

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

**COMMITTEE ON FINANCE
MINUTES**

Thursday, May 31, 2012

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MINUTES OF COMMITTEE ON FINANCE

225 Park Avenue South

New York, NY

Thursday, May 31, 2012

PRESENT:

Hon. William P. Schuber, Vice-Chair

Hon. Jeffrey H. Lynford

Hon. Jeffrey A. Moerdler

Hon. Raymond M. Pocino

Committee Members

Hon. Scott H. Rechler

Commissioner

Patrick J. Foye, Executive Director

William Baroni, Jr., Deputy Executive Director

Darrell B. Buchbinder, General Counsel

Heavyn-Leigh American, Associate Board Management Support Specialist, Office of the Secretary

Veronica M. Biddle, Assistant Treasurer

Michael G. Fabiano, Chief Financial Officer

James E. McCoy, Manager, Board Management Support, Office of the Secretary

Anne Marie C. Mulligan, Treasurer

Kevin Tomafsky, Staff External Relations Representative, Government and Community Affairs

David M. Wildstein, Director, Interagency Capital Projects, Office of the Deputy Executive Director

Guest:

Nicole Crifo, Assistant Counsel, Authorities Unit, Office of the Governor of New Jersey

The Committee meeting was called to order in public session by Commissioner Schuber at 8:02 a.m. and ended at 8:09 a.m.

Action on Minutes

General Counsel reported that the Minutes of the meeting of October 20, 2011 had been signed and distributed to the Commissioners.

Whereupon, the Committee approved the Minutes of the meeting of October 20, 2011.

PURCHASE OF PROPERTY DAMAGE AND LOSS OF REVENUE INSURANCE

It was recommended that the Committee on Finance (Committee) authorize the purchase of property damage and loss of revenue insurance (Property Insurance), through the broker Marsh USA, Inc. (Marsh), with the appropriate available limits, deductibles, retentions and other terms, including coverage for losses arising from acts of terrorism, for all owned and leased properties of The Port Authority of New York and New Jersey and its related entities (collectively, the Port Authority) for a one-year term effective June 1, 2012, at an estimated cost of approximately \$26.645 million. The Property Insurance program is necessary to provide protection to the Port Authority against financial loss attributable to damage to its owned and leased properties and resultant loss of revenues. The Executive Director, the Chief Financial Officer, the Director of Procurement and the Treasurer each would be authorized to effectuate the Property Insurance purchase.

At its February 19, 2009 meeting, the Committee authorized a brokerage agreement with Marsh for a three-year term effective March 1, 2009, to provide brokerage services, including placement and administration, for the Property and Public Liability insurance programs, subject to annual approval based on satisfactory performance, at a total combined fee of \$2,331,491. The Port Authority exercised the option to extend the agreement with Marsh for an additional three-year term, at a total broker's fee of \$2,516,182, effective March 1, 2012.

At its meeting on May 25, 2011, the Committee authorized staff to purchase Property Insurance through Marsh, with appropriate available limits, deductibles, self-insured retentions and other terms, including coverage for losses arising from acts of terrorism, for all owned and leased properties of the Port Authority for a one-year term effective June 1, 2011, at an estimated cost of \$28 million. The Property Insurance program subsequently was placed at a total premium of \$26.7 million.

Various options have been discussed with Marsh and underwriters in an effort to place the most comprehensive program at the best available price, through a combination of risk transfer and risk retention strategies. The estimated premium assumes the purchase of Property Insurance at or about \$1.518 billion in all-risk limits, with deductible levels of \$5 million per occurrence and \$25 million in the aggregate, for all owned and leased properties of the Port Authority. The estimated program cost also provides for the purchase of terrorism coverage under the federal Terrorism Risk Insurance Program Reauthorization Act of 2007 through the Port Authority Insurance Captive Entity, LLC.

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 Committee adopted the following resolution, with Commissioners Lynford, Moerdler, Pocino and Schuber voting in favor. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Committee being present.

RESOLVED, that the purchase of property damage and loss of revenue insurance, including coverage for losses arising from acts of terrorism, for all owned and leased properties of the Port Authority and its related entities, for a one-year term effective June 1, 2012, at an estimated cost of approximately \$26.645 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 and 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.

General Counsel