TTC INSURANCE COMPANY LIMITED
REPORT NO.

MEETING DATE: June 21, 2011

SUBJECT: ACTUARIAL FINANCIAL REVIEW

ACTION ITEM

RECOMMENDATION

It is recommended that the Board of Directors of TTC Insurance Company Limited (TTCICL) receive the attached summary from the Annual Actuarial Report and approve the attached Expected Future Financial Condition (EFFC) that forecasts the expected future financial condition of TTCICL as prepared by our actuary J.S. Cheng and Partners Inc.

FUNDING

Sufficient funds are included in the 2011 TTC Operating Budget.

BACKGROUND

Subsection 121(17) of the Insurance Act states that "an actuary of the insurer shall meet with the Board of Directors of the insurer or, if the Directors so chose with the Audit Committee of the insurer at least once during each fiscal year".

DISCUSSION

J.S. Cheng & Partners Inc. provides an actuarial estimate of reserves for outstanding claims for TTC Insurance Company Limited. As part of the actuary's duties, J.S. Cheng & Partners Inc. prepare an Expected Future Financial Condition (EFFC) on a yearly basis. The actuary will be present to answer any questions.

JUSTIFICATION

The actuary meeting with the Board of Directors, on a yearly basis, is a mandatory requirement of our insurance company, as set out in subsection 121(17) of the Insurance Act.

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Attachment

EXECUTIVE SUMMARY

This report is part of the annual statement required by Financial Services Commission of Ontario ("FSCO"). The purpose of this report is to provide an opinion on the appropriateness of policy provisions for TTC Insurance Company Limited as at December 31, 2010. The standard of materiality used in this report is $685,000, the same as last year.

TTC Insurance Company Limited (hereafter referred to as "the Company" or "TTCICL") is a provincially registered insurance company whose main purpose is to provide liability cards to the vehicles operated by the Toronto Transit Commission. Starting in 2007, the Company issued two annual OAPI policies to three named insureds: Toronto Transit Commission, Toronto Transit Consultants Limited and Toronto Coach Terminal.

The Company does not have ceded reinsurance agreements. However, the named insureds have excess limit insurance coverage of $95 million xs $5 million per occurrence for both auto and general liability. This excess insurance does not apply to no-fault claims.

By way of a special deductible on liability and accident benefit claims, the Toronto Transit Commission will reimburse the Company up to $5 million per claim. If an accident benefit claim should exceed $5 million and since it is not covered by external insurance, the Toronto Transit Commission unconditionally guarantees to reimburse the Company for all claims or expenses in excess of $5 million. Consequently, the Company has no insurance exposure at all.

A comparison of the actual experience with the expected experience for the last five years on a gross basis is shown in detail in the report. The comparison shows that the unpaid estimates as of December 31, 2009 were deficient by $4.4 million on a ground up basis.

Since the date of this opinion, I am not aware of any subsequent event that would materially affect the results of my valuation.

DISTRIBUTION AND USE

This report is part of the annual statement required by the Financial Services Commission of Ontario. The report contains confidential information about TTC Insurance Company Limited. It does not deal with the future financial condition or profitability of the Company. Its sole purpose is to provide an opinion on the appropriateness of policy provisions for TTC Insurance Company Limited as at December 31, 2010.

This report may be distributed to any regulator in a jurisdiction where the Company operates or intends to obtain a license. Furthermore, the Company may distribute this report to its parent, its affiliated companies and its external auditor. Anyone else should be considered as a third party.

This report is neither intended nor necessarily suitable for any other use. Distribution beyond the parties mentioned in paragraph two is permitted provided that it is authorized by the Company and the recipient is made aware that he or she is a third party to this report.

Any use which a third party makes of this report, or any reliance on or decisions to be made based on it, are the responsibility of such third parties. J.S. Cheng & Partners Inc. accepts no responsibility for damages, if any, suffered by any third party as a result of decisions or actions made based on this report.

Third party agrees to keep this report confidential and make no further distribution of this report without the expressed written consent of the Company.

VARIABILITY OF ACTUARIAL ESTIMATES

There is a limitation upon the accuracy of claims liability as there is an inherent uncertainty in any estimate of claims liability. There is uncertainty in any estimate because future events could affect the ultimate claim payments. Some examples of future events are:

(1) severe inflation or deflation;
(2) more or less lawsuits than in the historical period;
(3) extreme late reporting of claims; and
(4) judicial decisions which affect the amount of damages awarded.

Therefore, one must acknowledge that the actual ultimate claim amount may differ materially from our estimates. In our judgment, however, we have employed standard actuarial techniques and assumptions which are appropriate, and our conclusions presented in this report are reasonable, given the information currently available.

SCOPE OF THE REPORT

The scope of this report is to:

1. Estimate the unpaid automobile claims liability on a direct, assumed, ceded, and net basis, including the liability assumed from Markel Insurance Company of Canada.
2. Estimate the premium liability including the provision for premium deficiency.
3. Determine the maximum deferred policy acquisition expense allowed.

All valuations are done as of December 31, 2010, in accordance with FSCO's instructions.

For the purpose of this valuation, future reimbursements from named insureds are treated as receivables and claims liabilities are estimated before reimbursements.

The general liability figures shown in this report do not form part of the liability on the Company's balance sheet. The analysis performed on general liability is for the information of the Toronto Transit Commission ("TTC"). They are shown in this report for reconciliation purposes.

Since the Company is an automobile insurer, it would normally have to assume a share of the Facility Association / Risk Sharing Pool ("FA/RSP") losses. However, FSCO granted the Company an exemption from participating in the FA/RSP in March 2005.

