MAV Insurance

Financial Report 10/11

MAV INSURANCE FINANCIAL REPORT 2010/11 > 77



Statement of comprehensive income

for the year ended 30 June, 2011

MUNICIPAL OFFICERS

COMBINED

CIVIC MUTUAL PLUS

FIDELITY GUARANTEE FUND

NOTE

2011

2010

2011

$

2010

$

2011

$

2010

$

Premium revenue

Performance bonus

3

18

20,349,090

1,663,647

19,621,762

1,995,765

20,349,090

1,663,647

18,962,668

1,995,765

-

-

659,094

-

Re-insurance expense

(11,948,816) (11,043,859)

(11,948,816) (10,614,560)

(429,299)

NET PREMIUM INCOME

10,063,921

10,573,668

10,063,921

10,343,873

-

229,795

Claims expense

4(a) (18,863,610) (35,690,500) (18,827,532) (35,586,371)

(36,078)

(104,129)

Reinsurance and other

recoveries

NET CLAIMS EXPENSE

NET UNDERWRITING RESULT

Management fees

Investment income

3

12

3,20

3

13,286,867

(5,576,743)

4,487,178

190,023

1,817,740

25,885,294

(9,805,206)

768,462

-

1,017,744

13,281,617

(5,545,915)

4,518,006

-

1,795,436

25,879,758

(9,706,613)

637,260

-

999,086

5,250

(30,828)

(30,828)

190,023

22,304

5,536

(98,593)

130,842

-

18,658

Administration and general

expenses

OPERATING PROFIT (LOSS)

Other comprehesive income

4(b)

(6,996,699)

(501,758)

-

(6,763,820)

(4,977,614)

-

(6,851,792)

(538,350)

-

(6,620,694)

(4,984,348)

-

(144,907)

36,592

-

(143,126)

6,734

-

TOTAL COMPREHENSIVE

INCOME FOR THE PERIOD

(501,758)

(4,977,614)

(538,350)

(4,984,348)

36,592

6,734

Statement of financial position

CURRENT ASSETS

as at 30 June, 2011

Cash and cash equivalents

8(a) 32,400,616

26,855,471

31,992,173

26,360,741

408,443

494,730

Trade and other receivables

TOTAL CURRENT ASSETS

9

45,541,129

77,941,745

42,869,404

69,724,875

45,535,185

77,527,358

42,862,641

69,223,382

5,944

414,387

6,763

501,493

NON-CURRENT ASSETS

Property, plant and equipment

Intangible assets

Trade and other receivables

7(a)

7(b)

9

220,971

57,578

48,163,113

252,539

-

50,754,386

220,971

57,578

48,163,113

252,539

-

50,754,386

-

-

-

-

-

-

TOTAL NON-CURRENT

ASSETS

48,441,662

51,006,925

48,441,662

51,006,925

-

-

TOTAL ASSETS

126,383,407 120,731,800 125,969,020 120,230,306

414,387

501,493

CURRENT LIABILITIES

Trade and other payables

3,059,581

2,375,327

3,052,521

2,352,539

7,060

22,758

Premiums in advance

10

21,945,977

20,344,090

21,945,977

20,344,090

-

-

Provision for claims outstanding 11(a)

TOTAL CURRENT LIABILITIES

22,813,827

47,819,385

19,013,209

41,732,626

22,813,827

47,812,325

18,905,209

41,601,868

-

7,060

108,000

130,758

NON-CURRENT LIABILITIES

Provision for claims outstanding 11(a)

70,908,862

70,842,256

70,908,862

70,842,256

-

-

TOTAL NON-CURRENT

LIABILITIES

70,908,862

70,842,256

70,908,862

70,842,256

-

-

TOTAL LIABILITIES

118,728,247 112,574,882 118,721,187 112,444,124

7,060

130,758

NET ASSETS

EQUITY

7,655,160

7,655,160

8,156,918

8,156,918

7,247,833

7,247,833

7,786,182

7,786,182

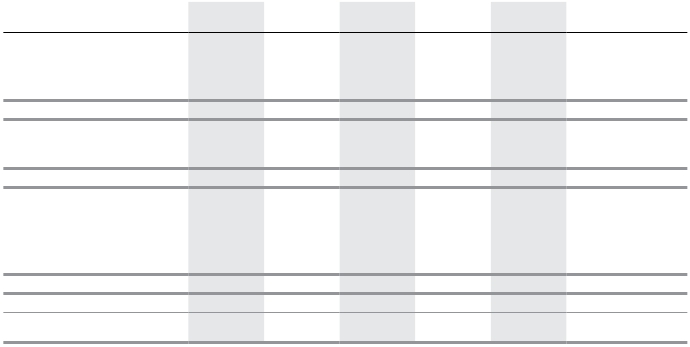
407,327

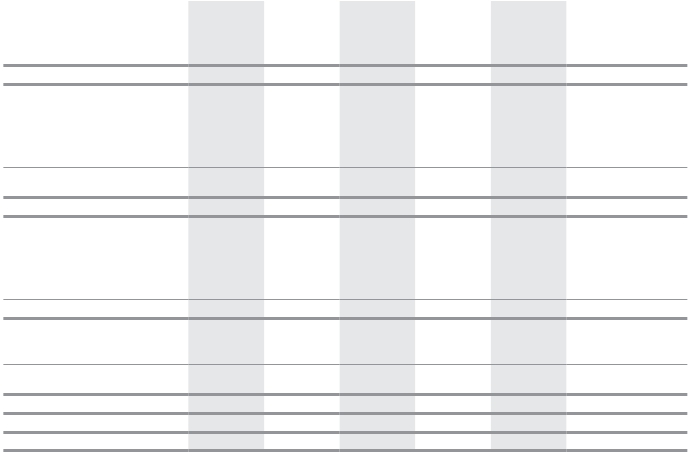
407,327

370,735

370,735

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Statement of changes in equity

for the year ended 30 June, 2011

MUNICIPAL OFFICERS

COMBINED

CIVIC MUTUAL PLUS

FIDELITY GUARANTEE FUND

NOTE

2011

2010

2011

$

2010

$

2011

$

2010

$

Balance at beginning of year

8,156,918

13,134,532

7,786,183

12,770,531

370,735

364,001

Surplus (deficit) from ordinary

activities

BALANCE AT END OF YEAR

(501,758)

7,655,160

(4,977,614)

8,156,918

(538,350)

7,247,833

(4,984,348)

7,786,183

36,592

407,327

6,734

370,735

Statement of Cash Flows

for the year ended 30 June, 2011

CASH FLOW FROM

OPERATING ACTIVITIES

RECEIPTS

Premiums and fees

Performance bonus

Investment income

Reinsurance and other recoveries

24,286,459

1,995,765

1,814,714

13,881,132

25,299,330

-

1,017,489

16,807,815

23,569,452

1,995,765

1,789,648

13,875,882

24,560,017

-

1,001,888

16,802,279

717,007

-

25,066

5,250

793,316

-

15,601

5,536

PAYMENTS

Suppliers

Claim payments

(22,097,549) (20,490,666) (21,310,370) (19,767,294)

(14,277,798) (20,791,721) (14,231,367) (20,777,814)

(787,179)

(46,431)

(723,375)

(13,907)

NET CASH PROVIDED BY/

(USED IN) OPERATING

ACTIVITIES

8(b)

5,602,723

1,842,247

5,689,010

1,819,074

(86,287)

23,173

CASH FLOW FROM

INVESTING ACTIVITIES

Proceeds from sale of fixed assets

-

277,117

-

277,117

-

-

Payments for fixed assets and

intangibles

NET CASH USED IN

INVESTING ACTIVITIES

(57,578)

(57,578)

(554,577)

(277,460)

(57,578)

(57,578)

(554,577)

(277,460)

-

-

-

-

NET INCREASE / (DECREASE)

IN CASH HELD

Cash at beginning of year

5,545,145

26,855,471

1,564,787

25,290,684

5,634,432

26,360,741

1,541,614

24,819,127

(86,287)

494,730

23,173

471,557

CASH AT END OF YEAR

8(a)

32,400,616

26,855,471

31,992,173

26,360,741

408,443

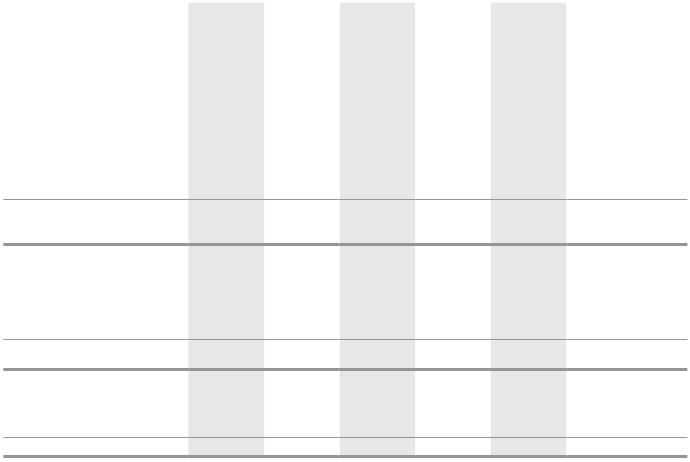
494,730

The accompanying notes form an integral part of these statements.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. CORPORATE INFORMATION

The combined financial report of MAV Insurance for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of

the directors of the Municipal Association of Victoria on the date shown on the attached Statement by Directors.

