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**Subject:** Proposed Procurement Process for Insurance and Risk Management Services RFP

**Report to:** Corporate Services Committee

**Report date:** Wednesday, March 11, 2020

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## Recommendations

1. That Staff **BE AUTHORIZED** to commence the procurement process for the acquisition of insurance and risk management services utilizing a Request for Proposal ("RFP") process which employs the same methodology/wording as was issued in 2017, with the exception of engaging the services of a Fairness Advisor Commissioner;
2. That Staff **BE AUTHORIZED** to procure the services of a Subject Matter Expert to assist with the RFP process and to provide an objective coverage compliance analysis report for evaluators; and
3. That Staff **BE AUTHORIZED** to procure insurance and risk management services for a three year contract period with an option in favour of Niagara Region to extend the contract on the same terms and conditions for an additional term of up to two years.

## Key Facts

- The purpose of this report is to seek Council approval of the overall procurement process for a new insurance and risk management services contract which would commence on November 1, 2020.
- The procurement of insurance and risk management services includes Niagara Region as named insured as well as Niagara Regional Police Service and Niagara Regional Housing.
- In 2017 at the direction of Council, Staff engaged both a Fairness Advisor Commissioner and Subject Matter Expert to assist in the facilitation of a procurement process for the insurance and risk management services. This resulted in a two year contract with Jardine Lloyd Thompson Canada Inc. ("JLT") with an option in favour of Niagara Region to extend the contract on the same terms and conditions for an additional term of up to one year.
- On November 1, 2019, in accordance with Council approval (pursuant to CSD 28-2019), Staff exercised the option to extend the insurance and risk management services contract with JLT for one year. Staff also informed Council of the intention to go out to market for Niagara Region's insurance and risk management services given the contract with JLT expires on November 1, 2020.

- At the direction of Council, a Fairness Advisor Commissioner oversaw the entire 2017 procurement process from RFP preparation through to award (which included scoring methodology, evaluation and ranking) and attested to the fact that the appropriate procurement practices were used throughout.
- Based on the November 18, 2019 memo from the Director of Procurement and Strategic Acquisitions to the Procurement Advisory Committee, this procurement does not necessitate the services of Fairness Advisor Commissioner. The memo specified that services of a Fairness Advisor Commissioner are required for certain types of procurement, some of which include:
  - Complex and/or high profile and/or high value projects;
  - New/innovative procurement process
  - When public interest demands a higher than normal level of objective scrutiny
- This type of procurement is not overly complex, is valued at less than \$1M, is not a new or innovative procurement process and there is no public interest demanding a higher than normal level of objective scrutiny. In addition, Staff propose an RFP process that employs the same methodology/wording as in the 2017 RFP. Accordingly Staff does not propose to procure the services of a Fairness Advisor Commissioner for the 2020 RFP.
- Staff proposes to procure the services of a Subject Matter Expert to assist with any recommended updates to the RFP and to provide an objective coverage compliance analysis report for evaluators.
- To achieve greater value and financial certainty for Niagara Region (and in keeping with best practices of other municipalities), Staff proposes a longer term contract commitment for the new RFP (three year contract plus the option in favour of Niagara Region to extend on the same terms and conditions for up to two years).

## **Financial Considerations**

The approved budget for 2020 of \$904,100 was prepared to accommodate the impact of a change in insurers as of November 1, 2020. Staff note the current municipal insurance market does present some financial uncertainty.

There are a number of factors affecting the current condition of the municipal insurance market, some of which are as follows:

- in light of the growing number and severity of claims (including medical malpractice claims and other municipal liability claims), municipal insurers are dealing with these losses through corrective pricing, and accounts with good loss histories are seeing increases; and
- a number of municipal insurers are exiting the market while others have been purchased through acquisition (JLT acquired by Marsh and Frank Cowan Company Limited acquired by Intact);

- some insurers are restricting capacity and are unable to take on new business (which is limiting the number of available insurers to bid on municipal business).

It is difficult at this time to accurately predict the impact the hardening market on the insurance industry will have on the 2021 budget which is forecast at \$994,510. Staff have been informed by various sources, including our current insurance incumbent JLT, that municipalities should not expect any decreases in premiums but rather significant increases over the next several years.

As noted in Report CSC-C 17-2019 – Insurance Program Renewal 2019-2020 Update, Staff identified a potential unforeseen budget pressure of approximately \$50,000 for the 2020 budget due to a policy change in the November 1, 2019 renewal. Staff will attempt to mitigate this pressure as well as any consequences of the hardening market to the extent possible within the existing 2020 levy operating budget.

