

Inter-Office Communication
Office of the City Manager
Mail Station 6
334-5010

TO: Hon. Mayor and Members of
The City Commission

DATE: August 3, 2005

FROM: Barbara Lipscomb
Interim City Manager

SUBJECT: Arthur J. Gallagher & Co. Insurance Brokerage & Risk Management Consulting
Services Update

The previous bid process, in which Arthur J. Gallagher & Co. (Gallagher) was selected as the broker, awarded the bid, and for which a contract was issued, is completed. Currently, underwriting is underway on property, casualty, and boiler & machinery insurance, with coverage anticipated to be placed and bound in the next two weeks. Gallagher has been directed to submit proposals for Worker's Compensation Excess Coverage, and PRIA will submit its proposal to the City for review. Upon submission, staff would review the proposals and recommend the best proposal.

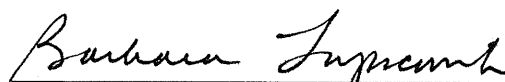
Due to concerns regarding the present process, City staff has identified an insurance consultant, Waters Risk Management, that handles these processes for other municipalities and who is available to provide insurance consulting services. It is staff's intent to utilize the services of Waters Risk Management on the evaluation of the Worker's Compensation Excess Coverage carrier.

Various members of the City Commission have requested staff to seek an alternative to using Gallagher, since PRIA has indicated that they have the capacity to perform all of the placements. The City's contract with Gallagher became effective on July 21, 2005. A 45-day termination provision is included in the contract. The City Attorney has advised that should the City desire not to use Gallagher's services, a new brokerage firm selection bid process must be initiated. Due to the time line and the need to insure now, Waters Risk Management has advised that Gallagher be allowed to place the insurance, and if desired, negotiate a termination with the company to insure that follow-up services are handled properly. Bringing in a new broker may have additional associated costs.

Another option that has been suggested regarding insurance placement, which is to request that Gallagher agree to let other vendors go to market on all of the property and casualty products, and then to select the products that offer the best price, terms, and conditions. Staff has discussed this option with Gallagher, and Gallagher has agreed to this concept, if the City Commission so desires to move forward in this direction. Again, this may be an extended and more costly process. The City Attorney has not rendered an opinion on whether this is possible.

Attached is information provided by Waters Risk Management outlining a termination process (including new bid procedure) for moving coverage. Should the City Commission desire to move in this direction, such direction needs to be provided at the August 8, 2005 City Commission meeting, since there is an aggressive schedule associated with this concept. Staff would use the services of Waters Risk Management to assist the City in this process. It is anticipated that a new brokerage firm could be selected on or about October 1, 2005, and that all immediate coverages placed, with mid-term insurance product renewals, or new coverages, handled by the new broker during the upcoming fiscal year.

Respectfully submitted,


Barbara Lipscomb
Interim City Manager

CITY OF GAINESVILLE

Inter-Office Correspondence

Date: August 2, 2005

To: Barbara Lipscomb, Interim City Manager

From: Steve Varvel, Risk Management Director

Subj: **Gallagher Options**

Per your request, I spoke to Al Waters of Waters Risk Management to discuss the viable options concerning the timing of the City of Gainesville's insurance program placement and the ability to conduct a new broker selection process.

We discussed a timeline that would, at best, generate a completion of the process in late September. This would likely impact the City's ability to bind its coverages prior to the selection of the new broker and the issuance of Agent of Record letters. It is important that the City bind coverage as early as possible to avoid the impact of unforeseen events, such as hurricanes. He was also concerned about what might slip through the cracks given the narrow window of time available. Mr. Waters believes the City should continue to engage Gallagher through the renewal and placement of the City's insurance program and begin negotiating a termination agreement that would terminate Gallagher's services on or about October 1, 2005.

In addition, the City can begin a new selection process utilizing Mr. Waters's services that can ensure the selection of a broker can be achieved by October 1, 2005. The successful vendor would begin servicing our insurance program that is in place on October 1, 2005 and will be responsible for all mid-year insurance placements that would occur. Mr. Waters suggested that the City include a cost to service the existing program and costs associated with subsequent years insurance program renewal and placement. The first term should be a minimum of three years.