MAV Insurance is the insurance division of the Municipal Association of Victoria. The Municipal Association of Victoria is an association

incorporated by an Act of the Parliament of Victoria known as the *Municipal Association Act 1907*.

The nature of the operations and principal activities of MAV Insurance are to provide public liability and professional indemnity and arrange

fidelity insurance for its members located in Victoria and Tasmania and community groups within its council member boundaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report which has been drawn up in accordance with Australian Accounting Standards and

other authoritative pronouncements of the Australian Accounting Standards Board.

The principal accounting policies adopted in preparing the financial report are stated to assist in a general understanding of the financial

report. Accounting policies have been consistently applied unless otherwise indicated.

The financial report is presented in Australian dollars.

The accounts have been prepared on the accruals basis using historical costs and, except where stated, do not take into account current

valuations of assets.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting

Standard (‘AIFRS’). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies

with International Financial Reporting Standards (‘IFRS’).

(c) The basis of the combined report

The combined financial report relates to the insurance activities of the Municipal Association of Victoria being its controlled entities the Local

Government Mutual Liability Insurance Scheme (trading as Civic Mutual Plus, - CMP), and the Municipal Officers’ Fidelity Guarantee Fund.

The presentation of the combined balances is for management purposes only. The two entities are separate independent legal entities.

The effects of all transactions between entities in the combined entity have been eliminated.

The financial statements of the entities are prepared for the same reporting period as the Municipal Association of Victoria, using consistent

accounting policies.

(d) Income tax

The entities are exempt from income tax, in accordance with sections 50-10 and 50-25 of the *Income Tax Assessment Act 1997*.

(e) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three

months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the

purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding

bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the balance sheet.

(f) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost

using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be

uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the group will not

be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered

objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of

estimated future cash flows, discounted at the original effective interest rate.

(g) Trade and other payables

Trade and other payables are carried at amortised cost due to their short term nature they are not discounted. They represent liabilities for

goods and services provided to the group prior to the end of the financial year that are unpaid and arise when the group becomes obliged to

make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days

of recognition.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

(h) Property, plant, equipment, trademarks and intellectual property

Plant and equipment, trademarks and intellectual property are carried at cost, less where applicable, any accumulated depreciation or

amortisation and any impairment value.

On disposal of an item of property, plant, equipment, trademarks and intellectual property the difference between the sales proceeds and the

carrying amount of the asset is recognised as a gain or loss.

The depreciable amount of all fixed assets including buildings and capitalised leased assets are depreciated/amortised on a straight line

basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use. Leasehold improvements are

depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The following depreciation rates are in use:

Leasehold improvements at cost

Furniture and equipment at cost

Annual rate

20%

20%

INTANGIBLE ASSETS

Intangible assets (computer software, trademarks and intellectual property) acquired separately or in a business combination are initially

measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following

initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally

generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the

year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful

life and tested for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the

amortisation method for an intangible asset with a finite life are reviewed at least at each financial year-end. Changes in the expected useful

life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the

amortisation period or method, as appropriate, which is a change in the accounting estimate. The amortisation expense on intangible assets

with finite lives is recognised in profit or loss in the expense category ‘amortisation’.

The Association does not have any intangible assets with indefinite useful lives.

IMPAIRMENT

The carrying amount of property, plant, equipment, trademarks and intellectual property is reviewed annually by directors to ensure it is not in

excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows that will

be received from the assets’ employment and subsequent disposal. The expected net cash flows have not been discounted to present values in

determining the recoverable amounts.

(i) Management fees

Management fees comprise amounts received from members to manage and pay expenses for and on behalf of the Municipal Officers’

Fidelity Guarantee Scheme

(j) Investment income

Investment income consists of interest which is recognised on a time-proportionate basis that takes into account the effective yield on the

financial asset and movements in unit values in cash and fixed interest funds which are carried at fair value through the income statement.

(k) Premiums

Premiums comprise amounts charged to members of the Schemes for policy cover, net of amounts returned to members as bonuses. The

earned portion of premiums received is recognised as revenue. Premiums are treated as earned from date of attachment of risk. The pattern of

recognition over the policy is based on time, which is considered to closely approximate the pattern of risks undertaken.

(l) Premiums receivable

During the month of June each year, the CMP Scheme issues premium notices to Scheme Members. The risk attaches to the premiums in

the next accounting period and accordingly the revenue is recognised each following year commencing 1 July. Prior to each balance date

members have committed to participate in the scheme and the fund for the ensuing year and accordingly the premiums are disclosed in the

balance sheet as ‘contributions receivable’ with an offsetting liability described as ‘contributions billed in advance’.

(m) Claims

Claims-incurred expense and liability for outstanding claims are recognised in respect of direct business. The liability covers claims incurred but

not yet paid, incurred but not yet reported claims, and the anticipated direct and indirect costs of settling those claims. Claims outstanding are

assessed by reviewing individual claim files and estimating claims not notified and settlement costs using statistical and actuarial techniques.

The liability for outstanding claims is measured as the present value of the expected future payments, reflecting the fact that all the claims

do not have to be paid out in the immediate future. The expected future payments are estimated on the basis of the ultimate cost of settling

claims, which is affected by factors arising during the period to settlement such as normal inflation.

Superimposed inflation refers to factors such as trends in court awards, for example increases in the level and period of compensation for injury. The

expected future payments are then discounted to a present value at the reporting date using discount rates based on the investment opportunities

available to the organisation on the amounts of funds sufficient to meet claims as they became payable. Details of rates applied are disclosed in note 16.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

(n) Other financial assets

Investments are valued at net market value at balance date. Investment income includes interest received and receivable on investments and

changes in net market values of investments in cash and fixed interests funds net of outstanding bank overdrafts.

(o) Cash flows

For the purposes of the statement of cash flows, cash includes cash on hand and deposits held at call with banks and investments in cash and

fixed interests funds net of outstanding bank overdrafts.

(p) Reinsurance and other recoveries receivable

Reinsurance and other recoveries receivable on paid claims, reported claims not paid, claims incurred but not reported and unexpired

risk liabilities are recognised as revenue. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims.

Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding

claims.

(q) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the entity and the revenue can be reliably

measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Premiums – recognised in the period the fund is at risk.

(ii) Future reinsurance and other recoveries – on an accruals basis.

(iii) Investment income – on an accruals basis including adjustments to bring values of cash backed unit trusts to account as investment

income.

(r) Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(s) Catastrophe insurance

Catastrophe insurance relates to insurance premiums paid to reinsurers in accordance with the established reinsurance strategy of the entity

and in order to protect the Insurance businesses from catastrophic and unforseen claims.

MUNICIPAL OFFICERS

COMBINED

CIVIC MUTUAL PLUS

FIDELITY GUARANTEE FUND

NOTE

2011

2010

2011

$

2010

$

2011

$

2010

$

3. REVENUE FROM ORDINARY

ACTIVITIES

REVENUES FROM OPERATING

ACTIVITIES

Premiums

20,349,090

19,621,762

20,349,090

18,962,668

-

659,094

Performance bonus

18

1,663,647

1,995,765

1,663,647

1,995,765

-

-

Reinsurance and other

recoveries

Management fees received

2 (p)

13,286,867

190,023

25,885,294

-

13,281,617

-

33,552,913

-

5,250

190,023

5,536

-

TOTAL REVENUE FROM

OPERATING ACTIVITIES

35,489,627

47,502,821

35,294,354

54,511,346

195,273

664,630

REVENUES FROM NON-

OPERATING ACTIVITIES

Investment income

1,817,740

1,017,744

1,795,436

999,086

22,304

18,658

TOTAL REVENUE FROM

OUTSIDE THE OPERATING

ACTIVITIES

1,817,740

1,017,744

1,795,436

999,086

22,304

18,658

TOTAL REVENUE FROM

ORDINARY ACTIVITIES

37,307,367

48,520,565

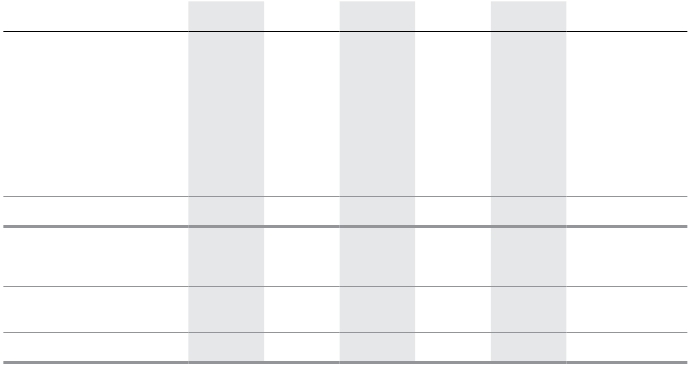
37,089,790

55,510,432

217,577

683,288

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

MUNICIPAL OFFICERS

COMBINED

CIVIC MUTUAL PLUS

FIDELITY GUARANTEE FUND

NOTE

2011

2010

2011

$

2010

$

2011

$

2010

$

4a CLAIMS EXPENSES

Paid

14,996,386

20,943,264

14,852,308

20,839,135

144,078

104,129

Outstanding claims at end of

11(a)

financial year

& 2(m)

