

**AMEND BOARD REPORT 00-1115-PR17**  
**AUTHORIZE TRANSFER OF THE BOARD'S OCIP PRIMARY**  
**GENERAL LIABILITY AND WORKERS' COMPENSATION INSURANCE FROM RELIANCE INSURANCE**  
**COMPANY TO TIG PREMIER INSURANCE COMPANY AND SECOND LAYER EXCESS LIABILITY INSURANCE**  
**FROM RELIANCE INSURANCE COMPANY TO LUMBERMENS MUTUAL CASUALTY COMPANY CASUALTY**

**THE CHIEF EXECUTIVE OFFICER REPORTS THE FOLLOWING DECISION:**

Authorize the transfer of the Board's Owner Controlled Insurance Program (OCIP) primary General Liability and Workers' Compensation Insurance policies from Reliance Insurance Company to TIG Premier Insurance Company (TIG) and ~~cancel second layer Excess Liability insurance policy from with Reliance Insurance Company to Lumbermens Mutual Casualty Company (Lumbermens)~~ and ratify placement of new second layer excess with Royal Specialty Underwriting, Inc (Royal). Authorize entering into a written Novation Agreement with TIG and Reliance ~~and Lumbermens~~ to effectuate the transfer. Ratify execution of a lost policy receipt with Reliance to terminate coverage and ratify placement of excess liability coverage with Royal. Further, authorize issuing a surety bond to the benefit of TIG in an amount up to \$1,500,000 to further effectuate the transfer and authorize the payment of \$15,000 for such bonds to Safeco Insurance Company. Ratify payment to Royal for an amount not to exceed \$100,000 for placement of second layer excess coverage. Information pertinent to this matter is stated below:

This amendment is necessary to : 1) Ratify termination of second layer excess with Reliance effective December 1, 2000, and 2) Ratify placement of the second layer excess policy with Royal in lieu of placement with Lumbermans Mutual Insurance Company.

**CARRIER:1. TIG Premier Insurance Company**

5205 N. O'Connor Boulevard  
 Irving, TX 75039  
 (714) 937-2700

For: Primary General Liability, Workers Compensation Policies

**~~2. Lumbermens Mutual Insurance Company~~**

~~One Kemper Drive  
 Long Grove, IL 60049  
 (847)320-2000~~

~~For: Second layer Excess Liability Insurance~~

**2. Royal Specialty Underwriting, Inc.**

12700 Oxnard Street, STE1500  
 Woodland Hills, CA 91267  
 818-888-2322

For: Second layer Excess Liability Insurance

**3. Safeco Insurance Company**

Safeco Plaza  
 Seattle, WA 98185  
 (206) 545-5000

For: Issuance of Surety Bonds

**USER:** Bureau of Risk and Benefits Management  
 125 South Clark – 14<sup>th</sup> Floor  
 Cynthia Asghar, Deputy Chief Fiscal Officer  
 Georgette Hampton, Director  
 (773) 553-2818

**RELIANCE POLICIES:** The Board authorized under Board Reports 98-0429-FN3 and 00-0126-PR32 placement of the OCIP primary General Liability, Workers' Compensation/Employers' Liability and second layer Excess Liability Insurance policies with Reliance Insurance Company for a two-year term commencing April 1, 1999 and ending April 1, 2001. Policy premiums paid to Reliance were based on estimated construction payroll for the Capital Improvement Program. To date, the Board has paid \$2,547,499 in premiums to Reliance for primary and excess coverage.

**DESCRIPTION TRANSFER:** A.M. Best downgraded Reliance Insurance Company from an A- to a C+ rating based on poor management and financial performance. Due to this development, the Bureau of Risk Management and AON, the Board's Broker for OCIP coverages have been seeking to transfer the Reliance policies to alternate carriers with an "A" Rating. TIG Premier Insurance Company ~~and Lumbermens have~~ has agreed to accept a full transfer of the 2-year policies for primary & ~~second layer excess~~ coverage from the policy inception date of April 1, 1999 until April 1, 2001. Royal has agreed to provide a new second excess layer at a term premium not to exceed \$100,000 effective December 1, 2000.

