

Item 1

For Information

PricewaterhouseCoopers LLP Audit Results - 2019

Date: June 17, 2020

To: TTC Insurance Company Limited Audit Committee

From: President

Summary

Each year, the Audit Committee receives the attached report from TTC Insurance Company Limited's external auditor, expressing their opinion on the financial statement for the company. No issues of concern have been identified.

Financial Summary

This report has no financial impact.

The Acting TTC Insurance Company Treasurer has reviewed this report and agrees with the financial impact information.

Equity/Accessibility Matters

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

Decision History

On March 31, 2015, the City's Audit Committee approved the appointment of PricewaterhouseCoopers LLP for the provision of external audit services for the City and its agencies, boards and commissions.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.AU1.20>

On June 12, 2019, the Audit Committee appointed PricewaterhouseCoopers LLP to perform the 2019 financial year-end audit of TTCICL.

Issue Background

In accordance with Section 102 of the Insurance Act (Ontario), a statement of the condition of affairs of the Company shall be accompanied by a report of an auditor prepared in the manner required by the Superintendent.

Comments

PricewaterhouseCoopers LLP has audited TTC Insurance Company Limited's financial statements for the year ended December 31, 2019. The independent auditor's report is a statutory reporting requirement and forms part of the annual submission to the Financial Services Regulatory Authority of Ontario.

Contact

Brian Leck, President (Acting), TTC Insurance Company Limited
Phone: 416-393-3860
Email: Brian. Leck@ttc.ca

Signature

Brian Leck, President (Acting), TTC Insurance Company Limited

Attachments

Attachment 1 - PricewaterhouseCoopers LLP, Independent Auditor's Report

TTC Insurance Company Limited audit results for the year ending 2019

For presentation to the Audit Committee
February 13, 2020



A message from Kyle Snyder

I am pleased to provide you with the results of our audit of the financial statements of TTC Insurance Company Limited for the year ended December 31, 2019.

The accompanying report is prepared to assist you in your review of the financial statements. It includes an update on the status of our work, as well as a discussion on the significant audit, accounting and financial reporting matters from our audit that we believe would be of greatest interest to the Audit Committee.

The scope and proposed focus of our audit work was summarised in our audit plan, which we presented to the Audit and Risk Management Committee of the Toronto Transit Commission in December 2019. We have subsequently reviewed our audit plan and concluded that our original risk assessment remains appropriate.

We have substantially completed our audit work and expect to be able to issue an unqualified audit opinion on the financial statements, pending resolution of outstanding items noted in this report. Our draft auditor's report, is included as Appendix 1.

We look forward to discussing our report with you on February 14, 2020. If you have any questions or concerns prior to the Closing meeting, please do not hesitate to contact me in advance.

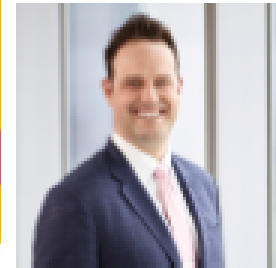
Yours very truly,



Kyle Snyder
Partner
Assurance



On behalf of our team, I would like to express our sincere gratitude to the management and staff of TTC Insurance for their cooperation and assistance throughout the course of our audit.



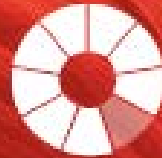
Kyle Snyder
Partner

We are reimagining the possible, investing in our people and our technology to provide you with a digitally amplified and insightful audit.



Enhancing quality.
Building trust.
Embracing innovation.

01 Status of the audit →



We have substantially completed our audit of the 2019 financial statements.

Outstanding items at the time of mailing are referred to in this report.

02 Significant audit accounting matters →

1. Management Override of Controls
2. Valuation of Incurred but not Reported (IBNR) reserves

03 Audit findings →

04 Other items for discussion →

05 Appendices →



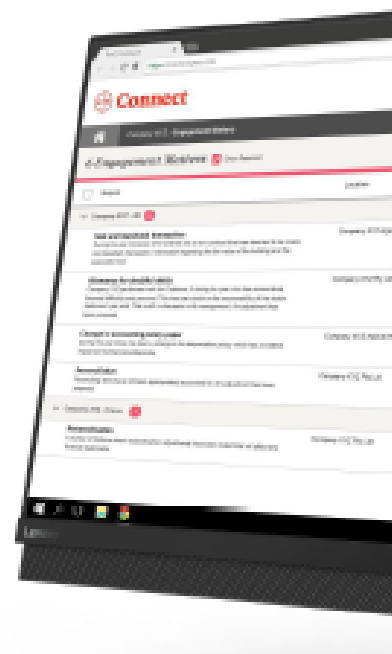
01 Status of the audit



We have substantially completed our audit of the 2019 financial statements.