93,722,689

89,855,465

93,722,689

89,747,465

-

108,000

Outstanding claims at

beginning of financial year

(89,855,465) (75,108,229) (89,747,465) (75,000,229)

(108,000)

(108,000)

TOTAL CLAIMS EXPENSES

18,863,610

35,690,500

18,827,532

35,586,371

36,078

104,129

4b ADMINISTRATION AND

GENERAL EXPENSES

The following items have been

recognised in the operating

surplus (deficit):

Stamp duty

Audit fees

Administration

Actuary and legal fees

1,524,058

120,850

1,975,717

125,672

1,418,973

82,714

1,940,987

147,198

1,524,058

144,100

1,961,822

120,756

1,418,973

78,214

1,917,260

142,577

-

6,750

13,895

4,916

-

4,500

23,727

4,621

Depreciation leasehold

improvements

19,722

21,670

19,722

21,670

-

-

Depreciation furniture and

equipment

Scheme management fee

TOTAL EXPENDITURE

11,846

3,218,834

6,996,699

3,252

3,149,026

6,763,820

11,846

3,099,488

6,851,792

3,252

3,038,748

6,620,694

-

119,346

144,907

-

110,278

143,126

5. AUDITORS REMUNERATION

Amounts payable or due and

payable for audit services:

Audit of the entity

Tax compliance

120,850

-

120,850

82,714

-

82,714

114,100

-

114,100

78,214

-

78,214

6,750

-

6,750

4,500

-

4,500

6. SCHEME MANAGEMENT

FEES

Included within administration

and general expenses are

management fees for:

Re-insurance placement

1,831,184

1,807,385

1,831,184

1,807,385

-

-

Risk management and

administrative services

1,387,650

1,341,641

1,268,304

1,231,363

119,346

110,278

Total administration

Claims management

4(b)

3,218,834

1,130,808

3,149,026

1,103,138

3,099,488

1,033,162

3,038,748

1,012,916

119,346

97,646

110,278

90,222

TOTAL SCHEME

MANAGEMENT FEES

4,349,642

4,252,164

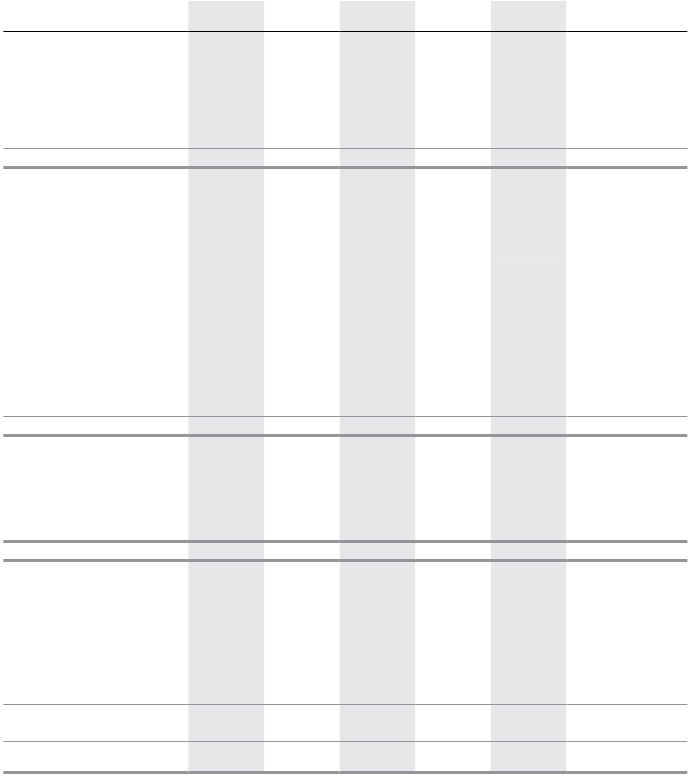
4,132,650

4,051,664

216,992

200,500

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

MUNICIPAL OFFICERS

COMBINED

CIVIC MUTUAL PLUS

FIDELITY GUARANTEE FUND

NOTE

2011

2010

2011

$

2010

$

2011

$

2010

$

7a PROPERTY, PLANT AND

EQUIPMENT

Leasehold improvements - at cost

Less accumulated depreciation

Furniture and equipment - at cost

Less accumulated depreciation

179,441

41,392

138,049

98,020

15,098

82,922

179,441

21,670

157,771

98,020

3,252

94,768

179,441

41,392

138,049

98,020

15,098

82,922

179,441

21,670

157,771

98,020

3,252

94,768

-

-

-

-

-

-

-

-

-

-

-

-

TOTAL PROPERTY, PLANT

AND EQUIPMENT

220,971

252,539

220,971

252,539

-

-

Reconciliations of the carrying

amounts of property, plant and

equipment at the beginning and

end of the financial year.

LEASEHOLD IMPROVEMENTS

Movements during the year

Beginning of year

Additions

Disposals

Depreciation

End of year

157,771

-

-

19,722

138,049

-

456,557

277,117

21,670

157,771

157,771

-

-

19,722

138,049

-

456,557

277,117

21,670

157,771

-

-

-

-

-

-

-

-

-

-

PROPERTY, PLANT AND

EQUIPMENT

Movements during the year

Beginning of year

Additions

Depreciation

End of year

94,768

-

11,846

82,922

-

98,020

3,252

94,768

94,768

-

11,846

82,922

-

98,020

3,252

94,768

-

-

-

-

-

-

-

-

7b INTANGIBLE ASSETS

Intangible assets - at cost

Less accumulated amortisation

57,578

-

57,578

-

-

-

57,578

-

57,578

-

-

-

-

-

-

-

-

-

INTANGIBLE ASSETS

Movements during the year

Beginning of year

Additions

Disposals

Amortisation

End of year

-

57,578

-

-

57,578

-

-

-

-

-

-

57,578

-

-

57,578

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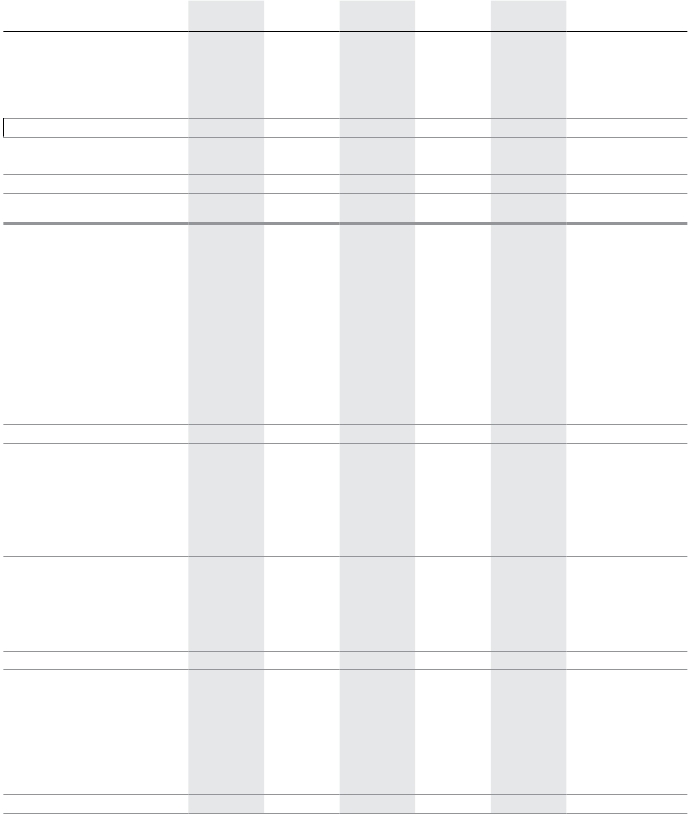
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

MUNICIPAL OFFICERS

COMBINED

CIVIC MUTUAL PLUS

FIDELITY GUARANTEE FUND

NOTE

2011

2010

2011

$

2010

$

2011

$

2010

$

8

NOTES TO THE CASH FLOW

STATEMENT

(a) Cash and cash equivalents at

balance date as shown in the

Statement of cash flows are held in

Standard and Poor rated AA and

AAf rated cash deposits and are

reconciled to the related items in

the balance sheet as follows:

Cash at Bank

Other Financial Assets

TOTAL CASH

4,869,312

27,531,304

32,400,616

7,846,854

19,008,617

26,855,471

4,460,869

27,531,304

31,992,173

7,833,114

18,527,627

26,360,741

408,443

-

408,443

494,730

-

494,730

(b) Reconciliation of net cash used in

operating activities to operating

surplus/(deficit

Surplus (deficit) for year

Depreciation and amortisation

(501,758)

