



City of Brampton

Business Improvement Review of NRFP2020-151

Final Report

18 March 2021

KPMG LLP

Table of contents

Contacts

The contacts at KPMG in connection with this report are:

Nick Rolfe, Partner

T: (416) 777-3543

E: nicholasrolfe@kpmg.ca

Rob Hacking, Manager

T: (416) 777-5247

E: robhacking@kpmg.ca

Executive summary

3

Appendices

6

Appendix A – Timeline of key processes

Appendix B – Summary of opportunities and leading practice guidance

Appendix C – Staff involvement and documentation reviewed

Status of Report

Discussion draft issued

22 February and 16 March 2021

Final report issued

18 March 2021

Presented to Council

14 April 2021

Distribution

Sponsor: Maciej Jurczyk – Senior Manager of Business Improvement and Innovation

To (for action):

- Gina Rebanco – Director, Purchasing
- Diane Oliveira – Manager, Purchasing

cc (for information):

- David Barrick – Chief Administrative Officer
- Maciej Jurczyk – Senior Manager of Business Improvement and Innovation
- Rino Minaudo – Supervisor, Purchasing
- Deborah Tracogna – Risk and Insurance Manager

Executive summary

Introduction: We have reviewed the concerns raised by Armour Insurance Brokers Ltd (“Armour”) during the procurement process for insurance and risk management services undertaken by the City of Brampton (NRFP2020-151) and assessed whether the City’s response was appropriate per the City’s procurement by-law and any internal policies and procedures.

Summary of findings

Overall, based on the information provided to us as part of our review, we have concluded that the City acted in compliance with its procurement by-law and RFP requirements in its response to Armour’s concerns raised. Further details can be seen below:

Our work was split into two phases. The first phase of our work was to assess whether the City’s response to concerns raised by Armour was appropriate per the City’s procurement by-law and any internal policies and procedures. As stated above, we have concluded that the City acted in compliance with its procurement by-law and RFP requirements in its response to Armour’s concerns raised. We have included a timeline of the key events in the procurement process, as well as the communications between the City and Armour, in Appendix A of this report.

The second phase of our work was to review the RFP documents relating to NRFP2020-151 and the City’s procurement policies and assess whether procedures should be revised or further clarified given the allegations made by Armour under NRFP2020-151. As part of this we also benchmarked the evaluation criteria and weighting used for scoring bids under NRFP2020-151 against leading industry practices.

We noted some improvement opportunities for the City to consider going forward. This includes the need for more explicit communications and invitations for organizations to provide evidence which may be preventing them from submitting a response, and providing additional clarity in the RFP around how instances will be investigated. In addition, our review of the criteria and weighting used under NRFP2020-151 noted that the “pricing” element was weighted at 15%, however based on leading practices, we typically see organizations assign between 20% and 30% to pricing. Further details can be seen in Appendix B of this report.

The City should consider these opportunities and how they can be applied in future procurement activities within insurance and across other lines of service more broadly.

Executive summary

Objectives

Below we set out the agreed objectives for this review.

Objective	Description of work undertaken
<p>Objective one Review of allegations made and response from the City</p>	<p>We have reviewed the concerns raised by Armour Insurance Brokers Ltd with respect to the process of RFP No. NRFP2020-151 and assessed whether the City’s response was appropriate per the City’s procurement by-law and any internal policies and procedures.</p>
<p>Objective two Review of procurement process for insurance services</p>	<p>We have reviewed the City’s procurement processes for general insurance purchases. This included:</p> <ul style="list-style-type: none"> — RFP terms and conditions — RFP specifications — Financial/technical evaluation criteria and weighting — Procurement procedures <p>We have assessed whether procedures should be revised or further clarified given the allegations made under NRFP2020-151, and provided any recommendations or industry leading practice guidance where necessary.</p>

Disclaimer

This report has been prepared solely to assist the City of Brampton. Our report is not intended for general use, circulation or publication outside of the City of Brampton unless otherwise agreed. For the avoidance of doubt, our report may not be disclosed, copied, quoted or reference to in whole or in part, without our prior written consent in each specific instance. Such consent not to be unreasonably withheld, if given, may be on conditions, including without limitation an indemnity against any claims by third parties arising from release of any part of our reports. We will not assume any responsibility or liability for any costs or damages, losses, liabilities, or expenses incurred by anyone else as a result of circulation, publication, reproduction, use of or reliance upon our report.



Appendices

Appendix A – Timeline of key processes

Through discussions with City staff within the Purchasing and Risk & Insurance teams, and examination of supporting documentation, we have outlined below the key steps (in chronological order) undertaken during the process for procuring insurance and risk management services under NRFP2020-151, including all key steps relating to correspondence with Armour Insurance Brokers.

