

2023 Budget and Business Plan Forecast

Date: June 12, 2023
To: TTC Insurance Company Limited Board of Directors
From: Treasurer, TTC Insurance Company Limited

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 2023 budget.

Recommendations

It is recommended that the Board of Directors:

1. Approve the 2023 Budget and Forecast for the TTC Insurance Company Limited.

Financial Summary

Total expenses of \$92,850 are included in the TTC's 2023 Operating Budget (as approved by the TTC Board on January 9, 2023 and City Council on February 15, 2023).

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 2023 as well as a projection for 2024-2026. Operation of TTC Insurance Company Limited continues to be the most cost effective choice to meet the TTC's automobile insurance needs.

The 2023 Operating Budget is \$92,850 (2022 - \$90,850). All costs are itemized, with the prior year comparable amount in the attached budget.

Contact

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Signature

Alex Cassar
Treasurer, TTC Insurance Company Limited

Attachments

Attachment 1 – 2023 Budget and Projection

Attachment 1

TORONTO TRANSIT COMMISSION INSURANCE EXPENSES
FOR TTC INSURANCE COMPANY LIMITED
2023 BUDGET

<u>DESCRIPTION</u>	<u>2022 Budget</u>	<u>2023 Budget</u>	<u>Change</u>		<u>2024 Forecast</u>	<u>2025 Forecast</u>	<u>2026 Forecast</u>
Actuarial Service	\$25,250	\$25,250	\$0	Note 1	\$25,250	\$25,250	\$25,250
Audit	34,000	36,000	2,000	Note 2	38,000	40,000	40,000
Outside Legal Counsel	20,000	20,000	0	Note 3	20,000	20,000	20,000
TTC Management Fee	44,900	44,900	0	Note 4	44,900	44,900	44,900
-Interest Earned	(45,900)	(45,900)	0	Note 5	(45,900)	(45,900)	(45,900)
FSCO Assessment Fee	1,000	1,000	0	Note 6	1,000	1,000	1,000
Miscellaneous Costs	11,600	11,600	0	Note 7	11,600	11,600	11,600
TOTAL	<u>\$90,850</u>	<u>\$92,850</u>	<u>\$0</u>		<u>\$94,850</u>	<u>\$96,850</u>	<u>\$96,850</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 2023 is \$36,000.

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

Note 4 & 5 The TTC Management Fee is budgeted to be based on the interest earned on funds held to comply with the City Guarantee. The 2023 budget is based on funds held of \$2.7 million for Q1-4, at an interest rate of 1.7% (held throughout forecast period).

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.