For Action

Actuarial Financial Review

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

Summary

As required under Subsection 121.17(1) of the Insurance Act (Ontario), the Appointed Actuary for TTC Insurance Company Limited is required to meet with the Board of Directors at least annually to report on the financial position of the Company and present its report on the expected financial future condition of the Company.

Recommendations

It is recommended that the Board of Directors:

1. Receive the attached summary from the Annual Actuarial Report (Attachment A), and,

2. Approve the attached Financial Condition Testing (FCT) report that forecasts the expected future financial condition of TTC Insurance Company Limited (Attachment B) as prepared by the Company's Appointed Actuary Benny Chan of JS Cheng and Partners Inc. (JSCP).

Financial Summary

There is no financial impact resulting from the adoption of the recommendations in this report.

Equity/Accessibility Matters

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

Decision History

On June 12, 2019, the shareholders of TTC Insurance Company Limited delegated the appointment of the actuary pending a successful RFP process. On August 30, 2019, Benny Chan of JSCP was appointed as the Appointed Actuary for a five year term from for fiscal years 2019-2023.

Issue Background

Subsection 121.17(1) of the Insurance Act (Ontario) states that “an actuary of the insurer shall meet with the directors of the insurer or, if the directors so choose, with the audit committee of the insurer at least once during each fiscal year”. The Appointed Actuary provides an actuarial estimate of reserves for outstanding claims for the Company.

Comments

As required by the Insurance Act (Ontario), the Appointed Actuary for TTC Insurance Company Limited shall report on the financial position of the Company and present the results of the Expected Future Financial Condition report to the Board of Directors.

Contact

Alex Cassar, Treasurer, TTC Insurance Company Limited
416-393-3647
Alex.Cassar@ttc.ca

Signature

Alex Cassar
Treasurer, TTC Insurance Company Limited

Attachments

Attachment A - Executive Summary from the Annual Actuarial Report
Attachment B - Financial Condition Testing Report

Attachment A

JSCP
ACTUARIES Who Care
J. S. CHENG & PARTNERS INC

EXECUTIVE SUMMARY

This report is part of the annual statement required by the Financial Services Regulatory Authority of Ontario (FSRA). The purpose of this report is to provide an opinion on the appropriateness of policy provisions for TTC Insurance Company Limited as at December 31, 2022. The standard of materiality used in this report is $2.1 million.

TTC Insurance Company Limited (hereafter referred to as "the Company" or "TTCICL") is a provincially registered insurance company whose main purpose is providing liability cards for vehicles operated by the Toronto Transit Commission (TTC). Since 2007, the Company has issued two annual OAP1 policies to three named insureds: the TTC, Toronto Transit Infrastructure Limited (formerly Toronto Transit Consultants Limited), and Toronto Coach Terminal Inc. One policy is for revenue generating vehicles and another for non-revenue generating vehicles.

In 2022, TTCICL started insuring the City of Toronto's vehicles. The new policies cover auto insurance claim from licensed vehicles owned by the City of Toronto.

TTCICL has no insurance exposure. By way of a special deductible on liability and accident benefit claims, the TTC and the City of Toronto reimburse the Company up to $5 million per claim. The TTC and the City of Toronto have excess liability insurance coverage for both auto and general liability; however, the excess insurance does not apply to accident benefit (no-fault) claims. If an accident benefit claim exceeds $5 million, they unconditionally guarantees to reimburse the Company for all claims or expenses in excess of $5 million.

TTCICL does not have ceded reinsurance agreements as it has no insurance exposure.

The COVID-19 pandemic has reduced the number of TTC passengers from 2020 to 2022—thus, having a favourable impact on the expected number of claims in those years. While the ridership has increased through 2022, the total reported claims remains lower than the pre-pandemic level. In our analysis, we have adjusted the expected losses in 2020-2022 to reflect the actual experience.