DATA AND RELIANCE

We have relied on the direct claim payments and case reserves from TTC's claims department. The claim payments were by file year and calendar year. The data for the last 21 calendar years (1990-2010) was available. Case reserves were also available by file year and valued as of December 31, 2010. TTC's case reserves were available for automobile and general liability separately; however, the claim payments were combined with non-automobile liabilities for calendar years 1990-1993. In 1994, payments by policy type became available.

As of December 31, 2010, the aggregate case reserves for the Company's auto policies were approximately $65,390,000. The aggregate general liability case reserves were approximately $6,657,000. The total case reserves of TTC (excluding the 1997 subway accident and Class Action Suit of 2001) were $72,047,000.

The Company provided us with an aggregate payment of $29,100,000 (including $2,311,000 for general liability). During the 2009 audit, the Company discovered that the 2006 accident year automobile external expenses were overstated by $196,320 due to an incorrect entry. The data used in this valuation has been corrected.

We did not audit the claims data but reconciliation was performed to ensure that no material data was omitted (see Appendix E). We have used the work of PricewaterhouseCoopers LLP, the external auditor of the Company, to verify our valuation data against the financial data of the Company. A copy of the letter sent to the auditor is included in Appendix F.

STANDARD OF MATERIALITY

For the purpose of this valuation, an omission or inexplicable difference of $685,000, or 0.5% of the unpaid claims, would be considered as material. This materiality standard is the same as the last report.

However, this does not imply that the actuary's provision is accurate within 0.5%. In fact, the future claim payment could be significantly different from the actuary's provision due to adverse/favourable claim development.

Some examples of causes of adverse/favourable claim developments are:

1. Claim inflation rate may be higher/lower than what was prevailing in the recent past.
2. Future judicial decisions could increase/decrease bodily injury claim amounts.
3. The potential decrease/increase in termination rate in no fault claims could increase/decrease the future claim payments.
4. The claim development pattern may be substantially different from the historical pattern due to some of the reasons cited above.
5. An unexpected increase/decrease of loss of earning capacity claims.

EXPRESSION OF OPINION

I have valued the policy liabilities of TTC Insurance Company Limited for its balance sheet at December 31, 2010 and their change in the statement of income for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

I am satisfied that the data utilized for the valuation of these liabilities are reliable and sufficient. I verified the consistency of the valuation data with the company's financial records.

The results of my valuation together with amounts carried in the Annual Return are as follows:

Claims Liabilities	Carried in Annual Return	Actuary's Estimate
(1) Direct unpaid claims and adjustment expenses:	0	0
(2) Assumed unpaid claims and adjustment expenses:	0	0
(3) Gross unpaid claims and adjustment expenses:	0	0
(4) Ceded unpaid claims and adjustment expenses:	0	0
(5) Other amounts to recover:	127,442	127,442
(6) Other net liabilities:	127,442	127,442
(7) Net unpaid claims and adjustment expenses (3)-(4)-(5)+(6):	0	0

Premium Liabilities	Carried in Annual Return (Col.1)	Actuary's Estimate (Col.2)
(1) Gross policy liabilities in connection with unearned premiums:	[redacted]	0
(2) Net policy liabilities in connection with unearned premiums:	[redacted]	0
(3) Gross unearned premiums:	0	[redacted]
(4) Net unearned premiums:	0	[redacted]
(5) Premium deficiency:	0	0
(6) Other net liabilities:	0	0
(7) Deferred policy acquisition expense:	0	[redacted]
(8) Maximum policy acquisition expense deferrable $[(4)+(5)+(9)]_{Col.1} - (2)_{Col.2}$:	[redacted]	0
(9) Unearned Commissions:	0	[redacted]

In my opinion, the amount of policy liabilities makes appropriate for all policyholder obligations and the annual return fairly presents the results of the valuation.

FCIA
Signature of Actuary

February 18, 2011
Date opinion was rendered

JOE S. CHENG, FCIA
Printed name of Actuary

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J. S. Cheng & Partners Inc.

REPORT ON THE

EXPECTED FUTURE FINANCIAL CONDITION

OF

TTC INSURANCE COMPANY LIMITED

AS AT DECEMBER 31, 2010

DRAFT

Prepared by: Joe S. Cheng, F.C.I.A.
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Date of Opinion: June 21, 2011

Date of Release: TBD, 2011

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J. S. Cheng & Partners Inc.

TRANSMITTAL LETTER

June 21, 2011

Financial Services Commission of Ontario
5160 Yonge St, 17th Floor
Box 85
North York, Ontario
M2N 6L9

Dear Sir/Madam:

I hereby submit my report on the expected future financial condition of TTC Insurance Company Limited using data as of December 31, 2010.

My presentation to the Board of Directors of TTC Insurance Company Limited was made on June 21, 2011. My presentation covered the major assumptions and results of the base and adverse scenarios in my report.

Since the date of my opinion, I am not aware of any subsequent event that might affect the conclusions of my report.

Yours truly,

Joe S. Cheng, FCIA

1500 Don Mills Road, Suite 706, Toronto, Ontario M3B 3K4
Telephone: (416) 510-8360 Facsimile: (416) 510-8359 E-mail: jscp@jscp.com

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1.0 EXECUTIVE SUMMARY

The purpose of this report is to assess the financial condition of TTC Insurance Company Limited hereafter referred to as "the Company" or "TTCIC". The Company is deemed to have a satisfactory financial condition if its Minimum Capital Test (MCT) score is greater than 150% in the base scenario for all projection years and it remains solvent in all adverse scenarios. The standard of materiality used in this report is $70,000, about 0.1% of the assets of the Company.

