

Update and Implementation of Shared Services

Date: June 23, 2022

To: TTC Insurance Company Limited Directors

From: Treasurer

Summary

This report updates shareholders on the implementation of the Shared Services initiative whereby TTCICL began to provide coverage for the City of Toronto's automobile risks as of January 1, 2022. TTCICL is 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 was approved, taking effect January 1, 2022.

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 is 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.

Issue Background

The 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. TTCICL insures 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.

As previously reported, City and TTC staff held 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 to permit a similar fronting arrangement insuring City vehicles through TTCICL. The objective of this was to achieve cost savings for the City, which included the \$240,000 annual cost of the City’s fronting arrangement with a third party insurer as well as avoiding the need for certain collateral requirements on the City of Toronto to account for unpaid liabilities.

The outcome of these efforts were the identification of three requirements to enable TTC Insurance Company to provide fronting coverage for the City:

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.

All the above conditions were met in 2021 and FSRAO approved the license amendment effective January 1, 2022.

From an operating perspective, the City continues 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.

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 has provided an Indemnity to TTCICL relating to all claims and liabilities involving TTCICL related to City auto risks.

Through this initiative annual cost savings for the City have been achieved, without any financial impact on the TTC Insurance Company Limited.

Contact

Alex Cassar, Treasurer, TTC Insurance Company Limited
416-393-3647
Alex.Cassar@ttc.ca

Signature

Alex Cassar, Treasurer, TTC Insurance Company Limited