

**COMMITTEE ON FINANCE  
MINUTES  
Thursday, July 27, 2000**

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**MINUTES OF  
COMMITTEE ON FINANCE  
One World Trade Center  
Thursday, July 27, 2000**

**PRESENT:**

Hon. Peter S. Kalikow, Chair  
Hon. William J. Martini  
Hon. Bradford J. Race, Jr.  
Hon. Anastasia M. Song  
Committee Members

Jeffrey S. Green, General Counsel  
Daniel D. Bergstein, Secretary

Bruce D. Bohlen, Treasurer  
Edward Jackson, Director, Financial Services Department  
Charles F. McClafferty, Chief Financial Officer  
James E. McCoy, Senior Administrator, Office of the Secretary  
Anne Marie C. Mulligan, Assistant Treasurer  
Emil J. Petrick, General Manager, Risk Management, Treasury

The Committee meeting was called to order in executive session by the Chair at 11:36 a.m. and the meeting ended at 12:10 p.m.

**Action on Minutes**

The Secretary reported that the Minutes of the meeting of April 27, 2000 had been signed and distributed to the Commissioners and staff, whereupon, the Committee approved the Minutes of the meeting of April 27, 2000.

## **PURCHASE OF ENVIRONMENTAL LIABILITY INSURANCE**

It was recommended that the Committee on Finance authorize an agreement with Aon Group, Inc., an insurance broker selected through a limited competitive process, for the purpose of arranging the purchase of environmental liability insurance for United States Army Corps of Engineers (the Corps) dredging contracts and for Port Authority dredging contracts, in a coverage limit of up to \$20 million, each occurrence and in the aggregate, effective on or about August 1, 2000, for approximately four years of coverage, subject to rights of cancellation, at premium rates up to, but not exceeding, \$0.25 per \$100 of the contract award amount.

The Port Authority has entered into and will be entering into agreements with the Corps for dredging in the Port of New York and New Jersey. Work is underway and will continue for at least another four years. Beginning August 2000, work will include the dredging of contaminated materials. Under the Comprehensive Environmental Response, Compensation and Liability Act, the Port Authority may, in certain circumstances, be responsible for the cost of cleaning up hazardous substances released into the environment as a result of the Corps-arranged dredging activities. Although the Corps contractors may have some form of environmental insurance, the coverage terms and limits may be restrictive. A comprehensive policy form and substantial coverage limits are necessary to adequately protect the Port Authority and provide additional coverage for the Corps' contractors and subcontractors.

Similar responsibilities may apply to the Port Authority for dredging work performed by Port Authority contractors. Appropriate environmental liability insurance is necessary to provide financial protection for the Port Authority and its contractors and subcontractors.

Through this program, the Port Authority can better obtain proper insurance protection, with uniform coverage and higher limits for all parties, which will facilitate cleanup operations in the event of an environmental/pollution incident. Self-insurance is not deemed by staff as cost-effective as purchasing insurance, and cannot be extended to cover contractors and subcontractors. Adding protection for contractors and subcontractors of the Corps and for Port Authority contractors and subcontractors can be done at a relatively small incremental cost. The actual premium will be determined, and will be payable, as each individual dredging contract of the Corps and the Port Authority is awarded. Based on an estimated \$800 million of dredging work expected to be performed by the Corps over the next four years, the estimated cost of environmental liability insurance for the Corps dredging contracts is \$2 million. Some of the cost of the insurance for the Corps dredging contracts in Port Jersey may be recoverable from the State of New Jersey. The cost of this insurance for Port Authority contracts is estimated to be approximately \$250,000. In the absence of this program, such cost would be part of the actual Port Authority dredging contract expenditures.

Environmental liability for dredging operations is a specialty insurance coverage. Due to a very limited number of insurance companies which provide this insurance, only two brokers, Aon Group, Inc. and Marsh Inc., were requested to solicit prospective insurers for competitive proposals. The selected broker, Aon Group, Inc., is experienced with Port Authority operations through its service as broker for the Contractor Insurance Program, and, by virtue of its

size, is in a position to use its influence in the insurance marketplace to the benefit of the Port Authority.

The Committee has the 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 Kalikow, Martini, Race and Song voting in favor; none against:

**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 enter into an agreement with Aon Group, Inc. for the purpose of arranging the purchase of environmental liability insurance for United States Army Corps of Engineers and Port Authority dredging contracts, in a coverage limit of up to \$20 million, each occurrence and in the aggregate, effective on or about August 1, 2000, for approximately four years of coverage, subject to rights of cancellation, at premium rates up to, but not exceeding, \$0.25 per \$100 of the contract award amount; and it is further

**RESOLVED**, that all documents necessary to effectuate the foregoing shall be subject to review by General Counsel or his authorized representative.

Whereupon, the meeting was adjourned.

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Secretary