31,567

(4,977,614)

24,922

(538,350)

31,567

(4,984,348)

24,922

36,592

-

6,734

-

Changes in assets and liabilities

(Increase)/decrease in trade

and other receivables

2(f)

(2,671,724) (21,444,721)

(2,672,543) (21,441,884)

819

(2,837)

Increase/(decrease) in trade

and other payables

684,254

207,795

699,952

188,519

(15,698)

19,276

(Increase) / decrease in provision for

reinsurance recoveries

2,591,273

14,026,164

2,591,273

14,026,164

-

-

Increase/(decrease) in

outstanding claims

2(m)

3,867,224

12,830,236

3,975,224

12,830,236

(108,000)

-

Increase/(decrease) in

premiums in advance

1,601,887

1,175,465

1,601,887

1,175,465

-

-

CASH FLOWS (USED IN)/

FROM OPERATIONS

5,602,723

1,842,247

5,689,010

1,819,074

(86,287)

23,173

9. RECEIVABLES

Future reinsurance and other

recoveries receivable

Discount to present value

Less : doubtful debts

Premiums receivable

Other receivables

TOTAL RECEIVABLES

2(p)

2(l)

77,377,654

(6,625,878)

70,751,776

-

20,884,676

2,067,790

93,704,242

80,531,587

(7,673,155)

72,858,432

-

18,310,798

2,454,560

93,623,790

77,377,654

(6,625,878)

70,751,776

-

20,884,676

2,061,846

93,698,298

80,531,587

(7,673,155)

72,858,432

-

18,310,798

2,447,797

93,617,027

-

-

-

-

-

5,944

5,944

-

-

-

-

-

6,763

6,763

Represented by:

CURRENT

NON-CURRENT

TOTAL

45,541,129

48,163,113

93,704,242

42,869,404

50,754,386

93,623,790

45,535,185

48,163,113

93,698,298

42,862,641

50,754,386

93,617,027

5,944

-

5,944

6,763

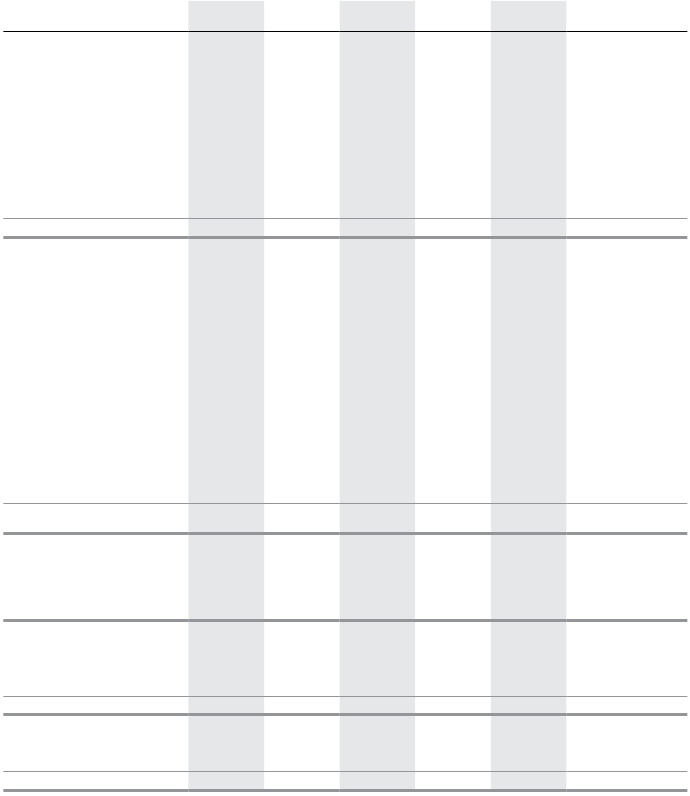
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6,763

Reinsurance recoveries are due from reinsurers with Standard and Poor ratings of AA+, AA-, A+ and A. Other recoveries are due from

unrated local authorities based in Victoria and Tasmania.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

The ageing analysis of premiums receivable and other receivables are as follows:

Total

<30 days

31-60 days

61-90 days

>90 days

2011

Combined

Civic Mutual Plus

Fidelity Fund

22,952,467

22,946,523

5,944

22,952,467

22,946,523

5,944

-

-

-

-

-

-

-

-

-

2010

Combined

Civic Mutual Plus

Fidelity Fund

20,765,358

20,758,595

6,763

20,765,358

20,758,595

6,763

-

-

-

-

-

-

-

-

-

All premiums receivable and other receivables are due from local authorities based in Victoria and Tasmania.

MUNICIPAL OFFICERS

COMBINED

CIVIC MUTUAL PLUS

FIDELITY GUARANTEE FUND

NOTE

2011

2010

2011

$

2010

$

2011

$

2010

$

10. PREMIUMS IN ADVANCE

Contributions billed in advance

2(l)

21,945,977

20,344,090

21,945,977

20,344,090

-

-

11aOUTSTANDING CLAIMS

Central Estimate

2(m)

95,767,965

92,621,866

95,767,965

92,531,866

-

90,000

Discount to present value

(10,045,276)

(9,919,401) (10,045,276)

(9,919,401)

-

-

85,722,689

82,702,465

85,722,689

82,612,465

-

90,000

Claims handling costs

3,344,000

3,276,000

3,344,000

3,276,000

-

-

Risk margin

11(b)

4,656,000

3,877,000

4,656,000

3,859,000

-

18,000

TOTAL OUTSTANDING CLAIMS

93,722,689

89,855,465

93,722,689

89,747,465

-

108,000

Comprising:

CURRENT

NON-CURRENT

TOTAL CLAIMS PROVISION

22,813,827

70,908,862

93,722,689

19,013,209

70,842,256

89,855,465

22,813,827

70,908,862

93,722,689

18,905,209

70,842,256

89,747,465

-

-

-

108,000

-

108,000

11bRisk margin - Process for determining risk margin

Based on two actuarial publications Taylor Fry Consulting Actuaries, the appointed actuary recommended that a risk margin of 20% of the

net liabilities be adopted to give a probability of about 75% that the provisions including the risk margins will prove adequate to meet the

relevant liabilities.

11c Combined reconciliation of movement in discounted outstanding claims liability

2011

2010

Gross

$

Reinsurance

$

Net

$

Gross

$

Reinsurance

$

Net

$

Outstanding claims brought forward

Changes in assumptions

89,855,465

14,616,145

72,858,432

18,802,366

16,997,033

(4,186,220)

75,108,229

21,747,228

63,112,806

16,134,132

11,995,423

5,613,096

Increase in claims incurred/recoveries

anticipated

3,178,224

(5,520,749)

8,698,973

12,826,227

9,745,626

3,080,601

Incurred claims recognised in

income statement

17,794,369

13,281,617

4,512,753

34,573,455

25,879,758

8,693,697

Claim payments/recoveries during

the year

(13,927,145) (15,388,273)

1,461,127 (19,826,219) (16,134,132)

(3,692,087)

Outstanding claims carried

forward

93,722,689

70,751,776

22,970,913

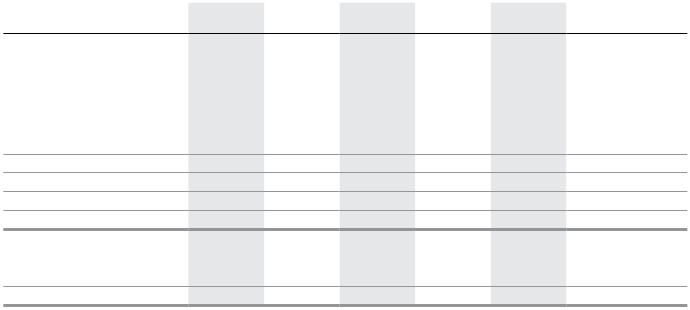
89,855,465

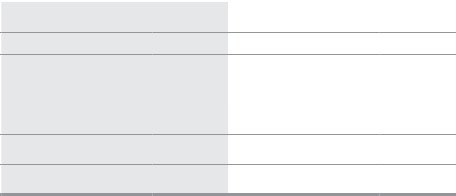
72,858,432

16,997,033

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

12. NET CLAIMS INCURRED

2011

2010

Current Year

$

Prior Year

$

Total

$

Current Year

$

Prior Year

$

Total

$

COMBINED

Gross claims and related expenses –

undiscounted

29,109,441 (10,119,956)

18,989,485

21,410,197

13,475,713

34,885,910

Discount

Gross claims and related

expenses – discounted

(3,652,090)

25,457,351

3,526,215

(6,593,741)

(125,875)

18,863,610

(3,117,422)

18,292,775

3,922,012

17,397,725

804,590

35,690,500

Reinsurance and other recoveries –

undiscounted

(15,202,668)

2,558,701 (12,643,667) (11,415,003) (25,749,748) (37,164,751)

Discount

710,813

(1,354,012)

