

2019 Budget

Date: June 12, 2019
To: TTC Insurance Company Limited Board of Directors
From: President

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 2019 budget.

Recommendations

It is recommended that the board of directors:

1. Approve the 2019 budget for the TTC Insurance Company Limited.

Financial Summary

Sufficient funds of \$63,000 are included in the TTC's 2019 operating budget (2018-\$63,000), as approved by the Board on January 24, 2019 and approved by City of Toronto Council on March 7, 2019. Sufficient funds will be included in future years' operating budgets as appropriate.

This report has no financial implications beyond what is proposed in the 2019 operating budget.

Equity/Accessibility 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 \$131.759 million). As a result other alternatives were pursued.

Comments

Attached is a comparison of the budget and probable figure for 2019. 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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Signature

Dan Wright, President, TTC Insurance Company Limited

Attachments

2019 Budget

TORONTO TRANSIT COMMISSION INSURANCE EXPENSES
FOR TTC INSURANCE COMPANY LIMITED
2019 BUDGET

<u>DESCRIPTION</u>	<u>2018 Budget</u>	<u>2019 Budget</u>	<u>2019 Probable</u>	<u>Variance</u>	
Actuarial Service	\$25,500	\$25,250	\$25,236	-14	Note 1
Audit	12,500	12,500	12,211	(289)	Note 2
Outside Legal Counsel	20,000	20,000	0	(20,000)	Note 3
TTC Management Fee	55,000	58,200	55,000	(3,200)	Note 4
-Interest Earned	(56,000)	(59,200)	(56,000)	3,200	Note 5
FSCO Assessment Fee	1,000	1,000	1,000	0	Note 6
Miscellaneous Costs	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>0</u>	Note 7
TOTAL	<u>\$63,000</u>	<u>\$62,750</u>	<u>\$42,447</u>	<u>-\$20,303</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, RSM Canada Inc. (formerly Collins Barrow Toronto Actuarial Services Inc). A new RFP is being conducted for fiscal 2019, the projected cost for financial year 2019 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 2019 budget is based on funds held of \$3.2 million for Q1-4, at an interest rate of 1.85%.
- 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.