

**CITY OF VAUGHAN**

**EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 19, 2016**

Item 2, Report No. 10, of the Finance, Administration and Audit Committee, which was adopted, as amended, by the Council of the City of Vaughan on October 19, 2016, as follows:

***By receiving Communication C20 from the City Clerk, dated October 19, 2016.***

**2 RFP – 16-265 GENERAL INSURANCE AND RISK MANAGEMENT SERVICES PROGRAM**

The Finance, Administration and Audit Committee recommends:

- 1) That the recommendation contained in the following report of the City Clerk, dated October 11, 2016, be approved; and
- 2) That Communication C1 from Ms. Carrie Liddy, dated October 9, 2016, be received and that appropriate staff respond to issues raised by the correspondent.

**Recommendation**

The City Clerk, in consultation with the Chief Financial Officer and City Treasurer, and the Director of Procurement Services recommend:

1. That the RFP 16-265 for General Insurance and Risk Management Services be awarded to AON Risk Solutions for an annual premium of \$2,543,012.00 plus applicable taxes commencing January 1<sup>st</sup> 2017;
2. That the City Clerk in consultation with the Chief Financial Officer and City Treasurer be authorized to renew the said contract on a year to year basis for a maximum period of four (4) years based on quality of service, mutual agreement and annual premium negotiation;
3. That the purpose of the insurance reserve as referenced in the Consolidated Reserve Policy be expanded to include the use of the reserve to offset premium cost increases;
4. That the premium cost differential resulting from this RFP be placed in the insurance reserve; and;
5. That the Mayor and City Clerk be authorized to sign the necessary documents.

**Contribution to Sustainability**

Insurance coverage and risk management services are integral to the financial sustainability of the City. By acquiring appropriate insurance coverage and implementing proactive risk management practices the financial impact of the City's liability exposure can be minimized.

**Economic Impact**

The economic impact from the award of this RFP would be favourable, however, staff are proposing that the difference in premium savings be transferred to the Insurance Reserve to help mitigate future premium related increases. In effect, the economic impact would be rendered neutral, but will increase the City's ability to address unanticipated fluctuations in the future.

An insurance premium cost of \$ 4.5 million is currently planned for in the 2017 operating budget. The successful bid has a premium cost of approximately \$ 2.5 million. The proposed transfer of the \$ 2 million to the Insurance Reserve would result in a reserve balance of \$ 5.8 million. Approving this reserve transfer and the proposed policy changes represents responsible fiscal planning from a sustainability perspective and would serve to mitigate the pressures on the tax base as a result of premium fluctuations.

## **CITY OF VAUGHAN**

### **EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 19, 2016**

Item 2, Finance Report No. 10 – Page 2

#### **Communications Plan**

City departments will be advised of the changes to the City's insurance program.

#### **Purpose**

This report is to advise Council of the results of RFP 16-265 and to seek Council approval to enter into an agreement with AON Risk Solutions for insurance and risk management services for the period of January 1 2017 to January 1 2018, with the option to renew for an additional four (4), one (1) year periods at the City's sole discretion.

In addition, this report seeks Council's approval to amend the Consolidated Reserve Policy to allow funding from the insurance reserve for future insurance premium variances and to allocate any favourable variances at year end in the insurance budget to the insurance reserve.

#### **Background - Analysis and Options**

General Insurance and Risk Management services have been provided by the Ontario Municipal Insurance Exchange (OMEX) since April 30<sup>th</sup> 2012. The current policy will expire on January 1 2017.

A Request for Proposal – (RFP) 16-265 for General Insurance and Risk Management Services was structured to have Proponents quote on the limits of insurance presently in effect with OMEX. The RFP was issued on July 4<sup>th</sup> 2016, with a closing date of August 8<sup>th</sup> 2016. Two Addendums were issued in response to clarifying questions received from the various Proponents. A total of six (6) companies picked up the RFP package. Four (4) proposals were received from, Frank Cowan Company Limited, BFL Canada Risk and Insurance Services, Jardine Lloyd Thompson (JLT) and AON Risk Solutions.

