

Motor Vehicle Accident Claims Fund  
(Established under the Motor Vehicle Accident Claims Act)

Financial Statements

March 31, 2022

# **MOTOR VEHICLE ACCIDENT CLAIMS FUND**

(Established under the Motor Vehicle Accident Claims Act)

**MARCH 31, 2022**

## **TABLE OF CONTENTS**

	<u>Page</u>
<b>Management Responsibility for Financial Information</b>	1
<b>Independent Auditor's Report</b>	2-3
<b>Financial Statements</b>	
Statement of Financial Position	4
Statement of Operations and MVACF Accumulated Deficit	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-16

**Ministry of Public and Business Service  
Delivery**

Risk Management and Insurance  
Services Branch

Director's Office

Enterprise Business Services  
Ontario Shared Services  
222 Jarvis Street, 7<sup>th</sup> Floor  
Toronto ON M7A 0B6  
Tel.: 416 272-1435  
Fax.: 416 314-3444  
E-mail: [daryl.carre@ontario.ca](mailto:daryl.carre@ontario.ca)

**Ministère des Services au public et aux  
entreprises**

Direction de la gestion des risques et des  
assurances

Bureau de la directrice

Services opérationnels pour la fonction publique  
Services communs de l'Ontario  
222, rue Jarvis, 7<sup>e</sup> étage  
Toronto ON M7A 0B6  
Tél. : 416 272-1435  
Télec. : 416 314-3444  
Courriel : [daryl.carre@ontario.ca](mailto:daryl.carre@ontario.ca)



July 11, 2022  
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.

A handwritten signature in blue ink, appearing to read "Daryl Carre".

Daryl Carre  
Director, Risk Management  
and Insurance Services Branch

A handwritten signature in black ink, appearing to read "Alec Chan".

Alec Chan  
Finance Team Lead  
Risk Management and Insurance  
Services Branch



Office of the Auditor General of Ontario  
Bureau de la vérificatrice générale de l'Ontario

## 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, 2022, and the statements of operations and MVACF accumulated 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, 2022, 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.

Box 105, 15th Floor  
20 Dundas Street West  
Toronto, Ontario  
M5G 2C2  
416-327-2381  
fax 416-326-3812

B.P. 105, 15<sup>e</sup> étage  
20, rue Dundas ouest  
Toronto (Ontario)  
M5G 2C2  
416-327-2381  
télécopieur 416-326-3812

## **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  
July 11, 2022



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, 2022

	2022	2021
<b>ASSETS</b>		
Current assets		
Funds on deposit with the Ministry of Finance	\$ 87,466,648	\$ 72,614,265
Accounts receivable - driver's licence fees (note 3b)	795,087	1,049,154
Accounts receivable - debtors (note 3c)	43,480,292	42,922,658
Less: allowance for doubtful accounts	(35,439,942)	(35,381,260)
Net accounts receivable - debtors	8,040,350	7,541,398
<b>Total current assets</b>	<b>96,302,085</b>	<b>81,204,817</b>
Capital assets (note 4)	1,113,645	1,253,196
Less: accumulated amortization	(189,119)	(290,846)
Net capital assets	924,526	962,350
<b>Total assets</b>	<b>\$ 97,226,611</b>	<b>\$ 82,167,167</b>
<b>LIABILITIES AND MVACF ACCUMULATED DEFICIT</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,690,952	\$ 1,543,805
Unpaid claims and adjustment liability - current (note 5)	31,329,012	27,139,603
<b>Total current liabilities</b>	<b>33,019,964</b>	<b>28,683,408</b>
Employee future benefits obligation (note 3g)	523,345	517,545
Deferred revenue	79,484,646	72,515,289
Unpaid claims and adjustment liability - long term (note 5)	105,863,850	97,790,960
<b>Total liabilities</b>	<b>218,891,805</b>	<b>199,507,202</b>
MVACF accumulated deficit (note 2)	(121,665,194)	(117,340,035)
<b>Total liabilities and MVACF accumulated deficit</b>	<b>\$ 97,226,611</b>	<b>\$ 82,167,167</b>

See accompanying notes.