The Company was incorporated in 1994. The main purpose is to provide liability cards to the vehicles operated by the Toronto Transit Commission. From 1994 to 2006, only one annual policy was issued to the named insureds. Starting in 2007, the Company issued two annual OAPI policies to 3 named insureds: Toronto Transit Commission, Toronto Transit Consultants Limited and Toronto Coach Terminal. Each policy provides minimum statutory limits and runs from January 1 to December 31 each year; the vehicles covered are those owned, registered and/or leased by the named insureds except those insured under other policies. The first policy covers non-revenue vehicles such as trucks and the second policy covers revenue vehicles such as buses. The Toronto Transit Commission has excess limit liability insurance ($95 million excess of $5 million per occurrence) in addition to the policies issued by the Company.

By way of a special deductible on liability and accident benefit claims, the Toronto Transit Commission will reimburse the Company up to $5 million per claim. If an accident benefit claim should exceed $5 million (because it is not covered by external insurance), the Toronto Transit Commission unconditionally guarantees to reimburse the Company for all claims or expenses in excess of $5 million. Consequently, the Company has no insurance exposure at all.

The Company by permission through "order-in-Council" started with only $100,000 as paid up capital. Currently, it holds $2,700,000 cash, the equivalent amount of one month's claim payments before reimbursement from the Toronto Transit Commission.

We projected a base scenario using December 31, 2010 data; we assumed a 5% growth in other liabilities and investment yields of 1.0% in 2011 and 2.0% in subsequent years. The only general expenses that the Company has are the management fees, which are set at a rate equal to the Company's net investment income.

The Ontario Auto Reform on September 1, 2010 had minimal impact to the Company.

Based on our Dynamic Capital Adequacy Testing analysis, the Company has no insurance or investment risk. The only risk is a change in regulation that will affect the existence of the Company. I believe that an adverse change in regulation is very unlikely to occur during the forecast period.

The MCT score of the Company is over 150% in the base scenario in 2011-2015. (Note: the MCT is infinitely large due to division by zero.) The equity is above zero in all adverse scenarios. Consequently, I conclude that the Company's future financial condition is satisfactory.

1.1 OPINION

I have completed my annual investigation of the financial condition of TTC Insurance Company Limited as at December 31, 2010 in accordance with accepted actuarial practice in Canada.

I have analyzed the forecasted financial positions of the company during the five year forecast period under a series of scenarios. A description of these scenarios and their impact on the company is included within this report.

The analysis incorporates assumptions relating to business growth, investments, claims experience, capital injections and other internal and external conditions during the forecast period as well as potential management responses to various plausible adverse scenarios. The most significant assumptions are described within this report.

In my opinion, the financial condition of the company is satisfactory under these assumptions.

Joe S. Cheng,
Fellow, Canadian Institute of Actuaries

Date: June 21, 2011

Any use which a third party makes of this report, or any reliance on or decisions to be made based on it, are the responsibility of such third parties. J.S. Cheng & Partners Inc. accepts no responsibility for damages suffered by any third party as a result of decisions or actions made based on this report.

2.3 Role of the Appointed Actuary

Mr. Joe S. Cheng, the Appointed Actuary, being duly appointed by the board of directors of the Company, is required by applicable insurance legislation to report on the expected future financial condition of the Company in accordance with accepted actuarial practice in Canada.

2.4 Process

First, we developed a base scenario using the Company's business plan and, where necessary, made suitable modifications and provided additional details. We examined nine risk categories that the Company would most likely face. They are:

1. Loss frequency and severity risk
2. Policy liability risk
3. Inflation risk
4. Premium risk
5. Reinsurance risk
6. Investment risk
7. Government and political risk
8. Off-balance sheet risk
9. Related Company risk

For each of the above risk categories, we subjected the Company to a plausible adverse scenario and determined if its equity would remain positive throughout the forecast period.

2.0 INTRODUCTION

2.1 Purpose and scope of the Report

The purpose of the report is:

(1) to inform the Company management of the likely implications of the business plan on capital and provide guidance on the significant risks to which the Company will be exposed to;

(2) to satisfy the requirements of the Insurance Companies Act (Ontario);

(3) to recommend courses of action which may mitigate any plausible threat to the Company's financial condition.

The scope of this report is to assess the financial condition of the Company during the forecast period (January 1, 2011 to December 31, 2015), in accordance with the standards of practice of the Canadian Institute of Actuaries in Canada.

2.2 Distribution and Use

This report is prepared for TTC Insurance Company Limited for its internal use and filing with the regulatory authorities under the Insurance Companies Act.

This report is confidential in nature. It may be distributed to any regulator in a jurisdiction where the Company operates or intends to obtain a license. Furthermore, the Company may distribute this report to its parent company and its external auditor.

This report is neither intended nor necessarily suitable for any use other than that stated in the previous section. Distribution beyond the intended audiences is permitted provided that it is authorized by the Company and the recipient is made aware that he or she is a third party to this report.

In our investigation, we tested the adverse scenarios against the FSCO's supervisory MCT target of 150% and reported any scenario in which the Company's MCT could fall below 150%.

2.5 Data and Reliance

We used the 2010 annual statement and the 2010 appointed actuary's report that the Company submitted to FSCO.

2.6 Variability of Actuarial Estimates

There is a limitation upon the accuracy of actuarial forecast as there is inherent uncertainty in any estimate of future premiums, claims, expenses, investment income, taxes and regulatory reserves required.