(643,199)

991,035

10,288,422

11,279,457

Reinsurance and other

recoveries – discounted

(14,491,555)

1,204,689 (13,286,866) (10,423,968) (15,461,326) (25,885,294)

NET CLAIMS INCURRED

10,965,796

(5,389,053)

5,576,743

7,868,807

1,936,399

9,805,206

CIVIC MUTUAL PLUS

Gross claims and related

expenses – undiscounted

29,073,363 (10,119,956)

18,953,407

21,306,068

13,475,713

34,781,781

Discount

Gross claims and related

expenses – discounted

(3,652,090)

25,421,273

3,526,214

(6,593,742)

(125,876)

18,827,531

(3,117,422)

18,188,646

3,922,012

17,397,725

804,590

35,586,371

Reinsurance and other

recoveries – undiscounted

(15,197,118)

2,558,701 (12,638,417) (11,409,467) (25,749,748) (37,159,215)

Discount

710,813

(1,354,012)

(643,199)

991,035

10,288,422

11,279,457

Reinsurance and other

recoveries – discounted

(14,486,305)

1,204,689 (13,281,616) (10,418,432) (15,461,327) (25,879,758)

NET CLAIMS INCURRED

10,934,968

(5,389,053)

5,545,915

7,770,214

1,936,399

9,706,613

MUNICIPAL OFFICERS’

FIDELITY GUARANTEE FUND

Gross claims and related

expenses – undiscounted

36,078

-

36,078

104,129

-

104,129

Discount

-

-

-

Gross claims and related

expenses – discounted

36,078

-

36,078

104,129

-

104,129

Reinsurance and other

recoveries – undiscounted

Discount

(5,250)

-

-

-

(5,250)

-

(5,536)

-

-

-

(5,536)

-

Reinsurance and other

recoveries – discounted

NET CLAIMS INCURRED

(5,250)

30,828

-

-

(5,250)

30,828

(5,536)

98,593

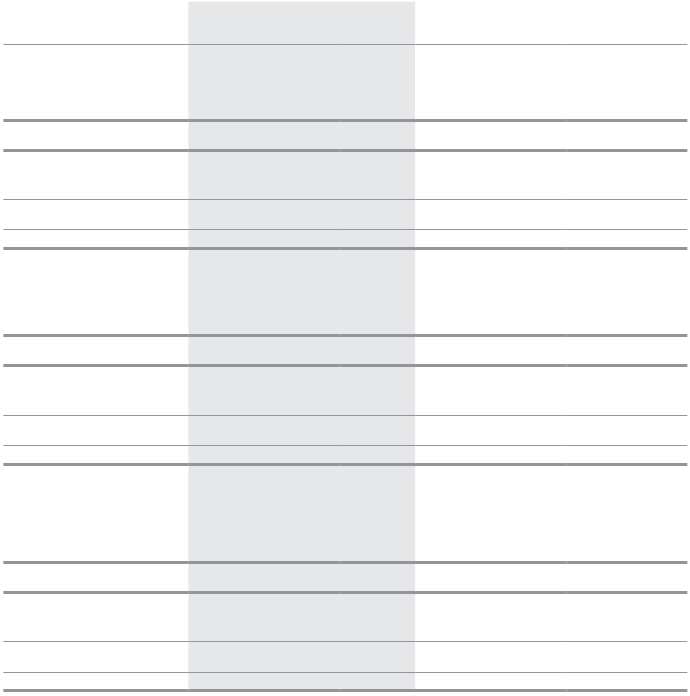
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-

(5,536)

98,593

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

13. CLAIMS DEVELOPMENT TABLE

Accident year

GROSS ESTIMATE OF ULTIMATE

2007

$

2008

$

2009

$

2010

$

2011

$

TOTAL

$

CLAIMS COST

CIVIC MUTUAL PLUS

At end year of accident

One year later

Two years later

12,918,950

10,750,452

12,452,238

11,438,398

14,574,373

15,754,621

33,095,464

41,692,816

32,781,490

20,293,152

22,682,968

28,063,635

Three years later

Four years later

Current estimate of cumulative claims

14,523,339

16,787,192

15,397,449

cost

16,787,192

15,397,449

32,781,490

22,682,968

28,063,635 115,712,734

Cumulative payments

(8,117,476)

(5,074,257) (10,511,687)

(1,536,068)

(605,635) (25,845,124)

Outstanding claims – undiscounted

8,669,716

10,323,192

22,269,803

21,146,900

27,458,000

89,867,610

Discount

Claims handling expense

2004 And prior

CIVIC MUTUAL PLUS

TOTAL GROSS

(12,687,411)

3,594,704

12,947,786

OUTSTANDING CLAIMS

MUNICIPAL OFFICERS’

FIDELITY GUARANTEE FUND

TOTAL GROSS

OUTSTANDING CLAIMS

COMBINED

GROSS OUTSTANDING

CLAIMS

NET ESTIMATE OF ULTIMATE

CLAIMS COST

11(a)

11(a)

11(c)

93,722,689

-

93,722,689

At end year of accident

One year later

Two years later

2,103,826

1,723,493

1,789,409

2,336,670

1,146,195

1,143,419

10,850,874

19,307,213

14,069,608

8,883,685

9,429,739

11,576,465

Three years later

Four years later

Current estimate of cumulative

697,816

191,023

291,537

claims cost

Cumulative payments

Outstanding claims - undiscounted

191,023

(472,958)

(281,935)

291,537

(1,331,367)

(1,039,830)

14,069,608

(6,210,469)

7,859,139

9,429,739

(733,166)

8,696,574

11,576,465

(478,156)

11,098,309

35,558,373

(9,226,116)

26,332,257

Discount

Claims handling expense

2004 And prior

CIVIC MUTUAL PLUS

TOTAL NET OUTSTANDING

CLAIMS

MUNICIPAL OFFICERS’

FIDELITY GUARANTEE FUND

TOTAL NET OUTSTANDING

CLAIMS

COMBINED

NET OUTSTANDING CLAIMS 11(c)

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(4,449,373)

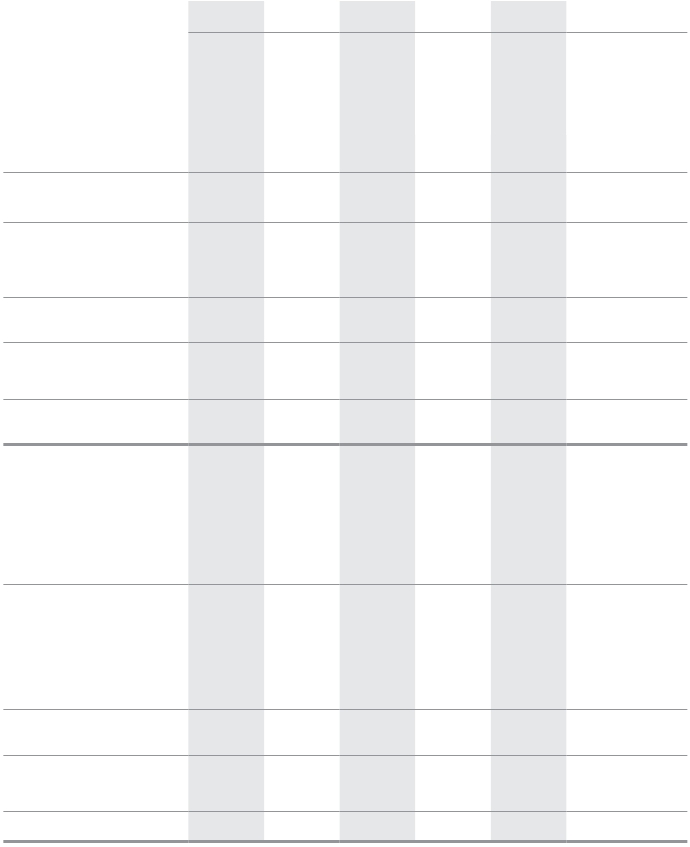
1,053,290

34,739

22,970,913

-

22,970,913



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

14. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group’s exposure to interest rate risk and the effective average interest rate for the classes of financial assets is set out below:

