

WATERS RISK MANAGEMENT

6580 64TH AVENUE NORTH • PINELLAS PARK, FLORIDA 33781-5218 • TELEPHONE (727) 546-5644 • FAX (727) 546-2712
Independent Risk Management and Employee Benefits Management Consulting Only – No Sales

Allan Paul Waters, CPCU, CLU, ARM, AIC
Member, Society of Risk Management Consultants

J. Hayden Knowlton, CPCU, ARM, AIC
Member, Society of Risk Management Consultants

Glenn W. Simpson, JD, CPCU
Senior Consultant for Healthcare

September 26, 2005 (by e-mail) - Two pages total

To: Mr. Steve Varvel, Director of Risk Management, City of Gainesville

From: Al Waters CPCU, CLU, ARM, AIC

Re: City of Gainesville – 2005 Property, Liability, WC Agent RFQ - Recommendation

The City of Gainesville's property, liability, workers compensation and related insurance coverages renew October 1, 2005, and the renewals are currently being handled by the incumbent insurance agent, Arthur J. Gallagher & Co.

During the process of this year's renewal negotiation, the City Commission requested that a Request for Qualifications process be conducted for an insurance agency to handle the City's property/casualty insurance account for the coming policy year and beyond.

The RFQ process recently conducted is the second time this year the City solicited agent competition. Earlier in the year two agents responded to a prior RFQ. The current RFQ process resulted in seven submissions and one declination.

Waters Risk Management was engaged to perform the most recent RFQ process on the City's behalf. As independent consultants, we specialize in Florida public entities, we conduct many agent qualification processes and Requests for Proposals for insurance/self-insurance each year, and we have served 150 Florida public entities since our founding in 1978. Because we do not sell or broker insurance and are not competition to agents, brokers and insurance companies, we can assure the City of our independence and objectivity.

THE REQUEST FOR QUALIFICATIONS PROCESS

After being engaged by the City Commission in August, Waters Risk Management immediately prepared a Request for Qualifications for insurance agents, and quickly disseminated it to interested parties believed to have sufficient capabilities to serve the City. The process was also advertised by the City's Purchasing Department.

It is important to note that there are few insurance agents of sufficient size, experience and capability to handle a property/casualty insurance account the size and complexity of the City of Gainesville's. In fact, only one local agency thought itself sufficiently qualified to respond.

On Monday, August 29, the City received seven submissions from insurance agents and a declination from the Florida Municipal Insurance Trust (Florida League of Cities).

Waters Risk Management prepared spreadsheets of the submissions and conferred with City staff regarding selection of proposer finalists. Rather than eliminate respondents from the finalist interview process, a decision was made to interview all seven who submitted responses, and invitations to appear before an interview committee were sent to each firm.

Two firms, Brown & Brown, Inc. and Willis Corporation, declined to be interviewed, so interviews were arranged with the following five firms:

Mr. John J. Liston, ARM,AU, Area President, Branch Manager	Arthur J. Gallagher & Co.
Mr. Jim Skiles, CLU, CIC, Assistant Vice President	Hilb Rogal & Hobbs of Florida
Ms. Virginia Del Lago, CPCU, President	Marsh USA, Inc.
Mr. Paul Dawson, Senior Account Executive	PRIA
Mr. John Ryan, ARM,CIC,CRM, Senior Vice President	Wachovia Insurance Services

RFQ AGENT FINALIST INTERVIEW

On Friday, September 23, an interview committee of the City, and Waters Risk Management, interviewed each of these five firms. The City's interview committee consisted of

Chip Allen - Assistant General Manager, Energy Supply
Doug Beck - Plant Manager, Deerhaven
Jennifer Kizzar - Financial Analysis and Compliance Manager, GRU
Steve Varvel - Risk Management Director

Each finalist firm was given about 45 minutes to respond to comprehensive interview questions on a wide-range of concerns about experience, size of firm, range and quality of services available, qualifications of personnel, experience with public utilities (including electric, gas and public transportation) volume of business, ability to access, utilize and leverage key insurance markets, exclusive access to special markets, negotiation experience, remuneration requested, etc.

