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Council-In-Committee Meeting – November 15, 2023

Subject: 2024 Insurance Program Renewal
Report Number: CS-23-156
Division: Corporate Services
Department: Financial Management & Planning
Ward: All Wards
Purpose: For Decision

Recommendation(s):

THAT Staff Report CS-23-156 2024 Insurance Program Renewal be received as information;

AND FURTHER THAT the Chief Administrative Officer be authorized to execute a contract with Aon Reed Stenhouse for Request for Proposal **CS-FMP-23-04 General Insurance & Risk Management Services** for a period of three (3) years, with an option in favour of Norfolk County to extend the agreement for two (2) additional one (1) year terms;

AND FURTHER THAT Council approve the 2024 Insurance Premium of \$2,070,475.00 plus the applicable taxes.

Executive Summary:

The purpose of this report is to provide an update to Council on the upcoming 2024 insurance program and seek Council's approval to award RFP CS-FMP-23-04 General Insurance & Risk Management Services to the lowest price-per-point proponent Aon Reed Stenhouse.

Staff are recommending that the County execute a contract with Aon Reed Stenhouse for a period of three (3) years, with an option in favour of Norfolk County to extend the agreement for two (2) additional one (1) year terms.

Discussion:

Norfolk County's insurance program is renewed on an annual basis with January 1st acting as the start date of each policy term. The County's current policy term expires on December 31st, 2023, and therefore staff developed and issued RFP CS-FMP-23-04 in accordance with Norfolk County Policy CS-02, Purchasing Policy. Staff are pleased to

report that RFP CS-FMP-23-04 resulted in a competitive proposal for the County's 2024 insurance program renewal.

RFP Process & Results

Developing an RFP for a municipal insurance program requires a significant time commitment from staff. The process involves collecting a significant amount of information from various departments to update insurance schedules and mandatory applications prior to issuing the RFP.

In the municipal insurance marketplace, there are essentially 4 insurance program providers: Intact Public Entities Inc. (IPE), Aon Reed Stenhouse (Aon), Marsh Canada, & BFL. Norfolk County is currently insured with IPE (formerly Frank Cowan Company) and was a longstanding client of Frank Cowan Company prior to their acquisition by Intact Insurance.

The RFP was advertised in accordance with Norfolk County's Purchasing Policy and Procedures and was issued on August 8th, 2023, with a two-envelope process whereby proponents were required to submit a technical proposal in Envelope 1 and a price proposal in Envelope 2.

Two (2) submissions were received and deemed compliant at the bid closing date and time of Tuesday, September 26, 2023. There were no bids rejected.

Proposals were received from the following proponents:

- AON Reed Stenhouse Inc.
- Intact Public Entities Inc.

The two (2) compliant proposals were evaluated by an evaluation team comprised of the General Manager, Corporate Services, General Manager, Operations, Treasurer/Director, Financial Management & Planning and Risk Manager in accordance with the evaluation criteria listed below.

DESCRIPTION OF FACTOR	WEIGHT	TOTALWEIGHT FOR SECTION
a. Program Overview		
1. Company Profile	5%	20%
2. Program Profile	10%	
3. Program Markets	5%	
b. Execution of Program Deliverables:		
1. Insurance Services	10%	40%
2. Risk Management Services	15%	
3. Claims Management	15%	
c. Coverage Specifications:		

1. Program Structure	5%	40%
2. Coverage Scope	10%	
3. Proponent's Coverage Summary	15%	
4. Deviation or Enhancement or Subjectivity Table	10%	
Technical Score		/100
Does technical score achieve benchmark score of 70%		Yes / No

Both bidders met the benchmark score of 70% or higher in the technical proposal (Envelope 1) and proceeded to the opening of their price proposal (Envelope 2).

The lowest price-per-point proposal was submitted by Aon Reed Stenhouse, for the 2024 total premium of \$1,945,475 plus applicable taxes. This represents a decrease of - \$605,912 (-23.74%) from the 2023 insurance renewal premium.

The RFP permitted submission of non-mandatory Optional Coverage and Pricing as part of the price proposal (Envelope 2). The RFP stated that the Optional Coverage and Pricing would only be considered for the successful proponent.

