

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

COMMITTEE ON FINANCE

MINUTES

Thursday, May 29, 2003

	Page
Action on Minutes	1
Purchase of Property Damage and Loss of Revenue Insurance	2

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY**MINUTES OF COMMITTEE ON FINANCE****225 Park Avenue South****New York, NY****Thursday, May 29, 2003****PRESENT:**

Hon. Anastasia M. Song, Chair
Hon. Bruce A. Blakeman
Hon. Henry R. Silverman
Hon. David S. Steiner
Hon. Anthony R. Coscia, *ex officio*
Committee Members

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

Bruce D. Bohlen, Treasurer
Darrell B. Buchbinder, Deputy General Counsel
Timothy Castano, Senior Business Consultant, Office of the Chairman
Edward L. Jackson, Director, Financial Services
Robert F. Lurie, Senior Policy Advisor, Office of the Chairman
Charles F. McClafferty, Chief Financial Officer
Annemarie C. Mulligan, Assistant Treasurer
James E. McCoy, Manager, Board Management Support, Office of the Secretary
Michael A. Petralia, Chief of Public and Government Affairs
Edmond F. Schorno, Chief of Staff

Guests:

Paul Fader, Authorities Unit, Office of the Governor of New Jersey
Jay Hector, New York Empire State Development Corporation

The Committee meeting was called to order in executive session by the Chair at 10:37 a.m. and the meeting ended at 12:08 p.m.

Action on Minutes

The Secretary reported that the Minutes of the meeting of October 24, 2002 had been signed and distributed to the Commissioners.

Whereupon, the Committee unanimously approved the Minutes of October 24, 2002.

PURCHASE OF PROPERTY DAMAGE AND LOSS OF REVENUE INSURANCE

It was recommended that the Committee on Finance authorize: (i) the purchase of property damage and loss of revenue insurance (the Insurance) with appropriate available limits, deductibles and other terms, including coverage for terrorist acts, for all property of the Port Authority and its subsidiaries, for a one-year term effective June 1, 2003, the expiration of the current coverage program, at an estimated premium cost of \$20 million; and (ii) payment of a brokerage fee not to exceed \$400,000 to Willis of New York, Inc. (Willis) in connection with the purchase of this Insurance. The Executive Director, the Chief Financial Officer or the Treasurer would each be authorized to take action to effectuate the Insurance purchase.

At its meeting of April 27, 2000, the Committee authorized the purchase of property damage and loss of revenue insurance through broker Willis for a three-year period, effective June 1, 2000, with appropriate coverage limits, self-insured retentions, and other terms (the Three-Year Program), at a first-year premium not to exceed \$5.5 million (subject to further Committee authorization of premium expenditures for the second and third years of coverage) and a broker fee not to exceed \$1.2 million over three years. Willis was chosen through a publicly advertised Request for Proposal process. The actual premiums paid for the three years of coverage were \$4.75 million, \$6.06 million and \$12.201 million, respectively. Also in the third year, another \$25 million of terrorism insurance coverage was purchased separately for an additional \$2.5 million.

It was agreed, at the November 30, 2000 meeting of the Committee, that at the expiration of the Three-Year Program on June 1, 2003, there would be a three-year renewal of that program (the Three-Year Renewal Program) with the current broker, Willis, assuming satisfactory performance. At the present time, it was the recommendation of staff to seek authorization solely with respect to the first year of the Three-Year Renewal Program.

The estimated premium reflects the continuance of a very difficult insurance market for the Port Authority. Discussions with brokers have revealed that although the insurance market as a whole has stabilized, there remains limited capacity with respect to “target risks” such as properties of the Port Authority and its subsidiaries. Notwithstanding the present insurance environment and the unique problems the Port Authority exposures present to the insurers, it is presently expected that the Port Authority can persuade additional insurers to participate in the Three-Year Renewal Program, so as to enable the Port Authority to accomplish its continuing goal of protecting against financial loss attributable to damage to its properties and resultant loss of revenue.

The Committee has power to act in 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, Silverman, Song and Steiner voting in favor; none against:

RESOLVED, that the purchase of property damage and loss of revenue insurance with appropriate available limits, deductibles and other terms, including coverage for terrorist acts, for all property of the Port Authority and its subsidiaries, for a one-year term effective June 1, 2003, the expiration of the current coverage program, at an estimated premium cost of \$20 million, and the payment of a brokerage fee not to exceed \$400,000 to Willis of New York, Inc. in connection with the purchase of this insurance, be and it hereby is authorized; and it is further

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, to take action to effectuate the foregoing; 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