

AMEND BOARD REPORT # 02-0522-PR19**AMEND BOARD REPORT# 02-0327-PR17****AUTHORIZE PLACEMENT OF INSURANCE FOR THE OWNERS CONTROLLED INSURANCE PROGRAM WITH THROUGH AON RISK SERVICES OF ILLINOIS AND AUTHORIZE THE ESTABLISHMENT OF AN ESCROW ACCOUNT WITH KEMPER AMERICAN INTERNATIONAL GROUP, INC. (AIG)/ILLINOIS NATIONAL 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~~ AIG/Illinois National Insurance Company not to exceed the ~~Kemper~~ AIG/Illinois National Insurance Company deductible, commencing ~~April 1, 2002~~ May 1, 2003. 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:
This amendment is necessary to eliminate the surety bond requirement and add the authorization for a Reserve Escrow Account, as required by Kemper.

This amendment is necessary to replace Kemper Insurance Company with AIG/Illinois National Insurance Company, due to Kemper's A.M. Best downgrade from A- to B rating as of March 2003. The A.M. Best rating for AIG/Illinois Insurance Company is A++.

Specification No.: 02-250042

INSURANCE CARRIERS:

~~1. Kemper Employers Insurance Group
One Kemper Drive
Long Grove IL 60049-0004
847-320-2000
or: Primary WC/EL & General Liability
And Claims Administrator
Vendor::~~

1. Illinois National Insurance Company
c/o American International Group, Inc.
Construction Risk Management Division
Pat Wright, Regional Division
500 West Madison-17th Floor
(312) 930-2582
Chicago, Illinois 60661
For : Primary WC/EL, General Liability
& Claims Administrator

~~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 primary, workers' compensation, and general liability policies, and claims administration shall commence on May 1, 2003. AIG Environmental policy shall extend to April 1, 2003 2005 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~~ \$1,000,000 is included in the event that a single occurrence results in both a WC/EL claim and a general liability claim.

~~Kemper~~ AIG will maintain the claims handling via an escrow account established by the Board. ~~Kemper~~ AIG/Illinois National Insurance Company 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~~ AIG/Illinois National Insurance Company via escrow accounts the Board establishes with ~~Kemper~~ AIG/Illinois National 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.

Reserve Escrow Account

Establish reserves at 75% of the Board's maximum anticipated loss in the program. Will be established over a three-year period in twelve quarterly installments, by accessing future funds set aside for OCIP from all future bond issues.

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 and Reserve 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 and ending April 30, 2003 through Kemper will be issued directly to Kemper. Escrow funding for losses occurring May 1, 2003 through April 30, 2005 will be issued directly through AIG/Illinois National Insurance Company.

Coverage	Premium
General Liability & Workers' Compensation	\$3,133,304 <u>\$2,591,514, payable to AIG 5/1/03 through 4/30/05</u> subject to upward adjustment based on audited workers' compensation payroll.
Environmental Liability	\$135,000 Extension to 4/1/03 4/1/05 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
Reserve Escrow Account	75% of maximum anticipated loss under the OCIP Program over three year term of policy. Future funding via OCIP funds from 1% of all future bond issues.
Claims Escrow	\$2,500,000 anticipated over life of program

AFFIRMATIVE ACTION: Pursuant to Section 3.7 of the Revised Remedial Plan for Minority and Women Business Enterprise Contract Participation (MWBE Plan) this contract is exempt from review because this is merely a conduit of the funds and receives no payment.

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.

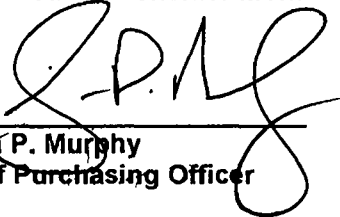
Conflicts – The agreement shall not be legally binding on the Board if entered into in violation of the provisions of 105 ILCS 5/34-21.3 which restricts the employment of, or the letting of contracts to, former Board members during the one year period following expiration or other termination of their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


Sean P. Murphy
Chief Purchasing Officer

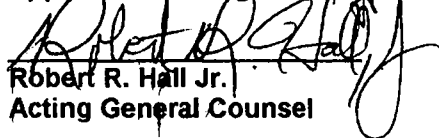
Approved:


Arne Duncan (by PA)
Chief Executive Officer

Within Appropriation:


Kenneth C. Gotsch
Chief Fiscal Officer

Approved as to legal form:


Robert R. Hall Jr.
Acting General Counsel