## **Analysis**

Staff was authorized under CSD 28-2019 to exercise the option to extend the insurance and risk management services contract with JLT for the November 1, 2019 to November 1, 2020 policy renewal term. On October 31, 2019 insurance coverage was bound with JLT for the final policy renewal term.

As a part of CSD 28-2019, Staff also indicated the intention to bring a report to Council in the Spring of 2020 to seek instructions and direction with respect to the new competitive procurement process and to go out to market in early Summer 2020. The procurement of insurance and risk management services will include Niagara Region as named insured as well as Niagara Regional Police Service and Niagara Regional Housing.

For the upcoming 2020 RFP, it is Staff's recommendation to commence procurement process for the acquisition of insurance and risk management services utilizing an RFP process which employs the same methodology/wording as was issued in 2017, with the exception of engaging the services of a Fairness Advisor Commissioner.

In a September 14, 2017 report (attached as Appendix 1 to CSD 56-2017), the Fairness Advisor Commissioner reported and attested to the fact that the appropriate procurement practices were used throughout the 2017 RFP process and that care was taken in managing risks involved in providing the necessary structure for an open, fair and competitive process. However, Council should be aware that Committee and Council chose not to accept Staff's recommendation which resulted from the above noted RFP process and awarded to a different vendor.

The 2020 RFP will incorporate the same scoring methodology, evaluation and ranking as previously vetted through the Fairness Advisor Commissioner in 2017 (attached as **Appendix 1** is the Proposed Scoring Methodology, Evaluation and Ranking).

In the November 18, 2019 memo to the Procurement Advisory Committee, Director of Procurement and Strategic Acquisitions identified certain types of procurement that require the services of a Fairness Advisor Commissioner including the following:

- Complex and/or high profile and/or high value projects;
- New/innovative procurement process
- When public interest demands a higher than normal level of objective scrutiny.

Upon review by Staff, this type of procurement does not meet the above criteria to engage the services of a Fairness Advisor Commissioner for the following reasons:

- it is not overly complex and is valued at less than \$1M
- it is not a new or innovative procurement process; and
- there is no public interest demanding a higher than normal level of objective scrutiny.

In light of the above, Staff does not propose to retain the services of a Fairness Advisor Commissioner for the 2020 RFP.

Staff will consider updates to the RFP based on industry trends and best practices as well as information gathered through discussions with other municipalities that have recently undertaken procurement processes for insurance and risk management services.

Similar to the process followed in 2017, Staff proposes to procure the services of a Subject Matter Expert to assist with any recommended updates to the RFP and to provide an objective coverage compliance analysis report for evaluators. These services can be procured by way of an Informal Quotation process (purchases greater than \$10,000 and not exceeding \$25,000 excluding taxes pursuant to section 13 of the Procurement By-law).

In keeping with best practices of other municipalities and to achieve greater value and financial certainty for Niagara Region, Staff recommends a longer term contract commitment for the new RFP (three year contract plus the option in favour of Niagara Region to extend on the same terms and conditions for up to two years). A significant amount of Staff resources are dedicated to an RFP process. A longer contract period would help offset these and other costs (both internal and external) and provide greater financial certainty for the Region given changing market conditions. In addition, a longer commitment will allow Staff the opportunity to engage the insurers in longer term

risk management initiatives (such as developing an enterprise risk management plan) and allow the insurer a chance to gain a better understanding of aspects of our operations that are unique to our municipality in order to provide value added services/targeted risk management advice.

Staff prepared a high level procurement timeline necessary to complete the RFP in advance of the November 1, 2020 insurance expiry date. Staff plans to bring a recommendation report to Council for approval by the September 9 Corporate Services Committee meeting and the September 17 Council meeting (attached as **Appendix 2** is the Proposed Procurement Timeline to complete the procurement process).

### **Alternatives Reviewed**

N/A - The existing contract with JLT does not provide further options to extend, therefore, a new competitive process is required.

### **Relationship to Council Strategic Priorities**

The procurement of Niagara Region's insurance program is consistent with Regional Council's strategic priority focus of a Sustainable and Engaging Government.