The emphasis of the actuarial forecast is to measure the marginal change in equity and capital adequacy test under various adverse scenarios, and determine if the Company can continue to discharge its policy obligations. The adverse scenarios are hypothetical and unlikely to occur during the forecast period. The base scenario is the best estimate forecast.

2.7 Actuarial Present Value

All reserves are calculated on an actuarial present value basis.

2.8 Standard of Materiality

The materiality standard we used in this report is $70,000, about 0.1% of assets in 2010. This standard is used to determine the level of rigor required in the second stage of analysis.

2.9 Rounding

The figures in this report may differ slightly from the detailed worksheets due to rounding.

2.10 Changes From Last Year's Report

There are no material changes from last year's report.

2.11 Dynamic Capital Adequacy Testing (DCAT) Model

This report utilizes an internally developed DCAT model to forecast pro-forma financial statements and model expected changes during and after adverse events. The model has been extensively tested and locked to allow users to input only historical figures and forecast parameters. The model is updated annually to incorporate changes in P&C1 statements and update underwriting and investment trends with current information.

The model has three main modules. The first deals with underwriting activities, the second deals with investments and the third deals with corporate activities.

The underwriting activities are either reflected by a growth factor from the previous year plus a flat amount if required or by a percentage of a reference value. For example, written premiums (direct, assumed, ceded) are derived by applying a growth factor to the previous year's value plus a flat amount. Gross and ceded unearned premiums are derived as a percentage of their respective written premiums. Similarly, net and ceded loss ratio are derived as a percentage of net and ceded earned premiums respectively.

Investment activities are captured by purchases, maturities and sales. Purchases of bonds are from a small group of pre-selected government and corporate bonds. Half of the purchases are made on January 1 and another half on December 31 of each year; this is intended to reflect the equivalent effect of evenly distributed purchases throughout the year.

Individual bond details such as maturity, coupon, frequency of interest payment (default is semi-annual), amortized cost and market value are kept. The model has pre-determined yield curves based on the bond's credit risk profile in relationship to government bonds. This allows the model to estimate the future market value of each bond as it marches toward maturity. The amount of investment income for each bond is accounted for depending on its classification; e.g., held till maturity, available for sale or held for trading.

Equity (common and preferred stock) investments are purchased in bulk on July 1 of each year. The cost, market value and annualized income (e.g. dividends for stocks) are kept at a bulk level. Future market values are driven by selected price trends.

Term deposits are purchased in bulk on July 1 of each year. Cost and market value are deemed to be the same.

Other investments are done on a specific formula to reflect their unique characteristics.

Corporate activities are tax provisions, dividends to shareholders, addition/withdrawal of capital, MCT calculations. Tax provisions would capture timing differences as well as permanent differences. Tax effect of Other Comprehensive Income (OCI) gains/losses are done through the OCI account. A composite tax rate for each year is used based on the provincial premium weight and the latest budgetary information in Canada and each province.

2.12 International Financial Reporting Standard (IFRS)

Phase 1 implementation of IFRS in Canada is expected to occur for the financial statement year 2011. Any significant actuarial impact has already been modeled in the pro-forma financial statements. Phase 2 of IFRS will include actuarial impacts; however, many issues have yet to be finalized. Until those issues are finalized further impacts cannot be calculated.

TTCIC's arrangement with its named insureds which provides for full reimbursement of claims incurred will not be considered as insurance contracts under IFRS. However, TTCIC is already treating premiums and losses from its named insureds as deposits and payables respectively; unpaid claims are classified as other liabilities with corresponding recoverables from its named insureds. As a result, the issues and impacts of moving to IFRS for insurance contracts will have no material impact for TTCIC during the forecast period.

3.0 ANALYSIS OF NINE RISK CATEGORIES

1. **Loss Frequency & Severity Risk**

   All claims will be zero after indemnification from the named insureds. This risk is not applicable.

2. **Policy Liability Risk**

   The Company has no policy liabilities. If the other liabilities should increase, there will be a corresponding increase in other receivables to offset the increase. The risk is immaterial.

3. **Inflation Risk**

   This risk is not applicable (see 1).

4. **Premium Risk**

   The sole purpose of the Company is to provide liability cards to the named insureds. There is no competition for these insureds. This risk is not applicable.

5. **Reinsurance Risk**

   The Company has no reinsurance arrangements. This risk is not applicable.

6. **Investment Risk**

   The Company has cash only. The impact of this risk is very small because the amount of investment income is completely offset by an equivalent amount of management fee.

7. Government and Political Risk

If the regulator requires the Company to increase its capital to a normal level, this could force the named insureds of the Company to use an alternate carrier to issue liability cards and the Company would have to start its run-off operation. However, all claims will be indemnified by the named insureds. The impact of this risk is very small.

8. Off-Balance Sheet Risk

There are none.

9. Related Company Risk

The receivables due from the Toronto Transit Commission (ultimate parent) are unconditionally guaranteed by both the Toronto Transit Commission and the City of Toronto. In the unlikely event the Toronto Transit Commission is unable to meet its obligations to the Company; the City of Toronto would assume responsibility for these obligations. The impact of this risk is very small.

4.0 NOTE

The deductibles that are due from Toronto Transit Commission are classified as receivables. As a condition to maintain the Company's license, these receivables must be unconditionally guaranteed by Toronto Transit Commission and the City of Toronto. I infer that these receivables are government grade, and therefore, do not require any capital.

Consequently, the excess capital over the required amount is $100,000 (the equity of the Company). The Minimum Capital Test (MCT) score is not meaningful due to division by zero. See attached balance sheets and MCT (Appendix 1).

