

**APPROVE EXERCISING THE SECOND OPTION TO RENEW THE AGREEMENT WITH
CAMBRIDGE INTEGRATED SERVICE GROUP, INC. D/B/A MARTIN BOYER COMPANY
FOR CLAIMS ADMINISTRATION SERVICES AND AUTHORIZE FUNDING OF ESCROW ACCOUNTS
ASSOCIATED WITH THESE SERVICES**

THE CHIEF EXECUTIVE OFFICER REPORTS THE FOLLOWING DECISION:

Approve exercising the second option to renew the agreement with Cambridge Integrated Service Group, Inc. d/b/a Martin Boyer Company (MBC) for claims administration services for the Board's liability, interscholastic and workers' compensation programs, at a cost not to exceed \$1,207,237.00 for administrative fees, and authorize funding of escrow accounts associated with these services in an amount not to exceed \$40,500,000.00 for a 12 month term. A written document exercising this option is currently being negotiated. No payments shall be made to Vendor during the option period prior to the execution of a written renewal agreement. The authority granted herein shall automatically rescind in the event a written renewal agreement is not executed within 120 days of the date of this Board Report. Information pertinent to this renewal agreement is stated below.

Specification Number: 03-250060

Contract Administrator: Nanzi Flores (773) 553-2273

VENDOR: Cambridge Integrated Service Group, Inc.
d/b/a Martin Boyer Company
175 West Jackson
10th Floor
(312) 381-8213
John Walsh, Senior Vice President
Vendor# 20908

USER: Department of Finance
125 South Clark-14th Floor
Chicago, Illinois 60603
John Maiorca, Chief Financial Officer
(773) 553-2700
Eileen Ryan, Risk Manager
(773) 553-2828

Department of Human Resources
125 South Clark-2nd Floor
Chicago, Illinois 60603
Ascencion V. Juarez, Chief Human Resources Officer
(773) 553-1000
Dale Moyer, Director of Employee Benefits
(773) 553-2818

ORIGINAL AGREEMENT: The original agreement (authorized by Board Report (03-0625-PR24) in the amount of \$3.6 million also authorized funding of escrow accounts associated with these services in the amount not to exceed \$16.5 million per year for a term commencing July 1, 2003 and ending June 30, 2006, with the Board having two options to renew the agreement for 12-month terms. The Board ratified the assumption of the original agreement with Martin Boyer Company, Inc. by Cambridge Integrated Service Group, Inc., d/b/a Martin Boyer Company in Board Report 06-0426-PR22. The original agreement was amended (by Board Report 06-0524-PR14) to increase the dollar amount of the workers compensation escrow account and to reflect the Vendor's change in ownership and corresponding change in name. The original agreement was extended (authorized by Board Report 06-0524-PR15) for a one (1) year period commencing July 1, 2006 and ending June 30 2007. The original agreement was amended (by Board Report 07-0425-PR19) to increase the dollar amount of the workers compensation escrow account to meet projected expenditures. The original agreement was awarded on a competitive basis pursuant to Board Rule 5-4.1.

SECOND OPTION PERIOD: The term of this agreement is being extended for a twelve (12) month period commencing July 1, 2007 and ending June 30, 2008 ("Second Option Period"). During the Second Option Period, the amount transferred to the Escrow Account for each invoice shall not exceed \$1,000,000 for general liability, \$1,000,000 for interscholastic, and \$1,000,000 for workers compensation.

OPTION PERIODS REMAINING: There are no option periods remaining.

DESCRIPTION OF SERVICES: MBC will continue to receive all reports of accidents to students, visitors and employees; and process them appropriately under the agreed guidelines. MBC shall continue to pay claims and settlements through established escrow accounts.

The funds will be encumbered and the escrow accounts will be funded by periodic invoicing. The invoicing amounts are determined by the prior period volume and expected future losses. The escrow accounts will be funded annually through the following budget lines:

Escrow Accounts	Budget Line	
General Liability	Budget Line: 0963-215-000-7064-5490	\$5,000,000.00 maximum
Interscholastic	Budget Line: 0963-215-000-7250-5490	\$500,000.00 maximum
Workers' Compensation	Budget Line: 0963-215-000-6010-5650	\$35,000,000.00 maximum
Total Amount		\$40,500,000.00 maximum

MBC's overall claims management will continue to include the following services:

Liability Claims Administration

- Receive and review the Report of Accident/Injury to Student/Visitor forms for general liability claims;
- Provide access to a risk management information system for student/visitor accidents and claims;
- Adjust general liability claims and disburse funds (medical, expense and settlements) from the Board's escrow account; and
- Provide the Bureau of Risk Management with a journal of check register reports, and current data reflecting insurance liability loss information.

