



The Corporation of the Town of Tecumseh

Financial Services

To: Mayor and Members of Council

From: Luc Gagnon, Director Financial Services & Treasurer

Date to Council: November 27, 2018

Report Number: FS-2018-17

Subject: Award General Insurance and Risk Management Services

Recommendations

It is recommended:

THAT the proposal for the General Insurance & Risk Management Services contract in the amount of \$295,428 plus PST **be awarded to Frank Cowan Company Limited;**

AND THAT the Mayor and Clerk **be authorized** to enter into a contract for the services with Frank Cowan Company Limited;

AND FURTHER THAT an **allocation of \$39,000 be made to the Insurance Reserve** which provides funding for those years where we have an extraordinary number of deductible payments required.

Background

Our general insurance and risk management services are currently provided by JLT Jardine Lloyd Thompson Canada pursuant to an RFP process that was circulated in 2006. Since that time JLT has been the Town's insurance provider with subsequent renewals with JLT. During the time with JLT the Town's insurance premiums have increased as much as 21.8% and decreased as much as 3.8%. Although Insurance Premiums are exempt from the Purchasing By-Law the Finance Department exercised its due diligence to ensure the Town is getting the best value and service for the cost.

Accordingly, the Town issued an RFP on October 10, 2018 in consultation with our local broker Hub International Ontario Limited (HUB). The RFP was advertised on the Town's website along with direct invitation to four (4) major insurance providers to municipalities; four (4)

proposals were received from Frank Cowan Company Limited, JLT Canada, AON and BFL Canada and were opened in the presence of Administration and HUB.

General terms of the RFP included:

- Service was to cover January 1, 2019 to January 1, 2020, with the option to renew for each subsequent year, based on satisfactory performance and service;
- Coverage had to be at least as comprehensive as currently in place;
- Proponent had to have the financial strength to meet the service requirements; and
- Proponent had to have municipal experience.

The Director Financial Services & Treasurer, Mike O’Neil Account Executive with HUB and Mary-Anne Bilodeau Commercial Account Manager with HUB, reviewed and evaluated the proposals received. Proposals were evaluated based on:

- Compliance with Proposal Content requested;
- Experience with Municipal Insurance;
- Added value services offered; and
- Cost

Costs submitted were:	Excluding PST	Including PST
• Frank Cowan Company	\$ 295,428	\$ 316,911
• AON	\$ 320,196	\$ 345,812
• JLT	\$ 350,473	\$ 375,686
• BFL	\$ 462,732	\$ 497,219

The 2018 premium, including PST, was \$421,859.

A recommendation letter from our Account Executive is attached for information purposes.

Comments

Given the large difference, \$180,308, between the lowest and highest submissions, special attention was given to reviewing the coverage specifications as outlined in section C of the RFP. While different language may have been used to describe the coverage, all four submissions were quoted the same and met the specifications.

Other aspects of the proposals were then reviewed and all four proponents:

- Submitted complete RFP’s;
- Had experience in providing Municipal Insurance;
- Were suitably licensed;
- Appeared financially stable enough to provide coverage to the Town; and

- Provided additional value added services including risk assessment and claims management.

A comprehensive risk management program is an important factor when considering your overall insurance program provider. Frank Cowan Company's submission was the low bid and also provided a variety of value added services based on the Town's claims loss run. The Town has had claims in various operating departments and based on the claims profile, Frank Cowan Company has provided a multi-year Risk Management Plan to help prevent future losses. Some of the services include:

- Asset Valuations & Risk Inspections
- Policy & Procedure Review
- Educational Training
- Road Risk Assessment
- Driver Training
- Contract Reviews
- Claims History Analysis
- Weather Monitoring Portal

Included in the Risk Management Plan is a schedule of risk inspections over the next three years of the various buildings throughout the Town of Tecumseh. Frank Cowan Company is committing to 32 hours of inspection services by their Risk Inspector. Some of the properties include but are not limited to:

- Fire Halls # 1 and # 2
- Tecumseh Arena
- Municipal Office
- Tecumseh Library
- Water Tower
- Manning Road Stormwater Pump Station
- McAuliffe Park
- Lacasse park swimming pool/change house
- Weston Pak
- St. Mary's Park

This list can be amended per the Town's request.

Based on their submission and subsequent discussions, Administration, in consultation with HUB recommends that Council award the contract for General Insurance & Risk Management Services to Frank Cowan Company Limited. The proposal provides the Town with the best combination of products and services available.

Consultations

HUB International

Financial Implications

Frank Cowan Company is providing a one-year term for January 1, 2019 to January 1, 2020 with the option to renew for each subsequent year, based on satisfactory performance and service. Frank Cowan Company has offered a two-year renewal price stability agreement based on the following:

- The average rate per auto by vehicle class will be held to a maximum of 3% increase for each renewal term, as long as the risk continues to meet the definition of a fleet.
- The average property rate for the total insured value will be held to a maximum of 2% increase for each renewal term.
- Due to annual inflation on claims costs, premium increases, if any, will be held to a maximum of 8% for each renewal term.
- Changes in exposure, operations and/or assets may also affect overall program costs.

In the event that Frank Cowan Company cannot meet the above underwriting parameters due to certain market conditions beyond their control they will advise the Town 60 days in advance of the renewal.

The total cost for insurance is summarized below:

	2019 Estimate	2018 Budget	2018 Actual	2017 Actual	2016 Actual
Premium	\$316,911	\$409,850	\$421,844	\$394,126	\$398,887
Agent Fee	\$10,800	\$10,800	\$10,800	\$10,800	\$10,800
Deductibles	\$40,000	\$35,000	\$30,359	\$35,556	\$21,203
	\$367,711	\$455,650	\$463,003	\$440,482	\$430,890
* 2018 Actual Deductible YTD					
** 2019 Deductible Estimate					

The estimated insurance costs for 2019, based on the Frank Cowan Company RFP submission, is a decrease of \$87,939 from the 2018 Budget (\$455,650 - \$367,711).

We previously set up an Insurance Reserve as a measure to provide funds in any one year where we have an unusually high number of deductibles to be paid. The balance in the reserve at the end of 2018 is estimated to be \$211,000 which, based on a deductible level of \$10,000, would cover an extra 21 deductible claims. In an effort to provide an additional measure of safety Administration is recommending allocating an amount of \$39,000 to the Insurance Reserve.

Link to Strategic Priorities

Applicable	2017-18 Strategic Priorities
<input type="checkbox"/>	Make the Town of Tecumseh an even better place to live, work and invest through a shared vision for our residents and newcomers.
<input checked="" type="checkbox"/>	Ensure that the Town of Tecumseh's current and future growth is built upon the principles of sustainability and strategic decision-making.
<input type="checkbox"/>	Integrate the principles of health and wellness into all of the Town of Tecumseh's plans and priorities.
<input checked="" type="checkbox"/>	Steward the Town's "continuous improvement" approach to municipal service delivery to residents and businesses.
<input type="checkbox"/>	Demonstrate the Town's leadership role in the community by promoting good governance and community engagement, by bringing together organizations serving the Town and the region to pursue common goals.

Communications

Not applicable

Website

Social Media

News Release

Local Newspaper

This report has been reviewed by Senior Administration as indicated below and recommended for submission by the Chief Administrative Officer.

Prepared by:

Janey Murphy
Purchasing Officer

Reviewed by:

Luc Gagnon, CPA, CA, BMath
Director Financial Services & Treasurer

Recommended by:

Tony Haddad, MSA, CMO, CPFA
Chief Administrative Officer

Attachment Number	Attachment Name
1	Recommendation Letter HUB International Limited