MEETING DATE: May 14, 2001

SUBJECT: Catastrophe Liability And Property Insurance - June 1, 2001 Renewal

RECOMMENDATION

It is recommended that the Commission authorize the placement of its Catastrophe Liability and Property insurance policies through Marsh Canada (the Commission's insurance broker), for one year from June 1, 2001, with the following provisions:

A. Catastrophe Liability Insurance

1. A liability limit of $100,000,000 ($95,000,000 in excess of a $5,000,000 retained limit); and
2. An annual premium of $737,970.

A. Property Insurance

1. A per loss limit of $190,000,000.
2. A deductible of $1,000,000 per occurrence on Railcar (Subway/SRT) Collision, Upset or Derailment.

   A deductible of $250,000 All Other Losses; and

3. An annual premium of $833,438.

FUNDING

This renewal represents an additional $266,735 (including tax) or an approximate 20% increased cost over last year's premiums and will result in a $48,269 overexpenditure in 2001. Sufficient funds for the 2002 portion of these contracts will be included in the 2002 TTC Operating Budget.

BACKGROUND

On May 8, 2000, the Commission authorized the placement of its insurance for a one-year term ending June 1, 2001. The Commission's existing Catastrophe and Property Insurance policies expire 12:01 a.m. June 1, 2001 and must be renewed.

DISCUSSION

The Commission's insurance broker, Marsh Canada, went out for tender on the Commission's behalf and negotiated with the respondents (insurance underwriters) to place both the Catastrophe Liability and Property insurances for a one-year term starting June 1, 2001. Results are summarized in the table below.

POLICY	POLICY LIMITS	CURRENT PREMIUM *	NEW PREMIUM *	INCREASE OVER PRIOR YEAR
A. Catastrophe Liability Insurance	$95 million excess of $5 million	$662,796	$737,970	$75,174
• Property Insurance	$190 million	641,877	833,438	191,561
TOTAL		$1,304,673	$1,571,408	$266,735

* Includes 8% P.S.T.

A. 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 for the Catastrophe Liability insurance with instructions to renew at the current limits. Of the current seven underwriters on risk, six are returning with the exception being American Home Assurance Company who did not wish to continue. The existing insurers absorbed American Home's level of participation.

Eight other alternate insurers were approached but declined to participate. The increase in premiums over last year is approximately 11.3% and can be attributed to the general overall market hardening or market correction that has seen 'Good Risk' companies rates increase 15% to 20%.

B. Property Insurance

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

Marsh Canada was asked to place the Property insurance renewal with an increase in the limit of coverage by $10 million from $180 million to $190 million. This higher coverage is arrived at by taking into consideration the replacement cost for the TTC's highest valued property (Wilson Bus Garage and Natural Gas Depot) if a disaster were to strike. Currently three underwriters provide coverage over a Primary layer and two excess layers. Gerling Canada has asked to be removed from the primary level but will stay on in the excess layers. ING Wellington Insurance Company and Commonwealth Insurance Company have agreed to split Gerling's participation in the Primary level which has now been adjusted to $10 million (down from the previous $15 million limit). As well, eight other alternate insurers were approached but declined to participate.

The increase in premium over last year is approximately 29.8% and can be attributed to a number of contributing factors as follows;

1. General 'hardening' or increase in the market for 'Good Risk' companies from 15% to 20%; and
2. TTC's claim loss history over the last five years; and
3. Increase value of assets insured from $7.335 billion to $7.717 billion (5.2%); and
4. Increased limit of $10 million from $180 million to $190 million.

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. This insurance will be renewed with additional coverage along with increased costs.

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April 24, 2001

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