

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

**COMMITTEE ON FINANCE  
MINUTES**

**Thursday, December 10, 2015**

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

**MINUTES OF COMMITTEE ON FINANCE**

**2 Montgomery Street**

**Jersey City, NJ**

**Thursday, December 10, 2015**

**PRESENT:**

Hon. Richard H. Bagger, Chair

Hon. Jeffrey H. Lynford, Vice-Chair

Hon. Hamilton E. James

Hon. Kenneth J. Lipper

Committee Members

Hon. Steven M. Cohen

Hon. John J. Degnan

Hon. Michael D. Fascitelli

Hon. George R. Laufenberg

Hon. Scott H. Rechler

Hon. David S. Steiner

Commissioners

Patrick J. Foye, Executive Director

Richard Holwell, General Counsel

Karen E. Eastman, Secretary

Ana M. Carvajalino, Assistant Director, Forecasting and Financial Planning,  
Management and Budget

Nicole Crifo, Senior Advisor to the Chairman

Sean Fitzpatrick, Chief of Staff to the Chairman

David P. Garten, Senior Advisor to the Vice Chairman

Portia Henry, Executive Policy Analyst, Special Panel Implementation Office

Sherien N. Khella, Financial Advisor to the Chief Financial Officer

William Laventhal, Executive Policy Analyst, Office of the Executive Director

John H. Ma, Chief of Staff to the Executive Director

Michael G. Massiah, Chief, Capital Planning, Execution and Asset Management

Elizabeth M. McCarthy, Chief Financial Officer

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

Carlene V. McIntyre, Assistant General Counsel

Steven P. Plate, Deputy Chief, Capital Planning/Director, World Trade Center Construction

Alan L. Reiss, Deputy Director, World Trade Center Construction

Jessica Russ, Principal Board Management and Support Specialist, Office of the Secretary

Timothy G. Stickelman, Assistant General Counsel

Lillian D. Valenti, Chief Procurement and Contracting Officer  
Ian R. Van Praagh, Acting Director, Government and Community Affairs, New York  
Cheryl A. Yetka, Treasurer

Guests:

Amy Herbold, Assistant Counsel, Authorities Unit, Office of the Governor of New Jersey  
Michael Wojnar, Special Assistant for Intergovernmental Affairs, Office of the Governor  
of New York

The Committee meeting was called to order in executive session by Commissioner Bagger at 9:50 a.m. and was adjourned at 10:14 a.m. The Committee also met in public session after the executive session.

**Action on Minutes**

The Secretary reported that the Minutes of the meeting of September 24, 2015 had been signed and made available to the Commissioners.

Whereupon, the Committee approved the Minutes of the meeting of September 24, 2015.

**WORLD TRADE CENTER SITE – EXTENSION OF OWNER-CONTROLLED INSURANCE PROGRAM – BUILDERS’ RISK, ENVIRONMENTAL AND TERRORISM COVERAGES (CONFIDENTIAL)**

It was recommended that the Committee on Finance (Committee) authorize the purchase of an extension of the Builders’ Risk, Environmental and Terrorism coverage components of the project-specific World Trade Center Owner-Controlled Insurance Program (WTC-OCIP), through the broker, Willis Group Holdings (Willis), with appropriate available limits, alternate risk financing approaches, and other terms, including coverage for all losses arising out of the construction of all Port Authority-managed projects at the World Trade Center (WTC) site that are currently provided insurance coverage through the WTC-OCIP, for a three-year term, effective December 31, 2015, at an estimated total premium of \$3 million.

The WTC-OCIP provides General Liability, Workers’ Compensation, Builders’ Risk, Environmental, and Terrorism protection to the Port Authority and its contractors and subcontractors working at the WTC site on Port Authority projects. The Builders’ Risk, Environmental and Terrorism policies are due to expire on December 31, 2015. Based on the updated construction schedule of Port Authority-managed projects, which extends beyond the duration of the existing WTC-OCIP coverage (with elements of the construction currently forecast to be completed as far into the future as June 2018), it is necessary to extend the insurance program for a term concurrent with the construction schedule, in order to continue to protect the Port Authority from financial loss arising from the construction.

At its July 28, 2005 meeting, the Board authorized the procurement of insurance coverage for the WTC Transportation Hub (WTC Hub) Project as part of the project authorization. On December 8, 2005, the Committee authorized the purchase of environmental insurance coverage for losses arising from environmental exposures for the WTC Hub, with a five-year term, effective December 31, 2005, at an estimated cost of \$2,557,698. At its February 23, 2006 meeting, the Committee authorized the purchase of a WTC-OCIP, including coverage for General Liability, Workers’ Compensation, Builders’ Risk, and Terrorism, for a five-year term, effective January 31, 2006, at an estimated cost of \$103,406,593. In subsequent Committee actions through December 7, 2010, the Committee authorized coverage for additional Port Authority-managed construction projects at the WTC site and an extension of these coverages, at an estimated total premium of \$217,519,000.

