



City of North Bay Report to Council

Report No: CORP-2023-082

Date: May 26, 2023

Originator: Mary-Ann Kotylak, CPPB, CPPO
Manager of Purchasing

Margaret Karpenko, CPA, CMA
Chief Financial Officer /Treasurer

Business Unit:
Corporate Services

Department:
Financial Services Department

Subject: Request for Proposal 2023-20 Municipal Comprehensive Insurance

Closed Session: yes no

Recommendation

That Council approve the award of a contract to Intact Public Entities Inc. in partnership with Kennedy Insurance Brokers Inc. in the amount of \$1,512,558.00 (plus HST) for municipal comprehensive insurance for a term of five (5) years, with an option in favour of the City to extend the agreement for three (3) additional terms of up to one (1) year each.

Background

The City's comprehensive insurance program has been designed to identify and transfer the risk of financial loss to stable Canadian insurers. Losses can result primarily from legal liability as a consequence of municipal operations, and the loss of or damage to, municipal assets.

The City's program is structure to provide the following risk protection:

- (a) **Legal Liability** – Liability coverage for municipal operations, premises, products, unlicensed vehicles and equipment, public officials, and environmental impairment together with related legal expenses;
- (b) **Automobiles** – Liability coverage for owned and non-owned automobiles, together with coverage for physical damage of any vehicle in the municipal fire, transit or police fleets;
- (c) **Property** – Physical damage coverage for municipal buildings, contents, unlicensed vehicles and equipment, and other structures including the

- breakdown of certain equipment and business interruption coverage;
- (d) **Crime** – Coverage against crime or fraud from within or outside of the organization,; and
- (e) **Accident** – Coverage for injury to Councillors and volunteers.

Pursuant to Report to Council CORP 2018-26 and by resolution No. 2018-112 passed by Council on April 24, 2018, the City approved an award of a contract to Frank Cowan Company Limited, in partnership with Kennedy Insurance Brokers Inc., for comprehensive general insurance coverage. Intact Financial Corporation introduced Intact Public Entities Inc., a Canadian Managing General Agent, formerly operating as Frank Cowan Company Limited, following its acquisition in 2019. The City approved a number of successive renewals of the insurance program with Frank Cowan Company Limited (now Intact Public Entities Inc.), in partnership with Kennedy Insurance Brokers Inc. The current insurance agreement covered the period ending May 2023 so the City went back to market, issuing a Request for Proposal, inviting prospective proponents to submit proposals for comprehensive municipal insurance.

Financial/Legal Implications

A formal bid request, which closed April 27, 2023, was administered by the Purchasing Department and was publically advertised in accordance with the City’s Purchasing By-Law 2013-200. Four proposals were evaluated by the Purchasing Manager, City Solicitor, Assistant City Solicitor and the Chief Financial Officer. The evaluation considered experience & qualifications, coverages, services and price.

The results are as follows:

Ranking	Company	Overall Score
1	Intact Public Entities Inc., in partnership with Kennedy Insurance Brokers Inc.	93.50
2	MIS Municipal Insurance Services, A Division of McDougall Insurance Brokers	79.52
3	Aon Reed Stenhouse Inc.	75.55
4	BFL CANADA Risk & Insurance Services Inc.	70.77

The bid price of \$1,512,558.00 (plus HST) from Intact Public Entities Inc., in partnership with Kennedy Insurance Brokers Inc., represents a total cost for the first year. Under the terms of the contract, the City will negotiate coverages and renewal rates with the successful proponent annually, which may vary based on operations requirements and budget availability. The proposal from Intact Public Entities Inc., in partnership with Kennedy Insurance Brokers Inc., scored highest and provides the best overall value to the City. Their bid is considered fair and reasonable.

Funding for insurance services provided under this contract is managed within the operating budget within various departments. Sufficient funding will continue to be requested in future years.