Date	Process undertaken and staff involved
August 25 2020	<ul style="list-style-type: none"> • A request for proposal (RFP) for insurance and risk management services covering a three year period was issued through the bids and tenders portal (NRFP2020-151). • The closing period for responses was October 26 2020. • The RFP was publicly advertised allowing vendors to participate and submit a response to the City. • Seven vendors obtained the RFP document of which five (including Armour Insurance Brokers) were brokerage firms and potential respondents to the RFP.
September 23 2020	<ul style="list-style-type: none"> • Armour Insurance Brokers, who are the current vendor for the City’s Facility User Insurance Program, contacted the City’s Purchasing team expressing concerns that another broker is blocking the markets. • Armour Insurance stated one of the brokers (also responding to the RFP) had blocked all the markets that they would be using for property, automobile transit and primary liability. Armour stated that if they do not obtain quotes for these risks they will not be able to respond to the RFP.
September 24 2020	<ul style="list-style-type: none"> • The Senior Buyer for the City responded to the concerns raised by Armour, stating that no other concerns had been raised around blocking the markets from any of the other firms who downloaded the RFP. • The Senior Buyer also stated that given the number of firms who downloaded the RFP, the City expected multiple responses to warrant a competitive bidding process.
September 24 2020	<ul style="list-style-type: none"> • Armour contacted the City’s Chief Administration Officer directly to reiterate the concerns around the broker blocking the markets and how that affected Armour’s ability to respond to the RFP. • The email was passed to the Senior Buyer as all communication by bidders must occur through the purchasing representative as outlined in the proposal document.
September 25 2020	<ul style="list-style-type: none"> • The Senior Buyer contacted Armour requesting how the City can help address the concerns raised by Armour

Appendix A – Timeline of key processes

Date	Process undertaken and staff involved
September 25 2020	<ul style="list-style-type: none"> • Armour contacted the Senior Buyer, referencing the RFP documents issued by the City which stated “It is imperative no Bidder has tied up any insurance market” • Armour requested that quotes (Zurich and Travelers quotes specifically) are released to their offices to enable them to put together a response to the RFP.
September 29 2020	<ul style="list-style-type: none"> • The City released an addendum to the RFP stating the following <i>“The City has been advised of concerns that some participating Bidders may be tying up or blocking insurance markets. This is strictly prohibited in accordance with the following provision of the RFP – Part E Scope of Work, Section 4. Allocated Insurance Markets”</i> <i>“It is imperative that no bidder has tied up any insurance market in a preliminary or precautionary manner prior to the award of the contract. Failure to adhere to this requirement will result in the disqualification of the proposal”.</i> <i>“By acknowledging this addendum and submitting a proposal in response to this RFP, bidders are deemed to confirm their ongoing compliance with this requirement”</i> • The City contacted Armour by email stating that they had published this addendum.
September 30 2020	<ul style="list-style-type: none"> • Armour contacted the Senior Buyer. On September 25 2020, in response to the City’s offer for help with their concerns, Armour requested that quotes (Zurich and Travelers) be released to their offices to enable them to put an RFP response together, and were advising whether the City had considered this.
October 02 2020	<ul style="list-style-type: none"> • The City’s Purchasing Supervisor contacted Armour stating that the City want to ensure a fair, open and transparent procurement process, and any intervention by the City with insurance markets in relation to any bidder is considered to be contrary to this objective. • The Purchasing Supervisor stated that the City therefore do not intend to engage in further action or communication on this matter, unless warranted by substantive new information.
October 7 2020	<ul style="list-style-type: none"> • Armour contacted the City stating that they had contacted Zurich and Travelers to enquire whether the broker (accused of tying up the Markets) had released the quotes after receiving the addendum. However no response was received from the two insurers. • Armour requested that the City look into this further stating the RFP is not following a fair process.