### **Other Pertinent Reports**

- CSC-C 17-2019 – December 4, 2019 - Insurance Program Renewal 2019-2020 Update
- PAC-C 4-2019 - November 18, 2019 Response to Councillor Information Requests (PAC)
- CSD 28-2019 – April 17, 2019 - Insurance and Risk Management Services Contract Extension for November 1, 2019 – November 1, 2020
- CSD 56-2017- September 27, 2017 - Results from Insurance RFP

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*This report was prepared in consultation with Donna Gibbs, Director Legal and Court Services, and reviewed by Bart Menage, Director Procurement & Strategic Acquisitions.*

**Appendices**

Appendix 1	Proposed Scoring Methodology, Evaluation and Ranking	7 - 8
Appendix 2	Proposed Procurement Timeline	9

## **Proposed Scoring Methodology, Evaluation and Ranking**

### **Stages of Proposal Evaluation**

Niagara Region will conduct the evaluation and ranking process in accordance with the stages set out below.

#### **Stage 1 – Mandatory Requirements**

Stage 1 will consist of a review to determine which proposals comply with all of the mandatory requirements. Proposals that do not comply with all the mandatory requirements as of the Submission Deadline will, subject to the express and implied rights of Niagara Region, be disqualified and not evaluated further.

#### **Stage 2 – Rated Criteria**

Niagara Region Evaluation Team will evaluate each compliant proposal as set out in Sections 1, 2 and 3 of Rated Criteria (explained below).

#### **Stage 3 – Presentation and Interview – Section 4 of Rated Criteria**

All proponents that pass Stage 1 will be invited to present and interview with the Evaluation Committee. Each Proponent will be provided with the same prescribed questions.

#### **Stage 4 – Ranking and Selection of Top-Ranked Proponent**

After completion of Stages 2 and 3, Procurement will complete the mathematical calculations and final ranking of the proponents in accordance with the evaluation and ranking method described in the RFP.

The following is a summary of the rated criteria and weightings for the evaluation of proposals.

<b>CRITERIA</b>	<b>Weighting %</b>	<b>Points</b>	<b>Weighted Score</b>
The Regional Municipality of Niagara – Insurance Services Scoring			
Section 1 - Proponent/Qualifications Experience Financial Service for Transition of Policy	10%		
Section 2 - Services and Support (20%) Risk Management Services	5%		
Claims Management Services	15%		
Section 3 - Coverage/Product	30%		
Section 4 - Presentation and Interview	5%		
Section 5 - Total Program Cost (35%)			
Option #1 (NR/NRP)	15%		
Option #3 (NR, NRP + NRH)	20%		
<b>TOTAL</b>	<b>100%</b>		

<b>Scoring Category</b>	<b>Description</b>	<b>Numeric Score Points</b>
Fail	Requirement is not met or is not acceptable.	0
Poor	Minimally addresses the component, but one or more major considerations of the component are not addressed.	1 - 3
Fair	The response addresses some aspects of the component, but minor considerations may not be addressed.	4 - 6
Good	The response addresses the component and provides a reasonably good quality solution.	7
Very Good	There is a high degree of confidence in the proponent's response as a proposed solution to address the component.	8 - 9
Exceptional	The proposed solution goes above and beyond the requirements as well as provides a high degree of confidence in its effectiveness.	10



### Proposed Procurement Timeline

<b>RFP Post by:</b>	June 11, 2020
<b>Deadline for Questions:</b>	June 30, 2020
<b>Deadline for Issuing Addenda:</b>	July 2, 2020
<b>RFP Submissions by:</b>	July 10, 2020
<b>Evaluation Process:</b>	July 13 to 30, 2020
<b>Report to CSC/Council:</b>	September 9 CSC/September 17 Council

Following Council approval of CSD 16-2020 – Proposed Procurement Strategy for Insurance and Risk Management Services RFP, certain steps are required by Staff prior to the posting of the RFP, some of which are as follows:

- Prepare Informal Quotation to retain subject matter expert (Consultant), post quotation, evaluate submissions and award - **to be commenced by April 20 and completed by May 20, 2020;**
- Underwriting data (such as property schedules, fleet schedules, driver lists, loss history, etc) needs to be requested and collected from various Niagara Region divisions (as well as NRPS and NRH) - **to be commenced by April 20 and completed by May 25, 2020**
- Staff to review and finalize all schedules and data to be included in the RFP- **to be completed by June 2, 2020**
- Staff to draft RFP – **to be commenced by April 20 and completed by May 22, 2020**
- Kick Off Meeting with Consultant – **May 22, 2020**
- Draft RFP to be reviewed by Procurement/Consultant – **review to be completed by May 29 and any revisions by June 10, 2020**