



Special Council Agenda

The agenda for the **Special Meeting of Council** to be held in the **Conference Room** of the Municipal Hall, 8645 Stave Lake Street, Mission, British Columbia on Monday, April 27, 2015 commencing at 12:00 p.m.

1. CALL TO ORDER

2. ADOPTION OF AGENDA

3. NEW BUSINESS

- (a) Property Insurance Contract Award

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RECOMMENDATION: Council consider and resolve:

That in accordance with Procurement, Stores, and Disposition Policy FIN.24, Council approve a single source direct award of a three year contract for property and related insurance to the Municipal Insurance Association of British Columbia, at the quoted annual premium cost for 2015/2016 of \$114,692.

4. RESOLUTION TO EXCLUDE PUBLIC

That, pursuant to Sections 90 and 92 of the *Community Charter*, this Special Meeting of Council be closed to the public as the subject matter being considered relates to the following:

- Section 90(1)(a) of the Community Charter – personal information about an identifiable individual who holds or is being considered for a position as an officer, employee or agent of the municipality or another position appointed by the municipality.

5. ADJOURN TO CLOSED COUNCIL MEETING



Finance Department Staff Report to Council

File Category: 05-Finance
File Folder: 1835-01

DATE: April 27, 2015
TO: Mayor and Council
FROM: Kris Boland, Manager of Finance
SUBJECT: **Property Insurance Contract Award**

RECOMMENDATION: Council consider and resolve:

That in accordance with Procurement, Stores, and Disposition Policy FIN.24, Council approve a single source direct award of a three year contract for property and related insurance to the Municipal Insurance Association of British Columbia, at the quoted annual premium cost for 2015/2016 of \$114,692.

PURPOSE:

The purpose of this report is to recommend Council approve a single source direct award of three year contract for property and related insurance to the Municipal Insurance Association of British Columbia (MIABC).

BACKGROUND:

The District's property insurance, boiler and machinery breakdown insurance, and crime insurance are due for renewal on April 30, 2015. For the past ten years, the District has used the services of an insurance broker, Willis Canada Inc. (Willis), to gather quotes from a number of insurers on behalf of the District, thereby ensuring best value.

Within the past six months, MIABC began to offer property insurance services to BC local governments for the first time. MIABC was established in November 1987 to serve the liability insurance needs of BC local governments, and has been the District's liability insurance provider since 1988. MIABC offers a number of value added benefits that are not available from private insurance companies, therefore staff sought a comparative quote from MIABC before considering the current insurance renewal proposal from Willis.

DISCUSSION AND ANALYSIS:

On April 21, 2015, Willis advised staff that they had not sought comparative quotes from insurers, for a couple reasons, including that the District has open claims with the current insurer, and that Willis felt the current insurer was the best fit for the insurance coverage requested. Staff have some concerns that this approach may not ensure best value has been achieved for the District's insurance needs. Fortunately, due to staff's initiative to seek a comparative quote from MIABC separate from Willis' process, the District does now have two quotes to compare. Since Procurement, Stores, and Disposition Policy FIN.24 typically requires a long-term agreement of this nature to be procured from a formal competitive process such as a request for proposal, but due to the late notice from Willis that they did not receive any comparative quotes from other insurers, this puts the contract award into "direct award – single source" status under Policy FIN.24, which requires Council approval. This is

despite the fact that the District actually received two quotes, which is more than required under a single source direct award according to Policy FIN.42.

The total quoted premium cost for the term of April 30, 2015 to April 30, 2016 from Willis is \$115,843, and the total from MIABC is \$114,692, making MIABC the lower cost option by \$1,151. In addition to this cost savings, MIABC offers a number of value added benefits, including appraisal services for property insurance offered at no additional cost. The District has currently budgeted for an insurance appraisal at a cost of \$18,000, which means a significant cost savings to the District given that MIABC is offering appraisal services within their quoted rate, while Willis Canada Inc. requires the District to pay for appraisal services in addition to their quoted cost of \$115,843.

MIABC's offer is conditional on a three year commitment from the District. Staff have no concerns with the three year commitment with MIABC, for a number of reasons. MIABC is owned and operated by local governments in BC, as opposed to other insurance providers being owned and operated by a private, for-profit enterprise. MIABC currently provides liability insurance coverage for 90% of BC local governments, including the District. Additionally, MIABC offers risk pooling by effectively sharing risk amongst 90% of BC local governments, which the District has been a part of since 1988. Since MIABC launched their property insurance program in October 2014, 19 member municipalities have joined the property insurance pool.

To illustrate some of the benefits the District has received from being part of MIABC's liability insurance program, which would not be available from a private insurer, since 2006 the District has received \$98,415 in dividends from MIABC, \$27,062 in risk management grants from MIABC, and is currently entitled to an additional \$14,863 in risk management grants.

Staff are strongly in support of awarding the District's property and related insurance coverage to MIABC, for the many reasons noted above.

FINANCIAL IMPLICATIONS:

The 2015 budget for property and related insurance services is approximately \$120,000, making MIABC's quoted rate of \$114,692 well within the current budget. Additionally, MIABC's offer to include property insurance appraisal services within their quoted rate means the current budget of \$18,000 for insurance appraisal is no longer required.

While MIABC is not currently offering a guarantee on what the premium cost will be in years two and three of this three year commitment, the current projected cost savings provides a significant cushion to maintain an overall lower cost of service as compared to Willis. This is further supported by the fact that BC local governments own MIABC, as opposed to a private, for-profit enterprise model for other insurers in the market. For comparison sake, over the past three years, premiums including broker commission from Willis have increased from \$101,395 in 2012 to \$117,891 in 2014, equating to an approximate 16% increase over three years. Willis' 2015 quote actually resulted in a further increase in insurance premiums; however, this increase was partially offset by a significant reduction in their brokers' commission.

COMMUNICATION:

Staff will advise Willis Canada Inc. and MIABC of Council's decision related to the award of property and related insurance.

SUMMARY AND CONCLUSION:

The District has received two quotes for 2015/2016 property and related insurance services, and staff are recommending Council approve a single source direct award to MIABC, in accordance with Policy FIN.24.

SIGN-OFFS:A handwritten signature in blue ink, appearing to read 'KB', with a long horizontal flourish extending to the right.

Kris Boland, Manager of Finance

Comment from Chief Administrative Officer:
Reviewed.

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