Aon Proposal

Staff have completed a comprehensive review of the Aon submission and consider it very comparable to the County's current expiring insurance program, at a significantly decreased cost. The Aon proposal allows the County to maintain current deductible levels on nearly all insurance coverage. Also, nearly all coverage limits are identical to current limits, or higher than current limits.

The Aon proposal provides the County with an option to increase the Liability limit from \$25,000,000 to \$50,000,000 for an additional \$72,500 premium. This change would apply to the following coverages: General Liability, Errors and Omissions, and Automobile Liability. Liability damage awards have increased in recent years, particularly when it comes to significant bodily injury claims. One example of how these claims can impact a municipality is when there are accidents on municipal roadways. Motor vehicle accidents can result in significant bodily injury to multiple parties, and municipalities can be found legally liable if they fail to keep the roadway in a state of repair. Staff research has also shown that many other municipalities now carry a \$50,000,000 Liability limit. Staff recommend proceeding with the option to increase the Liability limit to \$50,000,000.

Staff also recommend increasing the per claim Property insurance limit in the Aon proposal from \$300,000,000 to \$400,000,000 for the additional premium of \$52,500. This Property limit increase would better align with the County's current Property insurance limit of \$418,004,250. This coverage can protect the County if a significant weather event causes widespread property damage to County property (buildings, equipment, & contents).

If the County were to increase the Liability & Property limits as recommended above, this would bring the total annual premium to \$2,070,475 plus applicable taxes and would still represent a decrease of -\$480,912 (-18.85%) from the 2023 insurance premiums.

State of Insurance Market

The municipal insurance market continues to be in an extended “hard” market position. Staff research shows that most municipalities are reporting a 5-15% increase in their expiring insurance premiums. In previous years, the County has received annual premium increases ranging from 9-21%. Given current market conditions and the challenges in securing competitive insurance rates, staff are pleased to report a significant year-over-year premium decrease in the Aon proposal as part of RFP CS-FMP-23-04.

For information purposes, staff are providing a chart outlining the County’s insurance costs (excluding taxes) over the past 5 years:

Norfolk County Insurance Premium (2019-2024)		
Year	Insurance Premium (at renewal)	Change
2019	\$1,383,315	
2020	\$1,545,992	10%
2021	\$1,805,958	15%
2022	\$2,309,412	21%
2023	\$2,551,387	9%
*2024	\$2,070,475	-18%

**Notes insurance premium for the staff recommended Aon proposal with optional limit increases.*

Insurance Provider Transition

Transitioning to a new insurance provider would mean that all open and active insurance claims would continue to be managed by IPE until resolution. Future claims with a date of loss after January 1, 2024, would be referred to Aon for claims management.

The County has historically received excellent customer service & claims management support from IPE (formerly Frank Cowan Company). The County has also taken advantage of value-added services such as: contract reviews, building risk inspections, road risk assessments, seminars etc. The proposal from Aon outlines their ability to also offer value-added services that the County can utilize. Aon similarly offers training and seminars and would provide the County with an allowance to spend on various value-added services of our selection. Further, Aon’s submission outlined in detail their

intention to meet and exceed the County's expectations for communication, customer service, & claims management.

Financial Services Comments:

Risk Management Program Overall

Based on the information presented in this report, as well as a continuation of the recommendations approved through the 2020 actuarial study, a total decrease of approximately \$389,500 or (9.5)% is projected for the 2024 Risk Management Services budget including administrative costs, reserve transfers, and insurance program costs.

The primary budget drivers can be summarized as follows:

- 1) Insurance Premiums: - \$519,200
- 2) Insurance Deductibles: +\$32,000 (per actuarial study recommendations in keeping with "Best Estimate" funding levels)
- 3) Reserve Fund transfer: +\$100,000
- 4) Net Administrative Cost Changes: +\$8,800

2024 Premiums

As outlined in **Table 1**, the actual decrease in premiums over 2023 actual premiums paid is \$480,912 (18.9%). The decrease in budgeted amounts for 2024 over 2023 is \$519,200 or (18.4%). The total overall Premiums budgeted in 2024 are \$2,309,800 (including applicable taxes).