MUNICIPAL OFFICERS

COMBINED

Non-

Interest

Earning

Floating

Interest

Rate

CIVIC MUTUAL PLUS

Non- Floating

Interest Interest

Earning Rate

FIDELITY GUARANTEE FUND

Non – Floating

Interest Interest

Earning Rate

$

$

$

$

$

$

2011

FINANCIAL ASSETS

Cash at bank

Other financial assets

Receivables

TOTAL FINANCIAL ASSETS

-

-

93,704,242

93,704,242

4,869,312

27,531,304

-

32,400,616

-

-

93,698,298

93,698,298

4,460,869

27,531,304

-

31,992,173

-

-

5,944

5,944

408,443

-

-

408,443

Weighted average interest rate

6.1%

6.1%

4.9%

FINANCIAL LIABILITIES

Outstanding claims

93,722,689

-

93,722,689

-

-

-

Unearned premiums/

subscriptions

Accounts payable

21,945,977

3,059,581

-

-

21,945,977

3,052,521

-

-

-

7,060

-

-

TOTAL FINANCIAL LIABILITIES

Weighted average interest rate

118,728,247

- 118,721,187

0%

-

0%

7,060

-

0%

2010

FINANCIAL ASSETS

Cash at bank

Other financial assets

-

-

8,327,844

18,527,627

7,833,114

18,527,627

-

-

494,730

-

Receivables

TOTAL FINANCIAL ASSETS

93,623,790

93,623,790

-

26,855,471

93,617,027

93,617,027

-

26,360,741

6,763

6,763

-

494,730

Weighted average interest rate

3.9%

3.9%

3.84%

FINANCIAL LIABILITIES

Outstanding claims

89,855,465

-

89,747,465

-

108,000

-

Unearned premiums/

subscriptions

Accounts payable

20,344,090

2,170,921

-

-

20,344,090

2,148,163

-

-

-

22,758

-

-

TOTAL FINANCIAL LIABILITIES

Weighted average interest rate

112,370,476

- 112,239,718

0%

-

0%

130,758

-

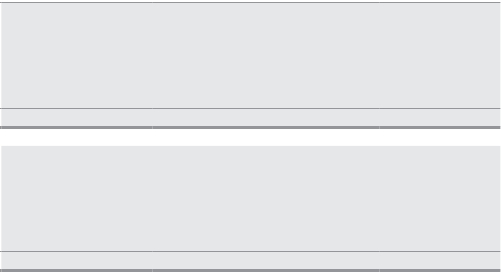
0%

Cash at bank and other financial asserts are considered level 1 financial assets in accordance with AASB7. The carrying amounts of financial

assets and financial liabilities represent their approximate net fair value.

All maturity dates are within twelve months.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

14. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised

financial assets and liabilities as at 30 June 2011. Cash flows for financial assets and liabilities without fixed amounts or timing are based on

conditions existing at 30 June 2011

The remaining contractual maturities of the financial liabilities are:

MUNICIPAL OFFICERS

COMBINED

CIVIC MUTUAL PLUS

FIDELITY GUARANTEE FUND

2011

2010

2011

$

2010

$

2011

$

2010

$

3 months or less

3-12 months

1-5 years

Over 5 years

14,225,703

34,289,066

62,835,436

17,423,333

27,647,052

29,743,658

53,308,245

11,795,329

14,218,643

34,289,066

62,835,436

17,423,333

27,516,294

29,743,658

53,308,245

11,795,329

7,060

-

-

-

130,759

-

-

-

128,773,538 122,494,284 128,766,478 122,363,526

7,060

130,759

Maturity analysis of financial assets and liabilities based on management’s expectation.

The risk implied from the values in the table below, reflects a balanced view of cash inflows and outflows. These liabilities originate from

insurance contracts and other financial assets used in the ongoing operations of the business. These assets are considered in the Association’s

overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable effective controlling of future risks, the Association

has established a comprehensive risk reporting covering its insurance business that reflects the expectations of the management of expected

settlement of financial assets and liabilities.

Year ended 30 June 2011

<3 months 3-12 months

1-5 years

>5years

TOTAL

$

$

$

$

$

COMBINED

FINANCIAL ASSETS

Cash and cash equivalents

32,400,616

-

-

-

32,400,616

Receivables

31,256,908

63,657,524

14,719,292

14,719,292

43,361,142

43,361,142

10,992,778 100,330,120

10,992,778 132,730,736

COMBINED

FINANCIAL LIABILITIES

Outstanding claims

5,877,303

17,631,908

62,835,436

17,423,333 103,767,980

Unearned premiums/

subscriptions

Accounts payable

5,486,494

2,861,906

16,459,483

197,675

-

-

-

-

21,945,977

3,059,581

TOTAL FINANCIAL LIABILITIES

14,225,703

34,289,066

62,835,436

17,423,333 128,773,538

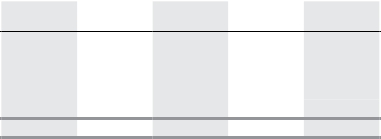
NET MATURITY

49,431,821 (19,569,774 (19,474,294)

(6,430,555)

3,957,198

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

14. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

Risk management objectives and policies for mitigating insurance risk

The local government mutual liability scheme (trading as Civic Mutual Plus) is established by legislation contained in the *Municipal Association Act*

*1907*. Membership is available to local government councils and prescribed bodies. The Scheme operates in Victoria and Tasmania to provide

services to members in respect of their potential and actual liabilities. A member may seek indemnity from the Scheme in respect of a claim.

Actuarial models, using information from the Scheme’s management information systems are used to confirm contributions and monitor claim

patterns. Past experience and statistical methods are used as part of the process.

The principal risk is that the frequency and severity of claims is greater than expected. Civil liability risk events are, by their nature, random, and

the actual number and size of events during any one-year may vary from those estimated using established statistical techniques.

Objectives in managing risk arising from insurance and policies for mitigating those risks

The Scheme has an objective to control insurance risk thereby reducing the volatility of its operating surplus. In addition to the inherent

uncertainty of civil liability risks, which can lead to variability in the loss experience, operating surpluses can also be affected by external factors,

such as competition and movements in asset values.

The Scheme relies on a strong relationship with its members and actively encourages them to adopt practices of risk management that reduce

the incidence of claims to the Scheme.

Reinsurance strategy

The Scheme adopts a conservative approach towards management of risk and does this by utilising various risk transfer options. The MAV

Insurance Committee determines the level of risk, which is appropriate for the Scheme having regards to ordinary concepts of prudence

and regulatory constraints. The risk transfer arrangements adopted by the Scheme include the utilisation of commercial reinsurance / excess

arrangements. These arrangements include constant review of both reinsurers’ financial strength, and ensuring spread of risk among reinsurers

who meet the requirements of the Association’s corporate policies. These risk transfer arrangements assist the Scheme to limit exposures to

large single claims and catastrophic events. These programs are regularly reviewed each year to ensure that they continue to meet the risk

needs of the Scheme.

Terms and conditions of membership

Membership to the Scheme is offered to eligible bodies and renewed annually on 30 June. Payment of the annual contribution confirms

continuation of membership. Termination of membership is subject to at least 90 days written notice of intention as laid out by the Scheme Rules.

Product features

The Scheme operates in Victoria and Tasmania. Should a claim be accepted the Scheme provides indemnity to the member in respect of

their civil liabilities for $500 million public / products liability ($600 million for water authorities and $300 million for professional indemnity

insurance, subject to any excess, for any claim incurred anywhere throughout the world.

Operating surpluses arise from the total contributions charged to members less the amounts paid to cover claims and the expenses incurred by

the Scheme.

Management of risks

The key insurance risks that affect the Scheme are contribution risk, and claims experience risk.

Contribution risk is the risk that the Scheme does not charge contributions appropriate for the indemnity cover it provides. The Scheme partially

manages contribution risk through its proactive approach to risk management that addresses all material risks both financial and non-financial.

There are no specific terms and conditions that are expected to have a material impact on the financial statements.

Claims experience risk is managed through the non-financial risk assessment and risk management and reinsurance management process.

Claims experience is monitored on an ongoing basis to ensure that any adverse trending is addressed. The Scheme is able to reduce the

claims experience risk of severe losses through the reinsurance program, and by managing the concentration of insurance risks.

Concentration of insurance risks

Insurance risk is managed by taking a long term approach to setting the annual contribution rates that eliminates price fluctuations,

appropriate investment strategy, reinsurance and by maintaining an active state-wide risk management profile. It is vital that the Scheme

spreads its risk of reinsurance failure by ensuring reinsurers are of high financial quality and can meet their commitments to the Association.

The Association maintains policies and strategies and receives advice from an independent actuary on at least an annual basis in order to

determine the concentration and amount of risk exposure. The Association keeps abreast of changes in the general economic, legal and

commercial environment in which it operates.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

14. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

CREDIT RATING

AAA

+/-

$m

AA

+/-

$m

A

+/-

$m

BBB

$m

Speculative

Grade

$m

Not

Rated

$m

TOTAL

Reinsurance and other recoveries on

outstanding claims

2011

2010

-

-

0.467

2.433

27.057

25.886

-

-

-

-

0.537

0.664

28.061

28.983

Reinsurance and other recoveries on

paid claims

2011

2010

-

-

0.038

0.092

3.408

4.661

-

-

-

-

0.743

0.795

4.189

5.548

PAST DUE BUT NOT IMPAIRED

Neither

past

due nor Less than

impaired 3 months

3 to 6 6 months

months to 1 year

Greater

than

1 year Impaired

TOTAL

$m

$m

$m

$m

$m

$m

Reinsurance and other recoveries on

paid claims

2011

2010

-

-

2.632

4.692

0.678

0.006

0.139

0.030

0.014

0.054

0.726

.765

4.189

5.547

Interest rate risk

The reinsurance indemnity contracts contain no clauses that expose the Scheme, directly to interest rate risk. The reinsurance contracts are long

term arrangements, reviewed and payable annually.