The following items are outstanding at the time of mailing and need to be addressed before we can issue our auditor's report. We will provide an update on the status of these items at our upcoming meeting.

1. Receipt of signed management representation letter
2. Receipt of 2019 P&C Annual filing
3. Receipt of final AA Valuation Report



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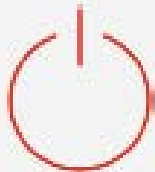
Requests

3

TTCICL employees



02 Significant audit, accounting and financial reporting matters



We are responsible for discussing our views about the significant qualitative aspects of the company's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.



Significant audit, accounting and financial reporting matters

Significant audit risks and results

Matter #1 Management Override of Controls

Background Information

There is an inherent risk of fraud in all entities as a result of potential management override of controls over financial reporting. This is a required significant risk under Canadian auditing standards.

PwC's views

In response to this risk, the following auditing procedures were performed:

- Updated our understanding of the internal controls designed to prevent and detect fraud, specifically surrounding journal entries and the financial reporting processes.
- Reviewed all journal entries and tested a sample of entries that fall outside the expected routine entries.
- Reviewed accounting estimates for biases that could result in material misstatement due to fraud, including retrospective review of significant prior year estimates.

Conclusion

- Management's estimates are reasonable and materially consistent with the requirements of IFRS.
- We noted no indications of material management bias or exceptions in journal entry testing.
- We did not identify any significant unusual transactions.





Significant audit, accounting and financial reporting matters

Significant audit risks and results

Matter #2 Valuation of Incurred but Not Reported (IBNR) reserves

Background Information

Insurance liabilities, specifically IBNR, are subject to a significant amount of subjectivity and uncertainty. The key audit risks are appropriateness of reserves and reasonableness of methodologies and assumptions used by management and the appointed actuary.

PwC's views

In response to this risk, the following auditing procedures were performed:

- We performed the following audit procedures to gain comfort over the Insurance liabilities balance.
- Tested claim files on a sample basis to assess the accuracy and completeness of data used in the reserve calculations.
- Reviewed reconciliations of data to underlying systems.
- Reconciled the amounts recorded by the Company to those reported by the Appointed Actuary.
- Independently projected 88.9% of the total estimate of reserves and compared the estimates to those of the Company.
- Reviewed methodologies and assumptions for the remaining balance.





Significant audit, accounting and financial reporting matters

Significant audit risks and results

Matter #2 Valuation of Incurred but Not Reported (IBNR) reserves (continued)

Conclusion

In comparing discounted actuarial liabilities recorded by management to the estimate projected by our actuaries, we noted the discounted actuarial liabilities were different as follows:

	Appointed Actuary (000's)	PwC (000's)	Surplus/ (Deficiency) (%)
2019	128,036	124,969	2.5
2018	131,759	129,999	1.4
2017	141,416	146,412	(3.4)

Based on the procedures above, we have concluded that management's valuation of provision for unpaid claims and adjustment expenses fall within a reasonable range of our estimates, typically considered between - 5% to +5%.





Significant audit, accounting and financial reporting matters

Other areas of focus

Related Party Transactions

Background Information

Given the nature of the organization, related party transactions have a pervasive impact on the financial statements.

PwC's views

We have performed the following audit procedures for related party transactions:

- Reviewed agreements between the Company and its related parties, City of Toronto, the Toronto Transit Commission (TTC) and Toronto Coach Terminal Inc. (TCTI).
- Confirmed the related party receivable and payable balances with the affiliated entities.
- Examined the most recent financial statements of TTC to assess its solvency and the collectibility of the receivable balance.

We have not been aware of any significant change in the underlying agreements or transactions that would impact FY 2019.





03

Audit findings



We are required to communicate any unadjusted and adjusted items, including disclosures and items that relate to prior periods or could impact future periods, and the effect that they may have on our opinion.

Audit findings

Summary of unadjusted and adjusted items

Our responsibility is to issue an opinion as to whether the financial statements are free of material misstatement.

The materiality levels previously communicated to you have changed from \$2.7 million to \$2.6 million.

Unadjusted items

We did not identify any items that remain unadjusted in the financial statements.

Adjusted items

We did not identify any items that were communicated to management and subsequently corrected in the financial statements.