Table 1 – 2024 Insurance Program Renewal – Premiums Comparison

2024 INSURANCE PROGRAM RENEWAL - PREMIUMS COMPARISON				
2023 Actual Premiums to 2024 Renewal Premiums (Excluding tax)				
	2023 Actual Premiums Paid	Estimated 2024 Renewal Premiums	2024 Change (\$)	2024 Change (%)
Casualty	\$1,850,582	\$1,063,929	(786,653)	(42.51)
Property	\$411,604	\$623,838	212,234	51.56
Automobile	\$175,993	\$198,448	22,455	12.76
Excess Liability	\$113,208	\$184,260	71,052	62.76
Total Premiums	\$2,551,387	\$2,070,475	(480,912)	(18.85)

Note: Actual premiums paid differ slightly from initial renewal estimates due to adjustments that occurred throughout the year.

2023 Budgeted Premiums to 2024 Budgeted Premiums (Including Tax Impacts which are not rebateable)				
	2023 Approved Budget	2024 Proposed Budget	2024 Budget Impact (\$)	2024 Budget Impact (%)
Casualty	\$2,087,800	\$1,238,700	(849,100)	(40.67)
Property	\$444,500	\$673,700	229,200	51.56
Automobile	\$174,400	\$198,400	24,000	13.76
Excess Liability	\$122,300	\$199,000	76,700	62.71
Total Premiums	\$2,829,000	\$2,309,800	(519,200)	(18.35)

Note: Actual premium budgets may vary from the corresponding category in the table above due to RST and other potential miscellaneous coverage options.

2024 Deductibles & Reserve Transfers Budget

Consistent with the multi-year recommendations provided within the actuarial study analysis completed in 2020 as shared in report CS 20-12: Actuarial Review of Self Insurance Reserve Funds, optimal premiums levels would be achieved by using the “Best Estimate” line as presented for deductible payments. Based on this guidance, Financial Management & Planning staff are recommending that the total net insurance deductibles payments budget increase to \$672,800 from \$640,800 in 2023. This represents a 5% increase of \$32,000. Similarly, Reserve Fund Transfers are recommended to increase by \$100,000 based on the same actuarial study findings.

When considering changes to the current deductible levels, generally premium reductions would need to be well in excess of the requested deductible level increases for the decision to make prudent financial sense, as the risk profile of the County increases as deductible levels increase. Staff reviewed the financial implications of optional deductible level changes identified for 2024, and no savings were identified and therefore, no additional changes are being recommended.

Interdepartmental Implications:

Purchasing Services

Purchasing staff have reviewed the report and advise that Request for Proposal CS-FMP-23-04 General Insurance & Risk Management Services was developed and issued in accordance with the Norfolk County Purchasing Policy and Procedures with recommendation to award to the lowest price-per-point proponent.

Consultation(s):

The Chief Administrative Officer, General Manager, Corporate Services, Treasurer/Director of Financial Management and Planning, & Manager, Purchasing Services were consulted in the writing of this report.

Strategic Plan Linkage:

This report aligns with the 2022-2026 Council Strategic Priority Serving Norfolk - Ensuring a fiscally responsible organization with engaged employees who value excellent service.

Explanation: The County's insurance program provides risk financing to assist in the protection of County assets and exposures. Staff aim to ensure that a comprehensive insurance program is in place at the most competitive cost available.

Conclusion:

Staff are very pleased that despite the continuing hard insurance market, RFP CS-FMP-23-04 resulted in a competitive proposal from Aon. Approval of the Aon proposal would result in a significant decrease to the expiring 2023 insurance premiums. Further, the County would receive similar insurance policies through Aon, some of which provide the County with a higher coverage limit.

Attachment(s):

- Schedule A – 2024 Insurance Policy Summary

Approval:

Approved By:
AI Meneses, CAO

Reviewed By:
Amy Fanning
Treasurer, Director of Financial Management & Planning

Prepared By:
Ryan Napman
Risk Manager