Interscholastic Medical Claims Administration

- Provide medical expense, disability income and accidental death benefits of up to \$1,000,000 per student in exchange for a wavier and release of all liability claims against the Board of Education;
- Review and apply PPO discount to all related medical bills;
- Investigate and determine whether claims are in the category defined as an athletic injury, Reserve Officers and Training Core and Student Travel;
- Investigate other insurance agencies involved with the claims process and subrogate benefits;
- Maintain an escrow account for liability claims; and
- A separate escrow may be established to manage any catastrophic losses incurred in the contract period.

Workers' Compensation Claims Administration

- Receive and review for compensability all employee accident claims;
- Review and apply PPO discount to all related medical bills;
- Pay all compensable indemnity and medical claims;
- Review all indemnity claims to determine the need for case management;
- Provide claim statistics to establish safety initiatives; and
- Maintain Board's escrow account.

DELIVERABLES: MBC shall continue to provide monthly, quarterly, and annual reports, indicating the names of claimants, types of injuries sustained, and total amounts incurred, monthly management meetings with the claims staff, case management staff, prepare comprehensive investigative reports as requested and prepare assessments of the Board liabilities in light of statutory and judicial requirements, copies of liens and complaints, and respond to all claimants in writing within 30-45 working days upon receipt of a claim.

OUTCOMES: Consultant's services will continue to result in an affordable, comprehensive claims administration program for Chicago Public Schools students, employees and visitors.

AUTHORIZATION: Authorize the General Counsel to include other relevant terms and conditions in the written renewal agreement. Authorize the President and Secretary to execute the renewal agreement. Authorize the Chief Financial Officer and Chief of Human Resources to execute all ancillary documents required to administer or effectuate the renewal agreement, and to fund the escrow accounts in the amounts stated.

COMPENSATION: MBC shall be paid an administrative fee not to exceed \$1,207,237.00 for a 12 month term.

AFFIRMATIVE ACTION: The M/WBE goals for this contract include 35% total MBE, 22% African American, 10% Hispanic, 2% Asian and 5% WBE.

The firm is currently in compliance and is utilizing the following firms:

Total African American 23.3%

Corfran, Inc. 2.8%
6922 S. Jeffery
Chicago, IL 60649

Risk Management 14.5%
Solutions of America
216 W. Jackson
Chicago, IL 60606

Insurers Review 5.0%
225 N. Michigan Ave
Chicago, IL 60601

RLW Financial 1.0%
9336 South Parnell

Total Hispanic 10%

Rolei Financial 10%
737 N. Michigan
Chicago, IL 60611

Total WBE 1.7%

Computer Package 1.7%
69 Hawkins Circle
Wheaton, IL 60187

FINANCIAL:

Charge to Risk Management
for Administrative Fees Fiscal Year 2008
0963-215-000-7060-5490 LB/AA \$ 482,894.80
to fund the Escrow Accounts Fiscal year 2008
0963-215-000-7064-5490 LB \$ 5,000,000.00
0963-215-000-7250-5490 AA \$ 500,000.00

Charge to Human Resources
for Administrative Fees Fiscal Year 2008
0963-215-000-6010-5650-WC \$ 724,342.20
to fund the Escrow Accounts Fiscal Year 2008
0963-215-000-6010-5650 WC \$35,000,000.00

Total Administrative Fees FY08 \$ 1,207,237.00
Total Escrow Accounts FY08 \$40,500,000.00

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.

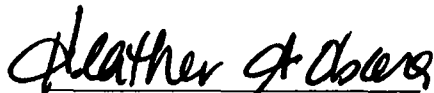
Conflicts – The agreement shall not be legally binding on the Board if entered into in violation of the provisions of 105 ILCS 5/34-21.3 which restricts the employment of, or the letting of contracts to, former Board member during the one year period following expiration or other termination of their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

Indebtedness – The Board's Indebtedness Policy adopted June 26, 1996 (96-0626-PO3), as amended from time to time, shall be incorporated into and made a part of the agreement.

Ethics – The Board's Ethics Code adopted June 23, 2004 (04-0623-PO4), as amended from time to time, shall be incorporated into and made a part of the agreement.

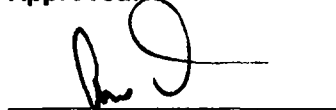
Contingent Liability – The agreement shall contain the clause that any expenditure beyond the current fiscal year is deemed a contingent liability, subject to appropriation in the subsequent fiscal year budget(s).

Approved for Consideration:



Heather A. Obora
Chief Purchasing Officer

Approved:



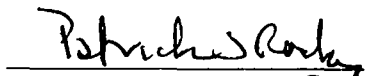
Arne Duncan
Chief Executive Officer

Within Appropriation:



John Malorca
Chief Financial Officer

Approved as to legal form:



Patrick J. Rocks
General Counsel