

**MOTOR VEHICLE ACCIDENT CLAIMS FUND**  
**(Established under the Motor Vehicle Accident Claims Act)**  
**FINANCIAL STATEMENTS**

**MARCH 31, 2020**

**MOTOR VEHICLE ACCIDENT CLAIMS FUND**  
**(Established under the Motor Vehicle Accident Claims Act)**

**MARCH 31, 2020**  
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Services Branch

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November 3, 2020

## Motor Vehicle Accident Claims Fund Management Responsibility for Financial Information

Management is responsible for the financial statements and all other information presented in the financial statements. Management, in accordance with Canadian public sector accounting standards, has prepared the financial statements and, where appropriate, included amounts based on Management's best estimates and judgements.

Management agrees with the specialists' work in evaluating the Unpaid Claims amount and has adequately considered the specialists' qualifications in determining amounts and disclosures used in the notes to financial statements. Management did not give any, nor cause any, instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the specialists' independence of objectivity.

The Motor Vehicle Accident Claims Fund is dedicated to the highest standards of integrity in provision of its services. Management has developed and maintains financial controls, information systems, and practices to provide reasonable assurances that the financial information is reliable and that the assets were safeguarded.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Auditor's report outlines the scope of the Auditor's examination and report.



Daryl Carre, CRM  
Director, Risk Management  
and Insurance Services Branch



Alec Chan CPA-CMA, MBA  
Finance Team Lead  
Motor Vehicle Accident Claims Fund



## Independent Auditor's Report

To the Motor Vehicle Accident Claims Fund

### Opinion

I have audited the financial statements of the Motor Vehicle Accident Claims Fund (MVACF), which comprise the statement of financial position as at March 31, 2020, and the statements of operations and MVACF deficit, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of MVACF as at March 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of MVACF in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the MVACF's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless MVACF either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing MVACF's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MVACF's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on MVACF's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause MVACF to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Toronto, Ontario  
November 3, 2020



Bonnie Lysyk, MBA, FCPA, FCA, LPA  
Auditor General

**MOTOR VEHICLE ACCIDENT CLAIMS FUND**  
**(Established under the Motor Vehicle Accident Claims Act)**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31**

	2020	2019
<b>ASSETS</b>		
<b>Current</b>		
Funds on deposit with the Ministry of Finance	\$ 67,696,219	\$ 57,989,081
Accounts receivable - driver's licence fees (note 3b)	367,551	708,021
<hr/>		
Accounts receivable - debtors (note 3c)	44,650,585	45,341,198
Less: allowance for doubtful accounts	34,511,563	33,566,902
<hr/>		
	10,139,022	11,774,296
<hr/>		
<b>Total current assets</b>	<b>78,202,792</b>	<b>70,471,398</b>
Capital assets (note 4)	1,519,694	553,975
Less: accumulated amortization	568,608	553,975
<hr/>		
	951,086	-
<hr/>		
<b>Total assets</b>	<b>\$ 79,153,878</b>	<b>\$ 70,471,398</b>
<hr/>		
<b>LIABILITIES AND MVACF ACCUMULATED DEFICIT</b>		
<b>Current</b>		
Accounts payable and accrued expenses	\$ 3,774,264	\$ 2,250,234
Unpaid claims and adjustment expenses - current (note 5)	28,054,115	30,826,142
<hr/>		
<b>Total current liabilities</b>	<b>31,828,379</b>	<b>33,076,376</b>
Employee future benefits obligation (note 3g)	444,677	431,826
Deferred revenue	80,356,886	77,081,979
Unpaid claims and adjustment expenses - long term (note 5)	109,449,060	119,289,615
<hr/>		
<b>Total liabilities</b>	<b>222,079,002</b>	<b>229,879,796</b>
MVACF accumulated deficit	(142,925,124)	(159,408,398)
<hr/>		
<b>Total liabilities net of MVACF accumulated deficit</b>	<b>\$ 79,153,878</b>	<b>\$ 70,471,398</b>
<hr/>		

See accompanying notes.

