quotes were both suspicious and worried about why the quote VMIA ultimately accepted, often after a long delay, was lower. Homeowners reasonably questioned whether they would receive a lower quality build as a result.

The lack of transparency around the use of volume builders and their quotes, and lack of documented reasons for decisions resulted in a perception of unfairness for some homeowners, particularly those with complex and difficult claims. Some homeowners held the genuine belief that a just insurance outcome had not been reached.

There was also a lack of clarity or effective communication about how long the claims process would take. The average time VMIA took to resolve claims decreased over the years, demonstrating VMIA's efforts to improve its claims management processes, and was admirable. But averages only tell some of the story. Although many claims were resolved expeditiously, others took years to resolve. VMIA itself recognised that it struggled to deal with these long-running claims.

Part of the reason many homeowners complained of delays was that VMIA failed to adequately manage homeowners' expectations. VMIA's communication, particularly in the wake of the Porter Davis collapse, was inadequate.

The lack of information, inadequate information and delays in responding to queries exacerbated many homeowners' stress. It also hampered their ability to effectively make financial and personal arrangements while their claim was being resolved. Their home ownership dreams were in jeopardy and their lives were on hold for an indeterminate, and for some, excruciating, amount of time.

Resolving disputes was also a stressful process for many homeowners with a lack of clear process, and an 'internal review' that did not meaningfully review the decision. Their only recourse was to VCAT, which was costly, time consuming and not a viable option for many.

Creating a better dispute system is one way the Government and BPC, now in charge of DBI, can improve the service for Victorians. There needs to be an effective independent internal dispute resolution mechanism, so that exhausted and disaffected homeowners can resolve their concerns without having to resort to legal action.

The need for reform in the DBI system has been recognised by the recent legislative changes. However, more needs to be done to improve DBI management processes, communication with homeowners and overall system transparency.

Recommendations

It is recommended that the Building and Plumbing Commission:

Recommendation 1

Ensure its Domestic Building Insurance policy includes a plain language definition of 'defects' that clearly distinguishes it from 'incomplete works'.

Commission response

Accepted in principle

Recommendation 2

Ensure that:

- a. its claims handling guidelines include plain language definitions for different claim types (simple, standard, and complex)
- b. its claims handling guidelines and large loss response guidelines include appropriate actions for simple, standard, and complex claims
- c. it regularly reviews (at least every two years) the procedures guiding its approach to large loss events. In the event that there is a large loss event, the procedures must be reviewed in the six months following the event.

Commission response

Accepted in principle

Recommendation 3

Establish internal policies and processes to facilitate a rapid surge response to large loss events, including streamlined training, redeployment of internal resources and external recruitment.

Commission response

Accepted in principle

Recommendation 4

Ensure that homeowners with complex claims are provided with a single point of contact to ensure better communication, continuity and timeliness.

Commission response

Accepted in principle

Recommendation 5

Establish clear standards for how frequently homeowners are updated during the claims process and track performance against these standards, including responsiveness to queries.

Commission response

Accepted in principle

Recommendation 6

Be transparent by:

- a. recording the rationale for liability and quantum decisions on all claim files
- b. clearly communicating the rationale for decisions to homeowners in language they can understand; and
- c. providing homeowners with relevant documentation supporting the reason for claim decisions, including inspection and technical reports.

Commission response

Accepted in principle

Recommendation 7

Re-examine any long-standing claims that could benefit from conciliation, with a view to quickly resolving them.

Commission response

Accepted in principle

BPC agreed in principle with all our recommendations, but noted that ‘these are recommendations to government and will be subject to the Government’s consideration’. BPC said it ‘agrees with the report’s description of the events surrounding the collapse of Porter Davis as “unprecedented”, and notes that the VMIA and now the BPC have already moved to address many of the issues raised’.

It is recommended that the Government:

Recommendation 8

Amend legislation to require the Building and Plumbing Commission to regularly update information on its website and include in its annual report, performance against its service standards, and other information including:

- a. how many claims were processed
- b. how long claims took to process
- c. how satisfied homeowners were with the process.

Department of Transport and Planning response

Accepted in principle

Recommendation 9

Undertake legislative change to require a formal internal review and conciliation process before a VCAT appeal can be lodged, and clarify that time does not start running on VCAT appeals until this has happened.

While awaiting legislative change, it is recommended that the Building and Plumbing Commission establish an interim internal review process that is clearly communicated to homeowners.