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04

Other items for discussion



Working in harmony with you, we combine our judgement and experience to communicate matters that may assist you in overseeing both management's financial reporting process and our commitment to an effective audit.

Other items for discussion

Required communications

Draft auditor's report	The draft auditor's reports on the financial statements and the P&C return are included in Appendix 1.
Management's representations	We are required to inform you of the representations we are requesting from management. A copy of the management representation letter is included in Appendix 2. We requested our standard representations, including confirmation that no change to the contracts with related parties mentioned above.
Independence	We are not aware of any relationships between the Company or its management and PricewaterhouseCoopers LLP that may reasonably be thought to bear on our independence.
Significant deficiencies in internal control	We have no significant internal control recommendations to report.
Fraud and illegal acts	No fraud involving senior management or employees with a significant role in internal control or that would cause a material misstatement of the financial statements and no illegal acts came to our attention. We would like to reconfirm that the management is not aware of any such fraud or illegal acts not previously discussed with us.
Subsequent events	No subsequent event which would impact the financial statements other than those disclosed have come to our attention. We would like to reconfirm that management is not aware of any other subsequent events that might affect the financial statements.





Appendices

05

- 1 Draft auditor's report
- 2 Draft management representation letter

Appendix 1

Draft auditor's reports

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Independent auditor's report

To the Board of Directors and Shareholder of TTC Insurance Company Limited

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of TTC Insurance Company Limited (the Company) as at December 31, 2019 and the results of its operations, changes in its net debt, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2019;
- the statement of operations and accumulated surplus for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

*PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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 Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our 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 our 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 the Company'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 the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our



auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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.

We 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 we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 21, 2020

DRAFT



Independent auditor's report

To the Board of Directors of TTC Insurance Company Limited and the Superintendent of the Financial Services Regulatory Authority of Ontario

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of TTC Insurance Company Limited (the Company) as at December 31, 2019 and its financial performance and its cash flows for the year then ended, in accordance with Canadian Public Sector Accounting Standards (PSAS).

What we have audited

The Company's financial statements included on pages 20.10 to 20.60 of the P&C Quarterly Return and P&C Annual Supplement (the Return) comprise:

- the statement of assets as at December 31, 2019;
- the statement of liabilities, equity, head office account, reserves and accumulated other comprehensive income as at December 31, 2019;
- the statement of income for the year then ended;
- the statement of comprehensive income (loss) for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
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*PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Restriction on distribution and use

Our report is intended solely for the Board of Directors of the Company, and the Superintendent of the Financial Services Regulatory Authority of Ontario and should not be distributed to or used by parties other than the Board of Directors of the Company, and the Superintendent of Financial Services Regulatory Authority of Ontario.

Other matter – unaudited information

We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the statement of reserves on page 20.45 of the Return and the schedules or exhibits of the Return except for those on pages 20.10 through 20.60. Accordingly, this auditor's report and our opinion do not cover the schedules and exhibits on the other pages of the Return and the statement of reserves on page 20.45 of the Return.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, 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 Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our 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 our 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 the Company'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 the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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.

We 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 we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada
February 21, 2020



Appendix 2

Draft management representation letter

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Client Letterhead

February 21, 2020

PricewaterhouseCoopers LLP
PwC Tower
18 York Street, Suite 2600
Toronto ON M5J 0B2

We are providing this letter in connection with your audit of the financial statements and the Annual Return P&C 1 of TTC Insurance Company Limited (TTCICL) as at December 31, 2019 and for the year then ended for the purpose of expressing an opinion as to whether such financial statements present fairly, in all material respects, the financial position of TTCICL and results of its operations and its cash flows in accordance with Canadian public sector accounting standards (the financial statements).

We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 30, 2015, as amended by an amending engagement letter dated February 6, 2019, (and subsequently confirmed on January 23, 2020) and in particular with respect to the following responsibilities:

- the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards including disclosures;
- designing, implementing and maintaining an effective system of internal control over financial reporting to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error;
- designing, implementing and maintaining an effective system of internal control to prevent and detect fraud;
- providing you with all relevant information and access, as agreed in the terms of the audit engagement; and
- ensuring all transactions have been recorded in the accounting records and are reflected in the financial statements.

We confirm the following representations:

Preparation of financial statements

The financial statements are fairly presented in accordance with Canadian public sector accounting standards, and include all disclosures necessary for such fair presentation and disclosures otherwise required to be included therein by the laws and regulations to which TTCICL is subject. We have prepared TTCICL's financial statements on the basis that TTCICL is able to continue as a going concern.

