

MEETING DATE: June 18, 2003

SUBJECT: Confirmation Of Approval - Catastrophe Liability And Property Insurance Renewals - June 1, 2003

RECOMMENDATION

It is recommended that the Commission confirm the approval of the Committee of the Whole at its meeting of May 14, 2003 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, 2003, 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 \$1,470,903.

A. Property Insurance

- A per loss limit of \$200,000,000.
- A deductible of \$1,000,000 per occurrence.
- An annual premium of \$3,174,401

FUNDING

The two policy renewals represent an approximate \$0.87 million (23%) increase over last year's premiums and will result in an approximate net \$80,000 underexpenditure in 2003, relative to budget. Sufficient funds will be included in the 2004 TTC Operating Budget.

BACKGROUND

On May 14, 2003, the Committee of the Whole authorized the placement of its insurance for a one-year term ending June 1, 2004 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 18, 2003 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	\$1,051,920	\$1,470,903	\$418,983	40%
• Property Insurance	\$200 Million (Deductible \$1 Million)	\$2,728,190	\$3,174,401	\$446,211	16%
TOTAL		\$3,780,110	\$4,645,304	\$865,194	23%

* Includes 8% P.S.T.

Staff considered the alternative of increasing the self-insured retained limit (deductible) on the Catastrophe Liability renewal. However, the potential premium savings were not substantial in relation to the higher loss exposure, and subsequently staff recommend retaining the existing deductible of \$5 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.

May 28, 2003

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