

2021 Budget and Business Plan Forecast

Date: June 16, 2021
To: TTC Insurance Company Limited Board of Directors
From: Treasurer

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 2021 budget.

Recommendations

It is recommended that the Board of Directors:

1. Approve the 2021 Budget and Forecast for the TTC Insurance Company Limited.

Financial Summary

Sufficient funds of \$88,850 are included in the TTC's 2021 operating budget (as approved by the TTC Board on December 21, 2021 and City Council on February 18, 2021. Sufficient funds will be included in future years' operating budgets as appropriate.

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 \$133.5 million). As a result other alternatives were pursued.

Comments

Attached is a comparison of the Budget and probable estimates for 2021 as well as a projection for 2022-2024. Operation of TTC Insurance Company Limited continues to be the most cost effective choice to meet the TTC's automobile insurance needs.

The 2021 Budget has been increased to \$88,500 (2020 - \$80,250) primarily due to an increase in miscellaneous costs related to regulatory fees and increase in audit fees. All costs are itemized, with a prior year comparable amount in the attached budget.

Contact

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Signature

Alex Cassar, Treasurer, TTC Insurance Company Limited

Attachments

2021 Budget and Projection

TORONTO TRANSIT COMMISSION INSURANCE EXPENSES
FOR TTC INSURANCE COMPANY LIMITED
2021 BUDGET

| <u>DESCRIPTION</u> | <u>2020 Budget</u> | <u>2021 Budget</u> | <u>Change</u> | | <u>2022 Forecast</u> | <u>2023 Forecast</u> | <u>2024 Forecast</u> |
|-----------------------|------------------------|------------------------|----------------|--------|--------------------------|--------------------------|--------------------------|
| Actuarial Service | \$25,250 | \$25,250 | \$0 | Note 1 | \$25,250 | \$25,250 | \$25,250 |
| Audit | 30,000 | 32,000 | 2,000 | Note 2 | 34,000 | 36,000 | 38,000 |
| Outside Legal Counsel | 20,000 | 20,000 | 0 | Note 3 | 20,000 | 20,000 | 20,000 |
| TTC Management Fee | 53,080 | 26,000 | (27,080) | Note 4 | 26,000 | 26,000 | 26,000 |
| -Interest Earned | (54,080) | (27,000) | 27,080 | Note 5 | (27,000) | (27,000) | (27,000) |
| FSCO Assessment Fee | 1,000 | 1,000 | 0 | Note 6 | 1,000 | 1,000 | 1,000 |
| Miscellaneous Costs | <u>5,000</u> | <u>11,600</u> | <u>6,600</u> | Note 7 | <u>11,600</u> | <u>11,600</u> | <u>11,600</u> |
| TOTAL | <u>\$80,250</u> | <u>\$88,850</u> | <u>\$8,600</u> | | <u>\$90,850</u> | <u>\$92,850</u> | <u>\$94,850</u> |

Note 1 TTC completed a competitive request for bid (RFB) for actuarial services for a five year term commencing with the 2019 financial year. The contract was awarded to the qualified lowest bidder, JS Cheng & Partners Inc.

Note 2 On February 10, 2020, City Council authorized the Auditor General to enter into an agreement with KPMG LLP to perform the annual financial statement audits for the years 2020 to 2024. The cost for 2021 is \$32,000.

Note 3 Amount reflects a provision outside legal counsel on an as-needed basis.

Note 4 & 5 The TTC Management Fee is budgeted to based on the interest earned on funds held to comply with the City Guarantee. The 2021 budget is based on funds held of \$2.7 million for Q1-4, at an interest rate of 1.0%.

Note 6 The Financial Services Commission of Ontario charges TTCICL an annual assessment fee.

Note 7 Miscellaneous 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.