Conditions for the transfer are as follows: a) Board must post surety bond up to \$1,500,000 as collateral, b) The Board, Reliance and TIG and the Board, Reliance and Lumbermens must execute a Novation Agreement, and c) Reliance must transfer to TIG premium amounts totaling \$2,472,499 for primary coverage. ~~and to transfer to Lumbermens \$75,000 in premium amounts for second layer excess insurance previously paid to Reliance by the Board for such coverage for a total payment not to exceed \$2,547,499. The Board's second layer excess policy with Reliance will be cancelled effective December 1, 2000. For an amount not the exceed \$100,000 Royal will provide the second layer excess coverage effective December 1,2000 to April 1, 2001. This policy will renew for an additional 12 month period at no additional premium contingent upon the extension of the underlying OCIP.~~

**POLICY DESCRIPTION:** The primary and second layer excess insurance policies to be transferred are as follows:

**Primary Insurance:** Provides coverage for the Board's professional service firms other than environmental consultants as additional insureds. Insures all enrolled contractors and subcontractors for both general liability and workers' compensation/ employers' liability and written on an occurrence basis with a total program deductible of \$9,240,000 adjustable at a rate of 4.65% of contractor payroll. Premiums are based on a contractor payroll estimates over the policy term and are adjustable at a rate of 1.24% of actual payroll. Primary insurance coverage is as follows:

<u>COVERAGE</u>	<u>INSURANCE LIMITS</u>	<u>PER LOSS DEDUCTIBLE</u>
WC/Employers' Liability	Statutory/\$1,000,000	\$500,000
General Liability		\$500,000
General Aggregate/Occurrence	\$2,000,000/1,000,000	
Personal & Advertising	\$1,000,000	
Products/Completed Op.	\$2,000,000	
Medical Expense	\$10,000	
Fire Damage Legal	\$100,000	

**Excess Insurance:** Three insurers provide \$100,000,000 of excess insurance in three layers which apply when either a specific loss or aggregate losses exceeds the primary insurance limits. The excess policy premiums are flat rates and are not subject to payroll adjustment. The only excess coverage subject to transfer is the Reliance second layer policy.

<u>INSURER</u>	<u>COVERAGE</u>	<u>LAYER</u>	<u>PREMIUM</u>
Royal	\$25,000,000	1 <sup>st</sup>	\$ 290,000
Reliance	\$25,000,000	2 <sup>nd</sup>	75,000
American National Fire	\$50,000,000	3 <sup>rd</sup>	75,000
TOTAL	<u>\$100,000,000</u>		<u>\$440,000</u>

**AUTHORIZATION:** Authorize the Board's General Counsel to execute all agreements and documents necessary to effectuate the transfer and (re)establishment of OCIP primary and excess coverages with TIG and Lumbermans Royal. Authorize Director of Risk and Benefits Management to execute all ancillary documents required to administer or effectuate the policies and surety bonds.

**COMPENSATION:** No additional insurance premium expenditures shall result to the Board from this transfer of the primary program. Surety Bond fee for the 2 year surety bond is up to \$15,000 to be paid to Safeco Insurance Company. Up to \$100,000 will be paid to Royal Specialty Underwriting, Inc. to provide the second layer excess coverage.

**AFFIRMATIVE ACTION:** Pursuant to section 3.7 of the M/WBE Plan, since this vendor is merely a conduit of the funds and receives no payments under this transaction, this transaction is excluded from M/WBE review.

**LSC REVIEW:** Local School Council approval is not applicable to this report

**FINANCIAL:** Source of Funds: Charge to Capital Improvement Program up to \$15,000 for the surety bond premium and up to \$100,000 for the second layer excess premium for an amount not to exceed \$115,000.

Fiscal Year: 2001

Budget Classification: ~~0230-445-000-9316-5400~~ 0944-478-000-9316-5400

**GENERAL CONDITIONS:**

Inspector General – Each party to the agreement shall acknowledge that, in accordance with 105 ILCS 5/34-13.1, the Inspector General of the Chicago Board of Education has the authority to conduct certain investigations and that the Inspector General shall have access to all information and personnel necessary to conduct those investigations.

Conflicts – The agreement shall not be legally binding on the Board if entered into in violation of the provisions of 105 ILCS 5/34-21.3 which restricts the employment of, or the letting of contracts to, former Board members during the one year period following expiration or other termination of their terms of office.

Indebtedness – The Board's Indebtedness Policy adopted July 26, 1995 (95-0726-EX3), as amended from time to time, shall be incorporated into and made a part of the agreement.

Ethics – The Board's Ethics Code adopted September 27, 1995 (95-0927-RU3), as amended from time to time, shall be incorporated into and made a part of the agreement.

Contingent Liability – The agreement shall contain the clause that any expenditure beyond the current fiscal year is deemed a contingent liability, subject to appropriation in the subsequent fiscal year budget(s).


**Approved for Consideration:**

  
Natalye Paquin  
Chief Purchasing Officer

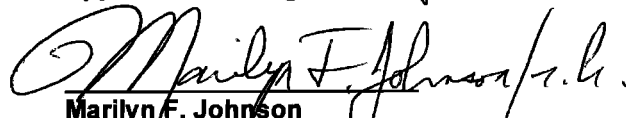
**Within Appropriation:**

  
Kenneth C. Gotsch  
Chief Fiscal Officer

**Approved:**

  
Paul G. Vallas  
Chief Executive Officer

**Approved as to legal form:** *HW*

  
Marilyn F. Johnson  
General Counsel