**APPROVED:** November 3, 2020



Jim Cassimatis  
Assistant Deputy Minister, Enterprise Business Services Division  
Ontario Shared Services, MGCS

**MOTOR VEHICLE ACCIDENT CLAIMS FUND**  
**(Established under the Motor Vehicle Accident Claims Act)**  
**STATEMENT OF OPERATIONS AND MVACF DEFICIT**  
**FOR THE YEAR ENDED MARCH 31**

	<b>2020</b>	<b>2019</b>
<b>REVENUE</b>		
Fees on issue or renewal of driver's licences	\$ 31,754,868	\$ 31,005,714
Prior year recoveries	2,636,457	5,748,269
Other revenue	1,359	3,088
<b>Total revenue</b>	<b>34,392,684</b>	<b>36,757,071</b>
<b>EXPENSES</b>		
Change in net unpaid claims and adjustment expenses	(12,612,582)	1,698,948
Accident benefit claims payments	16,015,562	14,899,063
<b>Administrative expenses</b>		
Salaries and wages	2,379,388	1,913,767
Employees' benefits	362,881	343,634
Transportation and communication	15,896	14,130
Claims (solicitors' fees, etc.)	2,854,950	2,806,938
Accident benefit claims expense	2,147,916	1,812,193
Other services	1,160,095	2,581,854
Bad debts expense	5,557,009	4,380,188
Supplies and equipment	13,662	8,464
Amortization	14,633	-
<b>Total expenses</b>	<b>17,909,410</b>	<b>30,459,179</b>
<b>Excess of revenue over expenses</b>	<b>16,483,274</b>	<b>6,297,892</b>
<b>MVACF accumulated deficit, beginning of year</b>	<b>159,408,398</b>	<b>165,706,290</b>
<b>MVACF accumulated deficit, end of year</b>	<b>\$ 142,925,124</b>	<b>\$ 159,408,398</b>

**MOTOR VEHICLE ACCIDENT CLAIMS FUND**  
**(Established under the Motor Vehicle Accident Claims Act)**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED MARCH 31**

	<b>2020</b>	<b>2019</b>
<b>OPERATING ACTIVITIES</b>		
<b>Cash inflows</b>		
Fees on issue or renewal of driver's licences	\$ 35,370,244	\$ 32,232,436
Repayment by debtors	648,203	741,685
Prior year recoveries	2,647,215	5,990,622
Other revenue	1,359	3,089
	38,667,021	38,967,832
<b>Cash outflows</b>		
Statutory payments	(19,878,732)	(22,184,503)
Payments to employees	(2,711,712)	(2,255,741)
Administrative expenses	(5,403,720)	(7,411,694)
Purchase of capital assets	(965,719)	-
	(28,959,883)	(31,851,938)
<b>Net cash provided in operating activities</b>	9,707,138	7,115,894
<b>Funds on deposit with the Ministry of Finance, beginning of year</b>	57,989,081	50,873,187
<b>Funds on deposit with the Ministry of Finance, end of year</b>	\$ 67,696,219	\$ 57,989,081



**MOTOR VEHICLE ACCIDENT CLAIMS FUND**  
**(Established under the Motor Vehicle Accident Claims Act)**

**NOTES TO THE FINANCIAL STATEMENTS**

**MARCH 31, 2020**

**1. STATUTORY AUTHORITY**

The Motor Vehicle Accident Claims Fund (MVACF) operates under the authority of the *Motor Vehicle Accident Claims Act* (the *Act*), R.S.O. 1990, Chapter M.41 as amended.

**2. MVACF OPERATIONS**

MVACF is a program that was created on July 1, 1947 as the Unsatisfied Judgment Fund. Initially, MVACF was required to respond to victims of uninsured motorists and hit-and-run drivers who could not recover damages awarded by the courts from an automobile insurance company. MVACF legislation was amended in the early 1960s, in 1979 with the *Compulsory Automobile Insurance Act*, and in 1990 by the *Insurance Statute Law Amendment Act* which required MVACF to include in its statutory payments, accident benefits on a no-fault basis for the first time. Currently, MVACF responds to claims in the same fashion and with the same exclusions as automobile insurers in Ontario, and provides for two types of coverage: third-party bodily injury and property damage liability (collectively referred to as TPL), and statutory accident benefits or SABS in accordance with legislated requirements. MVACF provides compensation for these types of coverage in claims resulting from automobile accidents involving uninsured or unidentified drivers, when there is no available policy of insurance.

