



P.O. Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

**Item No. 15.1.4**  
**Halifax Regional Council**  
**May 3, 2022**

**TO:** Mayor Savage and Members of Halifax Regional Council

**SUBMITTED BY:** Original Signed

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Caroline Blair-Smith, Acting Chief Administrative Officer

**DATE:** April 1, 2022

**SUBJECT:** Award - RFP 21-460, Insurance Broker and Insurance Renewal Services

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**ORIGIN**

The current contract with HRM's Insurance Broker, awarded by Halifax Regional Council on April 5, 2017, expires on June 1, 2022.

**LEGISLATIVE AUTHORITY**

***Halifax Regional Municipality Charter***, S.N.S 2008, c.39:

Section 79A (1)

Subject to subsections (2) to (4), the Municipality may only spend money for municipal purposes if:

- (a) the expenditure is included in the Municipality's operating budget or capital budget or is otherwise authorized by the Municipality;
- (b) the expenditure is in respect of an emergency under the Emergency Management Act; or
- (c) the expenditure is legally required to be paid.

***HRM Procurement Administrative Order (2020-004-ADM)***

**Pre-requisites to Awarding of Contracts**

The recommended contract award complies with all the pre-requisites for awarding contracts as set out in Section 26.

**Award Authority**

Section 28(1) The approval authority limits for the awarding of contracts are as follows:

**RECOMMENDATIONS ON PAGE 2**

Method	Manager	Director	CAO	Council
...				
Competitive Procurement	Per delegation of authority from Director [not to exceed \$100,000]	\$100,000	\$1,250,000	Any amount
...				

### Signing Authority

29(2) The authority to execute procurement contracts on behalf of the Municipality is as follows:

Position	Signing Authority
CAO	Any Contract
...	

### RECOMMENDATION

It is recommended that Halifax Regional Council:

1. Award RFP 21-460, Insurance Broker and Insurance Renewal Services to Aon Reed Stenhouse Inc. for a one-year term, at an estimated cost of \$4,588,733, effective June 1, 2022, and such agreement shall be renewable annually for a period of five years.
2. Direct the Chief Administrative Officer to negotiate and secure any remaining or additional insurance coverages that are required for the management and operation of the Municipality.

### BACKGROUND

Risk & Insurance Services, a division of Legal & Legislative Services, is responsible for:

- responding to claims made by or against HRM and other insured Entities
- operational and hazard-based risk management
- leveraging sound risk management strategies to reduce frequency and severity of claims
- collection, review, analysis and maintenance of data to ensure the Municipal Insurance Portfolio has the capacity to respond to HRM's operations, programming, and assets
- management of the Enterprise Risk Management (ERM) Program for HRM

The current contract with HRM's Broker of Record, Aon Reed Stenhouse, expires on June 1, 2022. All HRM insurance policies will also expire on June 1, 2022. As a result, a Request for Proposals for Insurance Broker and Insurance Renewal Service (21-460) was issued.

The recommended Proponent, Aon Reed Stenhouse is a global insurance broker with significant Public Sector Experience. With an office situated in Halifax, they have local expertise and global leverage. To continue delivering value to HRM, Aon has committed to using their resources, experiences and capabilities (locally and nationally) to negotiate and place the most comprehensive and cost-effective insurance program and provide brokerage and insurance services that meet HRM's needs.

Insurance premiums are reflective of global events and other external factors, and the confidence of Insurers in the municipality's ability to mitigate exposure and control risk. With Halifax Regional Municipality deemed "Best in Class", the premiums reflect the delivery of diverse and varied operations, enhanced

service delivery, and the ability to operate vehicles and other assets safely.

Insurance policies are to be renewable annually for a period of five years, with an option to further extend the arrangement on a yearly basis to a maximum of ten years. Remuneration for the successful Proponent's services is rewarded based on a percentage of the annual insurance premiums paid. This is currently capped at a maximum 10% of the annual premium.

