Minute No. 200
Report – Executive Policy Committee – February 16, 2005

Item No. 4 **Provision of Insurance and Related Risk Management Services**
File FI-3

COUNCIL DECISION:

Council concurred in the recommendation of the Executive Policy Committee and adopted the following:

1. That a contract for provision of insurance and related Risk Management Services be awarded to Willis Canada Inc. and Oldfield Kirby Esau Inc. (jointly), being the responsible and qualified Bidder submitting the most advantageous offer for brokerage services in the estimated value of $542,000.00 for a period of five (5) years from the date of award.

2. That the Chief Administrative Officer be delegated the authority to award future multi-year contracts, each contract not to exceed five (5) years in duration and within the Chief Administrative Officer's delegated limit, for the provision of insurance and related Risk Management Services.

3 That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

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DECISION MAKING HISTORY:

Moved by His Worship Mayor Katz,
That the recommendation of the Executive Policy Committee be adopted by consent.

Carried

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On February 16, 2005, the Executive Policy Committee concurred in the administrative recommendation and submitted the matter to Council.

ADMINISTRATIVE REPORT

RE: PROVISION OF INSURANCE AND RELATED RISK MANAGEMENT SERVICES RFP 461-2004

FOR SUBMISSION TO: **Executive Policy Committee**

ORIGINAL REPORT SIGNED BY: **Chief Financial Officer**

REPORT DATE: **February 14, 2005**

RECOMMENDATION(s):

1. **That a contract for provision of insurance and related Risk Management Services be awarded to Willis Canada Inc. and Oldfield Kirby Esau Inc. (jointly), being the responsible and qualified Bidder submitting the most advantageous offer for brokerage services in the estimated value of $542,000 for a period of five years from the date of award.**

2. **That authority be delegated to the Chief Administrative Officer to award future multi-year contracts, each contract not to exceed 5 years in duration and within the CAO's delegated limit, for the provision of insurance and related Risk Management Services.**

REPORT SUMMARY

Key Issues:

The contract shall:

1. Consist of general insurance services, Autopac services and risk management services.

2. Replace the General Insurance Consortium with an insurance broker by way of the competitive process for RFP 461-2004.

3. Replace commissions paid on general insurance premiums with a negotiated fee-for-service arrangement (with the exception of Autopac commissions, which are set by provincial legislation/regulation).

4. Benefit the City through net cost savings and the realization of additional risk management services.

Implications of the Recommendation(s):

General Implications:

☐ None

X For the organization overall and/or for other departments

☐ For the community and/or organizations external to the City

X Involves a multi-year contract

Comment(s):

- City departments will receive additional risk management services.
- Award of this contract will provide a financial benefit to the City over a five-year period.

Policy Implications:

X No

☐ Yes

Comment(s):

Environmental Implications:

X No

☐ Yes

Comment(s):

Human Resources Implications:

X No

☐ Yes

Comment(s):

Financial Implications:

X Within approved current and/or capital budget

☐ Current and/or capital budget adjustment required
Comment(s):
- Annual budgets will include the appropriate funding for this contract.

REASON FOR THE REPORT:

Council has the authority to approve an award of contract where there is a commitment to future budgets.

HISTORY:

Administrative Authority

On 21 July 2004, Council concurred in the recommendation of the Executive Policy Committee and adopted the following:

1. That the Chief Administrative Officer be delegated the authority to make decisions in respect of the method of purchase of insurance and related services, whether through the General Insurance Consortium as previously approved by Council, or through an alternative insurance broker process as determined by the Chief Administrative Officer to be beneficial to the City.

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

On 03 August 2004, the Chief Administrative Officer delegated to the Chief Financial Officer the aforementioned authority to make decisions in respect of the method of purchase of insurance and related services.

RFP Process

On 01 September 2004, the General Insurance Consortium was given written notice by the Chief Financial Officer that the City was terminating the appointment of the consortium effective 11:59 PM on 31 December 2004.

On 07 October 2004, the City issued RFP 461-2004, pertaining to the provision of insurance and related risk management services. A five-person Evaluation Team was appointed.

On 18 October 2004, the City hosted a Bidders' Conference, during which information was provided to any interested bidders.

