THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

COMMITTEE ON FINANCE
MINUTES
Thursday, May 24, 2007

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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 24, 2007

PRESENT:

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

Karen E. Eastman, Secretary

Veronica Biddle, General Manager, Risk Management, Treasury
A. Paul Blanco, Chief Financial Officer
James E. McCoy, Manager, Board Management Support, Office of the Secretary
Anne Marie C. Mulligan, Treasurer

Guest:
Sonia Frontera, Authorities Unit, Office of the Governor of New Jersey

The Committee meeting was called to order by the Chair in executive session, which began at 11:30 a.m. and ended at 11:41 a.m.

Action on Minutes

The Secretary reported that the Minutes of the meeting of February 22, 2007 had been signed and distributed to the Commissioners.

Whereupon, the Committee approved the Minutes of the meeting of February 22, 2007.

PURCHASE OF PROPERTY DAMAGE AND LOSS OF REVENUE INSURANCE

It was recommended that the Committee on Finance authorize the purchase of property damage and loss of revenue insurance (Insurance) through the broker Marsh USA, Inc. (Marsh), with appropriate available limits, deductibles, retentions and other terms, including coverage for loss arising from acts of terrorism, for all properties of the Port Authority and its wholly owned entities for a one-year term effective June 1, 2007, at an estimated cost of $31 million. The Port Authority's property damage and loss of revenue insurance program (Program) is necessary to provide protection to the Port Authority and its wholly owned entities from financial loss attributable to damage to its owned and leased properties and resultant loss of revenue. The Executive Director, the Chief Financial Officer, the Director of Procurement or the Treasurer each would be authorized to take action to effectuate the Insurance purchase.

At its February 23, 2006 meeting, the Committee authorized a brokerage agreement with Marsh to place and administer the Program for a three-year period commencing with the June 1, 2006 to June 1, 2007 policy term, with the use of Marsh brokerage services subject to annual approval based on satisfactory performance. Marsh would receive a brokerage fee of $600,000 for placement and administration of the Program for the June 1, 2007 to June 1, 2008 policy term, in this second year of its three-year brokerage agreement. Marsh received a brokerage fee of $575,000 for the first year of its brokerage agreement.

Under the Program, Insurance for the June 1, 2006 through June 1, 2007 term was obtained pursuant to Committee authorization at its meeting of May 25, 2006, at a limit of $600 million (wind and terrorism risk capacity of $250 million) with deductible levels of $5 million per occurrence and $25 million in the aggregate, for all properties of the Port Authority and its wholly owned entities, at an estimated cost of $31 million. The estimated $31 million cost for continuation of the Program for a one-year policy term commencing June 1, 2007 is inclusive of any premium payments that would be made to the Port Authority Insurance Captive Entity, LLC for terrorism coverage under the federal Terrorism Risk Insurance Extension Act of 2005, as well as premiums paid to the commercial market, and it reflects present insurance market conditions and increases in capacity. Staff discussions with the broker have revealed that the property insurance market capacity remains limited, particularly with respect to properties of the Port Authority and its wholly owned entities.

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, Silverman and Steiner voting in favor; none against:

> **RESOLVED,** that the purchase of property damage and loss of revenue insurance, including coverage for losses arising from acts of terrorism, for all property of the Port Authority and its wholly owned entities, for a one-year term effective June 1, 2007, at an estimated premium cost of $31 million,

substantially in accordance with the terms outlined to the Committee, be and it hereby is authorized; and it is further

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, 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.

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Secretary