5.0 ONTARIO AUTOMOBILE INSURANCE REFORM

Beginning September 1, 2010, Ontario implemented several reforms to accident benefits and bodily injury claims. Based on our understanding, the impact on the Company's incurred losses by the Ontario Auto Reform is minimal. Our analysis has incorporated the effect of the reform during the forecast period.

6.0 APPENDIX 1

Base Scenario

J. S. Cheng & Partners Inc.

TTC Insurance Company Limited

Appendix 1

BASE SCENARIO
($000)

		Dec. 2008	Dec. 2009	Dec. 2010	2011	2012	2013	2014	2015
Cash and Cash Equivalents	1	1,900	2,600	2,600	2,700	2,830	2,966	3,110	3,260
Investment Income due and accrued	2	13	2	7	-	-	-	-	-
Assets held for sale	50	-	-	-	-	-	-	-	-
Investment									
Short Term Investments	4	-	-	-	-	-	-	-	-
Bonds and Debentures	5	-	-	-	0	0	0	0	0
Mortgage Loans	6	-	-	-	-	-	-	-	-
Preferred Shares	7	-	-	-	-	-	-	-	-
Common Shares	8	-	-	-	-	-	-	-	-
Investment Properties	9	-	-	-	-	-	-	-	-
Other Investments	10	-	-	-	-	-	-	-	-
Total Investments (lines 4 to 10)	19	-	-	-	0	0	0	0	0
Receivables:									
Unaffiliated Agents and Brokers	20	-	-	-	-	-	-	-	-
Policyholders	21	-	-	-	-	-	-	-	-
Instalment Premiums	22	-	-	-	-	-	-	-	-
Other Insurers	23	-	-	-	-	-	-	-	-
"Facility Association" and the "P.R.R."	24	-	-	-	-	-	-	-	-
Subsidiaries, Associates and Joint Ventures	25	-	-	-	-	-	-	-	-
Income Taxes	26	-	-	-	-	-	-	-	-
Other Receivables	27	82,427	110,953	127,442	133,814	140,505	147,530	154,907	162,652
Recoverable from Reinsurers:									
Unearned Premiums	30	-	-	-	-	-	-	-	-
Unpaid Claims and Adjustment Expenses	31	-	-	-	-	-	-	-	-
Other Recoverables on Unpaid Claims	37	-	-	-	-	-	-	-	-
Interests in Subsidiaries, Associates and Joint Ventures	40	-	-	-	-	-	-	-	-
Property and Equipment	41	-	-	-	-	-	-	-	-
Deferred Policy Acquisition Expenses	43	-	-	-	-	-	-	-	-
Current Tax Assets	52	-	-	-	-	-	-	-	-
Deferrerd Tax Assets	44	-	-	-	-	-	-	-	-
Goodwill	54	-	-	-	-	-	-	-	-
Intangible Assets	56	-	-	-	-	-	-	-	-
Other Assets	88	-	-	-	-	-	-	-	-
TOTAL ASSETS	89	84,340	113,555	130,049	136,514	143,335	150,496	158,016	165,912

LIABILITIES, CAPITAL , SURPLUS AND RESERVES
($000)
BASE SCENARIO

		Dec. 2008	Dec. 2009	Dec. 2010	2011	2012	2013	2014	2015
LIABILITIES									
Overdrafts	1	-	-	-	-	-	-	-	-
Borrowed Money and Accrued Interest	2	-	-	-	-	-	-	-	-
Payables:									
Agents and Brokers	3	-	-	-	-	-	-	-	-
Policyholders	4	-	-	-	-	-	-	-	-
Other Insurers	5	-	-	-	-	-	-	-	-
Subsidiaries, Associates and Joint Ventures	6	1,813	2,502	2,507	2,600	2,730	2,866	3,010	3,160
Expenses due and accrued	7	-	-	-	-	-	-	-	-
Income Taxes due and accrued	8	-	-	-	-	-	-	-	-
Other Taxes due and accrued	9	-	-	-	-	-	-	-	-
Policyholder Dividends and Rating Adjustments	10	-	-	-	-	-	-	-	-
Encumbrances on Real Estate	11	-	-	-	-	-	-	-	-
Unearned Premiums	12	-	-	-	-	-	-	-	-
Unpaid Claims and Adjustment Expenses	13	-	-	-	-	-	-	-	-
Unearned Commissions	14	-	-	-	-	-	-	-	-
Premium Deficiency	15	-	-	-	-	-	-	-	-
Liabilities held for sale	17	-	-	-	-	-	-	-	-
Current Tax Liabilities	18	-	-	-	-	-	-	-	-
Deferred Tax Liabilities	21	-	-	-	-	-	-	-	-
Other Liabilities	28	82,427	110,953	127,442	133,814	140,505	147,530	154,907	162,652
Total Liabilities	29	**84,240**	**113,455**	**129,949**	**136,414**	**143,235**	**150,396**	**157,916**	**165,812**
EQUITY									
Shares issued and paid	41	100	100	100	100	100	100	100	100
Contributed Surplus	42	-	-	-	-	-	-	-	-
....	43	-	-	-					
Retained Earnings	44	-	-	-	(0)	(0)	(0)	(0)	(0)
Reserves	45	-	-	-	-	-	-	-	-
Accumulated Other Comprehensive Income (Loss)	47	-	-	-	(0)	(0)	(0)	(0)	0
Non-controlling Interests	48	-	-	-	-	-	-	-	-
Total Equity	49	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
TOTAL LIABILITIES AND EQUITY	89	**84,340**	**113,555**	**130,049**	**136,514**	**143,335**	**150,496**	**158,016**	**165,912**