Variable

Current rate

%

Operating

Change surplus at 30

variable to June 2011

% $

Total

accumulated

funds after

the impact

of applying

variable

$

IMPACT OF CHANGES IN INTEREST RATES

CIVIC MUTUAL PLUS

Base value at 30 June 2011

Interest rate pa

5%

6%

4%

(538,348)

249,112

(1,370,581)

7,247,835

8,035,295

6,415,602

Credit risk

The Scheme is exposed to credit risk on insurance contracts as a result of exposure to reinsurers. The credit risk to reinsurers is managed

through the Scheme’s reinsurance management strategy and policies that includes regularly monitoring both the financial rating of the

reinsurers both prior to and during the reinsurance program and the flow of payments coming from the reinsurers. Investments in cash and

cash equivalents at balance date as shown in the Statement of Cash Flows are held in Standard and Poors rated AA and AAf rated cash

deposits.

Price risk

Investments held are not subject to price risk. Investments are cash at bank and fixed interest funds.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

15. ACCOUNTING ESTIMATES AND JUDGEMENTS

The Scheme makes estimates and judgements in respect of certain key assets and liabilities. Estimates and judgements are continually reviewed

and are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the

circumstances. The key areas in which critical estimates and judgements are applied are described below.

(a) Estimation of outstanding claims liability

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of

claims incurred but not yet reported (‘IBNR’) to the Scheme.

The Scheme takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the

uncertainty in establishing claims provisions, it is likely that the final outcome may be different from the original liability established.

Provisions are calculated gross of all recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers and any

third party.

The determination of an appropriate outstanding claims provision involves:

(i) Establishing a case estimate for each reported claim at year-end taking into account legal advice where appropriate on larger claims;

(ii) Allowance for incurred but not reported claims as confirmed by the actuarial review on 30 June 2011;

(iii) An allowance of 4% for claim settlement expenses, as assumed by the Actuary;

(iv) Allowances for claim inflation of 4%, as assumed by the Actuary;

(v) Allowances for discount at 5%, as assumed by the Actuary;

(vi) A risk margin of 20% of net outstanding claims after the effect of reinsurance has been applied, as assumed by the Actuary.

Details of specific actuarial assumptions used in deriving the outstanding claims liability at year-end are detailed in note 16.

(b) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts were estimated for each fund year, from the payments to date and estimated outstanding claims

history at 30 June 2011, taking into account the reinsurance terms applying to that fund year.

In accordance with the actuarial recommendations an allowance was made for non-recoveries from relevant insurers.

16. ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial assumptions

The following assumptions have been made in determining the outstanding claims liabilities:

KEY ACTUARIAL ASSUMPTIONS

2011

%

2010

%

Wage inflation

Claim administration expense

Discount rate

Reinsurer default

Risk margin

4%

4%

5%

1%

20%

3.25%

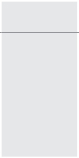
4%

4.75%

1%

20%

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

16. ACTUARIAL ASSUMPTIONS AND METHODS (continued)

Process used to determine actuarial assumptions

A description of the processes used to determine the above key actuarial assumptions is provided below:

Civic Mutual Plus has provided public and professional indemnity insurance to local government bodies in Victoria and Tasmania and other

bodies constituted under any Act for any public or local governing purpose since 30 September1993. The actuary was supplied with details

of all transactions (payments, recoveries, changes of estimates) from 30 September 1993 to 30 June 2011. The individual claim payments

and case estimates reconciled closely with totals in Civic Mutual Plus’s financial statements for each year of cover. The actuary subdivided

the claims data into three claim types (public liability, professional indemnity and the 2009 bushfire claims) and made separate estimates of

the gross outstanding claims liabilities for each of these claim types. The actuary estimated the gross outstanding claims liabilities for each

claim type using five different actuarial methods. Large claims (claims above $250,000) were estimated based on a numbers times average

size method and non-large claims were estimated using four different actuarial methods- payments per claim incurred, payments per claim

finalised, incurred cost development and projection of case estimates. The actuary selected a combination of these methods for estimating the

outstanding claims. Payments were projected with a payment pattern, based on past experience. Estimates of outstanding excesses were based

on a numbers times average size method and estimates of non reinsurance recoveries were made by a recoveries per claim method.

Estimates of reinsurance recoveries were made from projected gross payments, excesses and non reinsurance recoveries, allowing for the

different insurance treaties applying to each year. Based on Access Economics June 2011 forecasts for Victorian average weekly claims

inflation was assumed to be 4%. The discount rate was assumed to be 5% pa., derived from the yields on Commonwealth government bonds.

Based on the actual expense rates of Civic Mutual Plus, claim administration expenses were assumed to be 4% of the net claim payments.

Based on two actuarial publications the actuary recommended that a risk margin of 20% of the net liabilities be adopted to give a probability

of about 75% that the provisions including the risk margins will prove adequate to meet the relevant liabilities.

VARIABLE

Wage inflation

Discount rate

Case estimate development

IMPACT OF MOVEMENT IN VARIABLE

Expected future payments are inflated to take account of inflationary increases. An increase or

decrease in the assumed levels of economic inflation would have a corresponding impact on claims

expense, with particular reference to longer tail claims.

The outstanding claims liability is calculated by reference to expected future payments. These

payments are discounted to adjust for the time value of money. An increase or decrease in the

assumed discount rate will have an opposing impact on total claims expense.

Case estimates are initially established in accordance with established guidelines and by reference

to the known facts. Where new information becomes available the initial case estimate will change.

This development movement is applied to open claims and will have a corresponding impact on

claims expense.

Variable

Current rate

%

Operating

Change surplus at 30

variable to June 2011

% $

Total

accumulated

funds after

the impact

of applying

variable

$

IMPACT OF CHANGES IN INTEREST RATES

CIVIC MUTUAL PLUS

Base value at 30 June 2011

Interest rate pa

4%

5%

3%

(538,348)

(2,480,884)

1,337,046

7,247,835

5,305,299

9,123,229

17. CAPITAL MANAGEMENT OBJECTIVES

The Association is specifically excluded from the provisions of the Insurance Act and from APRA regulation. There is no externally imposed capital

requirement on the Association. The Association’s capital management philosophy is focused on capital efficiency and effective risk management to

support a progressive business model for the benefit of members of both CMP and the Municipal Officers’ Fidelity Guarantee Fund.

The independent actuary provides advice on the target capital holding on at least an annual basis. The target capital holding is to be at a level

that provides operational flexibility, avoids sudden increases in contribution levels in response to fluctuations in surplus and ensures solvency in

the event of the maximum likely adverse event. Both CMP and the Municipal Officers’ Fidelity Guarantee Fund are non discretionary mutual

funds and have as a last resort an ability to claim against its members to protect its capital holdings.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

18. REINSURANCE PERFORMANCE BONUS

CMP, in conjunction with similar local government self insured mutual liability schemes around Australia has entered into a profit sharing

arrangement with its primary reinsurers, based on the national local government claims experience. The arrangement enables any surplus

per each year over the five-year period of the reinsurance arrangement to be shared between the various Schemes and the reinsurers on a

proportional basis. Performance bonus totalling $1.66 million became due and receivable on 30 June 2011 and has been received at the

date of this report.

19. CONTINGENT LIABILITY

During the normal course of business, the Scheme may be exposed to contingent liabilities from litigation arising from its insurance and

reinsurance activities, which if they should crystallise may adversely affect the financial position and performance of MAV. Provisions are made

for obligations that are probable and able to be quantified.

The MAV provides public liability and professional indemnity insurance to the City of Casey, and during the year MAV was joined by the City of

Casey in a legal action after MAV did not grant indemnity to the City of Casey under the contract of insurance in relation to claims concerning

the escape and migration of landfill gas from a City of Casey landfill. The legal action is a class action commenced by nearby residents. In the

legal action the City of Casey is seeking to recover from MAV and various other defendants $13.5 million paid by the City of Casey to settle

the residents’ claims and remediation costs alleged to exceed $100 million.

The MAV denies that it is on risk and consequently no provision for this claim, other than for legal and other costs has been brought to

account. The MAV is vigorously defending this claim and will continue to assess its legal position.

20. MUNICIPAL OFFICERS’ FIDELITY GUARANTEE SCHEME – CHANGE OF BUSINESS

On 1 July 2010 the Municipal Officers’ Fidelity Guarantee Scheme ceased to write insurance business on its own account. From this date the

Scheme facilitated insurance for its members via a policy issued by Zurich Insurance Australia. The Scheme undertook this change in business

due to the inability of the Scheme to offer the broad terms and conditions currently available in the market. This is due to the restrictions placed

on the Scheme by the provisions of the *Municipal Association Act 1907*.

The Scheme was liable for any claims made against it up to 31 December 2010 for events occurring prior to 1st July 2010. From 1 January

2011 the Scheme is not on risk for any insurance claim that might be made against it.

