



Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

Legislation Details (With Text)

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Title: Authority to increase the purchase order for Contract 12-RFP-22 Furnishing Property Insurance Coverage for District Properties for an additional twelve (12) month period to Willis of Illinois Inc. in an amount of \$1,970,783.00 from an amount of \$2,027,900.00 to an amount not to exceed \$3,998,683.00, Account 101-25000-612290, Purchase Order 3077576 (As Revised)

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Attachments: 1. Change Order Log

Date	Ver.	Action By	Action	Result
7/10/2014	1	Board of Commissioners	Approved	Pass
7/10/2014	1	Committee of the Whole	Recommended	Pass

TRANSMITTAL LETTER FOR BOARD MEETING OF JULY 10, 2014

COMMITTEE ON PROCUREMENT

Mr. David St. Pierre, Executive Director

Authority to increase the purchase order for Contract 12-RFP-22 Furnishing Property Insurance Coverage for District Properties for an additional twelve (12) month period to Willis of Illinois Inc. in an amount of \$1,970,783.00 from an amount of \$2,027,900.00 to an amount not to exceed \$3,998,683.00, Account 101-25000-612290, Purchase Order 3077576 (As Revised)

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. 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.

In 2013, Willis marketed and placed Property insurance on behalf of the District. The current Property insurance policy will expire on July 17, 2014.

As of July 10, 2014, the attached list of change orders has been approved. The effect of these change orders resulted in an increase in an amount of \$9,900.00, from the original amount awarded of \$2,018,000.00. The prior approved change orders reflect a .49% increase to the original contract value.

The change order increase requested in this letter is required to assure adequate funding for the twelve (12)

month renewal of the Property insurance coverage.

On June 16, 2014, the District received the renewal bid quotation which Willis had solicited from AIG/Lexington pursuant to the Detailed Specifications, the 2-year rate guarantee provided in 2013, existing insurance policy terms and conditions, and updated property values for Property Insurance for a one-year period to be effective July 17, 2014 to provide insurance coverage for District property including 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 and include an additional 1-year extension of the 2-year rate guarantee provided in 2013:

AIG/Lexington: Limit \$1,500,000,000.00 Deductible \$1,000,000.00 Pricing \$1,970,783.00

As with the expiring coverage, sublimits 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.

Because AIG/Lexington provided a 2-year rate guarantee as part of the initial placement in 2013 the rates for this policy term were held flat. The renewal premium is lower by \$57,117.00 because the property appraisal prepared in late 2013 of a number of additional District locations generated slightly lower insurable values for those properties.

Insurable values for the District continue to be in excess of \$10,100,000,000.00 (ten billion one hundred million), making the District's property risk a formidable challenge to insure. The number of carriers with the capacity to provide the desired limits is extremely limited.

The proposal terms and conditions were evaluated by Willis, the Risk Manager, and representatives from the Procurement and Materials Management Department. The proposal was also reviewed with the Executive Director and the Director of Human Resources. Based on their collective review, it was determined that the District should 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.

It is hereby recommended that the Board of Commissioners authorize the Director of Procurement and Materials Management to execute a change order to increase the purchase order in an amount of \$1,970,783.00 (97.18% of the current contract value), from an amount of \$2,027,900.00, to an amount not exceed \$3,998,683.00.

Funds in the amount of \$1,970,783.00 are available in Account 101-25000-612290.

Requested, Denise E. Korcal, 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 July 10, 2014

Attachment