

**MEETING DATE:** June 12, 2002

**SUBJECT:** Confirmation Of Approval - Catastrophe Liability And Property Insurance Renewals - June 1, 2002

### **RECOMMENDATION**

It is recommended that the Commission Confirm the Approval of the Chair and Chief General Manager for the placement of its Catastrophe Liability and Property insurance policies through Marsh Canada (the Commission's insurance broker), for one year from June 1, 2002, with the following provisions:

A. Catastrophe Liability Insurance

- A liability limit of \$100,000,000 (\$95,000,000 in excess of a \$5,000,000 retained limit); and
- An annual premium of \$1,051,920.

A. Property Insurance

- A per loss limit of \$200,000,000.
- A deductible of \$1,000,000 per occurrence.
- An annual premium of \$2,873,994

### **FUNDING**

The two policy renewals represent an approximate \$2.4 million (150%) increase over last years premiums and will result in an approximate \$1.04 million over expenditure in 2002, relative to budget. These higher rates will be incorporated in the 2003 TTC Operating Budget.

### **BACKGROUND**

At its meeting of October 20, 1999, the Commission approved the revisions and updates to the Authorization for Expenditures Policy/Instruction. Which states that *"The Commission delegates authority to the Chair, Vice-Chair 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."*

On May 15, 2002, the Committee of the Whole authorized the placement of its insurance for a one-year term ending June 1, 2003 and gave the Chair and Chief General Manager authority to approve any improved terms before the current policies expire, noting that the final outcome would be brought to the June 12, 2002 meeting for ratification.

**DISCUSSION**

The Commission's insurance broker, Marsh Canada, negotiated with the respondents (insurance underwriters) and has reached agreement on each of the policies as outlined in the table below:

POLICY	POLICY LIMITS	CURRENT PREMIUM *	NEW PREMIUM *	INCREASE OVER PRIOR YEAR	PERCENTAGE CHANGE
A. Catastrophe Liability Insurance	\$95 million excess of \$5 million	\$737,970	\$1,051,920	\$313,950	43%
• Property Insurance	\$190 Million Deductible \$250K/\$1 million \$200 Million	\$833,439		\$2,040,555	245%

	Deductible \$1 million		\$2,873,994**		
<b>TOTAL</b>		\$1,571,409	\$3,925,914	\$2,354,505	150%

\* Includes 8% P.S.T.

\*\* The original quote for the Property premium was \$3,602,279 for the same terms. The final proposal is a \$728,285 savings over the previous quote.

**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.

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May 29, 2002

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