APPROVED:  July 11, 2022

Dr. Flolet Loney-Burnett,  
Assistant Deputy Minister, Ontario Shared Services, Ministry of Public and Business Service Delivery

**MOTOR VEHICLE ACCIDENT CLAIMS FUND**  
**(Established under the Motor Vehicle Accident Claims Act)**  
**STATEMENT OF OPERATIONS AND MVACF ACCUMULATED DEFICIT**

**FOR THE YEAR ENDED MARCH 31, 2022**

	<b>2022</b>	<b>2021</b>
<b>REVENUE</b>		
Fees on issue or renewal of driver's licences	\$ 30,620,384	\$ 31,212,796
Prior year recoveries	607,352	569,771
Other revenue	8,294	978
<b>Total revenue</b>	<b>31,236,030</b>	<b>31,783,545</b>
<b>EXPENSES</b>		
Change in net unpaid claims and adjustment expenses	12,262,299	(12,572,612)
Accident benefit claims payments	10,021,784	5,533,640
<b>Administrative expenses</b>		
Salaries and wages	2,302,344	2,385,543
Employees' benefits	392,237	413,282
Transportation and communication	9,471	8,659
Claims (solicitors' fees, etc.)	3,056,498	2,973,822
Accident benefit claims expense	2,221,391	2,270,492
Other services	346,790	1,126,280
Bad debts expense	3,794,292	3,657,736
Supplies and equipment	2,600	66,870
Amortization	443,818	334,744
Loss on Disposal of Capital Assets - Software	707,665	0
<b>Total expenses</b>	<b>35,561,189</b>	<b>6,198,456</b>
<b>(Deficit) Excess of revenue over expenses</b>	<b>(4,325,159)</b>	<b>25,585,089</b>
<b>MVACF accumulated deficit, beginning of year (note 2)</b>	<b>(117,340,035)</b>	<b>(142,925,124)</b>
<b>MVACF accumulated deficit, end of year</b>	<b>\$ (121,665,194)</b>	<b>\$ (117,340,035)</b>

See accompanying notes.

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

**FOR THE YEAR ENDED MARCH 31, 2022**

	<b>2022</b>	<b>2021</b>
<b>OPERATING ACTIVITIES</b>		
<b>Cash inflows</b>		
Fees on issue or renewal of driver's licences	\$ 37,843,809	\$ 22,689,596
Repayment by debtors	775,999	659,764
Prior year recoveries	597,518	569,771
Other revenue	8,294	978
Total Cash Inflows	39,225,620	23,920,109
<b>Cash outflows</b>		
Statutory payments	(15,500,099)	(8,939,980)
Payments to employees	(2,772,714)	(2,749,124)
Administrative expenses	(5,087,124)	(6,966,951)
Total Cash Outflows	(23,359,937)	(18,656,055)
<b>Net cash provided by operating activities</b>	<b>15,865,683</b>	<b>5,264,054</b>
<b>CAPITAL ACTIVITIES</b>		
Purchase of capital assets	(1,013,300)	(346,008)
<b>Net cash used in capital activities</b>	<b>(1,013,300)</b>	<b>(346,008)</b>
<b>Net increase in funds</b>	<b>14,852,383</b>	<b>4,918,046</b>
<b>Funds on deposit with the Ministry of Finance, beginning of year</b>	72,614,265	67,696,219
<b>Funds on deposit with the Ministry of Finance, end of year</b>	<b>\$ 87,466,648</b>	<b>\$ 72,614,265</b>

See accompanying notes.



Motor Vehicle Accident Claims Fund  
(Established under the Motor Vehicle Accident Claims Act)  
**Notes to the Financial Statements**  
March 31, 2022

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 Financial Services Regulatory Authority of Ontario. 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 Public and Business Service Delivery (MPBSD), and reimburses MPBSD for the costs of the services it provides to MVACF. MPBSD employees provide services to MVACF (MVACF employees) and these costs are included in the financial statements.

