

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

COMMITTEE ON FINANCE

MINUTES

Thursday, May 25, 2006

Action on Minutes	1
Purchase of Property Damage and Loss of Revenue Insurance	2

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MINUTES OF COMMITTEE ON FINANCE

225 Park Avenue South

New York, NY

Thursday, May 25, 2006

PRESENT:

Hon. Henry R. Silverman, Chair

Hon. Bruce A. Blakeman

Hon. David S. Steiner

Committee Members

Darrell B. Buchbinder, General Counsel

Karen E. Eastman, Secretary

Gwendolyn Archie, Senior Administrator, Office of the Secretary

Matthew A. Baratz, Assistant Director, Office of Business Development

Veronica Biddle, General Manager, Risk Management, Treasury

A. Paul Blanco, Chief Financial Officer

Francis A. DiMola, Director, Real Estate

Iran H. Engel, Assistant Treasurer

Michael G. Fabiano, Deputy Chief Financial Officer/Comptroller

Francis J. Lombardi, Chief Engineer

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

Anne Marie C. Mulligan, Treasurer

Stephen Sigmund, Senior Policy Advisor, Office of the Deputy Executive Director

Guest

Mark Charron, Deloitte Consulting LLP

The Committee meeting was called to order in executive session by the Chair at 11:42 a.m. and ended at 12:22 p.m. Commissioner Coscia was present for a portion of the meeting.

Action on Minutes

The Secretary reported that the Minutes of the meeting of April 26, 2006 had been signed and distributed to the Commissioners.

Whereupon, the Committee approved the Minutes of the meeting of April 26, 2006.

PURCHASE OF PROPERTY DAMAGE AND LOSS OF REVENUE INSURANCE

It was recommended that the Committee on Finance authorize the purchase of property damage and loss of revenue insurance (Insurance) at a limit of \$600 million (wind and terrorism risk capacity of \$250 million), with deductible levels of \$5 million per occurrence and \$25 million in the aggregate, for all properties of the Port Authority and its wholly owned corporate entities for a one-year term effective June 1, 2006, at an estimated cost of \$31 million. Insurance purchased under the Port Authority's property damage and loss of revenue insurance program (Program) is necessary to provide protection to the Port Authority and its wholly owned corporate entities against financial losses attributable to damage to property and resultant loss of revenue. The Executive Director, the Chief Financial Officer or the Treasurer each would be authorized to take action to effectuate the Insurance purchase.

At its February 23, 2006 meeting, the Committee authorized a brokerage agreement with Marsh USA, Inc. (Marsh) to place and administer the Program for a three-year period commencing with the June 1, 2006 to June 1, 2007 policy term, subject to annual approval based on satisfactory performance. The brokerage fee is estimated at \$575,000 for the first year of the agreement.

Under the Program, Insurance for the June 1, 2005 to June 1, 2006 term was obtained at a premium cost of \$17.8 million for purchased insurance limits of \$375 million with terrorism coverage (under the federal Terrorism Risk Insurance Act of 2002 and the Terrorism Risk Insurance Extension Act of 2005) for the full policy limit of \$375 million. As part of the Program, the Port Authority continued to assume a \$25 million aggregated retention, in excess of its \$5 million per occurrence deductible. The estimated \$31 million cost for continuation of the Program for the one-year policy term commencing June 1, 2006 reflects present insurance market conditions and increases in capacity. Staff discussions with brokers have revealed that the insurance market capacity remains limited, particularly with respect to properties of the Port Authority and its wholly owned corporate entities.

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

Pursuant to the foregoing report, the following resolution was adopted by the Committee in executive session with Commissioners Blakeman, 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 property of the Port Authority and its wholly owned corporate entities, for a one-year term effective June 1, 2006, at an estimated premium cost of \$31 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 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