The interview process began at 9:45 a.m. and ended with ranking the firms about 4:00 p.m.

FINALIST RANKING

In the course of ranking finalists, the greatest concerns were experience and capabilities, especially for the electric utility, gas utility and public transportation exposures of the City, and the overall ability to handle all aspects of the City's account, including marketing/remarketing of insurance, loss control safety, reports, accessibility of key persons within the organizations, etc.

Remuneration, although a consideration, was not considered an overriding factor (except for one respondent that did not cap its remuneration until well after the proposals were opened). The key concern of the committee was overall effectiveness with the City's Risk Management Program, including its \$4,000,000 insurance expenditure.

After extensive discussion about the interview content and the interviewees, the committee unanimously ranked the five interviewed firms as follows:

1. Marsh USA, Inc.
2. Arthur J. Gallagher & Co.
3. Hilb Rogal & Hobbs of Florida
4. Wachovia Insurance Services
5. PRIA

In conclusion, it is the committee's recommendation that Marsh USA, Inc. be awarded the designation as the City's agent for its property/casualty insurance program, subject to negotiation of final terms and conditions. We think the committee made an appropriate decision and we concur with the recommendation that the Commission designate Marsh USA, Inc. as the City's agent.

CITY OF GAINESVILLE
2005 AGENT QUALIFICATION INTERVIEWS – SEPTEMBER 23, 2005

AGENT/FIRM NAME _____

1. Briefly, introduce yourself, tell us about your firm, your role with your firm, and how you will interact with the City if your firm is selected.

2. Explain why your experience qualifies you to be chosen by the City, especially experience with electric utilities, gas utilities and public transportation operations.

3. At what locations are your specialists based, for electric utilities, for gas utilities, for public transportation operations? Tell us about the degree of their specialization.

4. Describe/explain key considerations and key markets involved in providing insurance on electric utilities. Do you have any advantage over your competitors with these markets? How can you be helpful regarding new technologies for electric utilities the relationship to insurance coverages and costs?

5. Describe/explain key considerations and key markets involved in providing insurance on gas utilities.

6. Describe/explain key considerations and key markets involved in providing insurance on public transportation operations.

7. Have you reviewed the structure of the City's current insurance program, in the RFQ? If so, do you have any comment on its organization? Is there anything you would do different?

8. If Gallagher & Co. is not selected to continue the City's account, what are your recommendations regarding the transition from Gallagher's presenting the final renewal for October 1, 2005 to and through your takeover?

9. Explain the new and renewal remuneration for your services you stated in your proposal, and why you think it should be considered competitive. What is not included in your fees? Will there be any extras? Are you agreeable to the Scope of Agent Services in the RFQ, if the City wants to use it?

10. What remuneration do your intermediaries and/or wholesalers and/or other agents and brokers receive? Will this remuneration be disclosed?

11. Will you permit the City to audit your firm and related parties, and others associated with your work for the City, regarding the City's expenditures for insurance, services, etc?

12. Explain the services you expect to provide throughout your engagement, including insurance marketing, program administration, and loss control.

13. Tell us what you recommend with regard to meetings, reports and other ongoing interaction between your firm and the City. How often do you expect to be in Gainesville for meetings with City risk management staff?

14. Tell us about your use of staff or others for loss control services, and how your personnel have been successful in mitigating costly loss control recommendations for your clients.

15. At the City Commission's request, please comment regarding investigations of wrongdoings, litigation and/or settlements, and fines or penalties (anywhere in the U.S.) involving your agency and specific agents listed as projected to provide services to the City

16. Explain LEG coverage and tell us if you have been successful in obtaining it for your electric utility clients.

17. What protection systems do you recommend for turbines?

18. Describe what your firm does that is different from your competitors, that you have not already stated, and how this will positively affect the City.