

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

**COMMITTEE ON FINANCE
MINUTES**

Thursday, October 20, 2005

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MINUTES OF COMMITTEE ON FINANCE

225 Park Avenue South

New York, NY

Thursday, October 20, 2005

PRESENT:

Hon. Henry R. Silverman, Chair
Hon. Bruce A. Blakeman
Hon. Angelo J. Genova, *pro tem*
Committee Members

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

Gwendolyn Archie, Senior Administrator, Office of the Secretary
Veronica Biddle, General Manager, Risk Management, Treasury
A. Paul Blanco, Chief Financial Officer
Iran H. Engel, Assistant Treasurer
Michael G. Fabiano, Comptroller
James P. Fox, Deputy Executive Director
Michael B. Francois, Chief of Real Estate/Regional and Economic Development
Edward L. Jackson, Director, Financial Services
Robert F. Lurie, Chief of Strategic Planning
Michael G. Massiah, Director, Human Resources
John P. McCarthy, Director, Public Affairs
Anne Marie C. Mulligan, Treasurer
Edmond F. Schorno, Chief of Staff
Douglas L. Smith, Deputy Director, Office of Organizational Effectiveness and
Change Management

Guests

Mark Charron, Deloitte Consulting LLP
Keith D. Barrack, Authorities Unit, Officer of the Governor of New Jersey

The Committee meeting was called to order in executive session by the Chair at 11:39 a.m. and ended at 12:29 p.m.

Action on Minutes

The Secretary reported that the Minutes of the meeting of May 26, 2005 had been signed and distributed to the Commissioners.

Whereupon, the Committee approved the Minutes of the meeting of May 26, 2005.

PURCHASE OF PUBLIC LIABILITY INSURANCE

It was recommended that the Committee on Finance authorize the purchase of public liability insurance with appropriate available limits, self-insured retentions and other terms, including coverage for loss arising from terrorist acts, for all facilities of the Port Authority and its wholly owned corporate entities, for a one-year term commencing October 27, 2005 through the existing brokerage arrangement with Marsh USA Inc. (Marsh), at an estimated cost of \$30 million. This insurance is needed to protect the Port Authority and its wholly owned corporate entities from financial loss attributable to third-party claims. The Executive Director, the Chief Financial Officer and the Treasurer each would be authorized to take action to effectuate the purchase of insurance.

At its meeting of October 21, 2004, the Committee authorized the expenditure of an amount not to exceed \$30 million for public liability insurance coverage for a one-year term commencing on October 27, 2004 through the broker Marsh. The cost of that program was \$28.7 million, including the broker's fee.

As a result of the termination of the brokerage agreement with Marsh effective November 5, 2004, a Request for Proposals was publicly advertised for brokerage services to assume the administration of the current program and to market, place and administer the public liability insurance program for a one-year period commencing October 27, 2005, with the Port Authority having the option to renew for two subsequent one-year periods. At its March 31, 2005 meeting, the Committee authorized an agreement with Marsh, which had submitted the highest rated proposal. The agreement, effective April 1, 2005, provides for Marsh to administer the current program through its expiration on October 27, 2005 and to place and administer the public liability insurance program for the October 27, 2005 to October 27, 2006 policy term, with the Port Authority to have the option to extend the brokerage services agreement for two one-year policy terms, based on satisfactory performance. The actual brokerage fee for administration of the current program through October 27, 2005 and for placing and administering the program for the one-year policy term effective October 27, 2005 to October 27, 2006 is \$750,000. The brokerage fees for the first and second renewal options are \$775,000 and \$800,000, respectively.

Various program options have been discussed with Marsh and the underwriters in an effort to place the most comprehensive public liability insurance program at the best available price. The estimated premium reflects continuance of a difficult insurance market, and assumes the purchase of insurance at the limits of the expiring program. In addition, the estimated cost includes terrorism coverage under the Terrorism Risk Insurance Act of 2002 (TRIA). However, TRIA currently is scheduled to expire on December 31, 2005, and, at this time, it is uncertain if TRIA will be extended. If TRIA is not extended, staff will pursue arrangements with existing underwriters to provide terrorism coverage in the best form available, and will seek further authorization for additional costs, if any, in connection with this coverage.

The Committee has authority 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, Genova and Silverman voting in favor; none against:

RESOLVED, that the Executive Director, the Chief Financial Officer and the Treasurer be and each hereby is authorized, for and on behalf of the Port Authority (and its wholly owned corporate entities), to purchase public liability insurance for a one-year term commencing on October 27, 2005, with appropriate available limits, self-insured retentions and other terms, including coverage for loss arising from terrorist acts, for all facilities of the Port Authority and its wholly owned corporate entities, at an estimated premium cost of \$30 million; 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