The coverage provided by MVACF is analogous to the minimum required coverage under the standard automobile policy (OAP 1) approved by the provincial regulator. Unlike insurance companies, MVACF does not cover claims where the accidents occur outside of Ontario, except in the case of accident benefits where the Ontario insurer is insolvent. In the cases of insurance company insolvencies where MVACF pays claims for accident benefits, MVACF has powers to assess the industry to recover for claims and adjustment expenses and also has claimant rights against the estate of the insolvent insurer.

MVACF operates administratively under the direction of the Risk Management and Insurance Services Branch of the Ministry of Government and Consumer Services (MGCS) and reimburses MGCS for the costs of the services it provides to MVACF.

The Lieutenant Governor in Council, having regard to the condition of MVACF and the amount paid out of MVACF during any period, may direct payment out of the Province's Consolidated Revenue Fund of such an amount as may be considered necessary or advisable to subsidize and fund MVACF's operations.

**MOTOR VEHICLE ACCIDENT CLAIMS FUND**  
**(Established under the Motor Vehicle Accident Claims Act)**

**NOTES TO THE FINANCIAL STATEMENTS**

**MARCH 31, 2020**

**3. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies used in the preparation of these financial statements in accordance with Canadian Public Sector Accounting Standards for government not-for-profit organizations (PSA-GNFPO) as issued by the Public Sector Accounting Board (PSAB) are summarized as follows:

a) Driver's Licence Fees and Deferred Revenue

MVACF earns a fee of \$15.00 on the issuance or renewal of each driver's five-year licence. The income is earned on a pro-rata basis over the five-year term of the licence and the unearned portion is reflected as deferred revenue.

b) Accounts Receivable – Driver's Licence Fees

Under the *Act*, MVACF receives from the Ministry of Transportation a monthly internal transfer and payment representing the driver's licence fee prescribed by *Ontario Regulation 800*. Accordingly, unremitted licence fees are reported as accounts receivable.

c) Accounts Receivable – Debtors

MVACF maintains an accounts receivable portfolio, accumulated over the years as a result of judgments and claims assigned to the Minister of Finance. MVACF will pay damages to injured, not-at-fault victims who have no recourse to liability insurance, on behalf of defendant uninsured motorists. In accordance with the *Act*, these amounts are recoverable from the uninsured motorists. Expected recoverable amounts of \$4.8 million (2018/19 - \$7.1 million) increase the accounts receivable – debtors accordingly.

The allowance for doubtful accounts is determined through a process that considers: the age of defendant/debtor, the defendant/debtor's current monthly installment required under the regulations, the amount paid out of MVACF, the activity on the account since the date of the judgment, and the financial status of the defendant/debtor.

The write-off process depends on established criteria that parallel the criteria established by the MGCS. Criteria would include writing off amounts related to unidentified drivers, uninsured motorists killed at the time of the accident or deceased subsequent to accident, debtor that declared bankruptcy, debts with balances under \$50, accounts with no repayments after 3 years with collections efforts exhausted/debtor deported, etc. These criteria are used to select a block of accounts that is reviewed annually by the enforcement and collections staff. The write-off transaction is authorized by an Order-In-Council (OIC) under the authority set out in the *Financial Administration Act*.

For March 31, 2020, a write-off of \$3.1 million was submitted to the MGCS but has not yet been approved. A write-off of \$4.9 million for March 31, 2019 was approved during the year, through an OIC. This write-off is recorded in the current year's financial statements and represents a reduction of the accounts receivable debtors and allowance for doubtful accounts. There is no impact in the current year statement of operations.

Accounts receivables-debtors and the allowance for doubtful accounts are adjusted on receipt of the OIC approving the write off.

**MOTOR VEHICLE ACCIDENT CLAIMS FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**MARCH 31, 2020**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

d) Prior Year Recoveries

Prior year recoveries are generated from three main sources: insurance recoveries, reversionary interest (note 6) and recoveries of court costs. MVACF is required under the Statutory Accident Benefits Schedule (SABS) to satisfy the payment of accident benefits claims within specified periods. The timeframe does not allow for a complete investigation into available insurance coverage and in some instances information is withheld by police because of criminal investigations. Accordingly, when new information is available, MVACF may be required to pursue private insurers for recoveries.

From time to time MVACF may also be involved in the defense of uninsured motorists or the Director of MVACF, where the legal proceedings are deemed frivolous and MVACF is awarded costs by the courts.

