



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 NOVEMBER 21, 2019

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 \$2,159,000.00, Account 101-25000-612290, Requisition 1533121 (*As Revised*)

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 current property insurance policy will expire on December 6, 2019.

On November 8, 2019, the District received the renewal bid quotations which Willis had solicited pursuant to the detailed specifications (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 December 6, 2019 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.

For the 2019 property insurance program, eight insurance companies were approached for quotations. Six insurance companies provided quotations at a variety of limits based on capacity and interest. Two insurance companies declined to provide a quotation based on the inability to be competitive with program pricing. Based on the quotations submitted, two property program structures were considered: 1) a single limit program with one insurance company, and 2) a layered program involving multiple insurance companies.

For the 2019 property insurance, we recommend a single limit program with one insurance company. Coverage will be provide by the following insurance company:

FM Global/Factory Mutual Insurance Company: Limit \$1,000,000,000.00 and a Deductible of \$10,000,000.00
Pricing \$2,159,000.00.

As with the expiring coverage, a sublimit applies for Earth Movement in the amount of \$250,000,000.00 annual aggregate; however the sublimit for Flood is now \$100,000,000.00 per occurrence. While the Flood sublimit is lower per occurrence, there is no longer an annual aggregate, which is an improvement.

The recommended program offers the preferred policy structure as well as the most competitive pricing. A review of overall coverage terms and conditions when compared to the expiring program and the renewal by the incumbent shows the FM Global proposal to be superior in a majority of key areas.

The property insurance market has dramatically and progressively changed in 2019. Insurance carrier

capacity has been greatly reduced and pricing has dramatically increased. These changes are primarily being driven by the loss experience of insurance carriers over recent years, including the cost of damages from hurricanes, windstorm, flooding and wildfires. Both the frequency and severity of these events has significantly increased. With insurable values in excess of \$10,000,000,000.00 the District is a formidable risk to insure. While well reviewed by the insurance carriers who provided quotations, carrier capacity and pricing is being driven by the broader market issues.

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 FM Global/Factory Mutual Insurance Company. The company is licensed to do business in Illinois, was responsive to the terms and conditions of the bid specifications, has an A.M. Best Company rating of A+ (Superior), XV (\$2.0 billion or greater) and has a reputation for excellent service.

The Affirmative Action goals for Contract 17-RFP-32 are 10% Minority Business Enterprises (MBE), 5% Women Business Enterprises (WBE) and 10% Small Business Enterprises (SBE).

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 \$2,159,000.00.

Funds in the amount of \$2,159,000.00 are available in Account 101-25000-612290, contingent upon approval of a Board of Commissioners authorized transfer at this meeting.

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 21, 2019

Attachment