21. RELATED PARTIES

The Municipal Association of Victoria is a body corporate established under the *Municipal Association Act of 1907* to provide services for and

represent local government authorities in Victoria. The Association and its wholly owned controlled entities trade with its members in the normal

course of business and on an arm’s length basis. The Deed of Establishment provides for the MAV to appoint a Committee of Management

(MAVIC) to be responsible for the administration of the Scheme. There were no material related party transactions during the year. Total

expenses of $889,954 (2010 $855,725) were payable to the Municipal Association of Victoria being payment for administrative support, and

overseeing the management of the insurance activities, including the conduct of bi-monthly committee meetings. Other than this there were no

material related party transactions during the year.

Committee Members During The Year

J. Warburton (Independent Chairperson)

A. Murphy (OAM) (Independent)

Cr W. McArthur ( MAV President)

A. Garcia (LGAT Representative)

R. Farrell (Independent)

M. Guilmartin (Independent)

Dr. M. Kennedy (OAM) (CEO, Mornington Peninsula Shire Council)

R. Spence (MAV - Chief Executive Officer)

Cr R. Fyffe (MAV Representative)

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

21. RELATED PARTIES (continued)

Key management personnel remuneration

MUNICIPAL OFFICERS

COMBINED

CIVIC MUTUAL PLUS

FIDELITY GUARANTEE FUND

2011

2010

2011

$

2010

$

2011

$

2010

$

Independent committee members

receive meeting fees. Chairperson

receives $850 per committee

meeting and other independent

committee members receive

$600 per committee meeting plus

$1,133 per annum for claims and

technical committee and other

meetings.

Short term remuneration of key

management personnel

Post employment benefits

243,914

12,782

203,083

12,409

243,914

12,782

203,083

12,409

-

-

-

-

Loans to Committee Members

No loans were made to or are payable by committee members.

Other Transactions

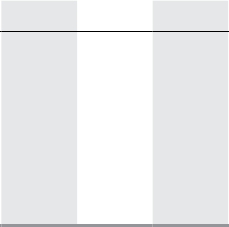
There were no other material transactions with committee members.

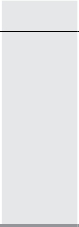
Insurance

The activities of the MAV Insurance Committee members are covered by the MAV directors and officers indemnity insurance policy effected by

the Municipal Association of Victoria.

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Statement by committee of management

In accordance with a resolution of the MAV Insurance Committee, we state that:

In the opinion of the members of the MAV Insurance Committee:

(a) the financial statements and notes of the combined entity are drawn up so as to present fairly in all material respects the results of Civic

Mutual Plus and the Municipal Officers’ Fidelity Guarantee Fund for the year ended 30 June 2011;

(b) the accompanying Balance Sheet is drawn up so as to present fairly in all material respects the state of affairs of Civic Mutual Plus and the

Municipal Officers’ Fidelity Guarantee Fund as at that date;

(c) at the date of this statement there are reasonable grounds to believe that Civic Mutual Plus and the Municipal Officers’ Fidelity Guarantee

Fund will be able to pay its debts as and when they fall due;

(d) the financial statements and notes also comply with the International Financial Reporting Standards as disclosed in note 2 (b); and

The financial statements have been made out in accordance with applicable accounting standards and other mandatory professional reporting

requirements.

On behalf of the MAV Insurance Committee

John Warburton

MAV Insurance Committee Chairman

Robert Spence

MAV Chief Executive Officer

Melbourne

7 October 2011

Statement by directors

In accordance with a resolution of the directors of the Municipal Association of Victoria, we state that:

In the opinion of the Directors:

(a) the accompanying Income Statement is drawn up so as to present fairly in all material respects the results of Civic Mutual Plus and the

Municipal Officers’ Fidelity Guarantee Fund for the year ended 30 June 2011;

(b) the accompanying Balance Sheet is drawn up so as to present fairly in all material respects the state of affairs of Civic Mutual Plus and the

Municipal Officers’ Fidelity Guarantee Fund as at that date;

(c) at the date of this statement there are reasonable grounds to believe that Civic Mutual Plus and the Municipal Officers’ Fidelity Guarantee

Fund will be able to pay its debts as and when they fall due;

(d) the financial statements and notes also comply with the International Financial Reporting Standards as disclosed in note 2 (b); and

The financial statements have been made out in accordance with applicable accounting standards and other mandatory professional reporting

requirements.

Signed in accordance with the resolution of Directors.

Cr. William McArthur

President

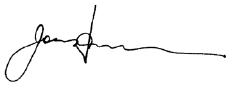
Cr. Rod Fyffe

Director

Melbourne

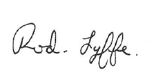
7 October 2011

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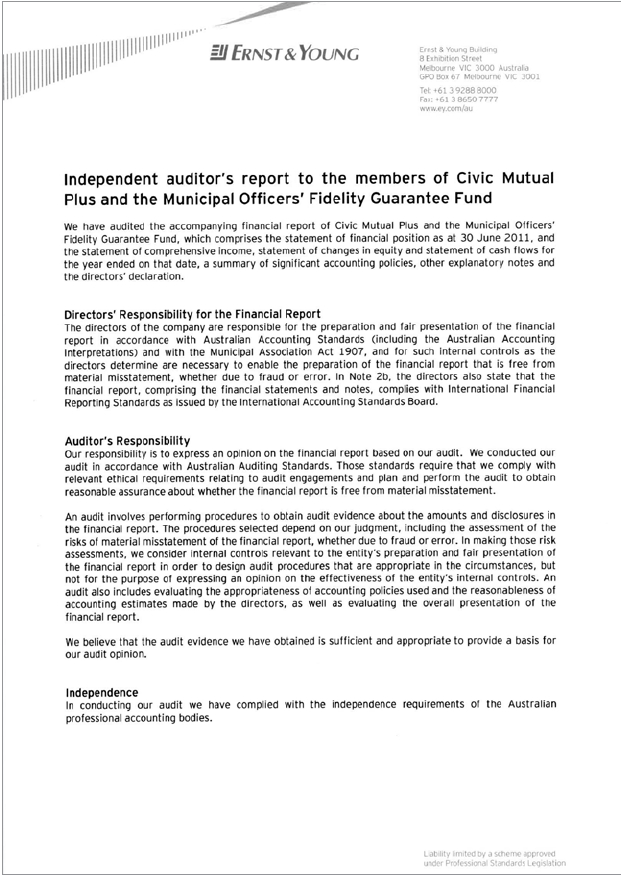




Combined financial reports -

independent audit report

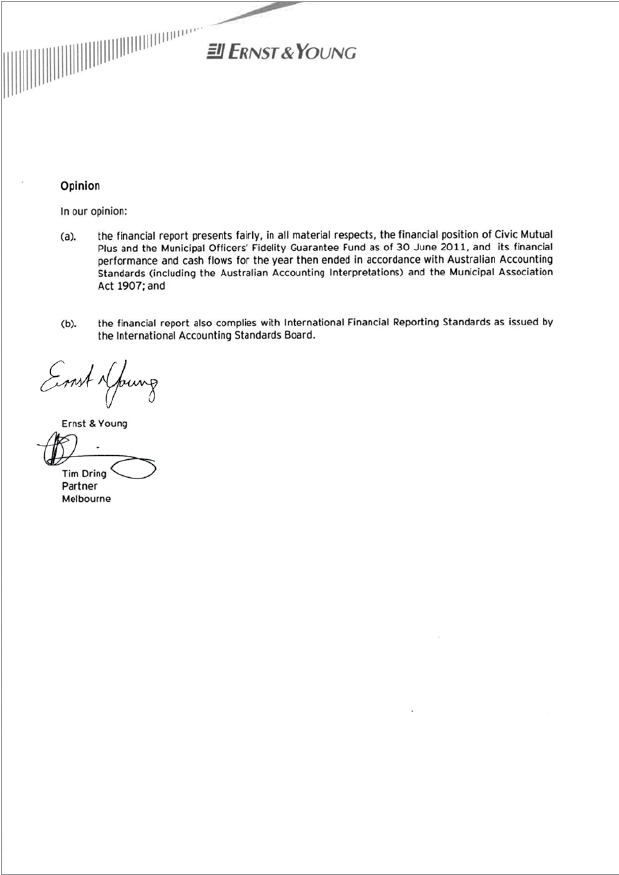
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Combined financial reports -

independent audit report

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Other information

Legal Form

MAV Insurance is the insurance division of the Municipal Association of Victoria. The Municipal Association of Victoria is an Association

Incorporated by the *Municipal Association of Victoria Act 1907*

Domicile:

Melbourne, Australia

Address of registered office

Level 12, 60 Collins Street, Melbourne, 3000, Victoria, Australia

Principal place of business

Level 11, 60 Collins Street, Melbourne, 3000, Australia

Nature of the operation and principal activities:

The Municipal Association of Victoria has the power provided to it by the *Municipal Association of Victoria Act 1907* to establish Civic Mutual

Plus and the Municipal Officers’ Fidelity Guarantee Fund in order to provide public liability, professional indemnity and fidelity insurance to

local government and water authorities.

Employees

Nil

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