Prior year recoveries are recorded in the period they are determined. In the current year, \$2.6 million (2018/19 - \$5.7 million) recoveries were recorded but related to prior year claims.

e) Unpaid Claims and Adjustment Expenses

Unpaid claims and adjustment expenses represents the estimated amounts required to settle all unpaid claims, including an amount for unreported claims and claim expenses, and is gross of estimated recoveries and subrogation. Claim liabilities are established according to accepted actuarial practice in Canada as applied to public personal injury compensation plans. They do not reflect the time value of money, because MVACF reports no investment income.

The provision for unpaid claims and adjustment expenses consists of estimates that are necessarily subject to uncertainty, and the variability could be material in the near term. The estimates are selected from a range of possible outcomes and are adjusted up or down, as additional information becomes known during the course of loss settlement proceedings. The estimates are principally based on historical experience but variability can be caused by changes in judicial interpretations of contracts or significant changes in severity and frequency of claims from historical trends. All changes in estimates are recorded in the current period.

MVACF has obligations to pay certain fixed amounts to claimants on a recurring basis and has purchased annuities from life insurers to provide for those payments in the form of structured settlements. Note 6 contains additional analysis related to structured settlements.

**MOTOR VEHICLE ACCIDENT CLAIMS FUND**  
**(Established under the Motor Vehicle Accident Claims Act)**

**NOTES TO THE FINANCIAL STATEMENTS**

**MARCH 31, 2020**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

e) Unpaid Claims and Adjustment Expenses (continued)

Settlements occur when there is an irrevocable direction from MVACF to the life insurer to make all payments directly to the claimants. There are no rights under the non-commutable, non-assignable, non-transferable contract that would provide any current or future benefit to MVACF. MVACF remains liable to make payments only in the event that the life insurer fails and only to the extent that Assuris, the life insurance industry's insolvency compensation fund, will not cover payments due. The net risk to MVACF is any credit risk related to the life insurers. This credit risk is deemed nil at March 31, 2020 (2019 – nil) as all insurers are rated AA- or above by Standard & Poor's Rating. There exists the possibility of contingent gains based on the fact that MVACF has purchased insurance on some of the measured lives. Such amounts are described in note 6 – Contingent Gains.

f) Use of Estimates

The preparation of financial statements in accordance with Canadian PSA-GNFPO requires that MVACF's management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and assumptions may change over time as new information is obtained or subsequent developments occur. The coronavirus ("COVID-19") pandemic has added to the Commission's measurement uncertainty primarily due to a reduction of available information with which to make significant assumptions related to critical estimates as compared to those estimates reported at March 31, 2019. Actual results could differ from these estimates. The most significant estimates relate to the provision for unpaid claims and adjustment expenses, unpaid claims recoverable, contingent liabilities, allowance for doubtful accounts and employee future benefits.

Accounts receivable, see Note 8, are subject to measurement uncertainty due to MVACF's exposure to credit risk of its debtors. Due to the COVID-19 pandemic, the additional measurement uncertainty exists around potential collection delays and increase in the rate of doubtful accounts from debtors due to the economic slowdown brought on by emergency measures to combat the spread of COVID-19.

g) Employee Future Benefits Obligation

MVACF's employees are entitled to benefits that have been negotiated centrally for Ontario Public Service employees or required by the Management Board of Cabinet's Compensation Directive. The future liability for benefits earned by MVACF's employees is recognized in the Province of Ontario's (the Province) consolidated financial statements.

While the Province continues to accrue for these costs each year and fund them annually when due, MVACF also recognizes the liabilities pertaining to a basic severance entitlement and compensated absences components of its employee future benefits costs in these financial statements. When these costs are funded by the Province when due, MVACF derecognizes these liabilities in the year.

The cost of other non-pension post-employment benefits is determined and funded on an ongoing basis by the Province and accordingly is not included in these financial statements.

**MOTOR VEHICLE ACCIDENT CLAIMS FUND**  
**(Established under the Motor Vehicle Accident Claims Act)**

**NOTES TO THE FINANCIAL STATEMENTS**

**MARCH 31, 2020**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

h) Financial Instruments

MVACF follows PSA-GNFPO pertaining to financial instruments. Under these standards, all financial instruments are included on the statement of financial position and are measured either at fair value or at cost or amortized cost. MVACF's accounts receivable, and the accounts payable and accrued liabilities are recorded at cost in the financial statements and subsequently carried at amortized cost.

