

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: October 29, 2009

SUBJECT: PROCUREMENT AUTHORIZATION – CONSTRUCTION
PROJECT INSURANCE – TORONTO-YORK SPADINA SUBWAY
EXTENSION

ACTION ITEM:

REASON FOR CONFIDENTIAL INFORMATION:

This report contains advice or communications that are subject to solicitor-client privilege.

RECOMMENDATION

It is recommended that

- 1) the Commission authorize the purchase of project specific insurance coverage for the construction of the Toronto York Spadina Subway Extension, through our insurance broker, Aon Reed Stenhouse Inc. (Aon), which includes Builders Risk property insurance, Wrap Up liability insurance and Environmental Impairment liability insurance as described in the Confidential Attachment; and
- 2) the contents of the Confidential Attachment remain confidential in their entirety as it contains advice which is subject to solicitor-client privilege.

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

Aon Reed Stenhouse Inc. (Aon) was awarded a contract in early 2008 for the provision of comprehensive insurance brokerage services for a five year period commencing March 1, 2008, with an option for an additional two years at the end of the five year term. Aon was selected on the basis of lowest priced qualified proposal after a competitive public request for proposals.

For the construction of the TYSSE, the Commission will be providing project specific Builders Risk property insurance, Wrap Up liability insurance and Environmental Impairment liability insurance to all parties involved in the project for the term of construction (2009 to 2015). This is known as an Owner Controlled Insurance Program (OCIP), which will be purchased through Aon.

The primary advantage of an OCIP is increased control and a uniform risk management program. However, there are additional benefits including:

- Cost savings, from the elimination of contractor mark-up on insurance costs; and the ability to obtain insurance at a lower cost than contractors, subcontractors and others can obtain it.
- More efficient project management and administration.
- Direct control of insurance coverage exclusions resulting in broader, uniform coverage.
- Ability to obtain higher insurance limits and mitigate claims disputes. The typical contractor or subcontractor has liability coverage in the \$1 million to \$2 million range.
- Lower cost of risk and protection from catastrophic loss by obtaining higher limits of liability insurance

JUSTIFICATION

Placing insurance coverage effective November 1, 2009 is necessary to allow the project to proceed and to protect the Commission from losses arising out of the construction of TYSSE through the transfer of insurable risks to third parties.

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Confidential Attachment