

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

FINANCIAL STATEMENTS

MARCH 31, 2019

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

MARCH 31, 2019
TABLE OF CONTENTS

	<u>Page</u>
Management Responsibility for Financial Information	1
Independent Auditor's Report	2-3
Financial Statements	
Statement of Financial Position	4
Statement of Operations and MVACF Deficit	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-13

Ministry of Finance

Financial Services
Policy Division

Frost Building North, 4th Floor
95 Grosvenor Street
Toronto ON M7A 1Z1
Tel.: 416 459-3719
David.Wai@ontario.ca

Ministère des Finances

Division des politiques des
services financiers

Édifice Frost Nord, 4^e étage
95, rue Grosvenor
Toronto ON M7A 1Z1
Tél.: 416 459-3719
David.Wai@ontario.ca

September 23, 2019

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.

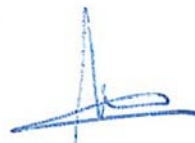
Management agrees with the specialists' work in evaluating the Unpaid Claims amount and has adequately considered the specialists' qualifications in determining amounts and disclosures used in the notes to financial statements. Management did not give any, nor cause any, instructions to be given to specialists with respect to 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 or 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. Internal audits are conducted to assess management systems and practices and reports are issued to the CEO and Superintendent of Financial Services of the Financial Services Commission of Ontario (the "FSCO") and the FSCO Audit and Risk Committee.

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.



Tammie Kip
Senior Manager
Motor Vehicle Accident Claims Fund



Alec Chan
Senior Manager, Special Projects,
Financial Management, Corporate Services Branch
Financial Services Regulatory Authority



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, 2019, 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, 2019 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.

20 Dundas Street West
Suite 1530
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862
tty 416-327-6123

20, rue Dundas ouest
suite 1530
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862
ats 416-327-6123

www.auditor.on.ca

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
September 23, 2019



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

	2019	2018
ASSETS		
Current		
Funds on deposit with the Ministry of Finance	\$ 57,989,081	\$ 50,873,187
Accounts receivable - driver's licence fees (note 3b)	708,021	674,278
<hr/>		
Accounts receivable - debtors (note 3c)	45,341,198	44,227,614
Less: allowance for doubtful accounts	33,566,902	34,168,022
<hr/>		
	11,774,296	10,059,592
<hr/>		
Total current assets	70,471,398	61,607,057
Capital assets (note 4)	553,975	553,975
Less: accumulated amortization	553,975	553,975
<hr/>		
	-	-
<hr/>		
Unpaid claims recoverable (note 5)	-	-
<hr/>		
Total assets	\$ 70,471,398	\$ 61,607,057
<hr/>		
LIABILITIES AND MVACF ACCUMULATED DEFICIT		
Current		
Accounts payable and accrued expenses	\$ 2,250,234	\$ 2,644,220
Unpaid claims and adjustment expenses - current (note 5)	30,826,142	26,756,331
<hr/>		
Total current liabilities	33,076,376	29,400,551
Employee future benefits obligation (note 3g)	431,826	430,805
Deferred revenue	77,081,979	75,821,513
Unpaid claims and adjustment expenses - long term (note 5)	119,289,615	121,660,478
<hr/>		
Total liabilities	229,879,796	227,313,347
MVACF accumulated deficit (note 3)	(159,408,398)	(165,706,290)
<hr/>		
Total liabilities net of MVACF accumulated deficit	\$ 70,471,398	\$ 61,607,057
<hr/>		

See accompanying notes.

APPROVED:



David Wai
Assistant Deputy Minister
Financial Services Policy Division
Ministry of Finance

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

	2019	2018
REVENUE		
Fees on issue or renewal of driver's licences	\$ 31,005,714	\$ 30,452,704
Prior year recoveries	5,748,269	2,138,323
Other revenue	3,088	9,097
Total revenue	36,757,071	32,600,124
EXPENSES		
Change in net unpaid claims and adjustment expenses	1,698,948	(2,781,148)
Accident benefit claims payments	14,899,063	17,964,250
Administrative expenses		
Salaries and wages	1,913,767	1,905,234
Employees' benefits	343,634	227,972
Transportation and communication	14,130	18,614
Claims (solicitors' fees, etc.)	2,806,938	3,098,696
Accident benefit claims expense	1,812,193	3,024,629
Other services	2,581,854	2,150,193
Bad debts expense	4,380,188	5,669,254
Supplies and equipment	8,464	8,622
Total expenses	30,459,179	31,286,316
Excess of revenue over expenses	6,297,892	1,313,808
MVACF accumulated deficit, beginning of year (note 3)	165,706,290	167,020,098
MVACF accumulated deficit, end of year	\$ 159,408,398	\$ 165,706,290

