

**THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY**

**COMMITTEE ON FINANCE  
MINUTES**

**Thursday, June 28, 2012**

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**THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY**

**MINUTES OF COMMITTEE ON FINANCE**

**225 Park Avenue South**

**New York, NY**

**Thursday, June 28, 2012**

**PRESENT:**

Hon. William P. Schuber, Vice-Chair

Hon. Jeffrey H. Lynford

Hon. Jeffrey A. Moerdler

Committee Members

Hon. Virginia S. Bauer

Hon. H. Sidney Holmes III

Hon. Rossana Rosado

Hon. James P. Rubin

Hon. Anthony J. Sartor

Hon. David S. Steiner

Commissioners

Patrick J. Foye, Executive Director

Darrell B. Buchbinder, General Counsel

Karen E. Eastman, Secretary

Heavyn-Leigh American, Associate Board Management and Support Specialist, Office of the Secretary

Veronica M. Biddle, Assistant Treasurer

Steven J. Coleman, Deputy Director, Media Relations, Public Affairs

Michael G. Fabiano, Chief Financial Officer

Jon C. Huxel, Manager, Risk Financing, Treasury

Diana Lopez, Senior Advisor, Port Commerce

John H. Ma, Chief of Staff to the Executive Director

Lisa MacSpadden, Director, Media Relations

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

Anne Marie C. Mulligan, Treasurer

Steven A. Pasichow, Assistant Inspector General/Assistant Director of Investigations, Office of Investigations

Mike S. Percival, Debt Manager, Treasury

Jared Pilosio, Staff External Relations Representative, Government and Community Affairs

Paul J. Richman, Director, Federal Affairs, Government and Community Affairs

Brian W. Simon, Director, Government and Community Affairs, New York

I. Midori Valdivia, Principal Financial Analyst, Executive Director's Office

Lillian D. Valenti, Director, Procurement

Robert E. Van Etten, Inspector General

David M. Wildstein, Director, Interagency Capital Projects, Office of the Deputy Executive Director

Guests:

Nicole Crifo, Assistant Counsel, Authorities Unit, Office of the Governor of New Jersey  
Regina Egea, Director, Authorities Unit, Office of the Governor of New Jersey

The Committee meeting was called to order in public session by Commissioner Schuber at 9:14 a.m. and ended at 9:30 a.m.

**Action on Minutes**

The Secretary reported that the Minutes of the meeting of May 31, 2012 had been signed and distributed to the Commissioners.

Whereupon, the Committee approved the Minutes of the meeting of May 31, 2012.

## **AUTHORIZATION OF BROKERAGE FIRM SERVICES AND PLACEMENT OF COVERAGE FOR CONTRACTORS' INSURANCE PROGRAM**

It was recommended that the Committee on Finance (Committee) authorize the Executive Director, the Chief Financial Officer or the Treasurer to enter into an agreement with Willis of New York, Inc., effective August 1, 2012, to place and administer the Port Authority's Contractors' Insurance Program (CIP) for a three-year period. The Port Authority would have the option to extend the agreement for an additional three-year term, based upon satisfactory performance. The total three-year-period broker fee is \$3,602,904, and the cost of insurance coverage for the initial three-year period is estimated at \$5.25 per \$100 in construction value. It is anticipated further that certain insurance coverage levels provided under the CIP would be evaluated annually, subject to the maximum authorized estimated cost of \$6.00 per \$100 in construction value. Should the three-year renewal option be exercised, the total three-year-period fee is \$3,766,608, and the cost of insurance for the option period is not to exceed the currently authorized \$6.00 per \$100 in construction value.

The CIP provides protection for the Port Authority and its related entities against potential financial losses resulting from property and casualty losses related to ongoing construction activities undertaken at most Port Authority facilities. The CIP currently furnishes General Liability coverage at a limit of \$50 million, statutory Workers' Compensation coverage, and Builders' Risk coverage at a limit of \$50 million to all enrolled contractors and subcontractors engaged in work under on-site construction, inspection and service contracts of the Port Authority and its related entities covered under the CIP. In addition, the CIP provides safety and loss control services, claims management, litigation defense, education and training. The procurement of these coverages by the Port Authority generates significant savings over individual contractor-procured coverage and ensures uniform policy limits and coverage. The CIP also allows for smaller, less established contractors that could not obtain satisfactory insurance coverages to be eligible for Port Authority contracts. The brokerage services and insurance placement for the World Trade Center Owners' Controlled Insurance Program are separately provided for under a "carve-out" from the aforementioned CIP, with different insurance limits and terms.

In order to procure insurance coverage to protect the Port Authority and its related entities against potential losses and to obtain the requisite administrative services for the CIP, the Port Authority is required to engage the services of a licensed brokerage firm. The current brokerage arrangement with Aon Risk Services, Inc. (Aon) expires on August 1, 2012. To ensure a seamless transition of daily broker administrative services, and in order for the broker to have sufficient time to prepare and market the upcoming insurance renewals, it is necessary to enter into a broker arrangement prior to August 2012. Accordingly, a Request for Proposals (RFP) was publicly advertised for brokerage services to assume the administration of the contracts currently in place and all new contracts commencing on or after August 1, 2012. Five proposals were received and evaluated by an evaluation committee, based on staff qualifications and experience, firm qualifications and experience, and work approach, which included the firm's technical and management approaches. Cost was evaluated separately to determine a "best buy." As a result of the RFP procurement process, staff has concluded it is appropriate to enter into an agreement with Willis of New York, Inc.

For the placement and administration of the CIP for the August 1, 2012 to August 1, 2015 policy terms, the brokerage fee is a total of \$3,602,904 for the initial three-year period of the

brokerage agreement. The estimated cost of insurance coverage for the initial three-year term is within \$5.25 per \$100 in construction value for statutory Workers' Compensation coverage, \$50 million in Builders' Risk coverage and \$50 million in General Liability coverage. The brokerage fee for the option period, if exercised, is estimated for a total of an additional \$3,766,608 for the placement and administration of the CIP for the August 1, 2015 to August 1, 2018 policy terms. The cost of the insurance coverage for the option period is not expected to exceed \$6.00 per \$100 in construction value.

The above cost estimates include premium savings derived from utilization of the Port Authority Insurance Captive Entity, LLC (PAICE) in connection with the CIP, and are inclusive of any premium costs that would be paid to PAICE for assumption of a \$500,000 deductible for the General Liability coverage and a \$1 million retention for the Workers' Compensation coverage, as well as the premium allocated to the commercial carriers for the coverage in excess of the deductible amount.

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

Pursuant to the foregoing report, the Committee adopted the following resolution, with Commissioners Lynford, Moerdler and Schuber voting in favor. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Committee being present.

**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 Willis of New York, Inc., effective August 1, 2012, to place and administer the Port Authority's Contractors' Insurance Program for a three-year period, substantially in accordance with the terms outlined to the Committee, including: (1) a broker fee; (2) an option to extend the agreement for an additional three-year term, based on satisfactory performance; and (3) insurance coverage; and it is further

**RESOLVED**, that the form of the foregoing agreement shall be subject to the approval of General Counsel or his authorized representative.

Whereupon, the meeting was adjourned.

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Secretary