

**AUTHORIZE PLACEMENT OF THE BOARD'S PROPERTY INSURANCE,
MECHANICAL BREAKDOWN INSURANCE, AND CRIME INSURANCE**

THE CHIEF EXECUTIVE OFFICER REPORTS THE FOLLOWING DECISION:

Authorize Arthur J. Gallagher to place the following insurance policies on behalf of the Board for Property Insurance, Mechanical Breakdown Insurance, and Crime Insurance in the aggregate amount not to exceed \$3.2 million. These placements will be arranged through Arthur J. Gallagher & Company Insurance Brokerage. Gallagher secured insurance proposals under a Board authorized solicitation process. The policies of coverage constitute the contract between the Board and its insurance carriers:

Specification No.: For Property/Mechanical Breakdown Insurance 00-250639

Specification No.: For Crime Insurance 99-250245

INSURANCE CARRIERS:

1. "All Risk" Property Insurance

- | | |
|--|---|
| <p>A. Hartford Fire Insurance Company
Hartford Plaza
Hartford, CT 06115</p> | <p>B. Royal Indemnity Company
1240 Diehl Rd., Suite 500
Naperville, IL 60566</p> |
| <p>C. Clarendon American Insurance Co.
1177 Avenue of the Americas, 45th Fl.
New York, NY 10036</p> | <p>D. Arch Capital Group
100 First Stamford Pl, Suite 325
Stamford, CT 06902</p> |
| <p>E. United States Fire
305 Madison Avenue
Morristown, NJ 07960</p> | <p>F. Commonwealth Ins. Co. America
1700 Seventh Ave., Suite 1850
Seattle, WA 98101</p> |

2. Mechanical Breakdown Insurance

Hartford Steam Boiler Inspection
& Insurance Company
2443 Warrenville Road
Lisle IL 60532

3. Crime Insurance

- | | |
|---|---|
| <p>A. Great American
Insurance Company
900 Oakmont Lane, Suite 306
Westmont, IL 60559</p> | <p>B. CNA Insurance Company
CNA Plaza 36 South
Chicago, Illinois 60685</p> |
| <p>C. Travelers
500 West Madison Street
Chicago, Illinois 60606</p> | <p>D. Hanover Insurance Company
215 Shuman Blvd.
Naperville, Illinois 60563</p> |

VENDOR:

Arthur J. Gallagher & Company
Two Pierce Place
Itasca IL
Contact Person Walter Larkin
Phone: 630 285-3624
Vendor#: 32164

USER:

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

TERM: The term of the "all risk" policies, mechanical breakdown policy and crime policies shall commence on July 1, 2003 and end July 1, 2004.

DESCRIPTION OF POLICIES:

The aggregate insured value of the Board's property is in excess of \$13 billion, on a current replacement cost basis. The coverage is provided on an occurrence basis subject to the following limits and deductibles.

Coverage	Description	Limits	Deductibles	Premium
"All Risk" Property	Blanket coverage for Board property including property under construction, and terrorism coverage	\$150,000,000	\$500,000/20% 1 st \$25 million	\$2,965,780.00
Boiler Machinery	Coverage for sudden and accidental breakdowns of boilers, machinery and electrical equipment	\$100,000,000	\$50,000	\$70,873.00
Crime Insurance	Blanket coverage including fidelity	\$50,000,000	\$500,000	\$141,239.00

AUTHORIZATION: Authorize the Director of Risk and Benefits Management to execute all ancillary documents required to administer or effectuate the policies.

PAYMENTS: All premium payments will be paid directly through Arthur J. Gallagher & Company for payment to the appropriate insurance carriers based on premiums reported to the Bureau of Risk & Benefits Management. Allowable premiums are outlined above and may be subject to change in the event of a change in property values.

AFFIRMATIVE ACTION: Pursuant to section 3.7 of the Revised Remedial Plan for Minority and Women Business Enterprise Contract participation (M/WBE Plan) this contract is exempt from review because the vendor is merely a conduit of funds and receives no payment under this transaction.

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

FINANCIAL: Charge to Bureau of Risk & Benefits Management: \$3,200,000.00 Fiscal Year: 2004
Budget Classification: 0963-215-000-7068-5490

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.

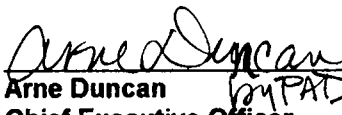
Ethics – The Board's Ethics Code adopted September 27, 1995 (95-0927-RU3), as amended from time to time, shall be incorporated into and made a part of the agreement.

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).

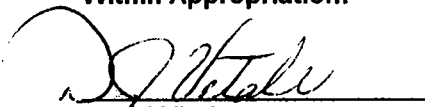
Approved for Consideration:

Approved:



Sean P. Murphy
Chief Purchasing Officer


Arne Duncan
Chief Executive Officer

Within Appropriation:


David Vitale
Chief Administrative Officer

Approved as to legal form:


Ruth Moscovitch
General Counsel