

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

COMMITTEE ON FINANCE

MINUTES

Thursday, October 18, 2007

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MINUTES OF COMMITTEE ON FINANCE

225 Park Avenue South

New York, NY

Thursday, October 18, 2007

PRESENT:

Hon. Henry R. Silverman, Chair
Hon. Bruce A. Blakeman
Hon. David S. Steiner
Committee Members

Darrell B. Buchbinder, General Counsel
Karen E. Eastman, Secretary

Veronica Biddle, Assistant Director, Treasury
A. Paul Blanco, Chief Financial Officer
Pasquale DiFulco, Executive Communications Specialist, Media Relations, Public Affairs
Sandra E. Dixon, State Legislative Representative, Government and Community Affairs
Michael G. Fabiano, Deputy Chief Financial Officer/Comptroller
James E. McCoy, Manager, Board Management Support, Office of the Secretary
Anne Marie C. Mulligan, Treasurer

The Committee meeting was called to order by the Chair in public session, which began at 11:30 a.m. and ended at 11:38 a.m.

Action on Minutes

The Secretary reported that the Minutes of the meeting of May 24, 2007 had been signed and distributed to the Commissioners.

Whereupon, the Committee approved the Minutes of the meeting of May 24, 2007.

PURCHASE OF PUBLIC LIABILITY INSURANCE

It was recommended that the Committee on Finance authorize the purchase of public liability insurance with appropriate available limits, self-insured retentions and other terms, including coverage for loss arising from terrorist acts, for all facilities of the Port Authority and its wholly owned entities, for a one-year term commencing October 27, 2007, through the existing brokerage arrangement with Marsh USA Inc. (Marsh), at an estimated cost of \$27 million. This insurance is needed to protect the Port Authority and its wholly owned entities from financial loss attributable to third-party claims. The Executive Director, the Chief Financial Officer, the Director of Procurement or the Treasurer each would be authorized to take action to effectuate the purchase of insurance.

At its October 19, 2006 meeting, the Committee authorized the purchase of public liability insurance with appropriate limits, self-insured retentions and other terms, including coverage for terrorist acts, for all facilities of the Port Authority and its wholly owned entities for a one-year term effective October 27, 2006, at an estimated premium of \$30 million.

The current estimated cost of \$27 million for public liability insurance provides for the purchase of terrorism insurance coverage under the federal Terrorism Risk Insurance Extension Act of 2005 (TRIEA) through the insurance underwriters under the Port Authority public liability insurance program (Program) or through the Port Authority Insurance Captive Entity, LLC (PAICE). The estimated cost is inclusive of any premium that would be paid to PAICE, or to the insurance carriers.

The brokerage fee for Marsh to place and administer the Program for the October 27, 2007 to October 27, 2008 policy term, pursuant to the exercise by the Port Authority of the second of two one-year renewal options, based on satisfactory performance, under its brokerage services agreement with Marsh (authorized by the Committee at its March 31, 2005 meeting), is \$800,000. Various options have been discussed with Marsh and the underwriters in an effort to place the most comprehensive Program at the best available price through a combination of transferred and retained risk. The estimated premium reflects current market conditions as well as the Port Authority's experience, and assumes the purchase of insurance at the limits of the expiring Program. It is expected that the Port Authority will: (1) retain the underwriters that are presently providing coverage and solicit additional insurance companies to participate, to better leverage pricing of the insurance layers; and (2) utilize PAICE, the Port Authority's captive, on the Program, in order to gain additional capacity and pricing considerations, particularly with regard to terrorism coverage under TRIEA.

The Committee has authority to act in this matter under Article VIII, Section B(3) of the By-Laws.

Pursuant to the foregoing report, the following resolution was adopted by the Committee with Commissioners Blakeman, Silverman and Steiner voting in favor; none against:

RESOLVED, that the Executive Director, the Chief Financial Officer, the Director of Procurement or the Treasurer be and each hereby is authorized, for and on behalf of the Port Authority (and its wholly owned entities), to purchase public liability insurance for a one-year term commencing October 27, 2007, with appropriate available limits, self-insured retentions and other terms, including coverage for loss arising from terrorist acts, for all facilities of the Port Authority and its wholly owned entities, at an estimated premium of \$27 million; and it is further

RESOLVED, that all documents required to effectuate the foregoing shall be subject to review by General Counsel or his authorized representative.

Whereupon, the meeting was adjourned.

Secretary