Intact Public Entities' proposal includes a number of complimentary value-added risk management services which include Contract Reviews, Policy and Procedural Reviews, Asset Valuation and Risk Inspections, Road Risk Assessments, Driver Training, Fleet Management Evaluations, Minimum Maintenance Standards Compliance Reviews and 5 sessions of Educational Training.

The terms of the renewal are as follows:

- The Municipal Casualty policy premium has received a 6.8% increase which is below the average for municipal clients for the 2023 term.
- Property coverage premiums received a 13.5% increase which is within the average increases received by municipal clients for the 2022 term.
 - "Building" insured limits have received an 11% inflationary protection increase resulting in \$43,422,150 in additional coverage.
 - Total Insured Value has increased to \$483,277,150 from \$439,855,000 and includes the insured value of scheduled items.
 - Property Damage coverage annual premium of \$452,521 is approximately 0.00094% of the Total Insured Value of \$483,277,150.
- Automobile Fleet and Transit premiums received a 10.3% rate increase which is below the average of Intact Public Entities Inc.'s program.
- Property & Automobile Schedules have been amended to reflect changes requested by the City via addendums received during the 2023 RFP process.

Generally, insurance is a cyclical business. It has been defined as being either "soft" when the market exhibits low rates, generous terms, abundance of capital and more competition or "hard" when the market has higher rates, restrictive terms, reduced levels of capital and less competition. There are a number of areas that impact the cost of municipal insurance including, climate change, class actions, joint and several liability, the changing legal landscape, future care costs and transit claims. Currently, the insurance market is categorized as "hard" with higher rates. Therefore, even though the City's claims history has been below average, it is not shielded from the increase in premiums which is required to ensure that claims are paid.

Corporate Strategic Plan

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|---|--|
| <input type="checkbox"/> Natural North and Near | <input type="checkbox"/> Economic Prosperity |
| <input type="checkbox"/> Affordable Balanced Growth | <input type="checkbox"/> Spirited Safe Community |
| <input checked="" type="checkbox"/> Responsible and Responsive Government | |

Specific Objectives

Ensure the efficient and effective operations of the City, with particular

consideration to the impact of decisions on the property tax rate.

Options Analysis

Option 1: That Council approve the award of a contract to Intact Public Entities Inc. in partnership with Kennedy Insurance Brokers Inc. in the amount of \$1,512,558.00 (plus HST) for municipal comprehensive insurance for a term of five (5) years, with an option in favour of the City to extend the agreement for three (3) additional terms of up to one (1) year each.

This is the recommended option.

Option 2: That Council does not approve the award of a contract to Intact Public Entities Inc. in partnership with Kennedy Insurance Brokers Inc. in the amount of \$1,512,558.00 (plus HST) for municipal comprehensive insurance for a term of five (5) years, with an option in favour of the City to extend the agreement for three (3) additional terms of up to one (1) year each.

This option is not the recommended as the City's insurance policy is expiring and the award of the contract is necessary to ensure adequate coverage is in place.

Recommended Option

That Council approve the award of a contract to Intact Public Entities Inc. in partnership with Kennedy Insurance Brokers Inc. in the amount of \$1,512,558.00 (plus HST) for municipal comprehensive insurance for a term of five (5) years, with an option in favour of the City to extend the agreement for three (3) additional terms of up to one (1) year each.

Respectfully submitted,

Name: Mary-Ann Kotylak, CPPB, CPPO

Title: Manager of Purchasing

Name: Margaret Karpenko, CPA, CMA

Title: Chief Financial Officer /Treasurer

We concur with this report and recommendation.

Name: Shannon Saucier, CPA, CA

Title: Director, Financial Services / Deputy Treasurer

Name: Peter E.G. Leckie, B.A. (Hons.), LL.B.

Title: City Solicitor

Name: John Severino, P.Eng, MBA

Title: Chief Administrative Officer

Personnel designated for continuance:

Name: Margaret Karpenko, CPA, CMA

Title: Chief Financial Officer /Treasurer