

HALIFAX

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Item No. 14.1.12
Halifax Regional Council
April 25, 2017

TO: Mayor Savage and Members of Halifax Regional Council

SUBMITTED BY: Original Signed by 

Jacques Dubé, Chief Administrative Officer

DATE: April 5, 2017

SUBJECT: Award - RFP 17-048, HRM 2017 Insurance Renewal

ORIGIN

The current contract with HRM's Insurance Broker, awarded by Halifax Regional Council on May 1, 2012, expires on May 31, 2017.

LEGISLATIVE AUTHORITY

Under the HRM Charter, Section 79, Halifax Regional Council may expend money for municipal purposes.

The recommended contract award complies with all of the pre-requisites for awarding contracts as set out in section 34 of Administrative Order 2016-005-ADM, the *Procurement Administrative Order*.

Section 36 of the *Procurement Administrative Order*, provides that Halifax Regional Council may approve contract awards of any amount.

RECOMMENDATION

It is recommended that Halifax Regional Council

- a) Award RFP 17-048, HRM 2017 Insurance Renewal to Aon Reed Stenhouse Inc. for a one year term, effective June 1, 2017, renewable annually for a period not to exceed five (5) years, at an estimated cost in the first year of \$2,202,956 (HST Exempt) as outlined in the Budget Implications section of this report.
- b) Direct staff to negotiate remaining coverages with the successful proponent as outlined in the Discussion Section of this report.

BACKGROUND

HRM issues a Request for Proposals for Insurance Brokerage Services on a five (5) year cycle. The current contract with Aon Reed Stenhouse expires on May 31, 2017. HRM's core insurance requirements include:

- Primary Commercial General Liability
- Excess (Umbrella) Liability
- Tank Liability
- Crime
- Automobile
- Real and Personal Property
- Contractors Equipment
- Machinery Breakdown
- Marine Hull and Machinery

DISCUSSION

Request for Expressions of Interest # 17-022, Pre-Qualification, Insurance Broker/Agent was publicly advertised on the Province of Nova Scotia Tenders website and closed on February 21, 2017.

As a result of the Request for Expressions of Interest, four (4) firms were invited to submit a proposal in response to RFP #17-048, HRM 2017 Insurance Renewal which closed on March 31, 2017 as follows:

- AON Reed Stenhouse
- Marsh Insurance
- Jardine Lloyd Thompson Canada Inc.
- Arthur J Gallagher Insurance & Risk Management

As frequent solicitation of insurance erodes the number of firms that will respond to Request for Proposals, it was required that Proponents suggest coverage for a period of up to five years subject to acceptable renewal terms. The selected Broker will also review other markets during this period to insure the Municipality's premiums remain competitive.

The proposals were received from three (3) of the invited firms as follows:

- Aon Reed Stenhouse
- Marsh Insurance
- Jardine Lloyd Thompson Canada Inc.

The proposal from Marsh Insurance did not meet the submission requirements and was subsequently disqualified.

The remaining proposals were evaluated using a two envelope process. Envelope one was the technical component of the RFP with envelope two consisting of annual cost of the coverage listed in the RFP. Only those proponents that received 75% or better on the Technical Submission (maximum score 75 points) from envelope one had their cost envelopes opened and evaluated.

Each of the proposals were evaluated based on the criteria shown in Appendix A, Proposal Evaluation Criteria by staff from Insurance and Risk Services and facilitated by Procurement. Both remaining Proponents earned the required 75% of the available technical score. The final results of the evaluation are:

Proponent	Total Score (Maximum 100)
Aon Reed Stenhouse	98
Jardine Lloyd Thompson Canada Inc.	70

The proposed new insurance portfolio contains adjustments associated with HRM's assets and operations, including but not limited to the following elements:

- Overall Municipal property replacement cost values have decreased to \$1,809,800,740. This amounts to a \$303,533,727 decline in declared values over last year. The majority of which largely results from changes in the valuations provided by HRWC.
- There was no substantial change in the number of vehicles covered under the Automobile policy which provides coverage for HRM's fleet of vehicles.
- The value of Contractors Equipment has increased to \$6,660,876.
- An increase in the number of Ferries operated by Halifax Transit.
- HRM's operations are increasing as reflected in budget information, service delivery and Staff compliment.