Appendix A – Timeline of key processes

Date	Process undertaken and staff involved
October 19 2020	<ul style="list-style-type: none"> The City’s Purchasing Supervisor contacted Armour stating that the City believe they have appropriately addressed the concerns raised by Armour by issuing the addendum, and all bidders will have to acknowledge compliance when responding to the RFP. The Purchasing Supervisor stated that no evidence has been provided to the City of non-compliance or impropriety in the bidding process, and in the absence of such evidence, no further action by the City is warranted.
October 26 2020	<ul style="list-style-type: none"> Two responses to the RFP were received, one from Marsh (who acquired JLT, who are the City’s current brokers) and one from Aon Reed Stenhouse.
November 03 2020	<ul style="list-style-type: none"> Armour contacted the City Clerk stating that they wished to approach City Council with respect to the RFP. Armour stated that they were aware that only two brokers responded to the RFP, and that they have now lost the City’s Facilities User Insurance Program as they were not able to respond to the RFP.
November 05 2020	<ul style="list-style-type: none"> The City Clerk stated that Council cannot become involved in an active procurement, in accordance with the City’s Purchasing by-law, and that all communications regarding this specific procurement should continue to go through the City’s Purchasing Division. In addition, as Council cannot be involved in an active procurement process, Armour are unable to make a delegation to Council while the procurement process is on-going.
November 05 2020	<ul style="list-style-type: none"> Armour contacted the City Clerk stating its concern over the process and desire to raise the issue to City Council.
November 12 2020	<ul style="list-style-type: none"> The City Clerk sent a delegation request to Armour, with the aim of having Armour present their delegation to Committee of Council on 02 December 2020. Legal Services were consulted to confirm the City’s compliance around its Purchasing by-law which states that Council cannot be involved in an active procurement process. Given the delegation was due to take place after the evaluation process and issuing of the award letter to the successful proponent, the procurement process was not deemed “active” at the time the delegation was due, and so the City were in compliance with the by-law.
November 16 2020	<ul style="list-style-type: none"> Delegation request form completed by Armour and sent to the City Clerk by email.
November 26 2020	<ul style="list-style-type: none"> After the evaluation process of the bids received from Marsh and Aon Reed Stenhouse, the RFP was awarded to Marsh and an award letter was sent by the City to the contact at Marsh.
December 02 2020	<ul style="list-style-type: none"> Armour presented their delegation to City Council outlining their concerns regarding the RFP process. The delegation was referred to staff for review of the specific RFP and potential process improvement opportunities.

Appendix B – Summary of opportunities and leading practice guidance

Below we have summarized some opportunities for improvement and considerations for the City when undertaking future procurement activities for insurance or other services. These have been based on our understanding of the processes documented in Appendix A and our review of the City’s procurement by-law and RFP documents and comparisons against leading practice.

Observation	Recommendation	Management Response
<p>We noted that the City could have been more explicit in offering Armour the opportunity to submit additional information to support their concerns raised. In response to Armour’s concerns, the City responded stating:</p> <ul style="list-style-type: none"> • No other concerns had been raised around blocking the markets from any of the other firms who downloaded the RFP. • Given the number of firms who downloaded the RFP, the City expected multiple responses to warrant a competitive bidding process. • No evidence has been provided to the City of non-compliance or impropriety in the bidding process, and in the absence of such evidence, no further action by the City is warranted. <p>While the third point above makes reference to no evidence being provided, the City could have made this more explicit in its communication from the outset of the RFP process.</p>	<p>Going forward, the City should be more explicit in offering organizations the opportunity to provide additional information should they have concerns around providers blocking insurance markets. This will enable the City to fully address the concerns raised in a timely manner and determine whether allegations made are legitimate.</p> <p>It is in the best interest of the City to obtain as many RFP responses as possible and so when organizations are claiming they are being blocked from submitting a response, the City should specifically offer its assistance in investigating further through receipt of supporting evidence.</p>	<p>The City agrees with KPMG’s recommendations and will implement these for future insurance procurements.</p>
<p>The RFP document states:</p> <p><i>“It is imperative that no bidder has tied up any insurance market in a preliminary or precautionary manner prior to the award of the contract. Failure to adhere to this requirement will result in the disqualification of the proposal”.</i></p> <p>However, it does not outline under what circumstances proposals will be disqualified, and how the City will come to the conclusion that insurance markets have been tied up and therefore a proposal will be disqualified.</p>	<p>Going forward, the City should update its RFP document to provide additional context around bidders tying up insurance markets including:</p> <ul style="list-style-type: none"> • What organizations should do if they feel a bidder is tying up the insurance market; and • How the City will conclude that a bidder is in fact tying up the market (e.g. it is the responsibility of the organization to provide information/evidence) 	<p>The City agrees with KPMG’s recommendations and will implement these for future insurance procurements.</p>

Appendix B – Summary of opportunities and leading practice guidance

Observation	Recommendation	Management Response
<p>Our review of the assessment criteria in the RFP identified that the City used a weighting of 15% for pricing. In our experience, we typically see organizations weigh pricing between 20% and 30% when procuring insurance services.</p>	<p>The City should review its weighting for pricing for future purchases around insurance services.</p>	<p>The City agrees with KPMG’s recommendations and will implement these for future insurance procurements.</p>

Appendix C – Staff involvement and documentation reviewed

Staff involvement

We undertook interviews in January and February 2021 to inform this work, including:

- Gina Rebancos – Director, Purchasing
- Rino Minaudo – Supervisor, Purchasing
- Diane Oliveira – Manager, Purchasing
- Deborah Tracogna – Risk and Insurance Manager
- Robert McFarlane – Legal Services
- Sameer Akhtar – City Solicitor

Documentation reviewed

We received the following documentation over the course of our fieldwork:

- NRFP2020151 bid document and addendums issued
- Email correspondence between the City and Armour Insurance
- Purchasing by-law
- Evidence of the evaluation process, scoring criteria and notification of award
- Delegation made by Armour Insurance in December 2020
- Purchasing reports to Council



kpmg.ca



© 2021 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.