The four proposals were evaluated by the City's evaluation committee on August 22<sup>nd</sup> and 23<sup>rd</sup> 2016 in accordance with the evaluation criteria set out below. The committee consisted of, representatives of the Office of the City Clerk, Corporate Financial Planning and Development Finance and Infrastructure Planning, Infrastructure Delivery. The evaluation process was facilitated by the Procurement Services Department.

#### **Evaluation Criteria**

Insurance Coverage - 30  
Services – Risk Management -12  
Services – Claims Management -12  
Value Added Service -5  
Quality of Proposal- 5  
Experience of Team -10  
Financial- 30

AON Risk Solutions was the lowest bidder and achieved the highest overall score based on the evaluation criteria. The proposal submitted by AON Risk Solutions sets an annual premium at \$2,543,012.00 plus applicable taxes. Accordingly, it was the recommendation of the committee that AON be retained to provide the City's insurance and risk management services commencing January 1<sup>st</sup>, 2017, with the option to renew the contract for an additional four (4), one (1) year periods at the City's sole discretion with pricing to be negotiated annually.

AON is one of the largest insurance brokers in the world with over 78 Billion dollars in premium placed globally. As brokers they review the insurance needs of the client and secure coverage in the global insurance market to meet the client requirements. Their size and amount of premium

**CITY OF VAUGHAN**

**EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 19, 2016**

Item 2, Finance Report No. 10 – Page 3

allows them to negotiate the best pricing possible when procuring insurance for groups as large as the City of Vaughan.

Their proposal responded to the City's interest in valued added services some of which include advocacy on claims and claims management technology. They will provide support in business continuity during catastrophic events by placing resources in the field as the City requires. During emergencies they will deploy experts directly to the catastrophe sites offering loss mitigation guidance and providing coordination and management of emergency resources, remediation and restoration vendors and environmental specialists. They are able to further enhance operational performance by offering support in the areas of driver training resources.

**Consolidated Reserve Policy - Insurance Reserve**

The Consolidated Reserve Policy establishes consistent guidelines and standards which assist in the administration of reserve funds in a responsible and consistent manner. The current policy states that the purpose of the Insurance Reserve is to fund the *payment of qualified claims and to set aside funds for future retroactive rate adjustments to minimize future tax rate impacts*. Staff is recommending that the intended use of this policy be amended to include the ability to use the reserve to *offset* future premium costs and to allocate any favourable variances in the insurance budget to the insurance reserve. While the City's Financial Sustainability Service Excellence initiative is still in the early stages, this policy change represents responsible fiscal planning and drives towards financial sustainability in the long term. It is consistent with the early direction of the Financial Sustainability initiative from within the Finance Office.

**Relationship to Term of Council Service Excellence Strategy Map (2014-2018)**

This report relates to the Term of Service Excellence Strategy Map (2014-2018) by supporting the following initiatives;

Operational Performance – Financial Sustainability  
Staff Engagement - Corporate Governance and Accountability Framework (Enterprise Risk Management framework)

**Regional Implications**

There are no regional implications resulting from this report.

**Conclusion**

It is recommended that the contract for the City's Insurance and Risk Management Services be awarded to AON Risk Solutions commencing January 1<sup>st</sup> 2017 to January 1<sup>st</sup> 2018, for an annual cost of \$2,543,012.00 plus applicable taxes with the option to renew the contract for an additional four (4), one (1) year periods.

To ensure sustainability of the insurance reserve staff recommends that the Consolidated Reserve Policy be amended to allow the reserve fund to be used to offset future unbudgeted premium increases and that any positive balances in the insurance budget at year end be allocated to the insurance reserve, including the premium cost differential resulting from this RFP.

**Attachments**

None

**Report prepared by:**

Joseph A.V. Chiarelli, Insurance-Risk Manager Ext. 8737  
Tricia Campbell, Risk Management Analyst Ext. 8134