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, 2022

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 recognized on a pro-rata basis over the five-year term of the licence and the unearned portion is recorded as deferred revenue.

b. Accounts Receivable – Driver's Licence Fees

Under the Act, MVACF receives from the Ministry of Transportation (MTO) 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 \$5.1 million (2020/21 - \$1.7 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 MPBSD. 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.

Motor Vehicle Accident Claims Fund  
(Established under the Motor Vehicle Accident Claims Act)  
**Notes to the Financial Statements**  
March 31, 2022

3. Significant Accounting Policies (continued)

c. Accounts Receivable – Debtors (continued)

For March 31, 2022, a write-off of \$2.0 million was submitted to the MPBSD but has not yet been approved. A write-off for March 31, 2021, was approved during the year, through an OIC. This \$4.2 million 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.

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 received. In the current year, \$0.6 million (2020/21 - \$0.6 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.

Motor Vehicle Accident Claims Fund  
(Established under the Motor Vehicle Accident Claims Act)  
**Notes to the Financial Statements**  
March 31, 2022

3. Significant Accounting Policies (continued)

e) Unpaid Claims and Adjustment Expenses (continued)

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.

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. 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) Measurement Uncertainty

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 MVACF's measurement uncertainty primarily due to a reduction of available information with which to make significant assumptions related to critical estimates. Actual results could differ from these estimates. The most significant estimates relate to the provision for unpaid claims and adjustment expenses, 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. The residual economic impacts of the COVID-19 pandemic add measurement uncertainty in relation to collections and the rate of doubtful accounts from debtors. In addition, the unpaid claims and adjustment expenses estimate is subject to additional measurement uncertainty regarding the expected impact of recent claims experience.

Motor Vehicle Accident Claims Fund  
(Established under the Motor Vehicle Accident Claims Act)  
**Notes to the Financial Statements**  
March 31, 2022

3. Significant Accounting Policies (continued)

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.

h) Financial Instruments

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 with account receivable subsequently carried at amortized cost.

i) Capital Assets

Computer equipment, software, office equipment, furniture and fixture and leasehold improvements are carried at cost less accumulated amortization. Software under development is depreciated when deployed. Computer equipment, software and office equipment are amortized over 3 years. Leasehold improvements and furniture and fixtures are amortized over 5 years.

Motor Vehicle Accident Claims Fund  
(Established under the Motor Vehicle Accident Claims Act)  
**Notes to the Financial Statements**  
March 31, 2022

4. Capital Assets

**2022 (in dollars)**

<b>Asset Class</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Software *	1,087,312	181,219	906,093
Furniture & fixtures	26,333	7,900	18,433
<b>Total Assets</b>	<b>\$ 1,113,645</b>	<b>\$ 189,119</b>	<b>\$ 924,526</b>

\* Software totalling \$1,253,210 (2020-21 – Nil) was disposed of during the year. A Loss on Disposal of \$707,665 (2020-21 – Nil) is recognized in the Statement of Operations.

**2021 (in dollars)**

<b>Asset Class</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Software	1,152,851	288,213	864,638
Software under development	74,012	0	74,012
Furniture & fixtures	26,333	2,633	23,700
<b>Total Assets</b>	<b>\$1,253,196</b>	<b>\$290,846</b>	<b>\$962,350</b>

Motor Vehicle Accident Claims Fund  
(Established under the Motor Vehicle Accident Claims Act)  
**Notes to the Financial Statements**  
March 31, 2022

5. Unpaid Claims and Adjustment Expenses

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

<b>Composition of Total unpaid claims and adjustment liability</b>	<b>2022</b>	<b>2021</b>
<b>Statutory Accident Benefits</b> (in thousands of dollars)	\$91,997	\$ 81,041
<b>Third-Party Liability</b> (in thousands of dollars)		
Property damage	1,024	686
Bodily injury	44,863	43,678
<b>Gross unpaid claims and adjustment liability</b>	<b>137,884</b>	<b>125,405</b>
<b>Expected future recoveries</b>	<b>(691)</b>	<b>(475)</b>
<b>Total unpaid claims and adjustment liability</b>	<b>\$137,192</b>	<b>\$ 124,930</b>

