

Evaluating & minimizing your total cost of risk.



Insurance | Risk Management | Consulting

April 7, 2025

To: City of Lake City City Council
From: Gallagher – Justin Terry
Cc: BillieJo Bible, Angela Taylor, JD Curls, Gary Smid
RE: CONSULTING STRATEGY FOR 2025

Members of the City Council,

Gallagher will be joining City Staff to ask for a budget variance in order to be engaged to work as a consultant on the City's property/casualty insurance program. The below write up summarized our history of work with the City and our rationale for why we think the investment of resources would be a prudent use of valuable resources.

Gallagher is a publicly traded insurance broker and consultant with over 52,000 employees. We are the largest public entity insurance consultant in Florida and have 15 offices throughout the state, including an office in Lake City.

Gallagher was engaged by the City of Lake City in 2023 to create competition for the employee health and welfare programs. At that time, the City of Lake City had a 15+ year relationship direct with FMIT with no history of competition. Gallagher created market competition, and the result was approximately \$415,000 savings, after Gallagher was compensated as a new party. Since then, Gallagher has found additional savings in the opt out program and renewed the health/welfare program continuing the savings. Gallagher's compensation is approximately \$130,000 annually, creating more than a 4 to 1 return on investment. In addition, Gallagher has improved staff and employee efficiencies and provided tools to automate previously manual processes.

After the successful conclusion to Gallagher's initial work on the City of Lake City's employee benefits, BillieJo Bible asked JD Curls if Gallagher could help with the property casualty insurance. Justin Terry was engaged and began researching and preparing for a meeting with City of Lake City in April of '24. We reviewed our observations and questions, discussed opportunities to improve the City of Lake City's Insurance Program and ways to support your risk management efforts.

It is our understanding that the City of Lake City has experienced turnover of the primary team responsible for risk management and property/casualty insurance in recent years. The current city team and Gallagher have found a backlog of issues to address, including:

1. Property that isn't insured.
2. Property that is insured that may not need to be (under deductible, obsolete, or vehicles that have been gone for years).
3. The need for efficient and accountable delivery of safety and risk management training.
4. A very long-term relationship with FMIT property/casualty. As a collective group, we could find no history of a competitive evaluation of the property/casualty program. From Gallagher's experience, a healthy competitive process, managed on a strategic basis but no less than once every 3-5 years, will generally produce optimal results. Based on what looks like a 15+year run without such a process, we suspect there is significant opportunity here.
5. Consistent premium and rate increases
6. No benchmarks or process to manage negotiations and create market competition

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We heard the City of Lake City's high level objectives to include:

1. Assess the current insurance program to current needs – identify opportunities to improve coverage, reduce cost, and determine optimal deductibles
2. Benchmark insurance program with peers
3. Assess current risk profile (the data provided to underwriters to quote your risk), improve risk profile.
4. Develop optimal insurance market Request for Proposal (the package for the risk profile) to improve competitive process.
5. Manage effective market competition to include incumbent carrier (FMIT), competitive trusts, and insurance carriers.

The timing of the process is important to realize ideal results. Based on an October 1, 2025 renewal, we would suggest the following target dates:

1. Select consultant to manage process – April 2025
2. Assess insurance program/needs and benchmark program – May 2025
3. Finalize Risk Profile/RFP – June 2, 2025
4. RFP to Insurance Marketplace – June 10, 2025
5. Insurance Marketplace Responses Due – August 15, 2025
6. Presentation of Options to City of Lake City – Late August or Early September, 2025
7. Final Program Decisions – September 10, 2025

Gallagher works with a large number of Florida municipalities, as either agent/broker or consultant. Based on the City's long term relationship with FMIT, we suggest a consulting relationship is most likely to support the City's objectives best. In such a relationship, Gallagher will engage for a single year with annual renewals at the City's option based on our performance. We believe a long-term partnership would deliver the most value and most of our municipal consulting agreements are typically 3-5 years.

As the current cost of this program is over \$1.75M and is our understanding has increased substantially each of the past couple years, driving results is a priority. Gallagher is proposed as the consultant to lead and drive the process, to include FMIT and other competitive insurance trusts and insurance carriers.

In the interest of timing to be engaged in the process to prepare for the October, 2025 renewal, the City of Lake City proposed to piggyback off the Indian River County RFP for Property and Casualty Insurance Services (RFP No 2024008) and Brenda Carr has approved this contract. The fee would be \$125,000 and up to the city if it renews next year or not based on Gallagher's performance.

The consulting fee on an annual basis is less than 10% of the spend and a good process is likely to impact total cost by more than you pay the consultant. In fact, data shows that top quartile and bottom quartile risk often have a roughly 20% spread of cost. As the City of Lake City hasn't had any competition in so long, it may well be that we find more impact, but we can't make any guarantees until we work through the process.

Once we finalize our contract, our plan is to work with you to better understand and build a plan for your specific goals and opportunities in the following categories:

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- Insurance Premiums
- Program Structure
- Coverage Gaps
- Uninsured and Uninsurable Losses
- Loss Prevention and Claims
- Contractual Liability

If we are engaged or were engaged on a recurring basis, this would be an annual planning process.

We look forward to your feedback and the opportunity to help you reduce the cost of risk/insurance for the City of Lake City.

A handwritten signature in black ink, appearing to read 'Justin Terry', with a stylized flourish at the end.

Justin Terry
Area Senior Vice President