

Award of Request for Proposal Document Number 2759379260 to Marsh Canada Limited for the Provision of Insurance Broker Services

Date: November 15, 2021

To: General Government and Licensing Committee

From: Chief Financial Officer and Treasurer and Chief Procurement Officer

Wards: All

SUMMARY

The purpose of this report is to advise on the results of the Request for Proposal (RFP) Document Number 2759379260 for insurance broker services for the City of Toronto and to request authority to negotiate and enter into an agreement with the recommended Supplier, Marsh Canada Limited, for a five (5) year term.

The Chief Financial Officer and Treasurer and the Chief Procurement Officer request authority to contract with and utilize the services of Marsh Canada Limited to access the worldwide insurance marketplace to obtain quotes on insurance policies and report the results to staff, and request that City Council delegate authority to the Director, Insurance and Risk Management or their designate, for the placement of various insurance policies during the term of this agreement. The costs identified in this report represent insurance broker fees only. Costs of the various insurance policies to be procured will be determined at the time of their renewal or procurement, and be subject to a Council-approved budget.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer and the Chief Procurement Officer recommend that:

1. City Council authorize the Director, Insurance and Risk Management to negotiate and enter into an insurance broker agreement with Marsh Canada Limited (the "Agreement"), being the highest scoring Supplier meeting the requirements of Request for Proposal Document Number 2759379260 for a term of five (5) years from January 1, 2022 to December 31, 2026 for the following:

(a) For insurance broker services for the City's property and casualty insurance program (the "Corporate Insurance Program"), together with ancillary insurance consulting services, all at a cost of up to \$525,000 net of all taxes for the insurance broker services for the Corporate Insurance Program and the consulting services; and

(b) For the placement of insurance policies as may be required from time to time as determined by the Director, Insurance and Risk Management under Recommendation 2, for both the Corporate Insurance Program and for division specific purposes ("Divisional Insurance"), payable through Marsh Canada Limited to the insurers at the cost of the insurance premiums, inclusive of broker fees that cannot be determined in advance of purchase, on terms and conditions as set out in the RFP, and on others terms satisfactory to the Director, Insurance and Risk Management and in a form satisfactory to the City Solicitor.

2. City Council authorize the Director, Insurance and Risk Management to determine the appropriate insurance policies to be placed through the Agreement for both the City's Corporate Insurance Program and for the City's Divisional Insurance that may arise during the term of the Agreement, all upon such terms, including pricing and length of policy term, as are satisfactory to the Director, Insurance and Risk Management, in consultation with Marsh Canada Limited, subject to a Council-approved budget.

FINANCIAL IMPACT

The total potential contract award identified in this report is \$593,250 including all applicable taxes and charges. The total potential cost to the City is \$534,240 net of HST recoveries.

Cost Centre/Element	Description	Annual Cost 2022-2026	5 Year Total
NP2530 Cost Element 4060	Professional Services - Insurance Broker Services	\$75,000	\$375,000
NP2530 Cost Element 4060	Professional Services - Consulting/Special Projects	\$30,000	\$150,000
TOTAL		\$105,000	\$525,000
TOTAL COST INCLUDING TAX AND ALL APPLICABLE CHARGES		\$118,650	\$593,250
TOTAL COST NET OF HST RECOVERIES		\$106,848	\$534,240

This report recommends the City negotiate and enter into an insurance broker services agreement for the placement of the Corporate Insurance Program and Divisional Insurance during the term of the Agreement. The City's Corporate Insurance Program contains insurance policies which have varying policy periods and renewal dates. The total cost of the 2021 Corporate Insurance Program was \$14,073,111.75 excluding applicable taxes. These policies will require subsequent renewals at a cost that will be determined at the time of their renewal. Actual costs will be determined based on the market rates during the renewal process.

Insurance policy premiums are dependent on prevailing market rates which consider industry loss experience, the City's loss experience, and the City's overall risk profile. The City's insurance broker accesses the worldwide insurance marketplace on behalf of the City, thereby ensuring competitive rates with the most favourable terms and conditions. These services will be increasingly important given the changing insurance landscape and rising cost of insurance.