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

<b>Roll forward of Total unpaid claims and adjustment liability</b>	<b>2022</b>	<b>2021</b>
Balance, beginning of year (in thousands of dollars)	\$125,405	\$ 137,002
Increase (Decrease) in provision for losses that occurred in prior years	12,405	(15,883)
Amounts paid during the year on claims of prior years		
Accident Benefit payments	(9,327)	(5,149)
Third Party Liability payments	(5,068)	(1,720)
Claims expenses	(8,845)	(8,938)
Amounts paid during the year on claims of the current year		
Accident Benefit payments	(1)	(6)
Third Party Liability payments	0	0
Claims expenses	(1)	(8)
Provision for losses on claims that occurred in the current year	23,316	20,107
<b>Balance, end of year</b>	<b>\$137,884</b>	<b>\$ 125,405</b>

Motor Vehicle Accident Claims Fund  
(Established under the Motor Vehicle Accident Claims Act)  
**Notes to the Financial Statements**  
March 31, 2022

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, 2022 for information purposes.

As at March 31, 2022, the amount paid out of MVACF for accident benefit claims in the form of structured settlements was approximately \$71.5 million (2020-21 - \$71.8 million) with applicable reversionary interest of approximately \$48.0 million (2020-21 - \$51.1 million).

b. Contingent Liabilities

MVACF recognizes a provision for a liability when it's both likely 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

MPBSD 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 their work and opinion.



Motor Vehicle Accident Claims Fund  
(Established under the Motor Vehicle Accident Claims Act)  
**Notes to the Financial Statements**  
March 31, 2022

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 parties 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.

2022 Net Accounts Receivable

<b>Composition of Net Accounts receivable – debtors</b>	<b>Total</b>	<b>Current</b>	<b>Less than 1 year</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>
Accounts receivable - debtors	\$43,480,292	\$694,229	\$27,316,727	\$9,292,749	\$6,176,587
Less: allowance for doubtful accounts	(\$35,439,942)	(\$471,363)	(\$21,826,087)	(\$6,965,906)	(\$6,176,587)
Net Accounts receivable - debtors	\$8,040,350	\$222,866	\$5,490,640	\$2,326,843	\$0

2021 Net Accounts Receivable

<b>Composition of Net Accounts receivable – debtors</b>	<b>Total</b>	<b>Current</b>	<b>Less than 1 year</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>
Accounts receivable - debtors	\$42,922,658	\$2,500,527	\$18,353,881	\$16,720,031	\$5,348,219
Less: allowance for doubtful accounts	(\$35,381,260)	(\$2,148,681)	(\$14,207,225)	(\$13,677,135)	(\$5,348,219)
Net Accounts receivable - debtors	\$7,541,398	\$351,846	\$4,146,656	\$3,042,896	\$0

With respect to the structured settlements and related life insurance policies, 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, 2022 (2020-21 – nil) as all insurers are rated AA- or above by Standard & Poor's Rating.

Motor Vehicle Accident Claims Fund  
(Established under the Motor Vehicle Accident Claims Act)  
**Notes to the Financial Statements**  
March 31, 2022

8. Financial Instrument Risks (continued)

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.

9. COVID-19 Impact

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a global pandemic, which spread throughout Canada and around the world. Revenues declined significantly in 2020-21 but recovered to pre-pandemic levels in 2021-22. However, since MVACF recognizes driver's license revenue on a deferred basis over 5 years, the effects were moderated, but a small decline in driver license revenue continues in 2021-22. On the expense side, accident benefit claims payments were down significantly in 2020-21 to \$5.5M due to provincial lockdowns which restricted victims from accessing certain medical services. Payments have recovered somewhat in 2021-22 to \$10.0M, but still remain below pre-pandemic levels. Residual impacts of the pandemic on MVACF remain unknown at this time.

10. Related Party Transactions

MVACF falls under the responsibility of the MPBSD which provides accommodations, network infrastructure and human resources. MPBSD also provides management oversight which is recovered from MVACF. MVACF also receives funds through MTO.