

August 26, 2015

**AUTHORIZE NEW AGREEMENTS WITH AETNA LIFE INSURANCE COMPANY AND CANNON COCHRAN MANAGEMENT SERVICES, INC FOR THIRD PARTY CLAIMS ADMINISTRATION SERVICES AND LIFE INSURANCE**

**THE CHIEF EXECUTIVE OFFICER REPORTS THE FOLLOWING DECISION:**

Authorize new agreements with Aetna Life Insurance Company and Cannon Cochran Management Services, Inc. to provide insurance policies and third party claims administration services to the Talent Office and Risk Management Department at an estimated annual cost set forth in the Compensation Section of this report. Vendors were selected on a competitive basis pursuant to Board Rule 7-2. Written agreements for the Vendors' services are currently being negotiated. No services shall be provided by and no payment shall be made to any Vendor prior to the execution of their written agreement. The authority granted herein shall automatically rescind as to each Vendor in the event their written agreement is not executed within 90 days of the date of this Board Report. Information pertinent to these agreements is stated below.

Specification Number : 15-350033

Contract Administrator : Sinnema, Mr. Ethan Cedric / 773-553-3295

**VENDOR:**

- 1) Vendor # 16511  
AETNA LIFE INSURANCE COMPANY  
ONE SOUTH WACKER DRIVE  
CHICAGO, IL 60606  
John Cosgrove  
312 928-3113

Ownership: Aetna Inc. - No Shareholder Has Greater Than 10%

- 2) Vendor # 69076  
CANNON COCHRAN MANAGEMENT SERVICES, INC  
2 EAST MAIN STREET  
DANVILLE, IL 61832  
Steven Varzino  
312 455-1612

Ownership: Esop Corp - No Shareholder Has Greater Than 10%

**USER INFORMATION :**

Project

Manager: 11010 - Talent Office  
42 West Madison Street  
Chicago, IL 60602  
Kirkling, Miss Karla Rae  
773-553-1892

**TERM:**

The term of each agreement shall commence on January 1, 2016 and shall end on December 31, 2018. The agreements shall have two (2) options to renew for periods of two (2) years each.

**EARLY TERMINATION RIGHT:**

The Board shall have the right to terminate each agreement with 30 days written notice.

**SCOPE OF SERVICES:**

Cannon Cochran Management Services, Inc shall provide all aspects of workers' compensation, liability, property, and interscholastic claims management services including where applicable, but not limited to, claim investigation, adjustment, notice to carriers, benefit administration, medical management, PPO, bill review, utilization review, litigation management, settlement negotiation, subrogation recovery, information management, management reporting, OSHA compliance services, and daily contact with Board staff. Cannon Cochran Management Services, Inc shall provide certain services, or arrange and administer certain services in addition to vendor administration, which shall be an additional allocated expense charged to the claim file. Such services to be included as allocated expense(s) to the claim file may include, but are not limited to, medical management, PPO, bill review, utilization review, surveillance, field investigations, expert consulting and testimony. Cannon Cochran Management Services, Inc shall receive all reports of accidents to students and visitors, and process them appropriately under guidelines as agreed to by the Board staff. Cannon Cochran Management Services, Inc shall pay claims, settlements and awards through established escrow accounts. The escrow accounts will be funded at intervals agreed upon by the Board staff.

Aetna Life Insurance Company shall provide Employee Group Basic Life, Voluntary Life, Personal Accident and Disability Insurance. All premium payments will be made to the appropriate insurance carriers based on premiums reported by Aetna Life Insurance Company to the Talent Office. Any premium change that causes the premium to exceed the maximum amounts stated below shall require additional Board authority.

**DELIVERABLES:**

Vendors shall develop Special Account Instructions (SAI) in accordance with the contract provisions and approval by the Board staff. SAI will detail assigned personnel, claim management protocols, reserve notifications, settlement authority, claim status reporting, escrow funding levels, and special direction as necessary. Vendors will conduct monthly meetings with Board management personnel, provide quarterly stewardship reports to the Board staff and annual "State of Account" meetings with the Board's senior management addressing major trends and recommendations for program improvements. Allocated expense charges will be reported in the "State of Account" with the total annual payments received by each vendor partner.

**OUTCOMES:**

Vendors' services will result in an affordable, comprehensive liability, property, interscholastic claims administration, long-term disability, and life insurance program for the Chicago Public School employees, students, and visitors.

**COMPENSATION:**

Estimated annual costs for the three (3) year term are set forth below:

- \$1,256,250.00, FY16
- \$2,127,500.00, FY17
- \$2,027,500.00, FY18
- \$988,750.00, FY19

Not to exceed \$6,400,000.00 for the three (3) year term.

-A further breakdown of the costs by category is listed in the Financial Section.

**REIMBURSABLE EXPENSES:**

None.

**AUTHORIZATION:**

Authorize the General Counsel to include other relevant terms and conditions in the written agreements. Authorize the President and Secretary to execute the agreements. Authorize the Chief Talent Officer to execute all ancillary documents required to administer or effectuate the agreements.

**AFFIRMATIVE ACTION:**

The MBE/WBE goals for this agreement include 25% MBE and 5% WBE participation. Pursuant to the Remedial Program for Minority and Women Owned Business Enterprise Participation in Goods and Services Contracts, the aggregate method for M/WBE participation will be utilized. Thus, aggregated compliance of the vendors in the pool will be monitored on a monthly basis.

**LSC REVIEW:**

Local School Council approval is not applicable to this report.

**FINANCIAL:**

Fund 210, Talent Office, Unit 12470

For Worker's Compensation with Cannon Cochran Management Services

\$867,500.00, FY16

\$1,250,000.00, FY17

\$1,150,000.00, FY18

\$600,000.00, FY19

Fund 210, Risk Management Department, Unit 12460

For General Liability and Property with Cannon Cochran Management Services:

\$288,750.00, FY16

\$577,500.00, FY17

\$577,500.00, FY18

\$288,750.00, FY19

Charge to all units/Talent Office manages the Agreements

For the Basic Life Insurance with Aetna Life Insurance Company

\$100,000.00, FY16

\$300,000.00, FY17

\$300,000.00, FY18

\$100,000.00, FY19

Personal Accident Insurance: No cost to the Board

Voluntary Life: No cost to the Board

Voluntary Disability: No cost to the Board

Not to exceed \$6,400,000.00 for the three (3) year term.

Future year funding is contingent upon budget appropriation and approval.

**CFDA#:**

Not Applicable

**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 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 May 25, 2011 (11-0525-PO2), 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:



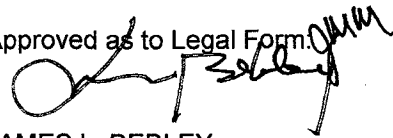
SÉBASTIEN de LONGEAUX  
Chief Procurement Officer

Approved:



FORREST CLAYPOOL  
Chief Executive Officer

Approved as to Legal Form:



JAMES L. BEBLEY  
General Counsel