

**Item No. 11.1.1**  
**Halifax Regional Council**  
**May 15, 2012**

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

**SUBMITTED BY:** Original Signed by   
Mike Labrecque, Acting Chief Administrative Officer

**DATE:** 27/04/2012

**SUBJECT:** Award - RFP 12-023, HRM 2012 Insurance Renewal

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**ORIGIN**

The current contract with HRM's Insurance Broker, which was awarded by Halifax Regional Council on May 1, 2007 expires on May 31, 2012.

**RECOMMENDATION**

It is recommended that Halifax Regional Council:

1. Award RFP 12-023, HRM 2012 Insurance Renewal to Aon Reed Stenhouse Inc. for a one year term, effective June 1, 2012, renewable annually for a period not to exceed five (5) years, at a cost in the first year of \$1,650,388.00. (HST Exempt) with funding from Operating Account M320-8003 Insurance Claims-Insurance Policy/Premium, as outlined in the Budget Implications section of this report; and
2. Direct staff to negotiate the remaining coverages with the recommended proponent as outlined in the Discussion Section of this report

## **BACKGROUND**

To ensure stable insurance costs and coverage, 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, 2012. HRM's core insurance requirements include:

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

## **DISCUSSION**

Request for Expressions of Interest # 12-012, Pre-Qualification, Insurance Broker/Agent was publicly advertised on the Province of Nova Scotia Tenders website and closed on February 14, 2012.

As a result of the Request for Expressions of Interest, the following three (3) firms were invited to submit a proposal in response to RFP #12-023- HRM 2012 Insurance Renewal, which closed on April 13.

- Aon Reed Stenhouse
- Bell and Grant
- Marsh Insurance

As frequent solicitation of insurance erodes the number of firms that will respond, this Request for Proposals 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 so that our insurance premiums and coverages remain competitive.

Proposals were received from two (2) of the invited proponents and 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. The third proponent Marsh cited challenges in accessing their preferred insurance markets in a timely manner as a barrier to submitting a proposal.

Each of the proposals were evaluated by staff from Insurance and Risk Services and facilitated by Procurement based on the criteria shown in Appendix A, Proposal Evaluation Criteria. Due to

the complexity of HRM's insurance environment, our self-insurance program and a continued focus on fiscal responsibility, the emphasis of the evaluation criteria ensured that the insurance policies and wordings meet the needs of the Municipality while remaining cost effective.

Through the focused evaluation process both Proponents earned the required 75% of the available technical score. The final results of the evaluation are:

<u>Proponent</u>	<u>Total Score (max 100)</u>
Aon Reed Stenhouse	96
Bell and Grant	73

The highest scoring proponent is HRM's current insurance broker.

The proposed new insurance package covers increased risk from HRM growth:

- Property replacement cost value has increased to \$1.5 Billion. \$81 Million dollars in the last year due to new construction and inflation.
- There is an increase in fleet and equipment under the auto policy including more transit vehicles.
- The operations of HRM are increasing as reflected in the budget and staff complement.

The rates obtained through the recommended proponent reflect the confidence of the insurers in HRM to operate safely, reduce risk and endorses the steps taken over the last several years to use increased internal resources.

There are other coverages that will be placed after the broker has been selected. These include: Excess Liability, Public Entity/E&O and Marine Protection and Indemnity. These policies were not included in the RFP because either the number of markets is limited or to maintain continuity of coverage.

**Excess Liability** - Excess Liability coverage is a layer of insurance that responds if the limit of the first layer of insurance is exceeded. In the Call for Proposal, the requirements specified a total of 10 million dollars in liability insurance. In addition, HRM will place an excess liability package of approximately forty million dollars for a total of \$50M fifty million dollars in coverage. The 2006 cost of this excess coverage was \$110,000. Aon has secured a quote for forty eight million dollars in excess insurance in the amount of \$150,000.

**Public Entity Errors and Omissions** - E&O coverage cost approximately \$420,000 last year with a \$100,000 deductible. Due to the type of claims reporting specified in this policy and the limited availability of similar policy wordings it is recommended that we continue with this insurer subject to reasonable terms.

**Marine Protection & Indemnity** - This policy is currently with Shipowners' Mutual. The deductible is \$20,000 and the present cost at \$25,874 is very reasonable. Assuming that there are

no material changes in either premium or coverages, it is proposed to renew this policy.

In addition, as HRM continues to develop infrastructure additional coverages may be required and will be placed through the successful proponent.

### **BUDGET IMPLICATIONS**

Awarding RFP 12-023 HRM 2012 Insurance Renewal to Aon Reed Stenhouse Inc. for a one year term, effective June 1, 2012, will cost \$1,650,388.00 (HST exempt). This contract is renewable annually for a period not to exceed five (5) years. The funds for insurance premiums are included in the Operating Account M320-8003 Insurance Claims-Insurance Policy/Premium.

### **FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN**

This report complies with the Municipality's Multi-Year Financial Strategy, the approved operating, Project and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Project and Operating reserves, as well as any relevant legislation.

### **ENVIRONMENTAL IMPLICATIONS**

There are no Environmental Implications.

### **ALTERNATIVES**

There are no recommended alternatives.

### **ATTACHMENTS**

Appendix A, Proposal Evaluation Criteria.

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A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by

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Procurement Review:

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Report Approved by:

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Marian Tyson, A/Director of Legal Services (490-4219)

Appendix A  
Proposal Evaluation Criteria

Criteria	Summary	Max	AON	Bell/ Grant
Industry rating of insurer		10	10	8
Coverage provided by policy	<ul style="list-style-type: none"> <li>The broadest coverage for HRM risk</li> <li>Solution addresses all technical aspects of the requirement of the RFP</li> </ul>	25	23	22
Integration of insurance program	<ul style="list-style-type: none"> <li>Integration of insurance program to provide seamless coverage.</li> </ul>	15	15	10
Demonstrated History of insurer in the processing of claim settlements		10	10	9
Innovation or Broker	<ul style="list-style-type: none"> <li>Ability to provide coverage and lower cost using innovative methods.</li> </ul>	10	8	7
Subtotal (Technical Proposal)			66	56
Cost	Coverage(including all cost related to losses)	30	30	17
Administrative and Legal Requirements	<ul style="list-style-type: none"> <li>Business registration information &amp;/or plan have been included</li> <li>No or minimal alterations to standard contract have been requested (Section 2.10)</li> <li>Proposal format reflects substantial adherence to instructions provided</li> </ul>	0 <b>BUT POINTS MAY BE DEDUCTED</b>		
		100	<b>96</b> (\$1,650,388.00) HST Exempt	<b>73</b> (\$2,937,622.00) HST Exempt