



## STAFF REPORT INFORMATION ONLY

### Shared Services Agreement and Licence Amendment for TTCICL

<b>Date:</b>	September 28, 2016
<b>To:</b>	TTC Insurance Company Limited Shareholders
<b>From:</b>	Chief Executive Officer

### Summary

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Receipt of TTCICL Board Recommendation to proceed with:

1. Amendment of Order in Council 1690/94
2. TTCICL FSCO Licence Application, and,
3. Develop operating and indemnity agreements with the City of Toronto (City) to insure City Automobile risks

### Financial Summary

It is not expected that there will be any financial impact to the TTCICL. City of Toronto will compensate TTCICL and the TTC for all incremental costs related to the licence amendment and operations of the TTCICL. There will be no change in appointed Actuary or Auditor of TTCIC as a result of the proposed amendment.

The Chief Financial & Administration Officer has reviewed this report and agrees with the financial impact information.

### Accessibility Issues

There are no accessibility or equity issues associated with this report.

### Decision History

At its meeting of September 28, 2016 the Board of the TTCICL recommended that:

1. TTCICL seek an amendment to the Order in Council 1690/94 to allow TTCICL to expand its underwriting to include the automobile insurance risks of the City, and any further necessary and/or related amendments;
2. TTCICL proceed with a Licence Application to FSCO to allow TTCICL to insure automobile risks of the City;
3. TTCICL enter into appropriate operating and indemnity / hold harmless agreements with the TTC and the City.

## **Comments**

The TTC Insurance Company Limited (TTCICL) was formed in 1994. It was, and continues to be, the most cost effective option for the Toronto Transit Commission to comply with the Compulsory Automobile Insurance Act. Currently, TTCICL insures solely the automobile risks of the TTC for both revenue and non-revenue vehicles. TTCICL has no direct employees, and acts as a “fronting insurer” for all TTC auto insurance claims up to \$5,000,000. These claims are funded and paid from TTC’s operating budget, and the claims are administered by TTC staff.

On June 11, 2013, Toronto City Council adopted Executive Committee Report EX32.3 entitled, Results of the Shared Services Study- City Agencies. Recommendation 6 authorized the City to examine the cost benefits of insuring the Toronto Transit Commission (“TTC”) under City of Toronto (“City”) insurance. This provided further direction to pursue a review of all aspects of TTC insurance operations (including TTCICL), exclusive of claims, with the view to find synergies and opportunities for consolidation to effect cost savings for both entities.

Since then, City staff met with TTC to review insuring the automobile risks of the City under TTCICL. Moreover, City staff and TTC have jointly been conducting exploratory meetings with both the Ministry of Finance (“MOF”) and the Financial Services Commission of Ontario (“FSCO”) with the intent of applying for a TTCICL licence amendment that would permit insuring City vehicles through TTCICL.

Through continued analysis, and, as a result of these meetings, TTC and City staff have determined that the following steps need to be taken:

1. Amend Order in Council 1690/94 to allow TTCICL to extend its underwriting to the automobile insurance risks of the City;
2. Apply to FSCO for a licence amendment to permit additional insurance for City vehicles
3. Develop an operating agreement and an indemnity and hold harmless agreement between the City, TTC and TTCICL (including the incremental costs increases arising as a result of the inclusion of insurance coverage for City auto risks.

From an operating perspective, the City will continue to be responsible for all claims that occur with respect to any City Auto Risks. Claims and complaints arising under the City Auto Risks are handled by a third party adjusting firm, with administrative support provided by City staff. Lawyers in the City's Legal Division handle some of the litigation arising from claims incurred with respect to the City Auto Risks. Other litigation is referred to third party law firms. These arrangements will all continue once the Proposed Amendment is effective and the TTCICL insures the automobile risks of the City.

It is intended that all of the City Auto Risks would be insured by TTCICL upon the proposed amendment being approved. The City will continue to purchase umbrella

coverage and excess liability coverage for claims over \$5 million per occurrence from various Canadian licensed insurers. The City will provide an Indemnity to TTCICL relating to all claims and liabilities involving TTCICL related to City auto risks.

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