### **Municipal insurance portfolio**

Risk & Insurance Services maintains a comprehensive insurance program to cover the Municipality's assets and to indemnify it against liabilities arising from its operation. Global events, insurance industry experience with other municipalities, HRM's own risk mitigation efforts and claims experience, and the amount of self-insured retention that the Municipality chooses to retain are contributing factors to insurability and premiums.

To ensure that the needs of the Municipality are met, there are a variety of insurance products secured annually.

The core lines of insurance coverage include:

#### Automobile Liability Insurance

This policy protects the Municipality against damage to 1,765 assorted vehicles and licensed equipment, as well as liability related to injuries to occupants, pedestrians, and third parties. HRM's fleet includes emergency response vehicles, buses, trailers, passenger vehicles, trucks and licensed equipment.

#### Property Insurance

The property insurance policy provides replacement cost insurance for municipally owned buildings, leased/rented office and storage buildings, Halifax Water infrastructure, Halifax Public Libraries, and other municipal Agencies, Boards and Commissions.

It includes loss or damage resulting from fire, weather related events (including floods and wind damage), vandalism, theft, and the associated loss of income. It also includes any additional costs required to meet current Building Codes.

- The total value of the Property portfolio is \$2,410,377,699. This represents a 5% increase over current values due mostly to rising construction costs and the consumer price index (CPI).
- In the event of a disastrous property claim, the insurance policy will provide a maximum coverage value of \$200,000,000.
- Although a total loss of all property is unlikely, the available coverage value would adequately pay a total loss to one of the two highest valued buildings - the Halifax Sewage Treatment Plant (\$181,240,148) or the Scotiabank Centre (\$82,744,511).

#### Municipal Liability

This policy is designed to respond to any liabilities which may arise from municipal operations, programming and contractual obligations, including errors and omissions, and employment practice liability.

Such coverage includes protections against:

- bodily injury, property damage, personal injury, and completed operations
- allegations of breach of duty, errors, misstatement or misleading statements, misrepresentation or omissions
- employment violations, such as discrimination, harassment, bullying, and other employment related claims by employees.

For the 2022/23 policy term, Risk & Insurance Services is recommending the placement of a Liability Terrorism policy at an additional annual premium of \$18,250. This would complement the current Property Terrorism policy and provide protections for bodily injury directly related to acts of terrorism or sabotage.

#### Environmental Impairment Liability

This is a specialized insurance product designed to respond to those liabilities associated with environmental damage or contamination.

It would respond to liability for clean-up and third-party costs related to the damage due to the escape of any pollutants.

#### Marine Insurance

Like road vehicles, vessels also require property and liability insurance.

These specialized products insure Halifax Transit's ferry fleet, the newly acquired fire boat, police boats, and all other vessels owned by the Municipality for:

- physical damage
- and extends liability for property damage or injuries which occur as a result of their operation

#### Crime

Crime coverage insures against criminal activity involving money, securities, fraud, embezzlement, and crimes that do not include physical property.

Traditionally, theft of money and securities has occurred in person; however, this also provides insurance protections for digital theft and fraudulent payments.

#### Cyber Liability Insurance

Cyber risk remains one of the top risks that Municipalities face and the insurance includes liability protection for information exposed in a data breach, including losses resulting from phishing activities or ransomware.

Due to current global events and the increasing likelihood and severity of cyber-attacks, the availability of Cyber Liability insurance is challenging to secure and is underwritten by insurers based primarily on the execution of a Municipality's cyber protections.

HRM has requested quotations for this coverage; however, the product is still being underwritten by insurers to determine availability and pricing, if offered.

#### Additional Coverages

In addition to the core lines of insurance coverage described above, there are additional policies that are critical to ensuring the comprehensive suite of insurance protection remains in place for the Municipality's diverse operations, services, assets, and exposures.

