



REPORT FOR ACTION

Direction to Authorize the Implementation of Shared Services Recommendation – Insure the City's Vehicles under the Toronto Transit Commission Insurance Company Limited

Date: June 18, 2018
To: Government Management Committee
From: Interim Chief Financial Officer
Wards: All

SUMMARY

This report recommends that City Council authorize and provide all necessary authority to the Interim Chief Financial Officer to implement specific contractual documents required to move the City of Toronto's vehicle insurance from an external provider to the Toronto Transit Commission Insurance Company Limited (TTCICL) if approved by the Government of Ontario.

In order to implement this initiative the City must enter into the following three agreements: (i) City of Toronto indemnity in favour of the TTCICL in regards to the City of Toronto's vehicle insurance policy; (ii) updated Guarantee replacing the Municipality of Metropolitan Toronto with the City of Toronto as guarantor of the operations of the TTCICL including any obligations under the respective indemnities to TTCICL in regards to vehicle insurance policies, and resulting from their operations as an insurer; and (iii) a memorandum of understanding between the City of Toronto, the TTC and TTCICL.

RECOMMENDATIONS

The Interim Chief Financial Officer recommends that:

1. City Council authorize and provide all necessary authority to the Interim Chief Financial Officer to negotiate and execute any documents required to move forward with obtaining an amendment to the TTCICL's insurance license to include the City's auto vehicles as outlined in this report.
2. City Council forward this report to the Toronto Transit Commission Board for their consideration and to take necessary action to implement the recommendations in this report.

FINANCIAL IMPACT

Implementation of this Shared Service initiative will result in savings of the current fronting fees of \$192,150 annually in City vehicle insurance premium costs to be offset by administrative related costs which will be substantially less than the savings, and payable by the City to other City entities, the TTCICL and/or TTC.

This report recommends moving the City's vehicle insurance from the external insurance company to the TTCICL once approved by the Minister of Finance.

Funding for the City's Insurance Program is provided from the City's Insurance Reserve Fund (XR1010) based on charges included in the 2018 Operating Budgets of insured City divisions and agencies plus contribution from the Non-Program account. The resulting savings will reduce the reserve fund requirements.

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

DECISION HISTORY

EX8.18 (*Update on the Shared Services Project*) was approved by City Council on September 30, 2015 and was considered by the Toronto Transit Commission Board on September 28, 2015, thereby authorizing the Deputy City Manager & Interim Chief Financial Officer to implement Recommendation 1 b., "Insurance – move the City's vehicle insurance from an external provider to the Toronto Transit Commission Insurance Company, if approved by the Government of Ontario, as outlined in Appendix 1;". Appendix 1 reported that the TTC and the City will apply to expand the scope of the TTC Insurance Company to include the City's auto vehicles. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX8.18>

EX21.9, (*Update on the Shared Services Project*) was adopted by Executive Committee on January 19, 2017 and provided an update on Shared Services opportunities. This report advised that the City was awaiting the approval from the Financial Securities Commission of Ontario and the Ontario Ministry of Finance of an application prepared by the TTC which will enable the TTCICL to insure the City's vehicles. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX21.9>

COMMENTS

The TTCICL was formed in 1994 with the objective of premium and administrative cost savings through obtaining an insurance license allowing the TTC to self-fund all insurance claims arising from vehicle operations. This license is under authority from the Ministry of Finance and provided by the Financial Services Commission of Ontario. On February 25 1994 the TTC executed an indemnity in favour of the TTCICL confirming their full reimbursement of all insurance claims, operating expenses,

assessments, liabilities, and liquidation costs of the TTC in exchange for the TTCICL writing policies and issuing automobile liability insurance cards for TTC automobiles. On July 13 1994 the Municipality of Metropolitan Toronto (guarantor) executed a Financial Guarantee of the TTC's obligations to the TTCICL under the indemnity as a requirement of the TTCICL's operations imposed by the Ministry of Finance. The documents executed under the previous authority and currently in force since 1994 require amendment now that the TTCICL insurance license is being amended to include City vehicles and the documents recommended in this report are known.

The Ministry of Finance and the Financial Services Commission of Ontario have indicated the City can expect an Order in Council (OIC) to be approved in the fall of 2018 subject to receipt of satisfactorily executed indemnities and an updated guarantee which will enable the TTCICL's insurance license to be amended in order to insure the City's automobile risks. There will be no resulting change in claims handling, which will remain consistent with the current process. The City of Toronto will enter a memorandum of understanding with the TTC and TTCICL detailing claims handling, reporting, and administration requirements as an insured under the TTCICL.

Automobile insurance legislation requires that insurance is provided by a licensed insurance company, which is now being made possible through expanding the TTCICL license rather than relying on an external insurer. Utilizing the TTCICL allows the City to meet legislative requirements and significantly reduce costs.

The following is an explanation of the three agreements recommended in this report as being necessary to insure the City of Toronto vehicles under the TTCICL.

City of Toronto Indemnity – to indemnify the TTCICL for any losses, costs, and expenses the TTCICL incurs in administering an automobile insurance policy to the City of Toronto thereby facilitating the City to self-insure automobile risks through the TTCICL policy.

City of Toronto Guarantee –is a condition to the TTCICL license; confirms that the City has unlimited, absolute, and unconditional liability for the TTCICL operations owed to the TTCICL by the insured TTC. This is a replacement of a Guarantee that has been in place since the inception of the TTCICL.

Memorandum of Understanding –between the City and TTC detailing the administrative, procedural and costs expectations between the City of Toronto, the TTC and the TTCICL in maintaining this arrangement. This will be drafted in coordination with Insurance & Risk Management, Legal Services, and the TTC. This document will outline administrative issues including indemnity between the City and TTC, claims triaging, licensing and regulatory requirements, financial obligations, contact particulars, audit and actuarial requirements, and reporting deadlines.

Upon receiving the executed documents recommended in this report, the TTCICL will receive an amended license allowing them to issue and administer an automobile insurance policy providing at least the minimum limits of insurance as required by various municipal, provincial, state and federal statutes of Canada and the United States of America, and which equally replaced the same insurance currently provided

by Chubb Insurance Company. This will ensure that the City and TTC continue to meet legislated requirements for automobile insurance while recognizing cost savings in distributing their own automobile liability insurance cards and administering the City's automobile insurance policies.

Conclusion

This report is recommending Council authorize and provide all necessary authority to the Interim Chief Financial Officer to negotiate and execute any documents required to move forward with obtaining an amendment to the TTCICL's insurance license to include the City's auto vehicles as outlined in this report. The result will be annual savings of \$192,150 in insurance premiums.

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SIGNATURE

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