DISCUSSION:

On 08 November 2004, the deadline for written submissions for RFP 461-2004 was reached. Five Bidders submitted proposals, including (in alphabetical order):

1. Aon Reed Stenhouse
2. HED Insurance/Evans Consulting (jointly)
3. Marsh Canada Limited
4. Ranger Insurance/Frank Cowan Company (jointly)
5. Willis Canada Inc./Oldfield Kirby Esau Inc. (jointly).

On 23 November 2004, the Evaluation Team completed its preliminary evaluation of the written submissions. Three Bidders were chosen for interviews and Final Evaluation, being initially ranked on the basis of their written submissions as follows:

1. Aon Reed Stenhouse
2. Marsh Canada Limited
3. Willis Canada Inc./Oldfield Kirby Esau Inc. (jointly).

A group of five Departmental representatives was invited to, and participated in, the three bidder interview sessions.

On 10 December 2004, the Bidder interview sessions were completed.

On 16 December 2004, the Evaluation Team hosted a debriefing session, during which the Departmental representatives provided their feedback and observations.

On 22 December 2004, the Evaluation Team completed Final Evaluation.

The City's agreement with the General Insurance Consortium has been extended until 28 February 2005 for purposes of transition.

The requirements for Bid and Performance Security were waived for this purchase in accordance with the authority delegated to the Manager of Materials pursuant to Administrative Directive FM-002.

<u>Detailed Evaluation of Proposals</u>

Award of this Contract was based on the following evaluation criteria:

a) Compliance with RFP requirements – pass/fail
b) Corporate Qualifications – pass/fail
c) Ability to Market and Provide Service – 25%
d) Experience and Qualifications of Personnel – 20%
e) Technology and Communications – 10%

f) Risk Management and Other Services – 20%
g) Service Fees and Value – 25%.

Reasons for Selecting Willis Canada Inc./Oldfield Kirby Esau Inc (jointly):

a) General Insurance Services, the Willis/OKE team provides:
- A strategic business plan approach to insurance markets encouraging visits with insurers in support of the annual renewal process.
- Increased accountability and reporting on insurance program renewal results.
- Direct access to the broker website.
- Electronic manuscript policy wordings and statement of values capabilities.
- Posting of the City's full renewal submissions via a secure website, with insurers given passwords to access and download underwriting data.
- Annual reviews of the brokers' performance with respect to the three prongs of service delivery including insurance, Autopac and risk management services.
- Capped annual costs on the combined fee-for-service/Autopac commissions, with a portion linked to performance.
- A process including a fee to be negotiated on insurance programs pertaining to large capital projects such as the Water Treatment Plant with undertakings to reduce premiums in excess of that fee for net savings.

b) Autopac Services, the Willis/OKE team provides:
- Increased human resource support to Fleet Management Agency during the three major peak times in the City's Autopac process, including locating their staff in city offices from time to time to facilitate efficient administration.
- Innovative solutions to Fleet Management to promote efficiency and eliminate duplication of work in the Autopac process, transferring savings to the City.
- An improved computer software system linked to Fleet Management Agency to eliminate duplication of data entry in the City's Autopac process.

c) Risk Management Services, the Willis/OKE team provides:
- Risk control experts and specialists to help facilitate the City's risk management program with the departments.
- Highly qualified risk financing experience in the municipal field to the City when considering these options in the future.

- Inclusion of certain actuarial services important to the City's risk financing initiatives and strategies.

- A municipal best practices focus, with the brokers being pro-active with the City, and conforming with the City's risk management business plan to provide risk control leadership and consultative services to City departments.
- A significant facility inspections program based on a coherent and measurable business plan, with a first year strategic focus on upgrading the City's statement of values data base, plus a long-term approach to collecting and maintaining data and records of City properties.
- Awareness presentations and training services to the departments and senior management team in conjunction with the risk management business plan.

The respective service fees were evaluated on the basis of value. It was determined that the Willis Canada Inc./Oldfield Kirby Esau Inc. joint submission, provided higher value than the other bids.

Final Evaluation Schedule:

The ranking given by each of the five members of the Evaluation Team was based on 100%, or 100 maximum points per Bidder. Therefore, each Bidder could achieve a maximum score of 500 points from the Evaluation Team.