We have appropriately reconciled our books and records (e.g. general ledger accounts) underlying the financial statements to their related supporting information (e.g. subledger or third party data). All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the financial statements. There were no material unreconciled differences or material general ledger suspense account items that should have been adjusted or reclassified to another account balance. There were no material general ledger suspense account items written off to a statement of financial position account, which should have been written off to a profit and loss account and vice versa. All intra-governmental unit accounts have been eliminated or appropriately measured and considered for disclosure in the financial statements.

Other information

We confirm to you that we are not required by law, regulation or custom and do not intend to issue a document (which would include or accompany the financial statements and our auditor's report thereon) with information on TTCICL's operations and TTCICL's financial results and financial position as set out in the financial statements.

Accounting policies

We confirm that we have reviewed TTCICL's accounting policies and, having regard to the possible alternative policies, our selection and application of accounting policies and estimation techniques used for the preparation and presentation of the financial statements is appropriate in TTCICL's particular circumstances.

Internal control over financial reporting

We have disclosed to you all deficiencies in the design or operation of disclosure controls and procedures and internal control over financial reporting that we are aware.

Minutes

All matters requiring disclosure to or approval of the Board of Directors or the shareholders have been brought before them at appropriate meetings and are reflected in the minutes.

Completeness of transactions

All contractual arrangements entered into by TTCICL with third parties have been properly reflected in the accounting records or /and, where material (or potentially material) to the financial statements, have been disclosed to you. TTCICL has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There are no side agreements or other arrangements (either written or oral) undisclosed to you.

Fraud

We have disclosed to you:

- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- All information in relation to fraud or suspected fraud of which we are aware affecting TTCICL involving management, employees who have significant roles in internal control or others where the fraud could have a material effect on the financial statements; and
- All information in relation to any allegations of fraud, or suspected fraud, affecting TTCICL's financial statements, communicated by employees, former employees, analysts, regulators or others.

Disclosure of information

We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters including:
 - Contracts and related data;
 - Information regarding significant transactions and arrangements that are outside the normal course of business;
 - Minutes of the meetings of shareholders, management, directors and committees of directors. The most recent meetings held were on June 12, 2019;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within TTCICL from whom you determined it necessary to obtain audit evidence.

Compliance with laws and regulations

We have disclosed to you all aspects of laws, regulations and contractual agreements that may affect the financial statements, including any known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

There have been no communications from regulatory agencies concerning non-compliance with or deficiencies in financial reporting practices.

Accounting estimates and fair value measurements

Significant assumptions used by TTCICL in making accounting estimates, including fair value accounting estimates, are reasonable.

For recorded or disclosed amounts in the financial statements that incorporate fair value measurements, we confirm that:

- The measurement methods are appropriate and consistently applied;
- The significant assumptions used in determining fair value measurements represent our best estimates, are reasonable and have been consistently applied;
- No subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements; and
- The significant assumptions used in determining fair value measurements are consistent with TTCICL's planned courses of action. We have no plans or intentions that have not been disclosed to you, which may materially affect the recorded or disclosed fair values of assets or liabilities.

Significant estimates and measurement uncertainties known to management that are required to be disclosed in accordance with CPA Canada Public Sector Accounting Handbook Section 2130, *Measurement Uncertainty*, have been appropriately disclosed.

Related parties

We confirm that we have disclosed to you the identity of TTCICL's related parties as defined by CPA Canada Public Sector Accounting Handbook Section PS 2200, *Related Party Disclosures*, and all the related party relationships and transactions.

The identity and relationship of, and balances and transactions with, related parties have been properly recorded and adequately disclosed in the financial statements as required by CPA Canada Public Sector Accounting Handbook Section PS 2200, *Related Party Disclosures*.

The list of related parties attached to this letter as Appendix A accurately and completely describes TTCICL's related parties and the relationships with such parties.

Indemnity, Guarantees and Other Contractual Obligations

The Toronto Transit Commission makes all claims payments on behalf of TTCICL through the terms of an indemnity agreement. We confirm that as at the date of this letter, the Toronto Transit Commission continues to completely and fully indemnify and hold harmless TTCICL against and from any and all losses, costs and expenses of TTCICL as stated in the signed Indemnity Agreement dated February 25, 1994.

The City of Toronto, through execution of the Guarantee Agreement dated February 8, 2019, (replacing a former guarantee dated July 13, 1994) guarantees all liabilities of TTCICL in the event that the Toronto Transit Commission is unable to meet these obligations as required by the indemnity agreement noted above. We confirm that as of the date of this letter, we are not aware of any termination notice in respect of the guarantee from the City of Toronto.

