



STAFF REPORT ACTION REQUIRED

2016 Budget

Date:	May 31, 2016
To:	TTC Insurance Company Limited Board of Directors
From:	Chief Executive Officer

Summary

The TTC Insurance Company Limited (TTCICL) was formed in 1994 as it was, and continues to be, the most cost effective option for the Toronto Transit Commission to comply with the Compulsory Automobile Insurance Act. The annual expenses for TTCICL are outlined in the attached 2016 budget.

Recommendations

It is recommended that the board of directors

1. Approve the 2016 budget for the TTC Insurance Company Limited.

Financial Summary

Sufficient funds are included in the TTC's 2016 operating budget, as approved by the Board on November 23, 2015 and approved by City of Toronto Council on February 16, 2016. Sufficient funds will be included in future years' operating budgets as appropriate.

The Chief Financial & Administration Officer has reviewed this report and agrees with the financial impact information.

Accessibility/Equity Matters

There are no accessibility or equity issues associated with this report.

Decision History

On July 12, 1994 the Financial Services Commission of Ontario (formerly Ontario Insurance Commission) issued to TTCICL a license to undertake contracts of automobile insurance (limited to the automobile risks of the Toronto Transit Commission and subject to the terms of the order-in-council). The sole purpose of the formation of TTC Insurance Company Limited was to enable the TTC to comply with Ontario's legislated Compulsory Automobile Insurance Act and to produce liability cards at a cost effective

price. Out of all the alternatives that were examined TTC Insurance Company Limited was considered to be the most cost-effective alternative.

Issue Background

Prior to the formation of TTC Insurance Company Limited in 1994, the TTC purchased what is known as ‘fronting insurance’ from a licensed automobile insurer. The costs of purchasing fronting insurance rose dramatically in the years prior to the inception of the Company. During the audit of fronting insurers, the federal regulators made it mandatory for these insurers to post and fund the reserves of the companies they fronted. As insurers did not have the funds or did not want to tie up their capital to post the reserves, they shied away from the fronting business, thereby reducing the market availability. Other insurers wanted the company they fronted to post their own reserves. In TTC’s case this would have been around \$25 million (currently \$182.212 million). As a result other alternatives were pursued.

Accessibility/Equity Matters

There are no accessibility or equity issues associated with this report.

Comments

Attached is a comparison of the budget and probable figure for 2015. Operation of TTC Insurance Company Limited continues to be the most cost effective choice to meet the TTC’s automobile insurance needs.

Contact

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Attachment

2016 Budget

TORONTO TRANSIT COMMISSION INSURANCE EXPENSES
FOR TTC INSURANCE COMPANY LIMITED
2016 BUDGET

<u>DESCRIPTION</u>	<u>2016 Budget</u>	<u>2016 Probable</u>	<u>Variance</u>	
Actuarial Service	\$25,500	\$25,236	-264	Note 1
Audit	12,500	12,211	-289	Note 2
Outside Legal Counsel	20,000	0	-20,000	Note 3
TTC Management Fee	29,500	29,500	0	Note 4
-Interest Earned	-30,500	-30,500	0	Note 5
FSCO Assessment Fee	1,000	1,000	0	Note 6
Miscellaneous Costs	<u>5,000</u>	<u>5,000</u>	<u>0</u>	Note 7
TOTAL	<u><u>\$63,000</u></u>	<u><u>\$42,447</u></u>	<u><u>-\$20,553</u></u>	

- Note 1 TTC completed a competitive request for bid (RFB) for actuarial services for a five year term commencing with the 2014 financial year. The contract was awarded to the qualified lowest bidder, Collins Barrow Toronto Actuarial Services Inc. The projected cost for financial year 2016 is \$24,800 plus unrecoverable HST of \$436, for a total of \$25,236.
- Note 2 On March 31, 2015, City Council authorized the Auditor General to enter into an agreement with PricewaterhouseCoopers LLP to perform the annual financial statement audits for the years 2015 to 2019 inclusive.
- Note 3 An estimated amount has been budgeted for outside legal counsel on an as needed basis.
- Note 4 & 5 The TTC Management Fee is budgeted to equal the interest earned on funds held to comply with the City Guarantee. The 2016 budget is based on funds held of \$2.9 million for Q1 and \$3.1 million for Q2-4, at an interest rate of 1.00%.
- Note 6 The Financial Services Commission of Ontario charges TTCICL an annual assessment fee.
- Note 7 Expenses include the cost of purchasing the automobile liability certificates, software for quarterly and annual filings (P&C1 report), and membership in Property and Casualty Insurance Compensation Corporation (PACCIC). PACCIC maintains a liquidity fund on behalf of Canada's property and casualty insurers to protect policyholders and claimants in the event a member insurer becomes insolvent.