



Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

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Title: Issue purchase order to Willis of Illinois, Inc. for Furnishing Property Insurance Coverage for District Properties in an amount not to exceed \$1,994,130.00, Account 101-25000-612290, Requisition 1465600

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Date	Ver.	Action By	Action	Result
6/15/2017	1	Board of Commissioners	Approved	Pass
6/15/2017	1	Committee of the Whole	Recommended	Pass

TRANSMITTAL LETTER FOR BOARD MEETING OF JUNE 15, 2017

COMMITTEE ON PROCUREMENT

Mr. David St. Pierre, Executive Director

Issue purchase order to Willis of Illinois, Inc. for Furnishing Property Insurance Coverage for District Properties in an amount not to exceed \$1,994,130.00, Account 101-25000-612290, Requisition 1465600

Dear Sir:

At the Board Meeting of December 6, 2012, in accordance with Contract 12-RFP-22, the Board of Commissioners awarded a purchase order to Willis of Illinois, Inc. (Willis) to serve as the District's broker-of-record for property insurance and related services for a three-year period. As allowed by Contract, the District elected to extend the term for an additional two years to expire on December 31, 2017. In this capacity, Willis has responsibility for securing quotes from the insurance market for specified insurance policies, and presenting the quotes from qualified carriers to the Risk Manager for review and recommendation of a selected carrier to the Director of Procurement and Materials Management. The current Property insurance policy will expire on July 17, 2017.

On June 1, 2017, the District received the renewal bid quotations which Willis had solicited pursuant to the Detailed Specifications for property, a minimum of existing insurance policy terms and conditions, and updated property values for Property Insurance for a one-year period to be effective July 17, 2017 to provide insurance coverage for District property. District property includes buildings, structures and equipment at water reclamation plants, pumping stations, the Lockport Powerhouse, and offices. Policy limits and terms are the same as the expiring coverage; a single insurance policy was requested with policy limits of \$1,500,000,000.00 with a deductible of \$1,000,000.00 per occurrence.

The number of carriers with the capacity to provide the desired limits is extremely limited. Four insurance

carriers indicated an interest in underwriting the District's property risk:

AIG/Lexington Insurance Company: Quoted a Limit of \$1,500,000,000.00 with a Deductible of \$1,000,000.00 at a Cost of \$1,994,130.00

Travelers Property Casualty Company America: Quoted a Limit of \$10,000,000.00 with a Deductible of \$1,000,000.00 at a Cost of \$2,500,000.00

Zurich American Insurance Company: Indicated a Limit of \$750,000,000.00 with a Deductible of \$1,000,000.00 at a Cost of \$3,600,000.00

Swiss Re/Westport Insurance Corporation: Indicated a Limit of \$120,000,000.00 with a Deductible of \$1,000,000.00 at a Cost of \$4,370,000.00

As with the expiring coverage, sub-limits apply for Earth Movement and Flood and Water Damage, in the amount of \$250,000,000.00 Annual Aggregate for each, except for the Lockport Powerhouse where the sublimit for Flood and Water Damage is \$200,000,000.00 Annual Aggregate.

The District's Insurable values for 2017 increased \$162,305,772.00 over the prior year in large part due to new construction and an update of the mobile equipment schedule. Insurable values for the District are now in excess of \$10,900,000,000.00 (ten billion nine hundred million), making the District's property risk a formidable challenge to insure.

Only the incumbent carrier, AIG/Lexington, could provide the full limits requested. The AIG/Lexington Insurance Company quoted the full limits of \$1,500,000,000.00 with a flat renewal price, which incorporates a rate decrease of 1.156%.

A second quote, provided by Travelers, offered only \$10,000,000.00 in limits - less than one-tenth the required limits at a price that is 25.4% higher than AIG/Lexington. Two carriers provided an indication of limits and pricing. Zurich indicated limits that are one-half of what was required at a price that is more than 80.5% higher than AIG/Lexington. Swiss Re indicated limits that are less than one-tenth of what was required at a price that is more than 119.1% higher than AIG/Lexington. Given the inadequacy of the limits and the level of pricing offered or indicated by these three carriers, the decision to recommend placement with AIG/Lexington is clear.

The proposal terms and conditions were evaluated by Willis, the Risk Manager, and representatives from the Procurement and Materials Management Department. Based on their collective review, it is recommended that the District purchase property coverage from AIG/Lexington. The company is licensed to do business in Illinois, complies with the insurance ratings requirements and, although a non-admitted carrier, the company's rating is stable and it has a reputation for excellent service.

In view of the foregoing, it is recommended that the Director of Procurement and Materials Management be authorized to issue a purchase order to Willis of Illinois, Inc. in an amount not to exceed \$1,994,130.00.

Funds in the amount of \$1,994,130.00 are available in Account 101-25000-612290.

Requested, Beverly K. Sanders, Director of Human Resources

Recommended, Darlene A. LoCascio, Director of Procurement and Materials Management

Respectfully Submitted, Barbara J. McGowan, Chairman Committee on Procurement

Disposition of this agenda item will be documented in the official Regular Board Meeting Minutes of the Board of Commissioners for June 15, 2017