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

	2019	2018
OPERATING ACTIVITIES		
Cash inflows		
Fees on issue or renewal of driver's licences	\$ 32,232,436	\$ 31,423,890
Repayment by debtors	741,685	988,738
Prior year recoveries	5,990,622	2,138,323
Other revenue	3,089	9,098
	38,967,832	34,560,049
Cash outflows		
Statutory payments (note 9)	(22,184,503)	(23,725,312)
Payments to employees	(2,255,741)	(2,191,247)
Administrative expenses (note 9)	(7,411,694)	(8,139,506)
	(31,851,938)	(34,056,065)
Net cash provided (used) in operating activities	7,115,894	503,984
Funds on deposit with the Ministry of Finance, beginning of year	50,873,187	50,369,203
Funds on deposit with the Ministry of Finance, end of year	\$ 57,989,081	\$ 50,873,187

See accompanying notes.

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

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

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 Financial Services Commission of Ontario (FSCO) and reimburses FSCO 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, 2019

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 and Plenary 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 \$7.1 million (2017/18 - \$6.9 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 Ministry of Finance. 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 Ministry of Finance, Internal Audit Section audits the identified accounts for potential write-off and provides a certificate of assurance verifying that the established criteria for the write-off have been met. 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, 2019, a write-off of \$5.2 million was submitted to the Ministry of Finance but has not yet been approved. A write-off of \$5.7 million for March 31, 2018 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
(Established under the Motor Vehicle Accident Claims Act)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

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 Superintendent of the FSCO, 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, \$5.7 million (2017/18 - \$2.1 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, 2019

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, 2019 (2018 – 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. 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.

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

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.

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

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

4. CAPITAL ASSETS

Leasehold improvements, computer equipment, 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 and office equipment are amortized over 3 years.

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

<i>(in dollars)</i>		2018	
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 30,153	\$ 30,153	\$ -
Office equipment	7,406	7,406	-
Furniture and fixtures	16,416	16,416	-
Leasehold improvements	500,000	500,000	-
	\$ 553,975	\$ 553,975	\$ -

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>	2019		2018	
	Gross	Recoverable (liability)	Gross	Recoverable (liability)
ACCIDENT BENEFITS				
Statutory accident benefits	\$115,333	\$ -	\$110,525	\$ -
THIRD-PARTY LIABILITY (TPL)				
Property damage	632	(7)	357	-
Bodily injury	33,655	(489)	37,535	-
Total TPL	34,287	(496)	37,892	-
Totals	\$149,620	\$ (496)	\$148,417	\$ -

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

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

5. UNPAID CLAIMS AND ADJUSTMENT EXPENSES (continued)

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

<i>(in thousands of dollars)</i>	2019	2018
Balance, beginning of year	\$ 148,417	\$ 151,461
Increase in provision for losses that occurred in prior years	(1,064)	681
Amounts paid during the year on claims of prior years		
Statutory payments	(16,982)	(22,537)
Claims expenses	(8,097)	(8,105)
Amounts paid during the year on claims of the current year		
Statutory payments	(586)	(585)
Claims expenses	(279)	(210)
Provision for losses on claims that occurred in the current year	28,211	27,712
Balance, end of year	\$ 149,620	\$ 148,417

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, 2019 for information purposes.

As at March 31, 2019, the amount paid out of MVACF for accident benefit claims in the form of structured settlements was approximately \$61.4 million (2017-18 - \$72.0 million) with applicable reversionary interest of approximately \$42.9 million (2017-18 - \$53.9 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.

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

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

7. ROLE OF THE ACTUARY AND AUDITOR

FSCO 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 the Audit and Risk Committee of the FSCO. 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.

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.

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. COMPARATIVE FIGURES

Certain prior year figures have been restated to conform with the method of presentation adopted for the current year.