Mr. Waters's role would be to develop a Request for Proposal or Request for Qualifications and to help market the proposals to ensure greater participation in the process from the available vendors. He and his firm would qualify the vendors and would work with staff on the interview and selection process. Upon the completion of the process, the recommendation would be given to the City Commission for their approval.

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
Associate for Special Projects

August 2, 2005

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

From: Al Waters CPCU,CLU,ARM,AIC

Re: Arthur J. Gallagher & Co. Contract
Resolicitation of Agent Services Through RFQ Process

This is to follow up on a telephone conversation today in which we discussed our proposal to do an RFQ process for agent services and an RFP for workers compensation excess insurance coverage, prior to the October 1 renewal of the City of Gainesville's property/casualty insurance program.

Although our proposal was based on our recent conversation about acting as promptly as possible to replace Gallagher, possibly by early to mid-September, with an agent of record to a new insurance agent, our conversation of today led us to believe that it might be a better alternative to have Gallagher's services continue through September 30 to assure that full attention is provided to renewing the current program, rather than to get someone else involved for part of the renewal.

Accordingly, we suggested the following:

1. Determine on August 8 if it is the City Commission's desire to immediately perform another agent selection process, with an October 1 effective date.
2. If so, contact Gallagher and negotiate appropriate terms and fees for their activity through September 30 prior to the possibility of a new agent taking over with an agent of record letter effective October 1.
3. Consider if it is desirable to allow Gallagher to compete again, along with others who may be interested (including agents who did not compete in the previous RFQ) for an October 1 effective date of their service.
4. Assure that Gallagher is agreeable to the results, whatever they turn out to be, and will fully cooperate with the agent of record directive, and that they will help with a reasonable transition if they are not successful in maintaining the account for the period of October 1, 2005-2006.
5. Negotiate a reasonable fee with Gallagher for their services through September 30.
6. Assure that the City meets the 45 day notification required to Gallagher, e.g. provide notification August 14 or earlier.
7. Abandon a new RFP for workers compensation excess insurance. Stay committed to obtaining a proposal from PRIA/PGIT.

db

2005 PROPERTY/CASUALTY INSURANCE AGENT RFQ

This timetable is approximate. Dates may be changed as may mutually accommodate the City and the consultants.

| 2005 | RFQ Process |
|--------------|--|
| August 6 | Consultants to provide draft of Request for Qualifications for insurance agents for City review. |
| August 8 | City Commission to decide to pursue new RFQ or not |
| August 8 | City to furnish current insurance program summary. |
| August 10 | Consultants to finish RFQ. |
| August 11 | Consultants to e-mail Request for Qualifications to insurance agents. |
| August 24 | Receipt of RFQ submissions, transmittal of one set of each to the consultants for review. |
| August 25 | Consultants to spreadsheet submissions. |
| August 29 | Consultants to provide RFQ spreadsheets to the City for review and discussion. |
| August 31 | City to choose RFQ finalists and invite them for interviews, if interviews are necessary. |
| September 8 | Interview of RFQ agent finalists, if necessary, and final decision on selection of agents. |
| September 14 | Consultants, staff to coordinate on recommendations to the City Commission. |
| September 15 | Preparation of final reports/recommendations for City Commission packets. |
| September 19 | City Commission packets due. |
| September 26 | Presentation of purchase recommendations to the City Commission. |
| October 1 | Effective date of agent of record. |

8/2/05

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PROFESSIONAL QUALIFICATIONS

Allan Paul Waters CPCU,CLU,ARM,AIC

PROFESSIONAL DESIGNATIONS

Chartered Property Casualty Underwriter, 1974.

Chartered Life Underwriter, 1977.

Associate in Risk Management, 1975.

Associate in Claims, 1994.

EDUCATION

B.S. in Accounting, University of Tampa, 1968.

EXPERIENCE

Insurance/Risk Management since 1966:

Commercial Insurance Underwriter and Supervisor for major insurers 1966 to 1976.

Risk Management Consultant for national independent risk management consulting firm
1976 to 1978.

Waters Risk Management since 1978.

PROFESSIONAL ORGANIZATIONS

National Membership

Institute of Risk Management Consultants, 1981-1984.

Society of Risk Management Consultants (SRMC), 1985-present.

Society of CPCU, 1974-present.

Society of CLU, 1977-present.

National Leadership

President, Society of Risk Management Consultants (SRMC), 1985-86.