UNDERWRITING OPERATIONS
($000)
BASE SCENARIO

		Dec. 2008	Dec. 2009	Dec. 2010	2011	2012	2013	2014	2015
Premiums Written									
Direct	1	-	-	-	-	-	-	-	-
Reinsurance Assumed	2	-	-	-	-	-	-	-	-
Reinsurance Ceded	3	-	-	-	-	-	-	-	-
Net Premiums Written	4	-	-	-	-	-	-	-	-
Decrease (Increase) in Net Unearned Premiums	5	-	-	-	-	-	-	-	-
Net Premiums Earned	6	-	-	-	-	-	-	-	-
Service Charges	7	-	-	-	-	-	-	-	-
Other	8	-	-	-	-	-	-	-	-
Total Underwriting Revenue	9	-	-	-	-	-	-	-	-
Gross Claims and Adjustment Expenses	62	-	-	-	-	-	-	-	-
Reinsurers' share of claims and adjustment expenses	64	-	-	-	-	-	-	-	-
Net Claims and Adjustment Expenses	10	-	-	-	-	-	-	-	-
Acquisition Expenses :									
Gross Commissions	66	-	-	-	-	-	-	-	-
Ceded Commissions	68	-	-	-	-	-	-	-	-
Taxes	12	-	-	-	-	-	-	-	-
Other	14	-	-	-	-	-	-	-	-
General Expenses	16	56	11	16	27	57	59	62	65
Total Claims and Expenses	19	56	11	16	27	57	59	62	65
Premium Deficiency Adjustments	20	-	-	-	-	-	-	-	-
Underwriting Income (Loss)	29	(56)	(11)	(16)	(27)	(57)	(59)	(62)	(65)
INVESTMENT OPERATIONS									
Income	32	56	11	16	27	57	59	62	65
Recognized Gains (Losses)	33	-	-	-	-	-	-	-	-
Expenses	34	-	-	-	0	0	0	0	0
Net Investment Income	39	56	11	16	27	57	59	62	65
OTHER REVENUE AND EXPENSES									
Income (Loss) from Ancillary Operations (net of Expenses of $000.........)	40	-	-	-	-	-	-	-	-
Share of Net Income (Loss) of Subsidiaries, Associates and Joint Venture:	41	-	-	-	-	-	-	-	-
Gains (Losses) from fluctuations in Foreign Exchange Rates	42	-	-	-	-	-	-	-	-
Other Revenues	44	-	-	-	-	-	-	-	-
Finance Costs	45	-	-	-	-	-	-	-	-
Other Expenses	46	-	-	-	-	-	-	-	-
Income (Loss) before Income Taxes	49	-	-	-	(0)	(0)	(0)	(0)	(0)
INCOME TAXES									
Current	50	-	-	-	-	-	-	-	-
Deferred	51	-	-	-	-	-	-	-	-
Total Income Taxes	59	-	-	-	-	-	-	-	-
Extraordinary Items (Net of Income Taxes of $000......)	60	-	-	-	-	-	-	-	-
NET INCOME (LOSS) FOR THE PERIOD	89	-	-	-	(0)	(0)	(0)	(0)	(0)
ATTRIBUTABLE TO:									
Non-controlling interests	80	-	-	-	-	-	-	-	-
Equity Holders	82	-	-	-	(0)	(0)	(0)	(0)	(0)
Loss Ratio		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Expense Ratio		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Combined Ratio (LR + ER)		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
ROE		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

STATEMENT OF RETAINED EARNINGS
($000)
BASE SCENARIO

		Dec. 2008	Dec. 2009	Dec. 2010	2011	2012	2013	2014	2015
Balance at beginning of year	1	-	-	-	-	(0)	(0)	(0)	(0)
Prior period adjustments........	2	-	-	-	-	-	-	-	-
....	4	-	-	-	-	-	-	-	-
Adjusted balance at beginning of year	9	-	-	-	-	(0)	(0)	(0)	(0)
Net income (loss) for the Period	10	-	-	-	(0)	(0)	(0)	(0)	(0)
Dividends declared to shareholders	11	-	-	-	-	-	-	-	-
Decrease (Increase) in Reserves	12	-	-	-	-	-	-	-	-
....	16	-	-	-	-	-	-	-	-
Net increase (decrease) in Retained Earnings during the period	15	-	-	-	(0)	(0)	(0)	(0)	(0)
Balance at end of year	89	-	-	-	(0)	(0)	(0)	(0)	(0)
% of (11) to ES at the beginning of year			0%	0%	0.0%	0.0%	0.0%	0.0%	0.0%

