

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

COMMITTEE ON FINANCE

MINUTES

Thursday, October 21, 2004

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THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

MINUTES OF COMMITTEE ON FINANCE

225 Park Avenue South

New York, NY

Thursday, October 21, 2004

PRESENT:

Hon. Anthony R. Coscia, Chair
 Hon. Bruce A. Blakeman
 Hon. David S. Steiner
 Hon. Angelo J. Genova, *pro tem*
 Committee Members

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

Veronica Biddle, General Manager, Risk Management, Treasury
 A. Paul Blanco, Acting Chief Financial Officer
 Timothy Castano, Senior Business Consultant, Office of the Chairman
 Arthur J. Cifelli, Acting Deputy Executive Director/Director, Government and
 Community Affairs
 Iran H. Engel, Assistant Treasurer
 Michael G. Fabiano, Comptroller
 Edward L. Jackson, Director, Financial Services
 James E. McCoy, Manager, Board Management Support, Office of the Secretary
 Anne Marie C. Mulligan, Treasurer
 Catherine F. Pavelec, Manager, Administration, Protocol and Executive Correspondence,
 Office of the Secretary
 Emery J. Ungrady, Deputy Chief of Staff

Guests

Mark Charron, Deloitte & Touche
 Kenneth J. Ringler, Jr.

The Committee meeting was called to order in executive session by the Chair at 11:08 a.m. and ended at 11:50 a.m.

Action on Minutes

The Secretary reported that the Minutes of the meeting of August 4, 2004 had been signed and distributed to the Commissioners.

Whereupon, the Committee approved the Minutes of the meeting of August 4, 2004.

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 subsidiaries, for a one-year term at an estimated premium cost of \$30 million. This insurance is needed to protect the Port Authority and its subsidiaries from financial loss attributable to third-party claims. The expiration date of the current coverage program is October 27, 2004. The Executive Director, the Chief Financial Officer or the Treasurer each would be authorized to take action to effectuate this insurance purchase.

At its meeting of October 25, 2001, the Committee authorized the Executive Director to renew the brokerage arrangement with Marsh, Inc. (March) for the public liability insurance program for a three-year period, subject to satisfactory performance, at an annual fee not to exceed \$400,000 and to purchase public liability insurance with appropriate limits, self-insured retentions and other terms, covering all operations of the Port Authority and its subsidiaries, for a one-year term effective October 27, 2001. The Committee subsequently authorized expenditures for public liability insurance on October 24, 2002 and October 23, 2003, respectively, corresponding to the final two years of the three-year brokerage arrangement renewal period.

On October 14, 2004, the New York Attorney General filed a lawsuit against Marsh & McLennan Companies, Inc. and Marsh, Inc. While staff has been monitoring the New York Attorney General's investigation of alleged fraudulent and anti-competitive practices in the insurance industry for some time with great concern, given the timing between the filing of this civil lawsuit against Marsh and the October 27, 2004 public liability insurance program expiration, replacement of Marsh at this point would not be practicable. Marsh has been advised that the Port Authority will be withholding all compensation on this placement until the Port Authority has further clarification of the issues raised by the lawsuit. Additionally, Marsh has also been advised that participation in the public liability insurance program by any of the insurance companies mentioned in the lawsuit should be limited to the greatest extent practicable.

In connection with this placement of the public liability insurance program, staff will take steps to terminate our relationship with Marsh and will pursue arrangements to have the program administered by another broker.

The Committee has power to act on this matter under Article XI, Section B of the By-Laws.

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

RESOLVED, that the Executive Director, the Chief Financial Officer or the Treasurer be and each hereby is authorized, for and on behalf of the Port Authority (and its wholly owned subsidiaries), to effectuate the purchase of public liability insurance for a one-year term commencing on October 27, 2004, 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 subsidiaries, at an estimated premium cost of \$30 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

Whereupon, the meeting was adjourned.

Secretary