The results of my valuation are as follows:

Summary of Valuation Results

December 31, 2022

Components	Gross of Reinsurance	Net of Reinsurance
	($000's)	($000's)
Claim Liabilities (before client deductible)	133,044	133,044
Claim Liabilities (after client deductible)	0	0
Premium Liabilities	0	0
Other Policy Liabilities	0	0
Total Policy Liabilities (annual return)	0	0
Maximum Allowable DPAC	0	0

A comparison of the actual experience with the expected experience for the last ten years on a pre-deductible basis is shown in detail in this report. The comparison shows that the gross unpaid estimates as of December 31, 2021 were higher than the current estimates by $2.9 million. This favourable development was mainly due to the lower than expected reported claims from bodily injury.

We applied a COVID-19 reduction factor to adjust the expected losses from accident years 2020 to 2022.

The current elevated inflationary environment has been considered in the claims and premium liability sections.

After the calculation date, TTC discovered a data issue that may have overstated the case reserves for some claims. Based on my initial assessment, the data issue will have an immaterial impact to the claims liabilities before deductible and zero impact to the claims liabilities after deductible. As the issue will not change the estimated claims liabilities after deductible, no revisions were made.

I am not aware of any subsequent event that would materially affect the results of my valuation.

Attachment B

APPOINTED ACTUARY'S REPORT ON

FINANCIAL CONDITION TESTING

OF

TTC INSURANCE COMPANY LIMITED

AS AT DECEMBER 31, 2022

Prepared by: Chung Yiu (Benny) Chan, F.C.I.A.

Date of Opinion: June TBD, 2023

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J. S. CHENG & PARTNERS INC.

1500 Don Mills Road, Suite 706, Toronto ON M3B 3K4 Canada
T • 416.510.8360 F • 416.510.8359 E • jscp@jscp.com
www.jscp.com

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TRANSMITTAL LETTER

______________, 2023

Financial Services Regulatory Authority of Ontario
5160 Yonge Street, 17th Floor
Toronto, Ontario
M2N 6L9

Dear Sir or Mesdames:

I hereby submit my report on the Financial Condition Testing (FCT) of TTC Insurance Company Limited using data as of December 31, 2022.

My presentation to the Board of Directors of TTC Insurance Company Limited was made on June ___, 2023. The presentation covered the major assumptions and results of the base, going concern and solvency scenarios in my report.

Since the date of my opinion, I am not aware of any subsequent event that might affect the conclusions of my report.

Yours truly,

Chung Yiu (Benny) Chan, F.C.I.A.

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1.0 EXECUTIVE SUMMARY

The purpose of this report is to assess the expected future financial condition of TTC Insurance Company Limited (hereafter referred to as "the Company" or "TTCICL"). The Company is deemed to have a satisfactory financial condition if throughout the forecast period:

1. Under the solvency scenarios, the statement value of the insurer's assets is greater than the statement value of its liabilities.
2. Under the going concern scenario, the insurer meets the regulatory minimum capital ratios; and
3. Under the base scenario, the insurer meets its internal target capital ratio(s) as determined from the Own Risk and Solvency Assessment.

The standard of materiality used in this report is $1.5 million, about 1% of the Company's assets as at December 31, 2022.

TTCICL is a provincially registered insurance company whose main purpose is providing liability cards for vehicles operated by the Toronto Transit Commission (TTC). The Company is fully indemnified as all claims and expenses would be covered by either a special deductible from the TTC or external insurance that TTC holds.

Starting in 2022, the Company also provides liability cards for vehicles owned by the City of Toronto. Similar arrangements have been made with the City of Toronto; the Company will be fully indemnified by the City of Toronto.

We established a base scenario using data as of December 31, 2022. For 2023 to 2025, we assumed 7% year-over-year growth in other liabilities due to a gradual increase in ridership and an additional book of business (from the City of Toronto). Management fees for 2023-2025 are assumed to be the same as for 2022. Investment income was set equal to the management fees for each year.

Based on our analysis, the Company has little exposure to insurance or investment risk. The only risk is a regulatory change that would affect the existence of the Company, or the City of Toronto defaulting on its obligations. These events are unlikely to occur during the forecast period. Consequently, the Company has no going concern scenarios or solvency scenarios.

As of December 31, 2022, TTCICL's required capital is zero and the 2022 MCT score was infinitely large due to division by zero. Note that the MCT ratio is not meaningful due to the Company's required capital being zero; therefore, I have used 150% as the internal target ratio.