Department of Transport and Planning response

Accepted in principle

In addition, we endorse the recommendations made by the Victorian Auditor-General’s Office to the Victorian Managed Insurance Authority, noting these responsibilities now sit with the Building and Plumbing Commission:

1. Provide homeowners with improved information about:
 - indicative timelines for key steps in the claims process
 - the basis for its quantum decisions
 - options for a Victorian Managed Insurance Authority review of case decisions.
2. Implement a performance monitoring framework, including a measure of homeowner satisfaction, to assess claims handling performance and inform improvements to processes.
3. Implement a quality assurance program to make sure officers are following claims handling procedures.

Appendix 1: The investigation

Authority to investigate

The investigation was conducted under section 16(2) of the Ombudsman Act, following a referral from the Legislative Council under section 16(1).

Section 16(2) requires us to ‘forthwith investigate’ a matter referred by the Parliament under section 16(1) and ‘report thereon’.

How we investigated

During the investigation, we:

- invited and received 125 submissions from people who had made DBI claims
- reviewed 260 complaints made to our office about VMIA’s management of DBI claims from 31 March 2023 to 30 June 2024
- issued three summonses to VMIA for documents and information
- issued three requests for information to VMIA under section 17(3) of the Ombudsman Act
- reviewed 46 VMIA DBI claim files – a mixture of specifically chosen matters that related to complaints and/or submissions we received, and some randomly selected files
- analysed about 314,188 records relating to VMIA’s claims management
- reviewed DBI guidance materials, including:
 - the *Domestic Building Insurance Ministerial Order*
 - the *Building Act 1993*
 - VMIA’s Claims Handling Guide
 - building and plumbing regulations outlined in the National Construction Code
- had 14 meetings with VMIA and other stakeholders to gather more information
- provided extracts from a draft report to six people for their response
- provided complete draft reports to VMIA and BPC
- consulted with BPC about our proposed recommendations.

Procedural fairness

The investigation was guided by the civil standard of proof which requires that the facts be proven on ‘the balance of probabilities’. This differs from the criminal standard of ‘beyond a reasonable doubt’.

To reach our conclusions, we considered:

- the nature and seriousness of the matters examined
- the quality of the evidence
- the gravity of the consequences an adverse opinion could create.

This report makes adverse comments, or includes comments which could be considered adverse, about VMIA. In line with section 25A(2) of the Ombudsman Act, we provided VMIA with a reasonable opportunity to respond to the report. This report fairly sets out their response. VMIA’s response letter is included in Appendix 2.

This report does not make any adverse comment or opinion about individual DBI team members.

In line with section 25A(3) of the Ombudsman Act, we make no adverse comments about anyone else who can be identified from the information in this report. Where a person is named or can be identified, this is because:

- it is necessary or desirable to do so in the public interest
- identifying them will not cause unreasonable damage to their reputation, safety or wellbeing.

Appendix 2: VMIA's response to the report

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11 September 2025

Marlo Baragwanath
Victorian Ombudsman
Level 2, 570 Bourke Street
Melbourne VIC 3000

Dear Ombudsman

RE: INVESTIGATION INTO VMIA'S MANAGEMENT OF DOMESTIC BUILDING INSURANCE CLAIMS
VMIA's Organisational Statement

We welcome the opportunity to contribute to the development and sharing of important lessons in public administration arising out of the circumstances of this report. We have prepared this response to align with the key areas of focus adopted in the course of the investigation.

VMIA has always been committed to helping people get back on track after their builder has died, disappeared or gone insolvent. Our management of domestic building insurance claims has worked well for the vast majority. For those where it did not, we apologise.

We concur with the finding that the collapse of Porter Davis Homes was unprecedented in scale, more than three times as large as any previous event, and that VMIA had limited time to prepare. While plans were in place to scale a staffing response to a large loss event, there is no doubt we faced challenges in doing so to the extent required by the size of the insolvency. We also agree that there is an inherent tension in how to respond to emerging signs of financial distress in any entity. Moving quickly exacerbates the very real risk of entity insolvency. Waiting impedes the initial scaling of the operational response.

There is no perfect balance between these considerations. We know that while we worked hard to get it right, it was not a perfect balance for all parties at all times. We moved as fast as we could, when we could. We share the view expressed by the finding that a few weeks of additional preparation would not have made any material difference to the organisational response given the sheer scale of the Porter Davis Homes collapse. Throughout the Porter Davis Homes insolvency, VMIA's priority was to help homeowners achieve the home they contracted for in the shortest possible time and with the least out-of-pocket expense.

