

**The Port Authority of New York and New Jersey**  
**Committee on Finance Meeting Transcripts**  
**October 20, 2011**

[A. Mulligan] ....terrorism is also included in this program. This slide presents a summary of the expiring program and renewal options available for the aviation portion of the Liability Program-- including the Aviation War Risk Terrorism Coverage, which protects the Port Authority airports. The expiring limits of coverage are \$1.25 billion, per occurrence and in the aggregate, for both aviation general liability and aviation war risk; with a \$3 million self-insured retention for the general liability, and no retention for the war risk. For the renewal, three different coverage limits were marketed, with various retentions, in order to provide the Committee with renewal options. As shown, the delivery of coverage and risk retained influences overall premium cost. Option 1 provides a \$1.25 billion as expiring limit-- with a \$3 million or a \$5 million self-insured retention-- while Options 2 and 3 provide lower limits of \$1 billion and \$750 million per occurrence, respectively-- with the same retention options. The self-insured retention--from \$3 million to \$5 million-- will result in slightly reduced premiums, while increasing the Port Authority's financial exposure to losses. Staff and Marsh are continuing to work vigorously in negotiating a reduction for cost of this program, up to the October 27 renewal date. Based on the recommendation of the Insurance Working Group's consultant, the insurance underwriters on the Aviation Program have also quoted \$50 million of general liability coverage over the Port Authority's Construction Insurance Program, for an additional premium of \$95,000. This amount's not reflected in the premium estimates above. This \$50 million of coverage would be in excess of the primary \$50 million on the Construction Insurance Program for all Port Authority-responsible construction projects taking place at the Agency's airports. As a result of discussion with the Insurance Working Group, it's recommended that, on the aviation portion of the program, we go forward with the renewal program similar to the expiring limits; that we also take the additional \$50 million of the excess coverage to sit on top of the Master Construction Insurance Program; and staff was also requested to work with Marsh-- to see if there would be available limits in the market-- additional market capacity, at reasonable rates-- above the \$1.25 billion coverage. Moving on to the non-aviation portion of the program-- this slide shows the current expiring program and 2 renewal options. The current limits on the Non-aviation General Liability Program are \$1 billion per occurrence and in the aggregate limit, in excess of a \$5 million per occurrence deductible. The Port Authority continues to retain 30 percent of the first \$25 million layer-- or \$7.5 million--in self-insured retention from the purchase coverage. The expiring Non-aviation Terrorism Program provides \$300 million of capacity through the Terrorism Risk Insurance Program Reauthorization Act of 2007. This coverage is purchased through the Port Authority's Insurance Captive Entity, PA-ICE. For the renewal, 2 options received quotes from the market. Specifically, the expiring structure could be renewed or the Agency could renew the program at a reduced liability limit of \$750 million per occurrence, for a reduced premium anticipated at about \$14 million. The TRIPRA coverage would remain at \$300 million for either option. For this portion of the program--the Non-aviation-- the market was not able to quote excess liability coverage for the Master CIP. However, on this portion of the Program, as well, it was recommended that staff pursue additional limits-- above the expiring program--over the next week, with Marsh-- if the capacity is available, and it's at reasonable rates. Shown here, is a summary of the Public Liability Program with both the expiring program, as well as the program that's recommended to put in place. If it's possible, we would confer with the Chairman of the Committee-- if additional limits above the expiring programs are available between now and next week. But we would request authorization to place these programs, at these levels, at a minimum. The

estimated premium for this is approximately \$20.5 million, flat to last year.

[Chair H. Silverman] Okay--are you done, Annemarie?

[A. Mulligan] Yes.

[Chair H. Silverman] I think the way it works is we have a motion, and then we have questions.

[Comm. R. Pocino] I move it, Mr. Chairman.

[Chair H. Silverman] Second?

[All Commissioners] Second.

[Chair H. Silverman] Now we go to the (inaudible) ...questions. Does anyone have any questions, comments, or anything they want to speak to anybody about?

[Vice-Chair W. Schuber]: I wanted to know if I could get a copy of the Powerpoint on this, please?

[A. Mulligan] Certainly, Commissioner.

[Comm. A. Sartor] Yeah, there were 3 members of the Insurance Working Group here, as a matter of fact, and we did meet yesterday afternoon via conference call. I do want to advocate spending the extra \$95,000 for the \$50 million of additional coverage.

[Chair H. Silverman] So directed, please?

[A. Mulligan] Certainly.

[Chair H. Silverman] And with that, we'll take a vote. All in favor?

[All Commissioners] Aye.

[Chair H. Silverman] So the motion--your resolution--is granted, with the additional \$95,000 premium for the additional \$50 million of coverage.

[A. Mulligan] Thank you.

[Chair H. Silverman] Thank you--okay, that concludes the public portion of our meeting. The Committee will now adjourn to Executive Session to discuss matters involving ongoing negotiations over use of contracts or proposals.