Board of Directors of SRMC, 1984-88, 1996-98, 2003-04.

Professional Practices Committee Chairman of SRMC, 1987-92.

Ethics Committee Chairman of SRMC, 1999-present.

Legislative Committee Chairman of SRMC, 1986-91.

Membership Co-Chairman of SRMC, 1984-85.

Paradigm Committee Chairman of SRMC, 1993-94.

Board of Directors of Institute of Risk Management Consultants/Membership Chairman, 1983-84.

Professional Qualifications, Al Waters CPCU,CLU,ARM,AIC

Local Membership

Florida Suncoast Chapter, Society of CPCU, 1974-present.

Suncoast Chapter, Society of CLU, 1977-present.

Pinellas County Estate Planning Council, 1983-1996.

Local Leadership

Board of Directors of Florida Suncoast Chapter, Society of CPCU, 1975-90.

President of Florida Suncoast Chapter, Society of CPCU, 1977-78 and 1978-79.

Board of Directors of Suncoast Chapter, Society of CLU, 1978-83.

President of Suncoast Chapter, Society of CLU, 1982-83.

OTHER PROFESSIONAL ACTIVITIES

Inc. magazine, 1990/1991 Insurance Advisory Panel member (one of ten panelists selected country-wide).

Inc. magazine, July 2002, panel participant for Best of the Net article on Insurance on the Web.

Pinellas Economic Development Council, Health Care Task Force, 1991, 1992; Chairman of sub-group on Education Activities for Small Businesses.

Program Chairman, Insurance Day 1977, 1980, 1981, Tampa Bay Area.

Author of articles for publications.

Frequent speaker on risk and insurance subjects.

RISK AND INSURANCE TEACHING

University of South Florida, College of Business Administration Faculty, 1978-90, 1992-93.

Florida Risk Management Institute (Instructor for Certified Health Care Risk Manager Program, per Florida Statute 626.944), 1990-2004.

Florida Institute of Medical Law (Instructor for Certified Health Care Risk Manager Program, per Florida Statute 626.944), 1987, 1990-91, 1994.

CPCU and CLU program courses.

ARM program courses.

State of Florida property/casualty insurance agents qualification course (02-20).

CONTINUING PROFESSIONAL EDUCATION

Completed five of the ten parts of the Certified, Employee Benefits Specialist (CEBS) designation program (two in 1990; three in 1991).

CIVIC INVOLVEMENT

Member Suncoast Tiger Bay Club, 1987-present.

United Negro College Fund, 1993-99 Tampa Bay Area Golf Classic Tournament Committee (in charge of tournament format, team assignments, scoring).

PRIOR INTERESTING WORK

Disk Jockey at WHBO, WALT, WINQ and WYOU in Tampa, 1963-1968.

Sports reporter, part time, for Tampa Tribune, 1965-1968.

OUTSIDE INTERESTS

Golf, record collecting, travel.

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PROFESSIONAL REFERENCES

COMPLETE LISTING OF GOVERNMENT CLIENTS

This is a complete listing of all government clients served since 1978, including those for whom detailed descriptions of our work are separately available. Many use our services continuously or repeatedly, others have engaged us only for specific assignments.

Cities/Towns - 63

City of Altamonte Springs
City of Apopka
City of Atlantic Beach
City of Avon Park
City of Boca Raton
City of Brooksville
City of Clearwater
City of Cocoa
City of Coral Gables
City of Coral Springs
Town of Davie
City of Deerfield Beach
City of DeLand
City of Dunedin
City of Edgewater
City of Fernandina Beach
City of Fort Walton Beach
City of Gainesville
City of Gulfport
City of Hallandale
City of High Springs
City of Hollywood
Town of Indian River Shores
City of Inverness
City of Jacksonville Beach
Town of Jupiter
City of Kissimmee

Cities/Towns – continued

City of Lake City
City of Lakeland
City of Largo
City of Leesburg
City of Madeira Beach
City of Maitland
City of Margate
City of Melbourne
City of Neptune Beach
City of New Port Richey
City of North Miami Beach
City of Orlando
City of Ormond Beach
City of Ocala
City of Oviedo
City of Palm Bay
Town of Palm Beach
City of Pensacola
City of Pinellas Park
City of Plant City
City of Punta Gorda
City of St. Pete Beach
City of St. Petersburg
City of Sanibel
City of Sarasota
City of Sebring
City of Seminole
City of South Daytona
City of Tamarac
City of Tampa
City of Tarpon Springs
City of Temple Terrace
City of Titusville
City of Venice
City of Williston
City of Winter Park