Throughout the forecast period, the MCT score of the Company is above 150% (the supervisory target capital requirement and internal MCT target) in the base scenario. The Company has no going concern and solvency scenarios. Consequently, I conclude that the Company's future financial condition is satisfactory.

1.1 Opinion

I have completed my investigation of the future financial condition of TTC Insurance Company Limited as at December 31, 2022 in accordance with accepted actuarial practice in Canada.

I have analyzed the forecasted financial positions of the insurer over an appropriate forecast period under a series of scenarios. As part of my investigation, I have used the internal target capital ratio(s) of TTC Insurance Company Limited.

My report includes the identification of corrective management actions that could be taken to mitigate the effect of plausible adverse scenarios threatening TTC Insurance Company Limited and/or its ability to operate on a going concern basis.

In my opinion, the future financial condition of the insurer is satisfactory.

Chung Yiu (Benny) Chan
Fellow, Canadian Institute of Actuaries

Toronto, Ontario, Canada

Date: June TBD, 2023

1.2 Definitions

(1) MCT means Minimum Capital Test.

(3) A going concern scenario is an adverse scenario that is more likely to occur and/or less severe than a solvency scenario, and could include risks not considered in solvency scenarios.

(4) Minimum regulatory capital requirement means 100% MCT ratio.

(5) A solvency scenario is a plausible adverse scenario if it is credible and has a non-trivial probability of occurring.

(6) The supervisory MCT target for this Company is 150%.

(7) Surplus and (shareholder) equity are used interchangeably in this report.

2.0 INTRODUCTION

2.1 Purpose and Scope of the Report

The purpose of this report is:

(1) To inform the Company management of the likely implications of the business plan on capital and provide guidance on the significant risks to which the Company will be exposed;

(2) To satisfy the requirements of the Insurance Act (Ontario); and

(3) To recommend courses of action that may mitigate any plausible threat to the Company's financial condition.

The scope of this report is to assess the financial condition of the Company during the forecast period (from January 1, 2023 to December 31, 2025), in accordance with the standards of practice of the Canadian Institute of Actuaries and the regulatory requirements of the Financial Services Regulatory Authority of Ontario (FSRA).

2.2 Distribution and Use

This report is prepared for TTC Insurance Company Limited for its internal use and filing with regulatory authorities under the Insurance Act.

This report is confidential in nature. It may be distributed to any regulator in a jurisdiction where the Company operates or intends to obtain a license. Furthermore, the Company may distribute this report to its parent company and its external auditor.

This report is neither intended nor necessarily suitable for any use other than that stated in Section 2.1. Distribution beyond the intended audiences is permitted provided that it is authorized by the Company and the recipient acknowledges that they are a third party to this report.

Any use which a third party makes of this report, or any reliance on or decisions to be made based on it, are the responsibility of such third parties. J. S. Cheng & Partners Inc. accepts no responsibility for damages suffered by any third party as a result of decisions or actions made based on this report.

2.3 Role of the Appointed Actuary

Mr. Chung Yiu (Benny) Chan, the Appointed Actuary of the Company, is required by applicable insurance legislation to report on the expected future financial condition of the Company in accordance with accepted actuarial practice in Canada.

2.4 Process

First, we developed a base scenario using the Company's business plan and, where necessary, made suitable modifications and provided additional details.

We examined nine risk categories that the Company would most likely face:

1. Claim frequency and severity risk;
2. Liability for incurred claims risk;
3. Inflation risk;
4. Volume and mix of business risk;
5. Reinsurance held risk;
6. Market and credit risk;
7. Expense risk;
8. Government and political risk;
9. Off-balance sheet risk;
10. Related Company risk;
11. Climate-related risk; and
12. Technology and cyber risk.

For each of the risk categories, we subjected the Company to a plausible adverse scenario and determined if its equity would remain positive and its MCT would stay above 100% throughout the forecast period. We also checked that minimum capital requirements would be met under going concern scenarios.

In our investigation, we tested the adverse scenarios against FSRA's supervisory MCT target score of 150% and reported any scenario in which the Company's MCT score could fall below 150%.

2.5 Data and Reliance

We used the 2022 Annual Statement and the 2022 Appointed Actuary's Report that the Company submitted to FSRA. The Company does not produce a business plan; we assumed the Company would continue its operations in a manner consistent with recent years.

