May 22, 2002

APPROVE EXERCISING THE SECOND OPTION TO RENEW THE AGREEMENT WITH ARTHUR J. GALLAGHER & COMPANY FOR PROPERTY INSURANCE BROKERAGE SERVICES

THE CHIEF EXECUTIVE OFFICER REPORTS THE FOLLOWING DECISION:

Approve exercising the second option to renew the agreement with Arthur J. Gallagher & Company (Gallagher) to provide property insurance brokerage services to the Board, at a cost for the second option period not to exceed $65,000 and loss adjustment services at a cost not exceed $40,000 for the second option period. A written document exercising this second option is currently being negotiated. No payment shall be made to Consultant during the option period prior to the execution of the written option document. The authority granted herein shall automatically rescind in the event a written option document is not executed within 120 days of the date of this Board Report. Information pertinent to this option is stated below.

Specification No.: 99-250245

CONSULTANT:
Arthur J. Gallagher & Company
Walt Larkin, Vice President
Two Pierce Place
Itasca, IL 60143-3141
(630) 773-3800
Vendor # 32164

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

ORIGINAL AGREEMENT: The original agreement (authorized by Board Report 99-0526-PR15) is for a term commencing May 26, 1999 and ending May 26, 2001, with the Board having 2 option(s) to renew for one year term(s). The original agreement was renewed for a term commencing May 26, 2001 and ending May 26, 2002 (authorized by Board Report 01-0425-PR16).

OPTION PERIOD: The term of this second option period shall commence May 26, 2002 and end May 26, 2003.

OPTION PERIODS REMAINING: There are no option periods remaining.

SCOPE OF SERVICES: Gallagher shall continue to develop proposals, market and place the Board's property insurance with insurance carriers. The current property insurance program consists of $150 million coverage for "all risk" physical loss or damage. This program is subject to a self insured retention which is currently $500,000 per loss except for electronic data processing equipment and media with a $25,000 deductible and $2,500 deductible applicable to fine arts losses. The Board carries $50 million of Boiler & Machinery coverage subject to a $50,000 deductible In addition, the Board maintains $50 million Commercial Crime Insurance, subject to a $500,000 deductible. The foregoing coverage retention and deductible amounts are subject to revision at the discretion of the Board.

Gallagher will continue to provide third party property adjustment and appraisal services, as provided under the Property Loss Reserve Fund (95-0726-FN1), established to provide funds for the repair, restoration or reimbursement of losses up to $500,000. Services will continue to include, but are not limited to, investigation and documentation of loss, subrogation investigation and retention of necessary experts such as engineers, loss containment contractors, accountants, and coverage experts.

DELIVERABLES: Gallagher shall continue to provide semi-annual reports outlining the status of the property insurance program, deliver to the Board the resulting policy of insurance, and provide periodic status reports for claims handled through the third party adjustment program.

OUTCOMES: Gallagher's services shall result in an effective property insurance program protecting the assets of the Board. Additionally, Gallagher shall arrange for appropriate administration of property claims falling within the Board's $500,000 self-insured retention.

COMPENSATION: Arthur J. Gallagher & Company shall be paid an annual Brokerage Administrative Fee of $65,000 payable in a lump sum payment upon execution of the option agreement. Loss adjustment services will be paid from the Property Loss Reserve Fund on a time and expense basis. Time will be billed at a rate not to exceed $125.00 per hour for technical adjustment services and $55.00 per hour for non-technical services. Total payment to vendor for loss adjustment services shall not exceed $40,000.

AUTHORIZATION: Authorize the General Counsel to include other relevant terms and conditions in the written option document. Authorize the President and Secretary to execute the option document. Authorize the Director of Risk & Benefits Management to execute all ancillary documents required to administer or effectuate this first option agreement.

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 this vendor is merely a conduit of the funds and receives no payments under this transaction.

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

FINANCIAL: Charge to Risk & Benefits Management: $65,000 Fiscal Year: 2002
Budget Classification: 0963-215-000-7068-5490
Property Loss Reserve Fund: $40,000 Fiscal Year: 2002
Budget Classification: 0963-215-000-7066-5490

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 member 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 Rocha
Acting Chief Purchasing Officer

Within Appropriation:

Kenneth C. Gotsch
Chief Fiscal Officer

Approved:

Arne Duncan

Arne Duncan by PAT
Chief Executive Officer

Approved as to legal form: JW

Marilyn F. Johnson
General Counsel