



Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

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Title: Issue purchase order to Willis of Illinois, Inc. for Furnishing Property Insurance Coverage for District Properties in an amount not to exceed \$1,896,838.00, Account 101-25000-612290, Requisition 1495814 (Deferred from June 21, 2018 Board Meeting)

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7/12/2018	1	Committee of the Whole	Deleted	Pass
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6/21/2018	1	Committee of the Whole	Deferred	

TRANSMITTAL LETTER FOR BOARD MEETING OF JULY 12, 2018

COMMITTEE ON PROCUREMENT

Mr. John P. Murray, Acting Executive Director

Issue purchase order to Willis of Illinois, Inc. for Furnishing Property Insurance Coverage for District Properties in an amount not to exceed \$1,896,838.00, Account 101-25000-612290, Requisition 1495814 (*Deferred from June 21, 2018 Board Meeting*)

Dear Sir:

At the Board Meeting of December 17, 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 current Property insurance policy will expire on July 17, 2018.

On May 24, 2018, the District received the renewal bid quotation which Willis had solicited from American International Group, Inc. (AIG) 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, 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. Policy limits and terms are the same as the expiring coverage.

AIG/American Home Assurance Company: Limit \$1,500,000,000.00 Deductible \$1,000,000.00 Pricing

\$1,896,838.00.

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 the 2018 renewal decreased by \$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 is the same as on the expiring policy, which is very favorable in the current Property insurance marketplace. The renewal 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 renewal premium is \$97,292.00 (4.9%) less than expiring.

Insurable values for the District remain in excess of \$10,800,000,000.00 (ten billion eight hundred million), making the District's property risk a formidable challenge to insure. The number of carriers with the capacity to provide the desired limits is extremely limited. Full marketing efforts were conducted in 2017 to determine market capacity and interest. Only the incumbent carrier could provide the full limits requested. Another carrier could only provide less than one-tenth the required limits at significantly higher pricing.

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/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 \$1,896,838.00.

Funds in the amount of \$1,896,838.00 are available in Account 101-25000-612290.

Requested, Beverly K. Sanders, 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 July 12, 2018