2.6 Variability of Actuarial Estimates

There is a limitation upon the accuracy of actuarial forecast as there is inherent uncertainty in any estimate of future premiums, claims, expenses, investment incomes, taxes and regulatory reserves required.

The emphasis of the actuarial forecast is to measure the marginal change in equity and capital adequacy under various adverse scenarios, and determine if the Company can continue to discharge its policy obligations. The actual result may differ from the expected result due to the risks discussed in Section 3 of this report. The base scenario is the best estimate forecast.

2.7 Actuarial Present Value

All reserves are calculated on an actuarial present value basis.

2.8 Standard of Materiality

The materiality standard we used in this report is $1,500,000, about 1% of the Company's assets at the end of 2022.

2.9 Rounding

Figures in this report may differ slightly from figures on detailed worksheets due to rounding.

2.10 Changes from Last Year's Report

There are no material changes from last year's report.

2.11 International Financial Reporting Standard (IFRS)

TTCICL's arrangements with its named insureds, which provide for full reimbursement of claims incurred, are <u>not</u> considered insurance contracts under IFRS. TTCICL treats premiums and losses from its named insureds as deposits and payables, respectively; unpaid claims are classified as Other Liabilities with corresponding receivables from its named insureds. The measurement will continue to follow the guidance under applicable accounting standards. Therefore, we do not expect that IFRS 17 changes will have any material impact to the financial condition of TTCICL.

3.0 BASE SCENARIO

3.1 Company Operations

TTCICL is a provincially registered insurance company, incorporated in 1994, whose main purpose is to provide liability cards to the vehicles operated by the TTC. The Company has two annual OAP1 policies with three named insureds: the TTC, Toronto Transit Infrastructure Limited and Toronto Coach Terminal Inc.

One policy covers all heavy commercial vehicles owned, registered and/or leased by the named insured while the other covers all revenue and non-revenue vehicles owned, registered and/or leased by the named insured.

The coverage is limited to the statutory limit required for public vehicles in each province where the accident occurs. There is a Special Endorsement (occurrence reimbursement endorsement) attached to each policy. This endorsement effectively places a $5 million per occurrence deductible on each policy.

The Company started insuring the City of Toronto's vehicles on January 1, 2022. The new policies covers auto insurance claim from licensed vehicles owned by the City. There is no insurance exposure from these policies as all claims and expenses would be reimbursed by City of Toronto.

The latest policy period is January 1, 2023 to December 31, 2023.

3.2 Reinsurance Structure

The policyholders have two layers of excess liability insurance coverage ($150 million excess of $250 million and $245 million excess of $5 million per occurrence) for both auto and general liability. However, this excess liability insurance does not apply to accident benefit claims. If an accident benefit claim should exceed $5 million (and since it is not covered by external insurance), the policyholders unconditionally guarantee to reimburse the Company for all claims and expenses in excess of $5 million.

3.3 Recent Financial Position

Year	MCT	Reported Equity '$ 000s
2020	NA[1]	100
2021	NA[1]	100
2022	NA[1]	100

1. TTCICL's MCT was infinitely large due to division by zero.

3.4 Recent and Future Changes

The 2015/16 Ontario automobile insurance reforms have reduced the cost of accident benefits and bodily injury claims.

Since 2020, because of COVID-19, the number of TTC passengers decreased which lowered the number of claims. While ridership has increased through 2022, total reported claims remain lower than the pre-pandemic level.

In 2022, TTCICL started to insure the City of Toronto's vehicles. The new policies cover auto insurance claim from licensed vehicles owned by the City of Toronto. There is no insurance exposure from these policies as all claims and expenses would be reimbursed by the City.

3.5 Description of Base Scenario

We established a base scenario using December 31, 2022 data. In 2023-2025, we assumed the Company will experience 7% year-over-year growth due to

(i) an increase in TTC ridership (as the impact of COVID-19 lessens), and

(ii) coverage for City of Toronto vehicles. These receivables are unconditionally guaranteed by the TTC and the City of Toronto; therefore, they are treated as government grade and do not require any capital.

