

For Information

Update and Implementation of Shared Services

Date: June 16, 2021

To: TTC Insurance Company Limited Directors

From: Treasurer

Summary

This report updates shareholders on the implementation of the Shared Services initiative whereby TTCICL will begin to provide coverage for The City of Toronto's automobile risks. TTCICL will be fully indemnified by the City of Toronto.

The required amendment to the Order In Council has been approved and a License Application to Financial Services Regulatory Authority has been submitted as of May 28, 2021. It is expected that the FSRAO will approve the application to amend TTCICL's operating license in June 2021. TTCICL and the City will, upon approval, determine the appropriate time for the insuring agreements to be executed.

Financial Summary

No financial impact to TTCICL is expected. As per the operating agreement, the 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.

Equity/Accessibility Matters

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 FSRA 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.

[http://www.ttc.ca/About the TTC/Subsidiaries/TTC Insurance Company Ltd/2016/September 28 2016/Meeting Of Directors/Reports/1 Shared Service Agr.pdf](http://www.ttc.ca/About%20the%20TTC/Subsidiaries/TTC%20Insurance%20Company%20Ltd/2016/September%2028%202016/Meeting%20Of%20Directors/Reports/1%20Shared%20Service%20Agr.pdf)

Issue Background

TTC Insurance Company Limited was formed on March 9th, 1994 and given a licence to write automobile insurance on July 12, 1994. Its licence is limited to the insurance risks of the Toronto Transit Commission (i.e. TTCICL cannot sell automobile insurance to the general public or any other entity). The licence amendment allows TTCICL to extend its insurance to the automobile risks of the City of Toronto.

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.

The City of Toronto has a similar “fronting arrangement” with a third party insurer. The cost of this fronting arrangement is approximately \$240,000 per year. As well, the fronting arrangement also imposes certain collateral requirements on the City of Toronto to account for unpaid liabilities. Implementation of the shared services agreement would remove these fronting costs (offset by minor additional administrative costs to be determined at a later date). The collateral arrangements would also be lessened as the unpaid liabilities would be offset by a corresponding indemnity agreement by the City, and ultimately guaranteed by the City.

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”, now FSRAO) 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 determined that the following steps needed 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.

Contact

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Signature

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Attachments

None