**4. CAPITAL ASSETS**

Leasehold improvements, computer equipment, software under development, furniture and fixtures, and office equipment are carried at cost less accumulated amortization. MVACF provides for amortization on a straight-line basis over the term of the lease (for leasehold improvements) or over the useful life of the asset. Accordingly, leasehold improvements and furniture and fixtures are amortized over 5 years, while computer equipment, software under development and office equipment are amortized over 3 years.

<i>(in dollars)</i>	<b>2020</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Computer equipment	\$ 30,153	\$ 30,153	\$ -
Software under development	907,188	-	907,188
Office equipment	7,406	7,406	-
Furniture & fixtures	16,416	16,416	-
Leasehold improvements	558,531	514,633	43,898
	<b>\$1,519,694</b>	<b>\$ 568,608</b>	<b>\$ 951,086</b>

<i>(in dollars)</i>	<b>2019</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Computer equipment	\$ 30,153	\$ 30,153	\$ -
Office equipment	7,406	7,406	-
Furniture & fixtures	16,416	16,416	-
Leasehold improvements	500,000	500,000	-
	<b>\$553,975</b>	<b>\$553,975</b>	<b>\$ -</b>

**MOTOR VEHICLE ACCIDENT CLAIMS FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**MARCH 31, 2020**

**5. UNPAID CLAIMS AND ADJUSTMENT EXPENSES**

- a) MVACF's unpaid claims and adjustment expenses and unpaid claims recoverable consist of the following:

<i>(in thousands of dollars)</i>	2020		2019	
	Gross	Recoverable (liability)	Gross	Recoverable (liability)
<b>ACCIDENT BENEFITS</b>				
Statutory accident benefits	<b>\$ 92,554</b>	<b>\$ -</b>	\$115,333	\$ -
<b>THIRD-PARTY LIABILITY (TPL)</b>				
Property damage	<b>790</b>	<b>(7)</b>	632	(7)
Bodily injury	<b>43,658</b>	<b>(494)</b>	33,655	(489)
Total TPL	<b>44,448</b>	<b>(501)</b>	34,287	(496)
<b>Totals</b>	<b>\$137,002</b>	<b>\$ (501)</b>	\$149,620	\$ (496)

- b) The change in gross provision for unpaid claims and adjustment expenses is as follows:

<i>(in thousands of dollars)</i>	2020	2019
Balance, beginning of year	<b>\$149,620</b>	\$148,417
Increase in provision for losses that occurred in prior years	<b>(8,441)</b>	(1,064)
Amounts paid during the year on claims of prior years		
Statutory payments	<b>(18,156)</b>	(16,982)
Claims expenses	<b>(8,964)</b>	(8,097)
Amounts paid during the year on claims of the current year		
Statutory payments	<b>(440)</b>	(586)
Claims expenses	<b>(218)</b>	(279)
Provision for losses on claims that occurred in the current year	<b>23,601</b>	28,211
<b>Balance, end of year</b>	<b>\$137,002</b>	\$149,620

**MOTOR VEHICLE ACCIDENT CLAIMS FUND**  
**(Established under the Motor Vehicle Accident Claims Act)**

**NOTES TO THE FINANCIAL STATEMENTS**

**MARCH 31, 2020**

**6. CONTINGENT GAINS AND LIABILITIES**

a) Contingent Gains

Some payments out of MVACF are in the form of structured settlements for accident benefit claims. These claims have guarantee periods ranging from 10 to 30 years and during this period the reversionary interest will be payable to Her Majesty the Queen in right of Ontario, as represented by the Minister of Finance, should the claimant die.

Even though the range of probability that the claimant may die during the guarantee period is slight, MVACF nevertheless has calculated the approximate reversionary interest represented by insurance on the claimant lives as at March 31, 2020 for information purposes.

As at March 31, 2020, the amount paid out of MVACF for accident benefit claims in the form of structured settlements was approximately \$68.6 million (2018-19 - \$61.4 million) with applicable reversionary interest of approximately \$46.6 million (2018-19 - \$42.9 million).

b) Contingent Liabilities

In accordance with PSA-GNFPO, MVACF makes a provision for a liability when it's both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed annually and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case. Litigation is inherently unpredictable and it is possible that MVACF's financial position, cash flows or results of operations could be negatively affected by an unfavorable resolution to court decisions.