Management fees for 2023-2025 are assumed to be the same as for 2022. Investment income is set equal to the management fees for each year. Therefore, the net income is $0 throughout the forecast period.

By Provincial Order in Council, the Company's license requires the Company to maintain capital of at least $100,000.

The base scenario is shown in Appendix 1.

4.0 ANALYSIS OF RISK CATEGORIES

4.1 Claim Frequency & Severity Risk

All claims will be zero after indemnification from the named insureds. This risk is not applicable.

4.2 Liability for Incurred Claims Risk

The Company has no policy liabilities. If Other Liabilities should increase, then there will be a corresponding increase in Other Receivables to offset the increase. This risk is immaterial.

4.3 Inflation Risk

This risk is not applicable (please refer to 4.1 above).

4.4 Volume and Mix of Business Risk

The sole purpose of the Company is to provide liability cards to the named insureds. There is no competition for these insureds. This risk is not applicable.

4.5 Reinsurance Held Risk

The Company has no reinsurance arrangements. This risk is not applicable.

4.6 Market and Credit Risk

The Company only holds cash. The impact of this risk is very small because the amount of revenues is completely offset by an equal amount of management fees.

4.7 Expense Risk

The Company's expenses will be fully reimbursed by the City of Toronto and TTC. Thus, this is risk is not applicable.

4.8 Government and Political Risk

If the regulator requires TTCICL to increase its capital to a normal level, then the named insureds of the Company could be forced to use an alternative carrier to issue liability cards, and the Company would have to start its run-off operation. The likelihood of any government and political changes within the forecast period is expected to be minimal.

4.9 Off-Balance-Sheet Risk

There are no off-balance sheet items.

4.10 Related Company Risk

The receivables are unconditionally guaranteed by both the TTC and the City of Toronto. In the unlikely event that the TTC is unable to meet its obligations to the Company, the City of Toronto will assume responsibility for these obligations. The impact of this risk is very small.

4.11 Climate-related Risk

All claims will be zero after indemnification from the named insureds. This risk is not applicable.

4.12 Technology and Cyber Risk

All claims will be zero after indemnification from the named insureds. This risk is not applicable.

5.0 CONCLUSIONS AND RECOMMENDATIONS

Under the base scenario, the Company's MCT ratio is above 150% throughout the forecast period (note: the MCT score is infinitely large due to division by zero). There are no going concern and solvency scenarios for the Company.

We conclude that the Company's financial condition is satisfactory in the forecast period (2023-2025).

We have no recommendations at this time.

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6.0 APPENDIX 1

Base Scenario

TTC Insurance Company Limited **Appendix 1**
Assets ($000)
Base Scenario

		Scenario - Base			
		2022 Restated	2023 Forecast	2024 Forecast	2025 Forecast
ASSETS:					
Cash and Cash Equivalents	01	2,700	2,700	2,700	2,700
Accrued Investment Income	11	11	11	11	11
Current Tax Assets	52	0	0	0	0
Assets Held for Sale	50	0	0	0	0
Asset for Insurance Acquisition Cash Flows	18	0	0	0	0
Investments	14	0	0	0	0
Equity Accounted Investees	15	0	0	0	0
Financial Instrument Derivative Assets	16	0	0	0	0
Insurance Contract Assets	62	0	0	0	0
Reinsurance Contract Held Assets	64	0	0	0	0
Investment Properties	17	0	0	0	0
Property and Equipment	41	0	0	0	0
Intangible Assets	56	0	0	0	0
Goodwill	54	0	0	0	0
Defined Benefit Pension Plan	58	0	0	0	0
Segregated Funds Net Assets	60	0	0	0	0
Deferred Tax Assets	44	0	0	0	0
Other Assets	88	133,044	142,341	152,305	162,966
Total Assets	89	135,755	145,052	155,016	165,677
Investments Breakdown					
Short Term Investments		0	0	0	0
Bonds		0	0	0	0
Mortgage Loans		0	0	0	0
Stock		0	0	0	0
Total		0	0	0	0

TTC Insurance Company Limited **Appendix 1**
Liabilities and Equity ($000)
Base Scenario

