Report of the Standing Policy Committee on Public Works dated November 20, 2001

Winnipeg Transit Bus Fleet Insurance
File TE-1 (Vol. 7)

1. The Standing Policy Committee on Public Works has been advised that in 1972, the Province of Manitoba exempted the Winnipeg Transit bus fleet from the compulsory insurance plan.

From 1972 until 1995, the compulsory insurance plan allowed the right to sue for bodily injury and property damage. During this time the Winnipeg Transit bus fleet was self- insured for the first $1,000,000.00 and purchased a layer of reinsurance over the $1,000,000.00 for limits up to $75,000,000.00. During this period, Manitoba Public Insurance (MPI) administered the claims and billed Winnipeg Transit for the actual cost of the claims and an administration fee.

In 1995, MPI introduced the No Fault program known as the Personal Injury Protection Plan (PIPP). Under this plan, the right of individuals to sue for bodily injury sustained in a traffic accident was eliminated. Instead, injured persons would immediately begin receiving benefits as predefined under the PIPP program. On April 19, 1995, City Council gave formal approval of the insurance coverage for the Winnipeg Transit buses as arranged by the City Treasurer and the City's Insurance Consortium identified on Appendix "A".

During the last quarter of 2000, MPI advised the City that effective January 1, 2001, they could no longer offer the reinsurance coverage that had been provided since April of 1995. MPI has agreed to provide temporary insurance during the year 2001 to allow time for the City to decide on a course of action with respect to insuring the Transit bus fleet.

The Risk Management Division of Corporate Finance directed the City's Insurance Consortium to search the private market for insurers willing to offer a reinsurance program for the Transit bus fleet, but they were not able to find any insurer that would provide the necessary coverage.

Since there were no options available in the private insurance market, the Risk Management Division, in conjunction with the City's Insurance Consortium, obtained a proposal from MPI for the Winnipeg Transit bus fleet to enter the Autopac Fleet Program identified on Appendix "B". To enter the Autopac Fleet Program, Winnipeg Transit must make a formal application to MPI, who will then approach the Public Utilities Board for approval.

The No Fault automobile insurance plan that was introduced in 1995 took away the right to sue for injuries sustained in an automobile accident. Instead, anyone injured in an automobile accident in Manitoba immediately becomes eligible to receive benefits as described in PIPP. This has produced considerable savings in most cases.

On the other hand, certain types of claims, particularly those that result in long-term care, can often result in much higher costs than would have been incurred under the previous "tort" system. MPI has advised that long-term care for serious injuries can easily reach $6 or $7 million compared to $2 or $3 million under the "tort" system.

The increased costs in this area have placed upward pressure on MPI's re-insurance premiums. They have reached the point where MPI can no longer offer the Winnipeg Transit bus fleet reinsurance over the self-insured amount of $1,000,000.00.

The Winnipeg Transit bus fleet is exposed to the risk of large losses if multiple people are injured in a single accident. Long-term care for three or four people could result in claims in the range of $20 to $30 million. An accident involving a transit bus with a full load of passengers could result in a catastrophic loss.

Depending on actual claims experience, participants in the Autopac Fleet Program are entitled to premium rebates in the event of low losses. The claims history of the Winnipeg Transit bus fleet, from 1976 until the present, shows that the full rebate would have applied in each year. The premiums quoted by MPI to enter the Autopac Fleet Program (assuming full rebate) would, on average, be about the same as the actual cost of the current arrangement of self-insurance and reinsurance. Therefore, entering in to the Autopac Fleet Program will not significantly change the existing budget projections for the Winnipeg Transit bus fleet.

There are currently approximately 118 open claims involving transit buses, each of which will remain open until all of the PIPP benefits have been exhausted. The current reserves on a claim could increase if the medical condition of an injured person worsens. The only way to prevent the possibility of Winnipeg Transit being charged for increased claims costs is to "Buy Out" the claims for $214,000.00 as quoted by MPI. Upon receipt of this payment, MPI will assume the risk of any additional costs that may arise.

In order to enter the Autopac Fleet Program, the Winnipeg Transit bus fleet will have to give up its exempt status under the compulsory automobile plan. Once given up, it is very unlikely that any appeal to reinstate the exemption would succeed.

City Council approval is required for Winnipeg Transit to apply for coverage of the bus fleet under Autopac's Fleet Program and to waive its existing self-insurance exemption under MPI's regulations.

The Financial Impact Statement is outlined on Appendix "C".

The Standing Policy Committee on Public Works recommends:

I. That Winnipeg Transit be authorized to apply to Manitoba Public Insurance for inclusion of the Winnipeg Transit bus fleet in the Autopac Fleet Program, and that the Transit bus fleet continue to be treated as a separate fleet for insurance purposes.

II. That the City buy-out the existing bus fleet claims for $214,000.00 as per Manitoba Public Insurance's quotation.

III. That the Proper Officers of the City be authorized to do all things necessary to implement the foregoing, including the execution of any documents related thereto.

Appendix "A" referred to in Clause 1 of the Report of the Standing Policy Committee on Public Works dated November 20, 2001

Appendix A

Insurance Arrangements Put In Place In 1995

- Self Insurance Retention $1,000,000
- Minimum annual charge $120,000
- Maximum annual charge $700,000
- Deficit carried forward with interest
- Full loss recovery (paid and outstanding)
- All claims administered by MPI for an annual fee of $15,000
- Reinsurance limit of $75,000,000 for a premium of $50,000
- 3% Premium tax

Appendix "B" referred to in Clause 1 of the Report of the Standing Policy Committee on Public Works dated November 20, 2001

Appendix B

Current Proposal To Enter the Autopac Fleet Program

- Personal Injury Protection Plan (PIPP) exposures and $200,000 Third Party Liability exposures only. No cover for All Risks on the buses themselves

- City of Winnipeg Transit bus fleet to be part of the Autopac Fleet Program separate from the remainder of the City of Winnipeg fleet

- Rate for buses is $1,200 per bus. Estimated annual premium $642,000 which reduces to $481,500 if the fleet qualifies for the maximum rebate

- Existing claims can be "Bought" out and permanently closed for a one time flat fee of $214,000.

Appendix "C" referred to in Clause 1 of the Report of the Standing Policy Committee on Public Works dated November 20, 2001

Financial Impact Statement

Date: October 26, 2001

Project Name: Winnipeg Transit Bus Fleet Insurance

First Year of Program 2002

	2002	2003	2004	2005	2006
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Total Additional Debt Required	$ -	$ -	$ -	$ -	$ -
Current Expenditures/Revenues					
Direct Costs	$ 695,500	$ 481,500	$ 481,500	$ 481,500	$ 481,500
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ 695,500	$ 481,500	$ 481,500	$ 481,500	$ 481,500
Less: Existing Budget Amounts	700,000	700,000	700,000	N/A	N/A
Net Budget Adjustment Required	$ (4,500)	$ (218,500)	$ (218,500)	N/A	N/A

Additional Comments: Assuming the fleet has a positive claims experience, the estimated annual premium for the bus fleet under the Autopac Fleet Program is approximately equal to what the City pays today under its self-insured program. The higher cost in 2002 reflects the need to buy out existing bus fleet claims ($214,000).

"original signed by"

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