



Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

Legislation Text

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TRANSMITTAL LETTER FOR BOARD MEETING OF JUNE 18, 2015 **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 for a one-year period in an amount not to exceed \$1,988,516.89, Account 101-25000-612290, Requisition 1399643

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. The current property insurance policy will expire on July 17, 2015.

On June 2, 2015, the District received the renewal bid quotation which Willis had solicited from AIG/Lexington 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, 2015 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, with the exception of an increase in the sublimit applicable to outdoor property. In addition, AIG/Lexington committed to a rate reduction of 2.5% for the 2015 insurance placement as well as another 2.5% rate reduction for the 2016 placement, should the District elect to accept it at that time.

AIG/Lexington: Limit \$1,500,000,000.00, Deductible \$1,000,000.00, Pricing \$1,988,516.89.

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.

The District's insurable values for 2015 increased \$355,073,131.00 over the prior year primarily due to new construction. The impact of this increase is mitigated by the rate reduction, resulting in a renewal premium increase of only \$17,733.89.

Insurable values for the District are in excess of \$10,400,000,000.00. Full marketing efforts in 2013 resulted in identifying only one other carrier who had the capacity to offer the policy limits required. However, that carrier's proposal contained a number of significant and undesirable sublimits and restrictions in coverage.

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 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.

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 \$1,988,516.89.

Funds are available in Account 101-25000-612290.

Requested, Denice 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 June 18, 2015