SUBJECT: Broker of Record for General Insurance Services (FCS08090) (City Wide)

RECOMMENDATION:

That the Broker of Record for Insurance Services Contract be awarded to Pearson Dunn Insurance Inc.

Peter A. Barkwell, Acting General Manager
Finance and Corporate Services

EXECUTIVE SUMMARY:

The City issued RFP C6-01-08, a proposal for Provision of Broker of Record for General Insurance Services. The RFP was a two step process with the first step being Technical and requiring a minimum score of 80% to proceed. The scores from the technical requirements were added to the scores from the pricing component to determine the most qualified bidder.

Two submissions qualified under Part A, Technical Requirements, of the RFP. The other four submissions fell below the minimum qualifying requirement of a Technical score of 80%.

When the Compensation and Technical scores were combined, it was determined that Pearson Dunn Insurance Inc. was the successful bidder in accordance with the marking formula of the RFP.
In accordance with Purchasing Policy 5.5, Section 4.5.5 (6) staff is required to report to Council where the award is being recommended to a bidder who was not the overall lowest in price.

In this instance, the difference in Technical points was sufficient to place the proponent with a higher compensation component as the preferred proponent based on the marking and evaluation components as detailed to the bidders in the RFP.

Pricing components were received from Marsh Canada totalling $83,000 annually and from Pearson Dunn totalling $107,000 annually.

Based on higher technical marks and the delivery of Value Added Services contained within the Pearson Dunn submission, which would have a value equal to or greater than the pricing difference between the two pricing components, staff support the RFP evaluation process which results in awarding of the contract to Pearson Dunn.

**BACKGROUND:**

In order to meet the Insurance requirements of the City of Hamilton, it is necessary to retain the services of an insurance broker as access to most insurance markets can only be made through the Registered Broker.

The City issued RFP C6-01-08, a proposal for Provision of Broker of Record for General Insurance Services for a 3 year term. The proposal closed Friday, July 25, 2008.

**ANALYSIS/RATIONALE:**

The proposals were scored against the pre-set evaluation criteria. Two proposals submitted met or exceeded the minimum 80% score for Part A -Technical Requirements.

The two submissions proceeded to Part B - Compensation.

Marsh Canada submitted an annual fee of $83,000. Pearson Dunn submitted an annual fee of $107,000. Based on the RFP scoring process, when technical and pricing scores were combined, Pearson Dunn achieved the highest point score total as a result of a higher technical score.

Aside from the higher technical score, Pearson Dunn offered additional value added services which, if costed separately, have been estimated by staff to have a value equal to or greater than the pricing difference between the two pricing components.

Staff has reviewed the value added services offered by Pearson Dunn and has identified the estimated value of these additional services as follows:
• “P3 Solution” is a business process utilizing external professional services that makes use of property inspections, analysis and reporting processes designed to identify critical areas of risk within the City of Hamilton to assist in determining the most cost-effective approach to managing the City’s risks. The value of obtaining these inspections, reports and analysis would be estimated at approximately $700-$1,000 per inspection. Based on an estimated 12 inspection reports per year, this additional service has an estimated value of $8,400 to $12,000 annually.

• Surety/Bonding information and advice. At present, there is no facility readily accessible to or within the City to obtain expert surety advice. Virtually all construction contracts issued by the City have a surety component. It is estimated that there are approximately 25 inquiries per year that would benefit from expert involvement. To seek expert consultant advice, in this field, would cost an estimated $200 - $300 per request for an annual estimated cost of $5,000 - $7,500 per year.

• The RFP required proponents to provide a sampling of property inspection reports for building valuation purposes. The Pearson Dunn inspection reports not only include building valuation information but in addition, information detailing risk exposures, special hazards, human element programs and remedial recommendations. It is estimated the cost of obtaining this additional valuable information in report form for a minimum of 10 locations annually would be estimated at $500 - $750 per location totalling an estimated annual cost of $5,000 to $7,500 per year.

• The Pearson Dunn submission includes a proposal to develop, a standardized City of Hamilton Certificate of Insurance for use in conjunction with various City contracts. Extensive consultation will be required with various insurance markets to obtain their necessary acceptance of this document. This would result in making the City’s review process of certificates of insurance faster. The cost of consulting time required to develop this standardization would be estimated at 75 to 100 hours of consultant time at a cost of $100 per hour for an estimated total cost of $7,500 to $10,000.

When estimated costs are totalled by Staff for the above-noted Value Added Services of the proponent Pearson Dunn, they have a range of value between $20,900 and $30,300 annually.

The recommendation to award this contract to Pearson Dunn is based on this proponent having achieved the combined highest overall score for the Technical and Compensation packages of the RFP. In the evaluation process of the RFP, the Value Added Services to be provided by this proponent are of significant additional value to the City offsetting the difference in cost.
ALTERNATIVES FOR CONSIDERATION:

N/A

FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

The recommended proposal is within the expected cost parameters. In order for the Broker to be involved in the 2009 City insurance program placement and the survey of potential insurance markets, it is required that this contract be awarded no later than September 15, 2008.

The annual fee charged by the broker is added to the annual insurance premium which is budgeted for and distributed throughout the City departments.

POLICIES AFFECTING PROPOSAL:

Purchasing Policy 5.5, Section 4.5.5 (6) requires staff to refer contract awards not awarded to a proponent with the lowest price component to Council for approval.

RELEVANT CONSULTATION:

Purchasing Division, Financial Services, Corporate Services Dept.
Legal Services Division, Corporate Services Dept.

CITY STRATEGIC COMMITMENT:

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. □ Yes ☑ No
Environmental Well-Being is enhanced. □ Yes ☑ No
Economic Well-Being is enhanced. ☑ Yes □ No

Does the option you are recommending create value across all three bottom lines?
□ Yes ☑ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants?
□ Yes ☑ No