Also see Consortiums/Cooperatives listing

Counties – 23

Alachua County
Bay County
Brevard County

Counties – continued

Charlotte County
Citrus County
Clay County
Dixie County
Escambia County
Gilchrist County
Hardee County
Hernando County
Highlands County
Indian River County
Lake County
Marion County
Orange County
Okaloosa County
Osceola County
Putnam County
St. Lucie County
Sarasota County
Seminole County
Suwannee County

Also see Consortiums/Cooperatives listing

School Districts - 22

Bay County School District
Charlotte County School District
Citrus County School District
Columbia County School District
DeSoto County School District
Hamilton County School District
Hendry County School District
Hernando County School District
Highlands County School District
Lake County School District
Leon County School District
Manatee County School District
Marion County School District
Nassau County School District
Osceola County School District
Pasco County School District
Polk County School District
Pinellas County School District
St. Lucie County School District

School Districts – continued

Seminole County School District

Sumter County School District

Volusia County School District

Also see Consortiums/Cooperatives listing

Community Colleges/Junior Colleges - 3

Florida Community College at Jacksonville

St. Petersburg Junior College

Valencia Community College

Also see Consortiums/Cooperatives listing

Consortiums/Cooperatives/Coalitions Including Public Entities - 11

Employers Purchasing Alliance, Inc. (Included several public entities, such Hillsborough and Pinellas Counties and Hillsborough and Pinellas County School Boards, within five membership coalitions)

Florida Community College Risk Management Consortium. (Included 26 of the 27 Florida Community Colleges in its property/casualty insurance/self-insurance program)

The Health Partnership Plan Coalition (Volusia County School District, Volusia County and Daytona Beach Community College)

Inland Members of South Central Educational Risk Management Program (School Districts of DeSoto, Glades, Hardee, Hendry and Highlands Counties)

Cities of Kissimmee and St. Cloud, Kissimmee Utility Authority and Osceola County (Feasibility Report Only)

Mid-Florida Health Care Coalition - current name: Lakeland Area Business Alliance (City of Lakeland, Publix Super Markets, Inc., Watson Clinic and seven other Polk County employers)

North East Florida Educational Consortium (School Boards of Baker, Bradford, Columbia, Dixie, Flagler, Gilchrist, Hernando, Levy, Nassau, Putnam and Union Counties)

Cities of Ocala and Belleview, Marion County and Marion County School Board (Initial Planning, and Review After 4th Year)

Orange County, City of Orlando and Orlando Housing Authority

Panhandle Area Educational Cooperative

Tri-County Risk Management Program (St. Lucie and Martin Counties and the Cities of Stuart and Port St. Lucie)

Hospital Authority

Hillsborough County Hospital Authority (Tampa General Hospital)

Health Care District

Palm Beach County Health Care District, including Palm Beach County Home/Healthy Palm Beaches/Glades General Hospital

Mental Health Agency

Mental Health Services of Upper Pinellas (current name: Directions for Mental Health)

Airports - 2

Hillsborough County Aviation Authority (Tampa International Airport)
Sebring Airport Authority

Ports - 3

Port Everglades Authority
Port of Palm Beach
Tampa Port Authority

Transportation Authority

LYNX, Central Florida Regional Transportation Authority

Housing Authorities - 3

The Housing Authority of the City of Fort Myers
The Housing Authority of the City of Tampa
Pinellas County Housing Authority

Also see Consortiums/Cooperatives listing

Utility - Drainage District

South Broward Drainage District

Utility - Electric

Kissimmee Utility Authority

Utility - Solid Waste/Electric

Solid Waste Authority of Palm Beach County

Utility - Water/Wastewater - 4

Escambia County Utilities Authority
Florida Government Utility Authority
Okeechobee Utility Authority
Utilities Commission of New Smyrna Beach

Water Management Districts - 3

St. Johns River Water Management District
South Florida Water Management District
Southwest Florida Water Management District

Water Supply Authorities - 2

Peace River/Manasota Regional Water Supply Authority
Tampa Bay Water (formerly West Coast Regional Water Supply Authority)