		Scenario - Base			
		2022 Restated	2023 Forecast	2024 Forecast	2025 Forecast
LIABILITIES:					
Provisions, Accruals and Other Liabilities	030	135,655	144,952	154,916	165,577
Liabilities held for sale	040	0	0	0	0
Current Tax Liabilities	050	0	0	0	0
Encumbrances on Real Estate & Mortgage Loans	060	0	0	0	0
Financial Instrument Derivative Liabilities	070	0	0	0	0
Insurance Contract Liabilities					
Total Insurance Contract Liabilities	169	0	0	0	0
Reinsurance Contract Held Liabilities					
Total Reinsurance Contract Held Liabilities	189	0	0	0	0
Trust and Banking Deposits	080	0	0	0	0
Other Debt	090	0	0	0	0
Defined Benefit Pension Plan	110	0	0	0	0
Employment Benefits (not including amounts in line above)	120	0	0	0	0
Subordinated Debt	130	0	0	0	0
Preferred shares - Debt	140	0	0	0	0
Deferred Tax Liabilities	100	0	0	0	0
Total Investment Contract Liabilities	199	0	0	0	0
Liabilities before Policyholders' Liabilities	**299**	**135,655**	**144,952**	**154,916**	**165,577**
Policyholders' Liabilities					
Total Policyholders' Liabilities	359	0	0	0	0
TOTAL LIABILITIES	**399**	**135,655**	**144,952**	**154,916**	**165,577**
EQUITY					
CANADIAN INSURERS ONLY:					
Total Policyholders' Equity	**499**	**0**	**0**	**0**	**0**
Shareholders' Equity					
Common Shares	510	100	100	100	100
Preferred Shares	520	0	0	0	0
Contributed Surplus	530	0	0	0	0
Other Capital	540	0	0	0	0
Retained Earnings	550	0	0	0	0
Nuclear and Other Reserves	560	0	0	0	0
Accumulated Other Comprehensive Income (Loss)	570	0	0	0	0
Total Shareholders' Equity	599	100	100	100	100
Non-controlling Interests	620	0	0	0	0
Total Equity	**699**	**100**	**100**	**100**	**100**
TOTAL LIABILITIES AND EQUITY	**799**	**135,755**	**145,052**	**155,016**	**165,677**

TTC Insurance Company Limited **Appendix 1**
Statement of Profit or Loss ($000)
Base Scenario

		Scenario - Base			
		2022 Restated	2023 Forecast	2024 Forecast	2025 Forecast
Total Insurance Revenue	**099**	**0**	**0**	**0**	**0**
Insurance service expenses	110	0	0	0	0
Net expenses from reinsurance contracts held	120	0	0	0	0
INSURANCE SERVICE RESULT	**199**	**0**	**0**	**0**	**0**
Interest revenue on financial assets not measured at FVTPL	220	0	0	0	0
Net investment income excluding segregated funds	230	0	0	0	0
Net investment income - segregated funds	240	0	0	0	0
Provision for Credit Losses	250	0	0	0	0
Investment Return	300	0	0	0	0
Net finance income (expenses) from insurance contracts excl. segregated funds	310	0	0	0	0
Net finance income (expenses) from segregated funds	315	0	0	0	0
Net finance income (expenses) from reinsurance contracts held	320	0	0	0	0
Movement in investment contract liabilities	330	0	0	0	0
NET INVESTMENT RESULT	**399**	**0**	**0**	**0**	**0**
Other Income	410	69	69	69	69
Share of Net Income (Loss) of Equity Accounted Investees	415	0	0	0	0
General and Operating Expenses	420	69	69	69	69
OTHER INCOME AND EXPENSES	430	**0**	**0**	**0**	**0**
PROFIT (LOSS) BEFORE TAXES	**440**	**0**	**0**	**0**	**0**
Current Taxes	450	0	0	0	0
Deferred Taxes	460	0	0	0	0
Total Income Taxes	499	0	0	0	0
PROFIT (LOSS) AFTER TAXES	**510**	**0**	**0**	**0**	**0**
Discontinued Operations (net of Income Taxes of $______)	520	0	0	0	0
NET INCOME (LOSS) FOR THE YEAR	**999**	**0**	**0**	**0**	**0**

TTC Insurance Company Limited **Appendix 1**
MCT (BAAT) RATIO - SUMMARY CALCULATIONS ($000)
Base Scenario