TABLE 1

Evaluation Criteria	Aon Reed Stenhouse	Marsh Canada Limited	Willis Canada Inc. / Oldfield Kirby Esau Inc. Jointly
a) Compliance with RFP requirements – Pass / Fail	Pass	Pass	Pass
b) Corporate Qualifications – Pass / Fail	Pass	Pass	Pass
c) Ability to Market and Service – 25% 25 points x 5 = 125 points maximum	108	103	105
d) Experience and Qualifications of Personnel – 20% 20 points x 5 = 100 points maximum	92	83	87
e) Technology and Communications – 10% 10 points x 5 = 50 points maximum	31	37	43
f) Risk Management and Other Services – 20% 20 points x 5 = 100 points maximum	75	67	97
g) Service Fees and Value – 25% 25 points x 5 = 125 points maximum	86	84	107
Final Rankings **100 points x 5 = 500 points maximum**	**392**	**374**	**439**

Reference check interviews for both Willis Canada Inc. and for Oldfield Kirby Esau Inc. were conducted by the Contract Administrator. All feedback from organizations contacted supported the opinion that the joint contractors were held in high regard as to service and capacity.

Accordingly, it is recommended that a contract for provision of insurance and related risk management services be awarded to Willis Canada Inc. and Oldfield Kirby Esau Inc. (jointly), being the responsible and qualified Bidder submitting the most advantageous offer. In the opinion of the Department, the proposed contractor has the necessary skills and resources to perform the work of the Contract.

Materials Management confirms that the bids are valid until February 28, 2005.

In conclusion, the City should achieve advantages in the following areas:

Ability to Market and Provide Services

- Improved marketing of the City's insurance program.
- Improved reporting on the results of the annual insurance renewal process.
- Improved broker resources applied to the City's Autopac process.

Experience and Qualifications of Personnel

- Increased external risk control expertise will be made available to the City.
- Increased efficiencies in Autopac processing will be promoted.
- Risk financing expertise with proven accomplishments and implementation.

Technology and Communications

- Access to broker information technology systems.
- Opportunity for an improved software system linked to Fleet Management for Autopac transactions, auditing and reporting.

Risk Management and Other Services

- Implementation of an on-going program of loss control inspections of City buildings and facilities, including establishing loss control standards for different classes of buildings and operations therein.
- Risk financing studies providing direction to the City's options.
- Presentations to senior management and departmental operating groups in support of the risk management business plan.

Service Fees and Value

- All insurance, Autopac and risk management work is laid out in a concise outline and agreed upon in advance without the need for annual negotiations.

- The City saves a projected $1,028,450 in commissions paid on premiums during the five-year term of the contract.
- The City's Owner Controlled Insurance Programs relating to large capital projects are improved.
- Many additional risk management services are delivered to the City of Winnipeg.

Financial Impact Statement:

Project Name: Provision of Insurance and Related Risk Management Services RFP 461-2004
Date: February 14, 2005 First Year of Program **2005**

	2005	2006	2007	2008	2009
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	$ 150,000	$ 103,940	$ 103,940	$ 104,450	$ 104,450
Less: Incremental Revenue/Recovery					
Net Cost/(Benefit)	$ 150,000	$ 103,940	$ 103,940	$ 104,450	$ 104,450
Less: Existing Budget Amounts	320,379	313,972	313,972	320,251	326,656
Net Budget Adjustment Required	$ (170,379)	$ (210,032)	$ (210,032)	$ (215,801)	$ (222,206)

Additional Comments: Total savings reflected of $1,028,450 over 5 years are based on the difference in brokerage costs as a result of moving from the General Insurance Consortium to a single insurance broker. Direct costs in 2005 include an additional amount of $25,000 relating to fees paid for the extension of general insurance services to the end of February 28, 2005.

Carrie Erickson
Manager of Finance & Administration

IN PREPARING THIS REPORT THERE WAS CONSULTATION WITH, AND CONCURRENCE BY:

Legal Services
Materials Management

THIS REPORT SUBMITTED BY:

Department: Corporate Finance
Division: Risk Management Branch
Prepared by: Allan Smeall
File No.