



# Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street  
Chicago, IL 60611

## Legislation Text

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**File #:** 18-1234, **Version:** 1

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### **TRANSMITTAL LETTER FOR BOARD MEETING OF DECEMBER 6, 2018**

#### COMMITTEE ON PROCUREMENT

Mr. Brian A. Perkovich, Executive Director

Issue purchase order to Willis of Illinois, Inc. for Furnishing Property Insurance Coverage for District properties in an amount not to exceed \$1,650,000.00, Account 101-25000-612290, Requisition 1495814

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 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 property insurance for the District. The District's property insurance policy expired on July 17, 2018.

On November 19, 2018, the District received certain bid quotation(s) which Willis had solicited pursuant to the detailed specifications for property (including a per occurrence policy limit of \$1,000,000,000.00 with a deductible of \$10,000,000.00) and updated property values for property insurance for a one-year period to be effective on or after December 6, 2018 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.

Ten insurance companies were approached for quotations. Only AIG submitted a formal proposal and continues to provide the limits required at a competitive price. Carriers who declined to offer a quotation cited various reasons, including the inability to be competitive with program pricing, to provide the limits or coverage required, and the class of business.

Coverage will be provided by the following insurance company:

AIG/American Home Assurance Company: Limit \$1,000,000,000.00 Deductible \$10,000,000.00 Pricing \$1,650,000.00.

As with the prior 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 the 2018 property insurance are \$10,800,223,227.00, which is a decrease of \$119,294,397.00 over the prior year due in large part to construction projects which included demolition of certain prior buildings and structures as well as the elimination of certain process equipment. The AIG property rate has been significantly reduced to reflect the lower limit and higher deductible. The property coverage will be provided by an AIG admitted carrier on a recently released policy form, which will eliminate surplus lines taxes and fees. In total, the property insurance program cost is \$344,130.00 (17.3%) less than the prior program.

The proposal terms and conditions were evaluated by Willis, the Risk Manager, senior management, 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/American Home Assurance Company. The company is licensed to do business in Illinois, complies with the insurance ratings requirements, and is an admitted carrier. The company's rating is stable by A.M. Best Rating Services 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 \$1,650,000.00.

Funds in the amount of \$1,650,000.00 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 December 6, 2018