At its meeting of September 24, 2015, the Committee authorized a brokerage agreement with Willis for a three-year term, for the provision of brokerage services, including placement and administration for the WTC-OCIP, at a total estimated fee of \$2.4 million, with a Port Authority option to extend the agreement for a two-year period, at an additional estimated fee of \$600,000. At that meeting, the Committee also authorized the purchase of an extension of the General Liability and Worker’s Compensation components of the WTC-OCIP, which were due to expire on October 31, 2015, through Willis, for all losses arising out of the construction of all Port Authority-managed projects at the WTC site that are currently provided insurance coverage through the WTC-OCIP, for a 39-month term, effective October 31, 2015, at a total estimated premium not to exceed \$32 million. At that time, the Committee was advised that it was anticipated that the total cost for this coverage would be significantly less than the reported estimated premium.

The estimated premium for the extension of the Builders’ Risk, Environmental and Terrorism coverage reflects the extended duration of all Port Authority-managed projects at the WTC site that are currently provided insurance coverage through the WTC-OCIP and their “hard cost” construction

value, the current construction insurance environment in New York, and the specific risks and exposures to the Port Authority at the WTC site. It is in the agency's best interest to utilize a combination of risk transfer and retention strategies to achieve the most comprehensive program available for the WTC site at the most competitive pricing. As part of this approach, the Port Authority will review the current limits of coverage on the policies in view of the work remaining to be completed. To place the program, the Port Authority is seeking to retain the underwriters that are presently providing coverage and solicit additional insurance companies to participate, to better leverage pricing of the insurance layers. The use of the Port Authority's captive insurance entity (Port Authority Insurance Captive Entity LLC) also could offer cost benefits without increasing risk to the Port Authority. The integration of self-insured retentions on various aspects of the program also has been considered as part of the extension. The total estimated cost anticipated for this coverage is not to exceed \$3 million.

The Committee has power to act in this matter under and pursuant to the By-Laws and its Charter.

The final terms of the WTC-OCIP placement for the Builders' Risk, Environmental and Terrorism coverages shall remain confidential, in order to avoid negatively impacting the cost of future placements of insurance, including the presently proposed WTC-OCIP insurance placement.

Pursuant to the foregoing report, the following resolution was adopted by the Committee in executive session with Commissioners Bagger, James, Lipper and Lynford voting in favor. Assistant 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 an extension of the Builders' Risk, Environmental and Terrorism coverage components of the project-specific World Trade Center Owner-Controlled Insurance Program (WTC-OCIP), through the broker Willis Group Holdings, including coverage for all losses arising out of the construction of all Port Authority-managed projects at the World Trade Center site that are currently provided insurance coverage through the WTC-OCIP, for a three-year term, effective December 31, 2015, at an estimated total premium not to exceed \$3 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 and the Treasurer be and each hereby is authorized, individually, for and on behalf of the Port Authority, to take any other action necessary 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.

## **PURCHASE OF DIRECTORS AND OFFICERS LIABILITY INSURANCE**

It was recommended that the Committee on Finance (Committee) authorize the Executive Director, the Chief Financial Officer, the Treasurer, and the Chief Procurement Officer, each individually, to purchase Directors and Officers liability insurance coverage (D&O Insurance) covering commissioners, directors and officers of the Port Authority and its component units, through the broker, Beecher Carlson Insurance Services, LLC (Beecher Carlson), for a one-year term effective December 31, 2015.

In 2014, the Board requested that staff maintain D&O Insurance coverage, consistent with private industry practice. Following discussions with the Board, the Treasurer retained Beecher Carlson, via a competitively procured Request for Proposals process, to serve as the broker in connection with the placement of the D&O Insurance. At its meeting of December 10, 2014, the Committee authorized the purchase of D&O Insurance covering commissioners, directors and officers of the Port Authority and its component units for non-indemnified losses, for a one-year term effective December 31, 2014, with a policy limit of \$100 million.

The currently proposed renewal of the D&O Insurance would provide for the same coverage as the expiring policy.

The Committee has power to act in this matter under and pursuant to the By-Laws and its Charter.

Pursuant to the foregoing report, the following resolution was adopted by the Committee with Commissioners Bagger, James, Lipper and Lynford. Assistant 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 Directors and Officers liability insurance covering commissioners, directors and officers of the Port Authority and its component units, through the broker, Beecher Carlson Insurance Services, LLC, for a one-year term effective December, 31 2015, 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 Treasurer, and the Chief Procurement Officer be and each hereby is authorized, individually, 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