

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

**COMMITTEE ON FINANCE
MINUTES**

Thursday, May 28, 2009

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MINUTES OF COMMITTEE ON FINANCE

225 Park Avenue South

New York, NY

Thursday, May 28, 2009

PRESENT:

Hon. Henry R. Silverman, Chair
Hon. H. Sidney Holmes III
Hon. David S. Steiner, *pro tem*
Committee Members

Darrell B. Buchbinder, General Counsel
Karen E. Eastman, Secretary

Veronica M. Biddle, Assistant Treasurer
A. Paul Blanco, Chief Financial Officer
James E. McCoy, Manager, Board Management Support, Office of the Secretary
Sanjay S. Mody, Advisor to the Chairman
Christopher J. Mohr, Senior Board Management Support Specialist, Office of the Secretary
Anne Marie C. Mulligan, Treasurer
Jessica Schultz, Senior Government Community Affairs Manager, Government and
Community Affairs

Guest:

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

The Committee meeting was called to order by the Chair at 10:09 a.m. and ended at 10:14 a.m.

Action on Minutes

The Secretary reported that the Minutes of the meeting of April 30, 2009 had been signed and distributed to the Commissioners.

Whereupon, the Committee approved the Minutes of the meeting of April 30, 2009.

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 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 of New York and New Jersey and its wholly owned entities (collectively, the Port Authority) for a one-year term effective June 1, 2009, at an estimated cost of \$28 million. The Property Insurance program is necessary to provide protection to the Port Authority against potential 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 or the Treasurer each would be authorized to take action 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 will have the option to extend the agreement with Marsh for an additional three-year term, at a total broker's fee of \$2,516,182.

At its meeting on May 22, 2008, the Committee authorized staff to purchase Property Insurance through Marsh, with appropriate available limits, deductibles, retentions and other terms, including coverage for loss arising from acts of terrorism, for all owned and leased properties of the Port Authority and its wholly owned entities for a one-year term effective June 1, 2008, at an estimated cost of \$28 million. The Property Insurance program subsequently was placed at a total premium of \$27.4 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 insurance at or about \$1.24 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 Terrorism Risk Insurance Program Reauthorization Act of 2007 through the Port Authority Insurance Captive Entity, LLC.

The Committee has the power to act in this matter under Article VIII, Section B (3) of the By-Laws.

Pursuant to the foregoing report, the following resolution was adopted by the Committee with Commissioners Holmes, 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 owned and leased properties of the Port Authority and its wholly owned entities, for a one-year term effective June 1, 2009, at an estimated premium cost of \$28 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.

Secretary