The recommended insurance policies provide significant levels of financial protection for the City, for example, a \$500 million property insurance limit covering City buildings, facilities, contents, equipment, etc., as well as an overall limit of \$120 million in liability insurance coverage (except \$30 million for medical malpractice liability).

Funding for insurance broker services in connection with the Corporate Insurance Program and consulting fees in the amount of \$105,000 net of all taxes (\$106,848 net of HST recoveries) has been included in the 2022 Non-Program Operating Budget Submission for consideration. Appropriate funding for the full term of the agreement from January 1, 2022 to December 31, 2026 totalling \$525,000 net of all taxes (\$534,240 net of HST recoveries) will be included in the Non-Program Operating Budget submissions for the respective years, and all such costs of the various insurance policies to be processed through Purchase Order Amendments of the single Marsh Canada Limited Purchase Order created pursuant to this contract award, during the five (5) year term of the Agreement. Funding for the Corporate Insurance Program and consulting fees is provided from the City's Insurance Reserve Fund (XR1010).

This report also recommends the City place additional insurance policies as may be required from time to time for Divisional Insurance, through Marsh Canada Limited, subject to the requesting division having adequate budget funding for the cost of the policy(ies). Funding for these policies is provided by the relevant division throughout the term of the Agreement, and all such costs of the various insurance policies are to be processed through Purchase Order Amendments of the single Marsh Canada Limited Purchase Order created pursuant to this contract award, during the term of the five (5) year Agreement.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting of December 14, 2017, Bid Award Panel granted authority to award the contract for Insurance broker services for the City of Toronto to Marsh Canada Limited, being the highest scoring Supplier meeting the requirements of Request for Proposal (RFP) No. 9105-17-7180. Insurance broker services includes the procurement and maintenance of the City's annual Corporate Insurance Program, consulting services, actuarial services, placement of non-routine insurance policies, and Divisional Insurance policy placement.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.BA55.1>

On May 14, 2019, City Council adopted GL4.5 thereby authorizing the Chief Financial Officer and Treasurer to contract for the insurance policies which form the City of Toronto's Corporate Insurance Program, as the current policies come due for renewal during the 2019-2022 term of City Council between April 4, 2019 and November 14, 2022, and additional insurance policies, as may be required from time to time for Divisional Insurance, provided that the relevant division has adequate budget funding for the premium, all upon such terms, including pricing and length of policy term, as are satisfactory to the Chief Financial Officer and Treasurer, in consultation with the City of Toronto's insurance broker, subject to a Council-Approved Budget.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.GL4.5>

The 2019 delegation is to be superseded by the delegation authorized herein.

COMMENTS

City's Corporate Insurance Program

On behalf of the City, the City's insurance broker approaches Canadian and international insurers to obtain competitive insurance premium pricing and ensure the most favourable coverage terms, conditions, limits and deductibles available.

It is recommended that City Council authorize the delegation of authority to the Director, Insurance and Risk Management for the placement of Corporate Insurance Program policies during the term of this agreement. At each renewal of the Corporate Insurance Program, policies are negotiated to ensure the best price, and most favourable coverage for the City based on current market conditions and insurer capacity.

Divisional Insurance

Insurance is a standard, fundamental and widely used risk transfer technique to provide protection to the City in various contractual arrangements. It can be imposed on others or purchased by the City.

Marsh Canada Limited will be engaged to place insurance policies to meet division specific needs identified by City. The City may identify projects, events, or risk exposures which require the placement of specialized insurance policies through the City's insurance broker. These insurance policies are typically bound for a limited

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duration or are event specific. Examples include the Fairbank Silverthorn Contract 2, F.G. Gardiner Expressway Rehabilitation Project: Section 1 - Jarvis Street to Cherry Street, Coxwell Bypass Tunnel from the Ashbridges Bay Treatment Plant to Coxwell Ravine Park, Outfall at Ashbridges Bay Treatment Plant, environmental liability insurance to meet contractual requirements for Toronto Water's Ashbridges Bay chlorine delivery, animal transport insurance for Toronto Zoo pandas and elephants, and G20 Summit liability insurance. Authority is being requested for the placement of Divisional Insurance as may be required from time to time, provided that the requesting division has adequate budget funding for the cost of the policy(ies).