		Scenario - Base			
		2022 Restated	2023 Forecast	2024 Forecast	2025 Forecast
Capital Available:					
Capital available	001	100	100	100	100
Other (Specify)	005	0	0	0	0
Total Capital Available	010	100	100	100	100
Capital (Margin) Required at Target:					
Insurance Risk:					
Unexpired coverage	030	0	0	0	0
Liability for incurred claims	035	0	0	0	0
Earthquake and nuclear catastrophe reserves	040	0	0	0	0
Reinsurance held with unregistered insurers	045	0	0	0	0
Subtotal: Insurance risk	050	0	0	0	0
Market Risk:					
Interest rate	055	0	0	0	0
Foreign exchange	060	0	0	0	0
Equity	065	0	0	0	0
Real estate	070	0	0	0	0
Other market exposures (including right-of-use assets)	075	0	0	0	0
Subtotal: Market risk	080	0	0	0	0
Credit Risk:					
Counterparty default for balance sheet items	085	0	0	0	0
Counterparty default for off-balance sheet exposures	090	0	0	0	0
Collateral held for unreg. reinsurance and self-insured retention	095	0	0	0	0
Subtotal: Credit risk	100	0	0	0	0
Operational risk	105	0	0	0	0
Less: Diversification credit	110	0	0	0	0
Total Capital (Margin) Required at Target	115	0	0	0	0
Minimum Capital (Margin) Required (line 115 / 1.5)	120	0	0	0	0
Other (Specify)	125	0	0	0	0
Total Minimum Capital (Margin) Required	130	0	0	0	0
Excess Capital over Minimum Capital (Margin) Required	135	100	100	100	100
MCT (BAAT) Ratio (Line 10 (line 25) as a % of line 130)	140	NA	NA	NA	NA

TTC Insurance Company Limited
MCT (BAAT) RATIO - SUMMARY CALCULATIONS ($000)
Base Scenario

Appendix 1

		Scenario - Base			
		2022 Restated	2023 Forecast	2024 Forecast	2025 Forecast
Capital Available:					
Qualifying category A common shares	001	0	0	0	0
Contributed surplus	005	0	0	0	0
Retained earnings	010	100	100	100	100
Less: Accumulated net after-tax FV gains(losses) due to changes in own credit risk	015	0	0	0	0
Unrealized net after-tax fair value gains (losses) on owner-occupied properties at conversion to IFRS - cost model	020	0	0	0	0
Add: Accumulated net after-tax revaluation losses in excess of gains on owner-occupied properties - revaluation model	025	0	0	0	0
Subtotal: Common shares, Contributed surplus and Retained earnings net of adjustments	030	100	100	100	100
Earthquake reserves	035	0	0	0	0
Less: Earthquake EPR not used as part of financial resources to cover exposure	040	0	0	0	0
Subtotal: Earthquake reserves net of adjustments	045	0	0	0	0
Nuclear reserves	050	0	0	0	0
General and contingency reserves	055	0	0	0	0
Accumulated other comprehensive income (loss)	060	0	0	0	0
Less: Accumulated net after-tax fair value gains (losses) on cash flow hedges that are not fair valued on the balance sheet	065	0	0	0	0
Accumulated net after-tax fair value gains (losses) due to changes in the company's own credit risk	070	0	0	0	0
Accumulated net after-tax unrealized gains on owner-occupied properties - revaluation surplus	080	0	0	0	0
Subtotal: Nuclear, General reserves and AOCI net of adjustments	085	0	0	0	0
Residual interest of owner-policyholder of mutual entities - Classified as equity	090	0	0	0	0
Residual interest of owner-policyholder of mutual entities - Classified as liabilities	091	0	0	0	0
Qualifying category B instruments - Non-cumulative perpetual preferred shares	095	0	0	0	0
Qualifying category B instruments - Other	100	0	0	0	0
Qualifying category C instruments		0	0	0	0
Non-controlling interests	130	0	0	0	0
Other (Specify)	135	0	0	0	0
Subtotal: Capital available before deductions and additions	140	100	100	100	100
Deductions:					
Interests in non-qualifying subsidiaries	145	0	0	0	0
Interests in associates	150	0	0	0	0
Interests in joint ventures and limited partnerships with more than 10% ownership	155	0	0	0	0
Loans considered as capital to non-qualifying subsidiaries	160	0	0	0	0
Loans considered as capital to associates	165	0	0	0	0
Loans considered as capital to joint ventures and limited partnerships > 10% ownership	170	0	0	0	0
Receivables and recoverables from unreg. insurers not covered by acceptable collateral	175	0	0	0	0
Self-insured retentions requires collateral and no collateral has been received	180	0	0	0	0
Assets for insurance acquisition cash flows	181	0	0	0	0
Unamortized IACF other than those arising from commissions and premium taxes	185	0	0	0	0
Goodwill (net of eligible deferred tax liability)	190	0	0	0	0
Intangible assets, including computer software (net of eligible deferred tax liability)	195	0	0	0	0
Deferred tax assets excluding those arising from temporary differences	200	0	0	0	0
Net defined benefit pension plan surplus asset, net of available refunds	205	0	0	0	0
Investments in own capital instruments not derecognized for accounting purposes	215	0	0	0	0
Reciprocal cross holdings in the capital of financial entities	220	0	0	0	0
Specify	225	0	0	0	0
Subtotal: Deductions to capital available	230	0	0	0	0
Additions:					
Net Contractual service margin (CSM) associated with title insurance contracts	235	0	0	0	0
Net Contractual service margin from portfolio transfers on or prior to June 30, 2019	240	0	0	0	0
Specify	241	0	0	0	0
Subtotal: Additions to capital available	245	0	0	0	0
Total Capital Available	250	100	100	100	100

