

The Port Authority of New York and New Jersey
Committee on Finance Meeting Transcripts
May 31, 2012

[Comm. Schuber] Today's meeting of the Committee on Finance is being held in public session in its entirety. In addition, the meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet. Today, for action, we have a report from Anne Marie Mulligan on purchase of property damage and loss of revenue insurance. I think a memo on this has been distributed to all the members before. Ms. Mulligan.

[A. Mulligan] Good morning, Commissioners. At today's meeting, I'm seeking the committee's authorization to renew the property damage and loss of revenue insurance program for 1 year effective June 1, 2012, at a total estimated premium of \$26.645 million. This program protects the Port Authority's owned and leased property from physical damage or loss including coverage for losses arising from acts of terrorism. It also covers business interruption claims which includes loss of revenue. The broker, Marsh, continues to provide service under its existing brokerage agreement. The committee approved the selection of Marsh in February 2009 after staff completed a competitive request for proposal process to select a single broker for both this program and the public liability insurance program. This slide provides a summary of the expiring program and the anticipated coverage at renewal. As part of the continuing dialog with the committee on insurance matters and the insurance working group, staff has furnished periodic updates about the renewal and marketing efforts on the program. The memo provided to the committee on February 6, detailed the agency's risk profile, property market overview, and the preliminary marketing strategy. A follow-up status memo provided on May 11, outlined factors influencing this transitional insurance market that could increase overall cost of coverage and mitigation efforts taken to minimize any pricing impacts to the agency. On May 29, an email advised of the status of the property program, and we will now present the final proposed program as shown on the slide. As a result of significant market negotiations, the use of PAICE, the elimination of Berkshire Hathaway, our clean 10-year loss history, and the introduction of approximately \$285 million in new and expanded capacity to the program, Marsh and staff were successful in increasing the overall program limit to \$1.518 billion from \$1.425 billion of all-risk coverage per occurrence. The total premium for the anticipated program is approximately \$26.645 million. This is a net gain of \$93 million in coverage while reducing net premium by almost \$55,000 over the expiring program. Similar to the expiring program, the renewal limit remains in excess of a \$5 million deductible and an aggregate \$ 25 million self-insured retention. Further, the terrorism program will also have an increased limit of \$1.518 billion to match the all-risk program. The program provides terrorism risk insurance program reauthorization act, TRIPRA coverage of \$1.58 billion provided through PAICE and the stand alone commercial market. A \$25 million sublimit for biological and chemical terrorism risk is included in the commercial market coverage. The expiring program carried a premium of \$26.7 million, which included terrorism coverage up to the full limit of the program. At renewal tomorrow, the total premium will be approximately \$26.645 million for the above limits and deductibles. Based on the above, we request that the committee authorize the purchase of the property damage and loss of revenue insurance program for 1 year effective June 1, 2012, with the foregoing terms and conditions.

[Comm. Schuber] Thank you very much. Any questions from members of the board? Jeff?

[Comm. Lynford] One comment, which just is I want to compliment the staff and the broker team for moving this in exactly the direction that I think this committee wants which is to increase our top-end limits of coverage wherever possible and combine that ideally with some cost savings. This is the best of both worlds in that sense, and my compliments to the staff and the brokerage team. [A. Mulligan] Thank you, Commissioner.

[Vice Chair W. Schuber] Do you have any problems with this coverage as far as it being enough?

[D. Buchbinder] No, sir. I think it's fine.

[Comm. Schuber] Mr. Foye?

[P. Foye] No, I agree with counsel.

[Comm. Schuber] I think having viewed the memo on this prior to the meeting, the staff has done a tremendous job in making this happen. Clearly this is something I wish we didn't have to have, but clearly experience has taught us painfully that we do. The fact that we've reduced the premium and increased the coverage speaks volumes with regard to it. Is there a motion?

[Comm. Pocino] I move to approve. Motion to approve. Second?

[Comm. Moerdler] Second. All in favor?

[Committee Members] Aye. Opposed? So ordered.

[A. Mulligan] Thank you.

[Comm. Schuber] There being no further business, the meeting stands adjourned. Thank you.