Receiving more claims in a single six-week period following the collapse than had been received in the entire proceeding year was organisationally challenging. Significant steps were implemented to optimise the claims process to help as many homeowners as possible, as quickly as possible.

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Government's insurer
and risk adviser

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Insurance Authority



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.

OFFICIAL



Few businesses, if any, are able to maintain a standing workforce capable of flexing to meet this sort of spontaneous increase in demand. Certainly, we did not. What we did do was move quickly to retain and deploy the most skilled and appropriate workforce available to us in the market. Utilising our existing legal service providers was critical to our ability to achieve this. We know that many homeowners felt that the use of legally-trained staff was central to getting their claims addressed in a timely manner. We also understand that this was not a universal sentiment.

The adoption of this approach was central to the report finding that our organisational response was reasonable and in accordance with both our governing policies and statutory obligations and delivered a good outcome for very many homeowners.

Additionally, the report supports the engagement of volume builders as a successful and prudent way for VMIA to maximise the number of claims we could resolve in a timely manner. The engagement of volume builders was driven by our desire to assist homeowners as quickly as possible in a period of significant industry disruption, supply chain issues and labour shortages. Nevertheless, we know that the small subset of matters that present as complex claims are often difficult under any circumstances. And we know the homeowner experience of the resolution of complex claims was, at times, additionally challenging throughout the surge period.

Testament to the effectiveness of our process enhancements and the efforts of our people, the report shows that VMIA maintained claims processing times largely consistent with usual performance data, and on some measures in fact improved performance. The report validates these efforts and commends the performance to overwhelmingly meet statutory decision-making timeframes and deliver some claims processing improvements even under such extreme circumstances. This was the experience for the overwhelming majority of homeowners. But not all. We know there was a relatively small number of complex or delayed claims where homeowners had a poor experience.

Communicating in a complex area like insurance, in a simple and clear way, is difficult. This is made more so in the challenging circumstances that arise when a DBI claim has had to be made. We have regularly reviewed our communications to improve readability. Although all homeowners are provided with supporting information about how their policies operate and the process they can expect to go through, we can always do more to help all homeowners understand the process.

One of the important lessons for VMIA in this process was the way we enacted communication, in particular that our processes sometimes took us out of the middle of communication on the claim. The homeowner having to deal with people on the claim other than our claims managers made information transfer problematic more often than we would have liked. This was in part a function of volume and the process structure we had to implement to keep pace with claims processing and completion. But we accept that this regrettably created additional complexities in how we communicated with homeowners.

Secondly, we learned a hard lesson in the imperative in investing in communication to better manage misinformation, particularly on social media. DBI can be a complicated insurance concept, and often we found misunderstandings being exacerbated where homeowners received misleading information from other sources that we found challenging to correct at times.

During the event we have developed and deployed significant process improvements that will hold homeowners in good stead for the future. We have greatly enhanced the quality of product and claims information able to be made available to homeowners. We have built further expertise in training and capability of claims assessment, management and decision making. We have reformed Quoting Builder processes.

To those homeowners who had a difficult experience making a claim with us, we have listened, learned and changed. Building a house is the biggest financial and emotional investment most people will make in their lives. So, we know no one makes a DBI claim when things are going well, because it means something is



not as it should be with their home. While we know what we do will not always make that better, we always need to strive to not make it worse. For those few where we did not do well enough, we are sorry. To homeowners who needed us at a time of great challenge and stress, we are proud that we delivered for the overwhelming majority of those who worked with us to manage their claims. We thank you for your time and trust.

Of the many lessons we learned from this episode, foremost amongst them was the importance of our people. In unprecedented adversity it was their dedication, professionalism and commitment that delivered timely outcomes to the overwhelming majority of homeowners. They turned up to their task repeatedly and performed unrelentingly, often at great personal and professional cost. There is a human experience behind both sides of the insurance transaction, and the impact on our people was often visceral. Where we have succeeded, it is only because of them. Where we have failed them or could have done more, we are sorry. We thank them for their dedication to the Victorian community.

We have been proud to deliver invaluable support to Victorians over the past 15 years. Over that time, we have issued over one million certificates, resolved over 23,600 claims and paid over \$940 million to homeowners. We have supported the Government's reforms to strengthen protections for homeowners and have worked to deliver a smooth transition of the DBI service to the Building and Plumbing Commission. With the transition complete, we are confident the team at the Building and Plumbing Commission will build on our record of committed service and maximise the benefits to the community that will flow from the valuable lessons of the recent past.

Yours sincerely



Andrew Davies

Chief Executive Officer

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