We also confirm that any contracts or changes to the contracts that have been entered into since January 1, 2019 to the date of this letter with the City of Toronto, the Toronto Transit Commission (TTC), and Toronto Coach Terminal Inc. (TCTI) have been appropriately reflected in the financial statements.

Going concern

There are no events or conditions that, individually or collectively, may cast significant doubt on TTCICL's ability to continue as a going concern.

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements (e.g. to dispose of the business or to cease operations).

Assets and liabilities

We have satisfactory title or control over all assets. All liens or encumbrances on TTCICL's assets and assets pledged as collateral, to the extent material, have been disclosed in the financial statements.

We have recorded or disclosed, as appropriate, all liabilities, in accordance with Canadian public sector accounting standards. All liabilities and contingencies, including those associated with guarantees, whether written or oral, under which TTCICL is contingently liable in accordance with CPA Canada Public Sector Accounting Handbook Section PS 3300, *Contingent Liabilities*, have been disclosed to you and are appropriately reflected in the financial statements.

Litigation and claims

All known actual or possible litigation and claims, which existed as at December 31, 2019 or as at the date of this letter, have been disclosed to you and accounted for and disclosed in accordance with Canadian public sector accounting standards, whether or not they have been discussed with legal counsel.

Misstatements

Certain representations in this letter are described as being limited to those matters that are material. Items are also considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.

We confirm that the financial statements are free of material misstatements, including omissions.

We confirm there are no uncorrected misstatements in the financial statements.

Events after the statement of financial position date

We have identified all events that occurred between December 31, 2019 and the date of this letter that may require adjustment of, or disclosure in, the financial statements, and have effected such adjustment or disclosure.

Cash and banks

The books and records properly reflect and record all transactions affecting cash funds, bank accounts and bank indebtedness of TTCICL.

All cash balances are under the control of TTCICL, free from assignment or other charges, and unrestricted as to use, except as disclosed to you.

The amount shown for cash on hand or in bank accounts excludes trust or other amounts, which are not the property of TTCICL.

All cash and bank accounts and all other properties and assets of TTCICL are included in the financial statements.

Accounts receivable

All amounts receivable by TTCICL were recorded in the books and records.

Amounts receivable amounted to \$128,036,000 and are considered to be fully collectible.

Use of a specialist

We assume responsibility for the findings of specialists in evaluating the case reserves and incurred but not reported (IBNR) reserves and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or 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 otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

Yours truly,

TTC Insurance Company Limited

Brian Leck, Head Legal/General Counsel

Mark Cosgrove, Secretary

DRAFT

Appendix A

List of related parties and relationships

The TTCICL is a subsidiary of Toronto Coach Terminal Inc. ("TCTI"), with its ultimate parent company being the Toronto Transit Commission (the "TTC"). The TTC is one of the agencies, boards and commissions of the City of Toronto (the "City"). The TTC also operates Wheel-Trans, a paratransit service for people with disabilities (which is also subsidized by the City), the Toronto Coach Terminal Inc. and its subsidiary, the TTC Insurance Company Limited. The TTC controls the TTC Sick Benefit Association which was incorporated to adjudicate and pay benefit claims to eligible Members of Association unable to work due to illness or disability. As such, the following lists all related parties that had transactions and/or relationships with TTCICL for fiscal period 2019:

- City of Toronto
- Toronto Transit Commission
- Toronto Coach Terminal Inc.
- TTC Sick Benefit Association
- Toronto Transit Infrastructure Limited

Directors:

- Joe Mihevc (Chair)
- Dan Wright (Vice Chair)
- Ron Lalonde
- Rick Byers
- Brian Leck

Officers:

- President: Dan Wright
- Secretary: Mark Cosgrove
- General Counsel: Brian Leck

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The matters raised in this and other reports that will flow from the audit are only those that have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising and, in particular, we cannot be held responsible for reporting all risks in your business or all internal control weaknesses. Comments and conclusions should only be taken in context of the financial statements as a whole, as we do not mean to express an opinion on any individual item or accounting estimate. This report has been prepared solely for your use. It was not prepared for, and is not intended for, any other purpose. No other person or entity shall place any reliance upon the accuracy or completeness of statements made herein. PwC does not assume responsibility to any third party, and, in no event, shall PwC have any liability for damages, costs or losses suffered by reason of any reliance upon the contents of this report by any person or entity other than you.

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