

**APPROVE ENTERING INTO AN ADMINISTRATIVE AND BROKERAGE SERVICES AGREEMENT WITH
AON RISK SERVICES OF ILLINOIS FOR THE
THE BOARD'S OWNER CONTROLLED INSURANCE PROGRAM (OCIP)**

THE CHIEF EXECUTIVE OFFICER REPORTS THE FOLLOWING DECISION:

Approve entering into an administrative and brokerage services agreement with Aon Risk Services of Illinois (Aon) to provide broker services and program administration for the Board's Owner Controlled Insurance Program (OCIP) at no additional cost to the Board and authorize the establishment of an escrow account to pay OCIP claims in the amount of \$3,438,000.00. Aon was selected pursuant to three separate duly advertised RFPs (specification #'s: 97-220012, 99-250069 and 99-250074) and has been providing these services to the Board since 1999. This agreement will provide for the consolidation and continuation of all services currently being rendered by Aon to the Board. A written agreement for Aon's consolidated services is currently being negotiated. The authority granted herein shall automatically rescind in the event a written agreement is not executed within 120 days of the date of this Board Report.

Specification No.: 01-250022

VENDOR: Aon Risk Services of Illinois
123 North Wacker Drive
Chicago, IL 60606
312-701-4000
Contact: Tom O'Connell
Vendor No.: 23844

USER: Bureau of Risk & Benefits Management
125 South Clark Street, 14th Floor
Georgette Hampton, Director
773-553-2828

CONSOLIDATED PROGRAMS: The services consolidated hereunder were originally awarded as separate contracts by the Board as follows:

1. *OCIP Program and Claims Administration, Workers' Compensation and Liability Brokerage Services* awarded under Board Report 97-1217-FN8 as amended by Board Report 00-0126-PR32 for a two-year period commencing April 15, 1999 until April 15, 2001 with two twelve-month options to renew. Services were to be rendered at a cost of \$350,000 per year for the life of the program. The award authorized a subcontract with Martin Boyer Company for claims administration services. Services to be performed between April 1, 2001 and April 15, 2001 will be superseded by the Agreement being authorized hereunder, upon execution of this Agreement.
2. *OCIP Safety Consulting and Training services* awarded under Board Report 99-0224-PR34 as amended under Board Report 00-1025-PR17, for a two-year period commencing March 1, 1999 until April 1, 2001 with two twelve month options to renew. Services were to be rendered at a cost of \$500,000 per year for the life of the program.
3. *OCIP Professional & Environmental Liability Brokerage services* awarded under Board Report 98-1027-PR24 as amended by Board Report 00-1025-PR16 for a two and a half year period commencing December 1, 1998 until April 1, 2001 with two twelve-month options to renew at \$25,000.00 per year. Services were to be performed for \$65,000 the first year and \$25,000 for each subsequent year for the life of the program.

TERM: The term of this agreement shall commence on April 1, 2001 and shall end as of the date upon which the OCIP program reaches an enrollment based on a total amount of \$715 million awarded in construction contracts covered by OCIP pursuant to the Board's Capital Improvement Program, or April 1, 2002, whichever is sooner. This agreement shall have one (1) options to renew for a period of 12 months each at a cost not to exceed \$875,000.00 per year.

SCOPE OF SERVICES: Aon will provide: 1) all OCIP administrative functions in connection with the OCIP program, including, but not limited to, contractor enrollment, tracking bid credits, preparing close out and all necessary reports for the Board and the insurance carriers, 2) safety consulting which includes site visits and safety training programs, 3) Broker services for the marketing, placement and premium transfer for OCIP-related coverage including workers' compensation and general, professional and environmental liability insurance, 4) claims administration services and 5) escrow services for the OCIP claims account. The parties acknowledge and agree that Aon shall have the right to subcontract with SOL Consulting, Inc. regarding the safety consulting. Further, Aon shall have the right to subcontract with Martin Boyer Company regarding the escrow account and the claims administration services. Aon will arrange for Martin Boyer Company to provide all claim administration services and utilize claim management services such as medical case management, arrange for PPO Network and recovery of PPO discounts, fraud investigators, and legal services as appropriate. All OCIP claim payments will be issued by Martin Boyer Company through escrow accounts the Board establishes with Aon. Aon will transfer the money to Martin Boyer Company who will maintain the escrow account. The Department of Risk and Benefits Management will encumber claim payment amounts annually and will deposit escrow funds upon receipt of invoice for prior period payments and report of projected future claim payments. Each individual escrow transfer will not exceed \$200,000.00 for General Liability or \$500,000.00 for Workers Compensation.

DELIVERABLES: Aon shall provide (i) weekly enrollment and bid tracking reports, (ii) semi-annual stewardship reports, (iii) monthly loss runs submitted directly by Martin Boyer, (iv) monthly meetings with personnel involved in the management of this program and related subcontractors, (v) quarterly accounting of the Escrow Account, (vi) periodic reports of site inspections and accident analysis, (vii) secure and deliver insurance policies and associated documents.

OUTCOMES: Aon's services shall result in cost-effective management and administration of the Board's OCIP insurance program and the cost-effective placement of OCIP underlying insurance policies.

AUTHORIZATION: Authorize the General Counsel to include other relevant terms and conditions in the written agreement. Authorize the President and Secretary to execute the agreement. Authorize the Director of Risk & Benefits Management to execute all ancillary documents required to administer or effectuate this agreement. Authorize the Director of Risk & Benefits Management to effectuate necessary transfers of money to the Escrow Account.

COMPENSATION: Aon has been pre-paid for the services to be rendered during the term of this Agreement.

AFFIRMATIVE ACTION: Vendor agrees to comply with and be bound by the provisions of the Revised Remedial Plan for Minority and Women Business Enterprise Economic Participation (M/WBE Plan).

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

FINANCIAL: Allocate \$3,438,000.00 to existing claim reserve funds to fund Escrow Accounts for the Capital Improvement Program:

0230-477-000-9316-5400 -\$1,146,000.00

0230-478-000-9316-5400-\$1,146,000.00

0230-415-000-9316-5400-\$1,146,000.00

One percent (1%) of all future bond issues will be reserved for OCIP claims and expenses.

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.

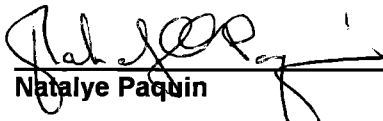
Conflicts – The agreement shall not be legally binding on the Board if entered into in violation of the provisions of 105 ILCS 5/34-21.3 which restricts the employment of, or the letting of contracts to, former Board members during the one year period following expiration or other termination of their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

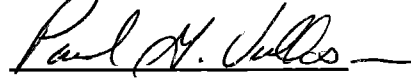
Ethics – The Board's Ethics Code adopted September 27, 1995 (95-0927-RU3), as amended from time to time, shall be incorporated into and made a part of the agreement.

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

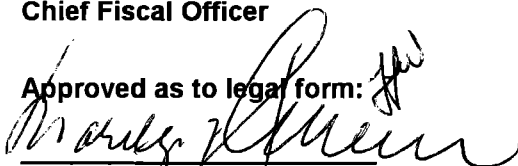
Approved:


Paul G. Vallas
Chief Executive Officer

Within Appropriation:


Kenneth C. Gotsch
Chief Fiscal Officer

Approved as to legal form:


Marilyn F. Johnson
General Counsel