TTC Insurance Company Limited **Appendix 1**
Capital Required for Credit Risk
Base Scenario

		Scenario - Base			
		2022	2023	2024	2025
		Restated	Forecast	Forecast	Forecast
CAPITAL REQUIRED FOR SELECTED BALANCE SHEET ITEMS					
Cash held on premises	0.00%	0	0	0	0
Cash other	0.25%	0	0	0	0
Investment Income Due and Accrued	2.50%	11	11	11	11
Investments:					
Long-Term Obligations incl. Term Deposits, Bonds, etc.		0	0	0	0
Short-Term Obligations including Commercial Paper		0	0	0	0
Asset-Backed Securities		0	0	0	0
Loans (at amortized cost):					
First mortgages on residential dwellings	4.00%	0	0	0	0
Commercial and residential mortgages (not included above)	10.00%	0	0	0	0
Mortgages secured by undeveloped land	15.00%	0	0	0	0
Subsidiaries, Associates & Joint Ventures	45.00%	0	0	0	0
Other loans		0	0	0	0
Adjustments for Loans		0	0	0	0
Preferred Shares		0	0	0	0
Other Investments	10.00%	0	0	0	0
Receivables:					
Government Grade	0.00%	133,044	142,341	152,305	162,966
FARM and Uninsured Automobile Fund	0.70%	0	0	0	0
Agents, Brokers, Policyholders, Associates, etc.					
- Outstanding less than 60 days	5.00%	0	0	0	0
- Outstanding 60 days or more	10.00%	0	0	0	0
Insurers					
- Registered Associated (Intra-group pooling approved)	0.00%	0	0	0	0
- Registered Associated (Non Intra-group pooling approved)	0.70%	0	0	0	0
- Registered Non-associated	0.70%	0	0	0	0
- Unregisted		0	0	0	0
Recoverables from Reinsurers:					
- Registered Associated (non intra-group)					
Premiums for unexpired coverage	2.50%	0	0	0	0
Asset for incurred claims	2.50%	0	0	0	0
- Registered Non-Associated					
Premiums for unexpired coverage	2.50%	0	0	0	0
Asset for incurred claims	2.50%	0	0	0	0
- Unregistered		0	0	0	0
Other Recoverables including SIRs not deducted from capital	20.00%	0	0	0	0
DTA arising from temporary differences	10.00%	0	0	0	0
Assets held for sale		0	0	0	0
Other Assets	10.00%	0	0	0	0
Total Value		**133,055**	**142,352**	**152,316**	**162,977**
Total Capital Required		**0**	**0**	**0**	**0**