



# 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 5, 2020

#### COMMITTEE ON PROCUREMENT

Mr. Brian A. Perkovich, Executive Director

Issue purchase order to Willis Towers Watson Midwest, Inc. for Furnishing Property Insurance Coverage for District properties in an amount not to exceed \$2,096,250.00, Account 101-25000-612290, Requisition 1551723

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. whose name was changed to Willis Towers Watson Midwest, Inc. as of January 1, 2020 (Willis) to serve as the District's broker-of-record for property insurance and related services for a three-year period. As allowed by Contract, the District elected to extend the term for an additional two years to expire on December 31, 2022. 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, 2020.

On October 22, 2020, the District received the renewal bid quotations which Willis had solicited pursuant to the detailed specifications for property insurance coverage, seeking a minimum of existing insurance policy terms and conditions, and based on updated property values for property insurance for a one-year period to be effective December 6, 2020 to provide insurance coverage for District property. District property values are in excess of \$10,000,000,000.00 and include buildings, structures and equipment at water reclamation plants, pumping stations, the Lockport Powerhouse, and offices.

For the 2020 property insurance program, five (5) insurance companies were approached for quotations. The incumbent and one other carrier provided quotations. Three carriers (Hartford Fire Insurance Company, AXA XL, and Zurich American Insurance Company) declined to quote due to class of business.

Following is a summary of the options quoted for the District in 2020:

FM Global/Factory Mutual Insurance Company quoted Option 1 with a limit of \$1,000,000,000.00, a deductible of \$10,000,000.00 and sublimits of \$250,000,000.00 for Earth Movement and \$100,000,000.00 for Flood at a cost of \$2,707,484.00

FM Global/Factory Mutual Insurance Company quoted Option 2 with a limit of \$1,000,000,000.00, a deductible of \$10,000,000.00 and sublimits of \$250,000,000.00 for Earth Movement and \$100,000,000.00 for Flood at a cost of \$2,599,182.00, contingent on the District completing certain loss control recommendations within a designated timeframe

AIG/American Home Assurance Company quoted a limit of \$750,000,000.00, a deductible of \$15,000,000.00 and sublimits of \$100,000,000.00 for Earth Movement and \$100,000,000.00 for Flood at a cost of \$2,096,250.00

The AIG program pricing offers a savings when compared to the other options available. The AIG quote of \$2,096,250.00 is \$62,750.00 (2.9%) less than the expiring program, \$611,234.00 (22.6%) less than FM Global Option 1, and \$502,932.00 (19.3%) less than FM Global Option 2.

For the 2020 property insurance renewal, it is recommended that the District select the proposal from AIG/American Home Assurance Company for a policy limit of \$750,000,000.00 and a deductible of \$15,000,000.00 at a cost of \$2,096,250.00. This program offers the most competitive pricing and provides for a single policy program structure, as is currently in place. While the policy limit and sublimit for Earth Movement are lower than those offered by the incumbent carrier, the proposed limits are still quite substantial and should be considered acceptable, especially given the pricing differential. The increase in the deductible is reflective of the marketplace and is the lowest AIG would offer for this renewal.

The property insurance market continued to progressively change throughout 2020 and proved to be even more challenging than the difficult property market in 2019. The changes are primarily being driven by the loss experience of insurance carriers due to the significant increase in both frequency and severity of claims arising from natural catastrophes such as hurricanes, windstorm, flooding and wildfires in recent years combined with uncertainty about claims arising from COVID-19. Insurance carriers are rethinking their approach to underwriting and are being very selective about how they use their capacity. When insurance carriers do offer a quotation, they are often offering lower limits, higher deductibles, less coverage, and higher premiums than in prior years.

The proposals 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 and has an A.M. Best Company rating of A (Excellent), XV (\$2.0 billion or greater). The company's rating outlook is stable by A.M. Best Rating Services

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 Towers Watson Midwest, Inc. in an amount not to exceed \$2,096,250.00.

Funds in the amount of \$2,096,250.00 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 5, 2020

Attachment