

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: November 17, 2009

SUBJECT: NOTICE OF AWARD - PROCUREMENT AUTHORIZATION
CONSTRUCTION PROJECT INSURANCE
TORONTO-YORK SPADINA SUBWAY EXTENSION

INFORMATION ITEM

RECOMMENDATION

It is recommended that the Commission receive the notice of award of Chair Giambrone, Vice-Chair Mihevc and the Chief General Manager awarding the procurement of project insurance for the construction of the Toronto-York Spadina Subway Extension to Aon Reed Stenhouse Inc. in the amount of \$20,152,207.00, inclusive of taxes.

FUNDING

Sufficient funds for this expenditure are included in the Toronto-York Spadina Subway Extension (TYSSE) Project, as set out on pages 1439-1442 of the TTC 2010-2014 Capital Program (Category – Expansion) which was approved by the Commission on September 24, 2009.

BACKGROUND

At its meeting of December 17, 2008, the Commission approved revisions and updates to the Authorization for Expenditures and Other Commitments Policy, which states that *'The Commission delegates authority to the Chair, Vice-Chair and the 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. In the event that the Chair and/or Vice-Chair are not available, authority would be delegated to any two (2) Commissioners and the Chief General Manager.'* These authorizations are to be followed up by a notice of award Commission report that is to be submitted to the next scheduled Commission meeting for information.

At its meeting of October 29, 2009, the Commission received a report with a confidential attachment and delegated authority to the Chair, Vice Chair and Chief General Manager to award the contract following the investigation of potential options related to the deductible rates. Furthermore, the Commission directed the Chief General Manager and General Secretary to report the outcome to the Commission at a future meeting.

DISCUSSION

The confidential attachment received by the Commission outlined the proposed insurance program for the construction of the Toronto-York Spadina Subway Extension project. Staff presented an update which included revised terms and conditions and pricing as at October 29, 2009. The Chair directed staff to investigate whether premium reductions were available in return for higher deductible limits. Accordingly, staff requested our insurance broker, Aon Reed Stenhouse Inc. (Aon), to pursue this request.

As a result of Aon's discussions with the insurers, Aon advised as follows:

- Wrap Up Liability - no savings would be available for an increase of the deductible.
- Environmental Impairment Liability - an increase in the deductible from \$100,000 to \$500,000 would generate a 10% to 15% premium reduction on the base premium.
- Builders Risk - for a \$1,000,000 deductible across the board, the potential savings would be in the range of 5%. For a \$2,500,000 deductible across the board, the potential savings would be in the range of 10%.

In addition, Aon provided information to benchmark the pricing of the proposed insurance program against other similar construction projects. The data illustrated that the insurance program for the TYSSE project was very competitively priced.

In consideration of the foregoing, staff recommended that we maintain the originally proposed deductibles on the proposed insurance program. The reasons included: marginal savings compared to the additional exposures to loss that would be charged back to the project; the high risk nature of the TYSSE construction project over a six year period; and, the competitively priced insurance program in comparison to other similar construction projects.

Upon their review and at the recommendation of staff, the Chair, Vice Chair and Chief General Manager approved the proposed insurance program with the originally recommended deductibles.

JUSTIFICATION

The Commission directed staff to report the outcome of their further investigations.

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