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**MUNICIPAL ASSOCIATION OF VICTORIA**

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4 October 2021

Mr Kelvin Tori  
Chief Executive Officer  
Melton City Council  
PO Box 21  
Melton VIC 3337

Dear Kelvin,

**RE: MAV WorkCare Scheme payment liability**

I am writing about the associated financial liability following the cessation of operations of the MAV WorkCare Scheme (the Scheme).

As you would be aware, as of 30 June 2021, WorkSafe's valuation estimated that the scheme members' unpaid claims were \$74.076 million. The MAV has now received an invoice from WorkSafe Victoria that has confirmed that full payment is due to them on 12 November 2021. The initial payment of \$59.260 million will be made by the MAV on behalf of Scheme members on 11 October 2021. The MAV has funds to meet this payment.

The MAV Board recognised the significant financial effects of the WorkSafe decision on scheme members and determined at its 1 October 2021 meeting that the MAV will contribute \$1.26m to the deficiency of the WorkCare scheme, which reduces the amount required to be contributed by members.

As previously advised, the anticipated ongoing costs for the six-year liability period are a further \$1.835 million (excluding any change in claim valuations at years three and six). This is predominantly the cost of the bank guarantee, annual actuarial valuations and end of year audits. It is intended that this cost will be collected in annual instalments, as required to meet the cash flows of the WorkCare scheme.



**Status of our advocacy**

Following our meeting of 10 September 2021, the MAV has continued advocacy with the Victorian Government and WorkSafe to

- achieve the removal of the requirement for the MAV to hold a bank guarantee for the six-year liability period, and
- our request to WorkSafe for an extension of the final payment until July 2022 to allow the call amount to be included in members' statutory budget processes.

Unfortunately, no response from Government or WorkSafe has been received as at today's date. As such, the MAV is required to collect the funds required to meet the financial shortfall of the scheme to provide payment to WorkSafe on 12 November 2021.

This means that the MAV will need to collect \$17.93m, of which \$16.095m is proposed to be collected by 31 October 2021 and the balance in instalments over the next six years.

**Methodology and quantum of member allocations**

In line with advice from the MAV's actuary, and as previously advised to members, the shortfall in funding will be allocated between members based on their share of the unpaid claims' costs.

The allocation methodology will use the estimates of unpaid, open claims ("case estimates") and member premiums to estimate each member's share of the financial shortfall. The fact sheet appended to this document sets out in more detail the methodology used to calculate each member's share.

The assessed contribution of your organisation is \$565,900 of which \$509,900 is due during October 2021 as outlined in the invoice attached.

**Next steps**

We want to assure you we will continue to:

- pursue actions that could mitigate liability for our members,
- call for the deferral, or waiving, of the bank guarantee, and
- request that the timeline for the final payment to WorkSafe be delayed enabling a better alignment with your council's budget cycles.

This is a long-term journey and even with this initial payment, we appreciate that the ceased self-insurer provisions require additional funds in the event that claims costs increase over the next six years.

To assist you further, we will be shortly providing a member profile of the outstanding claims within the scheme as of 30 June 2021 and the potential claims that may worsen the claims liabilities of the scheme in the six-year liability period.

It is our intention that this information will be used by your staff to manage the outstanding claims from the scheme closely and to ensure your current agents are proactively and closely monitoring the progress of these claims.

We have enclosed your invoice and should our deferral request to WorkSafe be rejected it will be required to be paid to the MAV by 31 October 2021. A copy of the invoice will also be sent directly to your finance section.

If you have any further questions, please contact Owen Harvey-Beavis, General Manager, MAV Insurance, via [oharvey-beavis@mav.asn.au](mailto:oharvey-beavis@mav.asn.au) or call 9667 5584.

Warm regards,



Kerry Thompson  
Chief Executive Officer