It is recommended that City Council authorize the delegation of authority to the Director, Insurance and Risk Management or their designate, for the placement of Divisional Insurance as required during the term of the Agreement. At each renewal of the Divisional Insurance, policies are negotiated to ensure the best price and most favourable coverage for the City based on current market conditions and insurer capacity.

Request for Proposal Document Number 2759379260 - Procurement Process

Request for Proposal Document Number 2759379260 for the provision of insurance broker services for the City of Toronto was issued by Purchasing and Materials Management Division (PMMD) on September 17, 2021. The closing date for submissions was October 12, 2021. As a result, **three** (3) firms acknowledged their intention to bid, and the same three (3) firms each submitted a proposal.

The RFP process was conducted as a two envelope system whereby the Suppliers were required to submit two separate documents, one for the technical proposal submission, the other is for the Price Detail Form. The Price Detail Form envelope was only opened for those Suppliers who met the 75% threshold or scored at least 101.25 points in the technical submission.

Evaluation for the Request for Proposal Document Number 2759379260 Submissions

A formal selection committee was comprised of four staff members, three from Insurance and Risk Management and one from Fire and Life Safety, with ongoing support from PMMD and a fairness monitor. Prior to the start of evaluation process, evaluation training was provided both from PMMD and the Fairness Monitor to the entire evaluation team. All staff involved in the evaluation process signed and submitted a Non-Disclosure and Declaration of Conflict of Interest Agreement, under the supervision of PMMD, and evaluated the technical proposals in compliance with the criteria set out in the RFP as follows:

Stage 1- Stage 1: Mandatory Submission Requirements

Stage 2- Mandatory Technical Requirements and Rated Criteria (Technical Proposal

Stage 3- Price Detail Form

Stage 1: Mandatory Submission Requirements

All submissions satisfied the mandatory requirements of Stage 1 and advanced to Stage 2.

Stage 2: Mandatory Technical Requirements and Rated Evaluations

Stage 2A: Mandatory Technical Requirements

In compliance with the RFP, a list of mandatory technical requirements had to be met in order to advance to Stage 2B: Rated Criteria. All suppliers satisfied Stage 2A Mandatory Technical Requirements advanced to Stage 2B of the evaluation process.

Stage 2B Rated Criteria

In Stage 2B Suppliers were evaluated on their technical proposal content and a minimum threshold score of 75% (or 101.25 points) had to be met in order to advance to the Price Detail Form section. Out of the three (3) firms that were evaluated, two (2) firms met the minimum threshold and advanced to Stage 3 of the evaluation process.

Stage 3 - Price Detail Form

In Stage 3, the Price submissions were reviewed and the calculations of the total annual costs and price scores were validated by PMMD.

Robinson Global Management was retained through a competitive procurement process to act as Fairness Monitor for the RFP. The Fairness Monitor's scope of work included:

- Providing oversight on the procurement process for the purpose of ensuring adherence to high standard, objectivity of evaluation and transparency;
- Addressing any concerns relating to accountability/ fairness (monitoring the level of openness and competitiveness of the procurement process);
- Independent assurance of the integrity of the procurement with a signed attestation statement; and
- Preparing a Final Attestation Report for the City.

Robinson Global Management concluded that the procurement process satisfied the principles of openness, fairness, consistency and transparency. The Final Attestation Report is included as Attachment 1.

Supplier's scores and staff analysis of the evaluation results can be provided to City Council in an in-camera presentation, if required.

The Fair Wage Office has reported that the recommended Supplier has indicated that it has reviewed and understands the Fair Wage Policy and Labour Trade requirements and has agreed to comply fully.

CONTACT

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SIGNATURE

Heather Taylor
Chief Financial Officer and Treasurer

Michael Pacholok
Chief Procurement Officer

ATTACHMENTS

Attachment 1 - Fairness Monitor's Final Attestation Report