

AUTHORIZE PLACEMENT OF INSURANCE FOR THE OWNERS CONTROLLED INSURANCE PROGRAM) WITH AON RISK SERVICES OF ILLINOIS AND AUTHORIZE THE ESTABLISHMENT OF AN ESCROW ACCOUNT WITH KEMPER INSURANCE COMPANY

THE CHIEF EXECUTIVE OFFICER REPORTS THE FOLLOWING DECISION:

Authorize AON Risk Service of Illinois to place the following insurance policies on behalf of the Board, for the Owners Controlled Insurance Program (OCIP) in an aggregate amount not to exceed \$7,000,000 in premiums and claims for a 36-month period. Authorize the establishment of an escrow account to pay OCIP claims through Kemper Insurance Company not to exceed the Kemper deductible, commencing April 1, 2002. The policies of coverage constitute the contract between the Board and its carriers and no further written documentation is required. Information pertinent to this matter is stated below:

Specification No.: 02-250042

INSURANCE CARRIERS:

1. Kemper Employers Insurance Group
One Kemper Drive
Long Grove IL 60049-0001
847-320-2000
For: Primary WC/EL & General Liability
And Claims Administrator
Vendor:

2. Royal Insurance Co.
12700 Oxnard Street, Ste 1500
Woodland Hills, CA 91267
818-888-2322
For: First layer excess liability

3. Gulf Insurance
125 Broad Street, 8th Floor
New York NY10004
For: Second layer excess liability

4. Athena Assurance Company St. Paul
385 Washington Street
St. Paul MN 55102
For: Third layer excess liability

5. AIG/Illinois National Insurance Company
500 West Madison Street
Chicago IL 60606-2511
312/770-7000
For: Environmental/Abatement Liability

6. Safeco Insurance Company
Safeco Plaza
Seattle WA 98185
206-545-5000
For: Surety bond as collateral

BROKER:

AON Risk Services of Illinois
200 East Randolph – 11th Floor
Chicago, Illinois 60601
Contact Person: Matthew Perno
Phone: (312) 381-4495
Vendor#: 23844

USER:

Bureau of Risk and Benefits Management
125 South Clark Street -14th Floor
Georgette Hampton, Director
(773) 553-2818

TERM: The terms of each policy shall commence on April 1, 2002 and shall end April 1, 2005. The AIG Environmental policy shall extend to April 1, 2003 from its prior effective dates April 1, 1999 to April 1, 2002.

DESCRIPTION OF POLICIES:

General Liability and Workers' Compensation

Provides primary coverage for the Board's enrolled contractors and subcontractors for both general liability and workers' compensation/employers' liability on an occurrence basis. Insures the Board and the Public Building Commission of the City of Chicago and provides additional insured status to all construction managers and other professional services firms as necessary.

Coverage	Insurance Limits	Per Loss Deductible
WC/Employers' Liability	Statutory/\$1,000,000	\$500,000
General Liability	\$2,000,000/\$4,000,000	\$500,000

A cash provision of \$600,000 is included in the event that a single occurrence results in both a WC/EL claim and a general liability claim.

Kemper will maintain the claims handling via an escrow account established by the Board. Kemper will provide all claim administration services and utilize claim management services such as medical case management, recovery of PPO discounts fraud investigators, and legal services as appropriate. All OCIP claim payments will be issued by Kemper Insurance Company via escrow accounts the Board establishes with Kemper Insurance Company. 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.

Abatement Liability & Contractors Liability

Blanket abatement liability coverage for the Board and all abatement contractors for bodily injury and property damage claims due to environmental exposures. Blanket contractor environmental liability coverage for all contractors on the job site for unanticipated pollution exposures.

Excess Liability Insurance

Three insurers provide \$50,000,000 of excess insurance in three layers which apply when either a specific loss or aggregate losses exceed the primary insurance limits. The excess policy premiums are flat rates and are not subject to payroll adjustment and are applicable for the project term.

Surety

Collateral to be used to secure future claim and premium funding assurances required by Kemper. The surety bond in lieu of a Letter of Credit or cash deposit. Bonds are required by Kemper and TIG until TIG's claims program runs off existing claims from incidents prior to April 1, 2002

DELIVERABLES: The listed insurance companies will issue policies of insurance to the Board. AON Risk Services of Illinois will assist to make all appropriate and necessary changes to the written policies as per the request of the Director of the Bureau of Risk & Benefits Management

OUTCOMES: Provide a comprehensive property/casualty insurance program for the OCIP.

AUTHORIZATION: Authorize the Director of Risk and Benefits Management to execute all ancillary documents required to administer or effectuate the policies and necessary transfers to the Escrow Account. Authorize the Director of Risk and Benefits Management to substitute other reputable surety bonding carriers as necessary.

PREMIUM: Premiums will be paid to AON, who will place the insurance and pay the insurance companies directly. Premiums may be subject to change in the event of a change in rates or construction volumes. Escrow funding for losses occurring after April 1, 2002 will be issued directly to Kemper.

Coverage	Premium
General Liability & Workers' Compensation	\$3,133,304 subject to upward adjustment based on audited workers' compensation payroll.
Environmental Liability	\$0 Extension to 4/1/03 at no additional cost to the Board.
Excess Liability	\$1,100,000
1 st Layer	Royal \$550,000 \$10 million xs primary
2 nd Layer	Gulf \$275,000 \$15 million xs \$10 million
3 rd Layer	St. Paul \$275,000 \$25 million xs \$25 million
Surety	Approximately \$135,000 for bonds required over three years.
Claims Escrow	\$2,500,000 anticipated over life of program

AFFIRMATIVE ACTION: Pursuant to Section 3.7 of the W/BE Plan, since the vendor are merely a conduit of the funds and receives no payment. This transaction is precluded from M/WBE review.

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

FINANCIAL: Charge to Capital Improvement Program : \$4,500,000 for 36 months for Insurance Premium and \$1,700,000 for Fiscal Year: 2002/ FY 2003, and \$2,800,000 to future Capital Funding
 Budget Classification: 0230-Various Capital Funds-000-9316-5490
 Close P.O.# 124363 and re-allocate \$2,438,605.82 to fund Escrow Account
 Allocate 1% all future bond issues 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:


Anita Rodha
Acting Chief Purchasing Officer

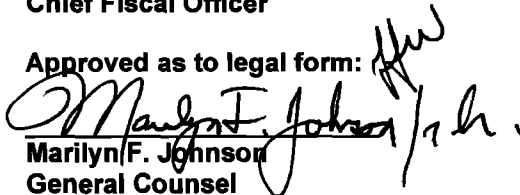
Approved:


Arne Duncan
Chief Executive Officer

Within Appropriation:


Kenneth C. Gotsch
Chief Fiscal Officer

Approved as to legal form:


Marilyn F. Johnson
General Counsel