**7. ROLE OF THE ACTUARY AND AUDITOR**

MGCS retains an independent actuary who acts as MVACF's actuary. The actuary's responsibility is to carry out an annual valuation of MVACF's liabilities, which include the provision for unpaid claims and adjustment expenses in accordance with accepted actuarial practice in Canada. In performing the valuation, the actuary makes assumptions as to the future rates of claims frequency and severity, inflation, recoveries, and expenses, taking into consideration the circumstances of MVACF. The actuary's report outlines the scope of his work and opinion.

The Auditor General of Ontario is appointed as the external auditor of the MVACF with the responsibility to conduct an independent and objective audit of the financial statements in accordance with Canadian generally accepted auditing standards and report thereon to MGCS's senior management. In carrying out her audit, the Auditor General also considers the work of the actuary and his report on the provision for unpaid claims and adjustment expenses. The auditor's report outlines the scope of the audit and her opinion.

**MOTOR VEHICLE ACCIDENT CLAIMS FUND**  
**(Established under the Motor Vehicle Accident Claims Act)**

**NOTES TO THE FINANCIAL STATEMENTS**

**MARCH 31, 2020**

**8. FINANCIAL INSTRUMENT RISKS**

Credit risk is the risk that other parties fail to perform as contracted. MVACF is exposed to credit risk in its financial instruments from accounts receivable – debtors. Credit risk on balances receivable arises from the possibility that the entities which owe money to the Funds may not fulfill their obligation. Collectability is reviewed regularly and an allowance for doubtful accounts, if necessary, is established to recognize the impairment risks identified.

The amounts outstanding at year end were as follows:

	<b>2020</b>				
	<b>Total</b>	<b>Current</b>	<b>Less than 1 year</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>
Drivers license receivable	\$ 367,551	\$ 367,551	\$ -	\$ -	\$ -
Accounts receivable – debtors	44,650,586	1,124,138	25,085,703	13,967,229	4,473,516
Gross receivables	45,018,137	1,491,689	25,085,703	13,967,229	4,473,516
Less: impairment allowance	(34,511,563)	(945,661)	(18,431,537)	(10,660,849)	(4,473,516)
	<b>\$10,506,574</b>	<b>\$ 546,028</b>	<b>\$ 6,654,166</b>	<b>\$ 3,306,380</b>	<b>\$ -</b>
	<b>2019</b>				
	<b>Total</b>	<b>Current</b>	<b>Less than 1 year</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>
Drivers license receivable	\$ 708,021	\$ 708,021	\$ -	\$ -	\$ -
Accounts receivable – debtors	45,341,198	629,535	28,807,434	12,056,092	3,848,137
Gross receivables	46,049,219	1,337,556	28,807,434	12,056,092	3,848,137
Less: impairment allowance	(33,566,902)	(498,109)	(20,175,158)	(9,045,498)	(3,848,137)
	<b>\$12,482,317</b>	<b>\$ 839,447</b>	<b>\$ 8,632,276</b>	<b>\$ 3,010,594</b>	<b>\$ -</b>

Liquidity risk is the risk that MVACF will not be able to meet its cash flow obligations as they fall due. Liquidity risk arises from accounts payable and accrued expenses, employee future benefits obligation, and unpaid claims and adjustment expenses. The risk is mitigated since the Lieutenant Governor in Council, having regard to the condition of MVACF and the amount paid out of MVACF during any period, may direct payment out of the Province's Consolidated Revenue Fund of such an amount as may be considered necessary or advisable to subsidize and fund MVACF's operations.



**MOTOR VEHICLE ACCIDENT CLAIMS FUND**  
**(Established under the Motor Vehicle Accident Claims Act)**

**NOTES TO THE FINANCIAL STATEMENTS**

**MARCH 31, 2020**

**9. SIGNIFICANT EVENTS**

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a global pandemic, which continues to spread throughout Canada and around the world.

MVACF did not experience any significant adverse effect to its operations, driver’s licence revenue, or claims expense as at March 31, 2020. As the impacts of COVID-19 continue, there could be further impacts on MVACF. Management is actively monitoring the affects on its financial condition, liquidity, operations, and sector. As a result, management anticipates reduced recoveries from debtors related to job-loss, as well as deferred recognition of driver’s licence fee revenue as a result of extensions provided on driver’s licences that expired on or after March 1, 2020.

Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, MVACF is not able to fully estimate the future effects of the COVID-19 outbreak on its results of operations, financial conditions, or liquidity at this time.