Currently, community centres operating under a Facility Operating Agreement (FOA) are responsible for the placement and payment of their respective insurance policies. Risk & Insurance Services is recommending that the insurance policies and costs for same form part of the Municipal Insurance Portfolio. This will ensure consistent coverage and policy language for all locations.

Some examples of ancillary policies include Terrorism Insurance, Active Assailant Insurance, Special Events Insurance, Accidental Death & Dismemberment Policies.

A summary of the 2022/23 Municipal Insurance Portfolio renewal is attached.

## **DISCUSSION**

RFP 21-460 for Insurance Broker and Insurance Renewal Services was publicly advertised on the Nova Scotia Public Tenders web-portal on December 15, 2022 and closed on January 14, 2022. Two proposals were received. The proposals were reviewed by staff from Insurance and Risk Services and facilitated by Procurement. Aon Reed Stenhouse was the only proponent to meet the requirements of the RFP.

Staff then negotiated with AON Reed Stenhouse to arrive at an overall, best value insurance program for the municipality.

The current contract with the Municipality's Broker of Record and insurance providers will expire on June 1, 2022. The award of RFP 21-460 to Aon Reed Stenhouse Inc, will allow the Municipality to maintain its insurance protections without a gap in coverage or policy dates. A contract with a Broker of Record is required in order to source the breadth of insurance policies that benefits the Municipality.

## **FINANCIAL IMPLICATIONS**

The total costs associated with the Municipality's insurance requirements for the 2022/2023 fiscal year are anticipated to be \$4,588,733 (HST Exempt).

Staff have negotiated insurance premiums for the lines of insurance noted in the attachment, for the June 1, 2022/23 policy term, to a level that represents an overall 5% increase over the expiring insurance premiums. Once Aon Reed Stenhouse is approved as broker of record, per recommendation 1 in this report, HRM staff will finalize the insurance premiums for all lines of insurance. This finalization of premiums cannot occur until Aon Reed Stenhouse is the approved broker of record.

The increase in premiums is due to rate increases imposed by insurers, the impact of rising construction costs and CPI, HRM's favorable risk mitigation practices and a robust internal claims handling process.

The cost of the insurance renewal will be funded from operating cost centre M320-8003 (Insurance Policies/Premiums).

Broker remuneration will be subject to the final premiums negotiated and it is anticipated that it will not exceed 10% of the insurance premiums. It is estimated that broker remuneration will be approximately \$458,873; however, this is subject to final negotiations of the insurance premiums.

Once all insurance policies have been finalized, a percentage of the applicable premium associated with the operations and assets of Halifax Regional Water Commission would be recovered by the Municipality. The 2021/22 recovery was \$1,181,744, equal to 35% of the total insurance premiums placed. It is not possible to determine the cost of inclusion for the 2022/23 insurance portfolio before the premium negotiations have taken place.

## **RISK CONSIDERATION**

HRM's Enterprise Risk Register consists of five (5) enterprise-wide risks. Of these, four (4) are classified as "above threshold" according to the tolerance outlined in the Enterprise Risk Management Framework. The placement of insurance policies is one industry standard method to transfer financial risk to a third party.

Risk No.	Enterprise Risk Name	Enterprise Risk Statement	Net Likelihood	Net Impact	Above Threshold
ER04	ABCs - Service Delivery Accountability	The risk that HRM does not implement proper controls over the agencies, boards, and commissions to which it has delegated service delivery responsibilities resulting in exposure	3	3	No

