



Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

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Title: Issue purchase order to Mesirow Insurance Services, Inc. for Furnishing Excess Casualty Insurance Coverage for the District in an amount not to exceed \$1,079,635.00, Account 101-25000-612290, Requisition 1502298

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|------------|------|------------------------|-------------|--------|
| 11/15/2018 | 1 | Board of Commissioners | Approved | Pass |
| 11/15/2018 | 1 | Committee of the Whole | Recommended | Pass |

TRANSMITTAL LETTER FOR BOARD MEETING OF NOVEMBER 15, 2018

COMMITTEE ON PROCUREMENT

Mr. John Murray, Acting Executive Director

Issue purchase order to Mesirow Insurance Services, Inc. for Furnishing Excess Casualty Insurance Coverage for the District in an amount not to exceed \$1,079,635.00, Account 101-25000-612290, Requisition 1502298

Dear Sir:

At the Board Meeting of December 21, 2017, in accordance with Contract 17-RFP-32, the Board of Commissioners awarded a purchase order to Mesirow Insurance Services, Inc. (Mesirow) to serve as the District's broker-of-record for casualty lines of insurance and related services for a three-year period. In this capacity, Mesirow has responsibility for securing quotes from the insurance market for specified insurance policies. The current excess casualty insurance policies will expire on December 11, 2018.

On October 25, 2018, the District received certain bid quotations which Mesirow had solicited pursuant to the detailed specifications in the excess casualty underwriting submission for casualty insurance for a one-year period to be effective December 11, 2018 to provide a tower of excess casualty insurance, including general liability, public officials liability, employment practices liability, law enforcement/police professional liability, employers liability, automobile liability, and excess liability for marine.

For the 2018 excess casualty program, thirty-two insurance companies were approached for quotations. Pricing for this coverage is based on payroll, which has increased year over year. Also impacting carrier interest and pricing is the District's loss history, which includes three open claims that are anticipated to be excess of the self-insured retention (SIR) as well as the number of open, large class action law suits for flood/sewer backup. The premium for this coverage is not subject to audit so the premium will not be adjusted at the end of the term.

For the 2018 excess casualty insurance, we recommend a program with total limits of \$50,000,000.00 over an SIR of \$1,250,000.00 with the exception of an SIR of \$5,000,000.00 for class action suits for flood/sewer back-up at a total program cost of \$1,079,635.00. Coverage will be provided by the following insurance companies:

First Layer: AIG/Lexington Insurance Company: Limit of \$10,000,000.00 with an SIR of \$1,250,000.00 except \$5,000,000.00 for class action suits for flood/sewer back-up at a cost of \$468,655.00.

Second Layer: Allied World National Assurance Company: Limit of \$10,000,000.00 excess of the \$10,000,000.00 first layer at a cost of \$255,000.00.

Third Layer: Arch Insurance Company: Limit of \$10,000,000.00 excess of \$20,000,000.00 at a cost of \$137,000.00.

Fourth Layer: Great American Assurance Company: Limit of \$10,000,000.00, 50% quota share of \$20,000,000.00 excess of \$30,000,000.00 at a cost of \$109,490.00.

Fourth Layer: Berkley National Insurance Company: Limit of \$10,000,000.00, 50% quota share of \$20,000,000.00 excess of \$30,000,000.00 at a cost of \$109,490.00.

The quotations were evaluated by Mesirow, the District's Risk Manager, the Director of Human Resources, and a representative from the Procurement and Materials Management Department.

Carriers who declined to offer a quotation cited various reasons, including the inability to be competitive with program pricing, the class of business, inability to provide required coverages, and claims experience.

All insurance carriers being recommended for this placement are licensed to do business in Illinois and meet the District's A.M. Best Company insurance ratings requirements of A- VII or better.

In view of the foregoing, it is recommended that the Director of Procurement and Materials Management be authorized to issue a purchase order to Mesirow Insurance Services, Inc. in an amount not to exceed \$1,079,635.00.

Funds for the 2018 expenditure in the amount of \$1,079,635.00 are available in Account 101-25000-612290.

Requested, Beverly K. Sanders, Director of Human Resources, BKS:RAJ

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 November 15, 2018