

MEETING DATE: June 22, 2005

SUBJECT: Notice Of Award - Property And Catastrophe Liability Insurance Renewal - June 1, 2005

RECOMMENDATION

It is recommended that the Commission receive the notice of award of Chair Moscoe, Commissioner Shiner and the Chief General Manager for the placement of its Property and Catastrophe Liability insurance policies through Marsh Canada (the Commission's insurance broker), for one year from June 1, 2005, with the following provisions:

Property Insurance

- A per loss limit of \$200,000,000.
- A deductible of \$1,000,000 per occurrence.
- An annual premium of \$2,824,136 (incl. 8% Provincial Sales Tax).

Catastrophe Liability Insurance

- A liability limit of \$100,000,000 (\$95,000,000 in excess of a \$5,000,000 retained limit).
- An annual premium of \$1,423,226 (incl. 8% Provincial Sales Tax).

FUNDING

This renewal represents a decrease of \$501,295 (including tax) or an approximate 10.5% decrease over last year's premiums and will result in an approximate net \$494,000 underexpenditure in 2005, relative to budget. Sufficient funds will be included in the 2006 TTC Operating Budget.

BACKGROUND

At its meeting of May 11, 2005 the Committee of the Whole received a status update and confirmed delegation authority for the Chair, one Commissioner and the Chief General Manager to approve renewal terms before the next Commission meeting. The Commission's existing Catastrophe and Property Insurance policies were due to expire June 1, 2005 and had to be renewed.

At its meeting of February 9, 2005, the Commission approved the revisions and updates to the Authorization for Expenditures Policy/Instruction which states that *"The Commission delegates authority to the Chair, one Commissioner and Chief General Manager to authorize items on an interim basis that would normally be authorized by the Commission when the approval is required before the next Commission meeting. The interim report authorization is to be followed up by a notice of award Commission report that is to be submitted to the next scheduled meeting."*

DISCUSSION

The Commission's insurance broker, Marsh Canada, went out for tender on the Commission's behalf and negotiated with the respondents (insurance underwriters) with a view to placing both the Property and Catastrophe Liability insurances for a one-year term starting June 1, 2005. Results are summarized in the table below.

POLICY	POLICY LIMITS	CURRENT PREMIUM *	NEW PREMIUM *	DIFFERENCE	PERCENTAGE CHANGE
(A) Property Insurance	\$200 Million (Deductible \$1 Million)	\$3,245,757	\$2,824,136	(\$421,621)	(12.9%)
(B) Catastrophe Liability Insurance	\$95 million excess of \$5 million	\$1,502,901	\$1,423,226	(\$79,675)	(5.3%)
TOTAL		\$4,748,658	\$4,247,362	(\$501,296)	(10.5%)

* Includes 8% P.S.T.

This report deals with two types of insurance:

(A) Property Insurance

This insurance protects the Commission's assets against loss caused by all risks including, fire, explosion and structural collapse.

Marsh Canada secured a premium for our Property coverage with a decrease of approximately 12.9% compared to last year's renewal. This premium decrease is primarily related to a softening of the insurance market for the Property insurance since last year's renewal.

(B) Catastrophe Liability Insurance

Catastrophe Liability provides coverage against third party claims for bodily injury, death or damage to the property of others arising from the Commission's operations.

Marsh Canada obtained quotes based on the current upset limit of \$95,000,000 excess of \$5,000,000 on the Catastrophe Liability Insurance. They were successful in providing the same terms and conditions as last year's renewal with a decrease in premium.

JUSTIFICATION

Insurance coverage is required to protect the Commission against catastrophic losses arising from its operations and also to protect its capital assets against losses caused by all risks including fire, explosion and collapse.

May 30, 2005
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