

**THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY**

**COMMITTEE ON FINANCE**

**MINUTES**

**Thursday, October 24, 2002**

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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 24, 2002****PRESENT:**

Hon. Anastasia M. Song, Chair  
Hon. Charles Kushner, Vice-Chair  
Hon. Bruce A. Blakeman  
Hon. Alan G. Philibosian  
Hon. Henry R. Silverman  
Committee Members

Joseph J. Seymour, Executive Director  
Jeffrey S. Green, General Counsel  
Karen E. Eastman, Secretary

A. Paul Blanco, Acting Chief, Planning and Development  
Bruce D. Bohlen, Treasurer  
Darrell B. Buchbinder, Deputy General Counsel  
William R. DeCota, Director, Aviation  
Michael R. DeCotiis, Deputy Executive Director  
Lawrence S. Hofrichter, Deputy General Counsel  
Charles F. McClafferty, Chief Financial Officer  
Annemarie C. Mulligan, Assistant Treasurer  
James E. McCoy, Senior Administrator, Office of the Secretary  
Emil J. Petrick, General Manager, Risk Management, Treasury  
Edmond F. Schorno, Chief of Staff  
Margaret L. Zoch, Comptroller

**Guests:**

Mark Charron, Deloitte & Touche LLP  
Noreen Giblin, Authorities Unit, Office of the Governor of New Jersey

The Committee meeting was called to order in executive session by the Chair at 10:35 a.m. and the meeting ended at 11:48 a.m.

**Action on Minutes**

The Secretary reported that the Minutes of the meeting of May 30, 2002 had been signed and distributed to the Commissioners.

Whereupon, the Committee unanimously approved the Minutes of May 30, 2002.

## **PURCHASE OF PUBLIC LIABILITY INSURANCE**

It was recommended that the Committee on Finance authorize the Executive Director to purchase public liability insurance with appropriate limits, deductibles and other terms, including coverage for terrorist acts, covering all operations of the Port Authority and its subsidiaries, for a one-year term effective October 27, 2002, the expiration date of the current coverage program, at a premium cost not to exceed \$24 million, unless any additional premium cost is approved by the Chair of the Committee on Finance.

At its meeting of October 25, 2001, the Committee authorized the Executive Director to renew the brokerage arrangement with Marsh, Inc. 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 at a premium cost estimated at \$20 million. The actual cost of the coverage then placed, including separate terrorism coverage and the broker's fee, was \$17.3 million.

Despite some stabilization within the liability insurance marketplace, insurance costs continue to rise. The unprecedented losses experienced by insurers across all lines of insurance as a result of the terrorist attacks of September 11, 2001 continue to impact the markets, shrinking capacity, eliminating or curtailing coverage, and calling attention to Port Authority operations. At the request of the Committee, Deloitte & Touche was retained to do a quantitative review of the Port Authority's risk exposures and explore alternative options to the current program prior to presentation by staff of the instant recommendation, and a presentation of the consultant's findings has been made to the Committee. The overall goal of staff in reviewing and negotiating this coverage has been to secure the appropriate protection for the Port Authority and its subsidiaries at a cost that makes economic sense.

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, Kushner, Philibosian, Silverman and Song voting in favor; none against:

**RESOLVED**, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority (and its wholly owned subsidiaries), to purchase public liability insurance with appropriate available limits, deductibles and other terms, including coverage for terrorist acts, covering all operations of the Port Authority and its subsidiaries, for a one-year term effective October 27, 2002, the expiration date of the current coverage program, at a premium cost not to exceed \$24 million, with any additional premium cost subject to the approval of the Chair of the Committee on Finance; 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.

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Secretary