COMPREHENSIVE INCOME (LOSS) AND
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
($000)
BASE SCENARIO

		Dec. 2008	Dec. 2009	Dec. 2010	2011	2012	2013	2014	2015
Comprehensive Income (Loss)									
Net Income	1	-	-	-	(0)	(0)	(0)	(0)	(0)
Other Comprehensive Income (Loss):									
Available for Sale:									
Change in Unrealized Gains and Losses:									
-Loans	2	-	-	-	-	-	-	-	-
-Bonds and Debentures	3	-	-	-	(0)	(0)	0	0	0
-Equities	4	-	-	-	-	-	-	-	-
Reclassification to Earnings of Gains/(Losses)	5	-	-	-	-	-	-	-	-
Derivatives Designated as Cash Flow Hedges									
Change in Unrealized Gains and Losses	6	-	-	-	-	-	-	-	-
Reclassification to Earnings of Gains/(Losses)	7	-	-	-	-	-	-	-	-
Foreign Currency Translation									
Change in Unrealized Gains and Losses	8	-	-	-	-	-	-	-	-
Impact of Hedging	9	-	-	-	-	-	-	-	-
Share of Other Comprehensive Income of Subsidiaries, Associates & Joint Ventures	11	-	-	-	-	-	-	-	-
Other	12	-	-	-	-	-	-	-	-
Total Other Comprehensive Income (Loss)	21	-	-	-	(0)	(0)	0	0	0
Total Comprehensive Income (Loss)	39	-	-	-	(0)	(0)	0	(0)	(0)
ATTRIBUTABLE TO:									
Non-controling Interests	60	-	-	-	-	-	-	-	-
Equity Holders	62	-	-	-	(0)	(0)	0	(0)	(0)

		Dec. 2008	Dec. 2009	Dec. 2010	2011	2012	2013	2014	2015
Accumulated Other Comprehensive Income (Loss)									
Accumulated Gains/(Losses) on:									
Available for Sale:									
-Loans	42	-	-	-	-	-	-	-	-
-Bonds and Debentures	43	-	-	-	(0)	(0)	(0)	(0)	0
-Equities	44	-	-	-	-	-	-	-	-
Derivatives Designated as Cash Flow Hedges	45	-	-	-	-	-	-	-	-
Foreign Currency Translation (net of Hedging Activities)	46	-	-	-	-	-	-	-	-
Share of Other Comprehensive Income of Subsidiaries, Associates & Joint Ventures	51	-	-	-	-	-	-	-	-
Other	49	-	-	-	-	-	-	-	-
Balance at end of year	59	-	-	-	(0)	(0)	(0)	(0)	0

MINIMUM CAPITAL TEST
($000)
BASE SCENARIO

		Dec. 2008	Dec. 2009	Dec. 2010	2011	2012	2013	2014	2015
Capital Available									
Total Equity less Accumulated Other Comprehensive Income	01	100	100	100	100	100	100	100	100
Add:									
Subordinated indebtedness and Redeemable Preferred Shares	02	0	0	0	0	0	0	0	0
Accumulated Other Comprehensive Income(Loss) on:									
Available for Sale Equities Securities	03	0	0	0	0	0	0	0	0
Available for Sale Debt Securities	04	0	0	0	(0)	(0)	(0)	(0)	0
Foreign Currency (Net of Hedging Activities)	05		0	0	0	0	0	0	0
Revaluation Losses in Excess of Gains on Own-use Property	06	0	0	0	0	0	0	0	0
OSFI Advisory on Fair Value Accounting	30	0	0	0	0	0	0	0	0
Less:									
Accumulated net after-tax fair value gains (losses) arising from changes in the company's own credit risk	10	0	0	0	0	0	0	0	0
Unrealized Fair Value Gains (Losses) from Own-use Property at Con	11	0	0	0	0	0	0	0	0
Shadow Accounting Impact	12	0	0	0	0	0	0	0	0
Assets with a Capital Requirement of 100%	13	0	0	0	0	0	0	0	0
....	14	0	0	0					
IFRS Phase-in adjustment	16	0	0	0	0	0	0	0	0
Total Capital Available	20	100	100	100	100	100	100	100	100
Capital Required									
Balance Sheet Assets	30	0	0	0	0	0	0	0	0
Unearned Premiums / Unpaid Claims / Premium Deficiencies	31	0	0	0	0	0	0	0	0
Catastrophes	32	0	0	0	0	0	0	0	0
Reinsurance Ceded to Unregistered Insurers	33	0	0	0	0	0	0	0	0
Structured Settlements, Letters of Credit, Derivatives and Other Exposures	34	0	0	0	0	0	0	0	0
....	35								
Minimum Capital Required	40	0	0	0	0	0	0	0	0
Excess Capital Available over Capital Required (line 20 minus line 40)	45	100	100	100	100	100	100	100	100
Line 20 as a % of line 40	50	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