The insurance rates obtained by the recommended Proponent reflect the confidence of the Insurers in HRM to deliver optimum service delivery, operate safely, mitigate exposure, control risk and endorses the steps taken over the last several years to use increased internal resources.

Aon Reed Stenhouse is offering the following value added components to HRM's Insurance Portfolio:

Property Coverage - The current HRM program insures the damage to property to it's replacement value which includes additional costs to meet current Building Codes. Our current asset value is \$1,809,800,740. The Aon package includes the highest maximum coverage value of \$200,000,000. Although a total loss of all property is remote, a loss in the \$70,000,000 range (Scotiabank Centre) is possible.

Bus Fleet - The highest risk of a single Fleet loss rests with Halifax Transit. Although strategies are taken to mitigate this risk, due to the nature of the business, they are frequently stored or parked in a large group. A fire in one vehicle could quickly spread and damage others. As the market for used buses is limited, HRM would be required to purchase new vehicles. In the past, coverage was provided on the basis of Actual Cash Value (ACV). Aon has agreed to provide coverage based on full Replacement Value. Although a single loss would be subject to a \$250,000 deductible, it provides greater financial support in the unlikely case of a large loss.

Dependent on municipal requirements, following the renewal, additional insurance coverages will be placed with the successful Proponent as may be required. These will include insurance coverage such as Excess Liability, Public Entity/Error and Omissions, and Marine Protection & Indemnity. These specific policies were not included in the RFP due to either market limitation or to maintain continuity of coverage.

Excess Liability - Excess Liability coverage is a layer of insurance that responds if a liability claim exceeds the limit of the first layer of insurance. In the Call for Proposal, the requirements specified a total of \$10,000,000 in liability insurance for the primary layer. In addition, HRM will place an Excess Liability package of approximately \$65,000,000 for a total of \$75,000,000. The 2016 cost of this Excess and Umbrella coverage was \$116,320. A significant increase in this policy is not expected.

Errors and Omissions/Professional Liability - Due to the type of claims reporting specified in this policy, it is recommended that we continue with this Insurer subject to reasonable terms. E&O coverage cost approximately \$506,576 last year with a \$100,000 dollar deductible. A significant increase for this policy coverage is not expected.

Marine Protection & Indemnity - This policy currently rests with Ship-Owners Mutual. The deductible is \$20,000 and the present cost at \$38,711 is quite reasonable. Assuming that there are no material changes in either premium or coverage, it is proposed to renew this policy.

FINANCIAL IMPLICATIONS

The cost of the insurance renewal will be funded from operating cost centre M320 (Insurance Claims), the total cost to HRM cannot exceed the estimated gross value of \$2,202,956 (HST exempt). Once the final premium has been negotiated, the percentage of the premium associated with operations of Halifax Regional Water Commission would be recovered. The 2016/17 recovery totalled \$789,838, but it is not possible to determine the cost of inclusion for the insurance portfolio before the premium negotiations have taken place.

RISK CONSIDERATION

There are no outstanding Risk Considerations with this award.

COMMUNITY ENGAGEMENT

There is no Community Engagement requirement with this award.

ENVIRONMENTAL IMPLICATIONS

There are no Environmental Implications.

ALTERNATIVES

None

ATTACHMENTS

Appendix A, Proposal Evaluation Criteria.

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.php> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

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**APPENDIX A
 EVALUATION
 CRITERIA/SCORESHEET**

Criteria	Summary (considerations may include but are not limited to the	Score	JLT	AON
Communication Skills	Clarity and readability of written	5	3	5
Team composition and experience	Sector specific experience of the Proponent Firm <ul style="list-style-type: none"> • Balance of level of 	20	17	20
Understanding of the Municipality's needs	<ul style="list-style-type: none"> • Understanding of the requirements of the scope of work and the Municipality's organizational structure • Acceptable proposed 	20	18	19
Business/Technical Solution	<ul style="list-style-type: none"> • Solution addresses all anticipated aspects of the project as identified in the RFP • Solution draws on proven methodology 	20	18	19
Project Management Methodology	<ul style="list-style-type: none"> • Management structure within Proponents organization/project team 	5	4	5
Subtotal (Business/Technical Proposal)		70	60	68
Cost		30	10	30
		100	70	98
Cost (HST Exempt)			\$3,671,096	\$2,202,956