		financially, politically, and potentially legally for deficiencies in service. (applicable to Recreation, Storm Water, Environment, etc.)			
ER10	Severe Weather Impacts	The risk that HRM does not pro-actively manage severe weather impacts related to climate change resulting in economic impacts, increased service delivery costs, inability to provide services, and diminished public safety in our communities.	3	4	Yes
ER12	Cyber Security	The risk that HRM's cyber security framework is not sufficient for the purpose of maintaining the confidentiality, integrity, and availability of information, applications and networks resulting in exposure reputationally, financially, politically, and potentially legally for deficiencies in service and/or breach of privacy across all services.	4	4	Yes
ER13	HRM Facility / Infrastructure Condition	The risk that HRM's facilities and infrastructure, do not receive sufficient funding for repair or replacement to maintain them in useable condition resulting in deterioration, decommissioning, or other safety risks rendering them unusable and thus impacting the municipality's ability to deliver service or potentially cause public harm.	3	4	Yes
ER19	Environmental Stewardship	The risk that HRM does not sufficiently mitigate against environmental impacts related to the way we deliver our services and establish policies due to a lack of adaptive practice, financial resources and community acceptance resulting in increased environmental degradation.	3	4	Yes

Risk & Insurance Services encourages the use of insurance policies and the continued relationship with Aon Reed Stenhouse as the Broker of Record to allow staff to leverage strategies which will reduce the financial impact to the Municipality.

**ENVIRONMENTAL IMPLICATIONS**

No environmental implications were identified.

**ALTERNATIVES**

Regional Council could choose not to approve the recommendations.

**ATTACHMENTS**

Attachment 1: 2022.23 Municipal Insurance Portfolio Premium Breakdown

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A copy of this report can be obtained online at [halifax.ca](http://halifax.ca) or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Joel Plater, Manger, Risk and Insurance Services 902.222.7230

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**21-460: Insurance Broker and Insurance Renewal Services**

Municipal Insurance Portfolio

Updated: 30 Mar 2022

Insurance Policy	2021/22 Current Premium	2022/23 Proposed Premium	Premium difference
<b>Automobile Policies</b>	\$ 823,935	\$ 837,906	1.70%
Automobile	\$ 822,635	\$ 836,541	1.69%
Garage Liability	\$ 1,300	\$ 1,365	5.00%
<b>Property Policies</b>	\$ 1,778,829	\$ 1,929,946	8.50%
Main Property	\$ 1,434,713	\$ 1,573,580	9.68%
Ancillary Property	\$ 82,617	\$ 85,091	2.99%
Excess Property Limits	\$ 226,250	\$ 235,190	3.95%
Equipment Breakdown	\$ 35,249	\$ 36,085	2.37%
<b>Total Liability Policies</b>	\$ 1,428,448	\$ 1,459,146	2.15%
Municipal Liability	\$ 1,278,316	\$ 1,278,414	0.01%
Excess Liability, Umbrella - 1st Layer	\$ 104,201	\$ 115,100	10.46%
Excess Liability, Umbrella - 2nd Layer	\$ 30,931	\$ 32,750	5.88%
Community Gardens Liability	\$ 2,500	\$ 2,500	0.00%
Volunteer Fire Hall Association CGL	\$ 12,500	\$ 12,132	-2.94%
Terrorism - Liability NEW	NEW	\$ 18,250	
<b>Other Policies</b>	\$ 272,536	\$ 361,735	32.73%
Environmental Impairment Liability (Pollution)	\$ 113,503	\$ 117,801	3.79%
Marine (Hull & Machinery)	\$ 65,882	\$ 69,176	5.00%
Crime	\$ 8,500	\$ 11,050	30.00%
Terrorism	\$ 54,651	\$ 54,651	0.00%
Active Assailant	\$ 30,000	\$ 30,000	0.00%
Community Centres (Currently funded through HRM operational subsidy process)	NEW	\$ 79,058	
<b>Subtotal</b>	\$ 4,303,748	\$ 4,588,733	6.62%

Outstanding Insurance Quotes	2021/22 Current Premium	2022/23 Proposed Premium	Premium Difference
Cyber	\$ 106,955	TBD	
Marine (Protection and Indemnity)	\$ 50,120	TBD	
Special Events Insurance	\$ 4,350	TBD	
Ancillary Accidental Death & Dismemberment - Various policies	\$ 87,002	TBD	
<b>Premium</b>	\$ 248,427	TBD	TBD