CAPITAL REQUIRED FOR BALANCE SHEET ASSETS
($000)
BASE SCENARIO

		Factor	Dec. 2008	Dec. 2009	Dec. 2010	2011	2012	2013	2014	2015
Cash	01	0.00%	0	0	0	0	0	0	0	0
Investment Income due and accrued	02	2.00%	0	0	0	0	0	0	0	0
Investment										
Term Deposits Bonds and Debentures										
- Expiring or redeemable in one year or less										
Government Grade	03	0.00%	0	0	0	0	0	0	0	0
Investment Grade	04	0.50%	0	0	0	0	0	0	0	0
Not - Investment Grade	05	4.00%	0	0	0	0	0	0	0	0
Expiring in more than one year										
Government Grade	10	0.00%	0	0	0	0	0	0	0	0
Investment Grade	11	2.00%	0	0	0	0	0	0	0	0
Not - Investment Grade	12	8.00%	0	0	0	0	0	0	0	0
Loans (at amortized cost):										
Government Grade	13	0.00%	0	0	0	0	0	0	0	0
Investment Grade Loans, and Residential Mortgages	14	4.00%	0	0	0	0	0	0	0	0
Commercial Mortgages	15	8.00%	0	0	0	0	0	0	0	0
Other	18	10.00%	0	0	0	0	0	0	0	0
Adjustment to reflect difference between amortized cost and Balance Sheet value of loans	19	0.00%	0	0	0	0	0	0	0	0
Preferred Shares										
Investment Grade	21	4.00%	0	0	0	0	0	0	0	0
Not - Investment Grade	22	15.00%	0	0	0	0	0	0	0	0
Common Shares	27	15.00%	0	0	0	0	0	0	0	0
Investment in Real Estate	30	15.00%	0	0	0	0	0	0	0	0
	0	0.00%	0	0	0	0	0	0	0	0
Investment in Associates, Joint Ventures and Non-qualifying Subsidiaries	33	Note	0	0	0	0	0	0	0	0
Other Investments	35	15.00%	0	0	0	0	0	0	0	0
Receivables:										
Government Grade	50	0.00%	0	0	0	0	0	0	0	0
Facility Association" and the "P.R.R."	51	0.50%	0	0	0	0	0	0	0	0
Agents, Brokers, Policyholders, Associates, Joint Ventures, Non-qualifying Subsidiaries and Other Receivables:										
- Instalment Prem(not yet due)	54	0.00%	0	0	0	0	0	0	0	0
- Outstanding less than 60 days	55	4.00%	0	0	0	0	0	0	0	0
- Outstanding 60 days or more	56	8.00%	0	0	0	0	0	0	0	0
Insurers - Registered	57	0.50%	0	0	0	0	0	0	0	0
- Unregistered	58	0.00%	0	0	0	0	0	0	0	0
Recoverable from Reinsurers:										
- Registered - Unearned Premiums	60	0.50%	0	0	0	0	0	0	0	0
- Unpaid Claims	61	2.00%	0	0	0	0	0	0	0	0
- Unregistered	63									
Other Recoverables on Unpaid Claim	65	15.00%	0	0	0	0	0	0	0	0
Real Estate for insurer's own use	75	8.00%	0	0	0	0	0	0	0	0
Deferred Policy Acquisition Expenses										
Premium Taxes	76	0.00%	0	0	0	0	0	0	0	0
Commissions	77	35.00%	0	0	0	0	0	0	0	0
Other	78	0.00%	0	0	0	0	0	0	0	0
Deferred Tax Assets:										
Discounted Reserves, and Unrealized Gains	80	0.00%	0	0	0	0	0	0	0	0
Other	81	Note	0	0	0	0	0	0	0	0
Other Assets: Goodwill and Other Intangibles	85	Note	0	0	0	0	0	0	0	0
Computer Software	84	35%	0	0	0	0	0	0	0	0
Other Assets (net of Goodwill,Other Intangibles and Computer Software)	86	Note	0	0	0	0	0	0	0	0
....	88	Note	0	0	0	0	0	0	0	0
TOTAL	89	0.00%	-	-	-	-	-	-	-	-

J. S. Cheng & Partners Inc.

TTC Insurance Company Limited

Appendix 1

Net Unpaid Claims (60.30)
($000)
BASE SCENARIO

		Factor	Dec. 2008	Dec. 2009	Dec. 2010	2011	2012	2013	2014	2015	Distribution 2010	(default 2010) Distr. Selected Forecast
Property - personal	03		-	-	-	-	-	-	-	-	0.00%	0.00%
- commercial	07		-	-	-	-	-	-	-	-	0.00%	0.00%
Property - total	09	5.00%	-	-	-	-	-	-	-	-	0.00%	0.00%
Aircraft	10	15.00%	-	-	-	-	-	-	-	-	0.00%	0.00%
Automobile - liability	19	10.00%	-	-	-	-	-	-	-	-	0.00%	0.00%
- personal accident	20	10.00%	-	-	-	-	-	-	-	-	0.00%	0.00%
- other	21	5.00%	-	-	-	-	-	-	-	-	0.00%	0.00%
Automobile - total	29		-	-	-	-	-	-	-	-	0.00%	0.00%
Boiler and Machinery	32	15.00%	-	-	-	-	-	-	-	-	0.00%	0.00%
Credit	34	15.00%	-	-	-	-	-	-	-	-	0.00%	0.00%
Credit Protection	35	15.00%	-	-	-	-	-	-	-	-	0.00%	0.00%
Fidelity	36	15.00%	-	-	-	-	-	-	-	-	0.00%	0.00%
Hail	38	15.00%	-	-	-	-	-	-	-	-	0.00%	0.00%
Legal Expense	40	15.00%	-	-	-	-	-	-	-	-	0.00%	0.00%
Liability	59	15.00%	-	-	-	-	-	-	-	-	0.00%	0.00%
Mortgage	62	15.00%	-	-	-	-	-	-	-	-	0.00%	0.00%
Other Approved Products	63	15.00%	-	-	-	-	-	-	-	-	0.00%	0.00%
Surety	64	15.00%	-	-	-	-	-	-	-	-	0.00%	0.00%
Title	66	15.00%	-	-	-	-	-	-	-	-	0.00%	0.00%
Marine	68	15.00%	-	-	-	-	-	-	-	-	0.00%	0.00%
Accident and Sickness	70	0.00%	-	-	-	-	-	-	-	-	0.00%	0.00%
TOTAL	89		-	-	-	-	-	-	-	-	0.00%	0.00%

Capital Required Margin on Claims/WP/UPR

	2011	2012	2013	2014	2015
a) Claims margin	-	-	-	-	-
b) 50% of WP (excl. A&S)	-	-	-	-	-
c) NUPR (excl. A&S)	-	-	-	-	-
d) 8% of max(b,c)	-	-	-	-	-
e) A&S Margin	-	-	-	-	-
f) 8% of Premium Deficiency	-	-	-	-	-
g) total margin (a+d+e+f)	-	-	-	-	-