

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

**COMMITTEE ON FINANCE**

**MINUTES**

**Thursday, March 31, 2005**

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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, March 31, 2005****PRESENT:**

Hon. Henry R. Silverman, Chair

Hon. Bruce A. Blakeman

Hon. David S. Steiner

Committee Members

Kenneth J. Ringler Jr., Executive Director

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

Kayla M. Bergeron, Director, Public Affairs

Veronica M. Biddle, General Manager, Risk Management, Treasury

A. Paul Blanco, Chief Financial Officer

Timothy Castano, Senior Business Consultant, Office of the Chairman

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

L. Jay Hector, Senior Policy Advisor to the Executive Director/Vice-Chairman

Kevin J. Kirchman, Assistant Director, Marketing and Communications, Public Affairs

Robert F. Lurie, Chief of Strategic Planning

Michael G. Massiah, Director, Human Resources

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

Anne Marie C. Mulligan, Treasurer

Michael A. Petralia, Chief of Public and Government Affairs

Myron D. Ronis, Deputy Director, Port Commerce

Edmond F. Schorno, Chief of Staff

Kenneth W. Snapp, Senior Policy Advisor, Office of the Deputy Executive Director

Emery J. Ungrady, Deputy Chief of Staff

Guest

Sam Stanton, Authorities Unit, Office of the Governor of New Jersey

The Committee meeting was called to order in executive session by the Chair at 11:04 a.m. and ended at 12:01 p.m.

**Action on Minutes**

The Secretary reported that the Minutes of the meeting of October 21, 2004 had been signed and distributed to the Commissioners.

Whereupon, the Committee unanimously approved the Minutes of the meeting of October 21, 2004.

## **AUTHORIZATION OF BROKERAGE SERVICES FOR PUBLIC LIABILITY INSURANCE PROGRAM**

It was recommended that the Committee on Finance authorize the Executive Director, the Chief Financial Officer or the Treasurer, each individually, to enter into an agreement with Marsh USA Inc. (Marsh), effective April 1, 2005, to administer the current public liability insurance program through its expiration on October 27, 2005 and to place the public liability insurance program for the October 27, 2005 to October 27, 2006 policy term. The Port Authority would have the option to extend the agreement for two one-year options, based upon satisfactory performance. The brokerage fee is estimated at \$807,000 for the initial period, consisting of administration of the current insurance program from April 1, 2005 through October 27, 2005 and the placement and administration of the program effective October 27, 2005 to October 27, 2006. In addition, the brokerage fee is estimated at approximately \$807,000 for placement and administration of the insurance program for each subsequent policy term, if renewed.

The Public Liability Insurance Program provides appropriate financial protection to the Port Authority and its subsidiaries and affiliated entity against potential losses related to bodily injury and property damage claims or suits brought by third parties. In order to procure insurance coverage, the Port Authority is required to engage the services of a licensed brokerage firm to access the global insurance markets. The current program, which is effective through October 27, 2005, was placed by the broker Marsh. However, Marsh's services were terminated effective November 5, 2004, in accordance with staff's October 21, 2004 report to the Committee on Finance, reflecting information concerning the filing of a lawsuit against Marsh by the Attorney General of the State of New York, who has been investigating alleged fraudulent and anti-competitive practices in the insurance industry.

As a result, a Request for Proposals (RFP) 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. Four proposals were received. Marsh's proposal was the highest rated on the basis of the qualifications, availability and experience of the proposed staff and the proposer's demonstrated knowledge and understanding of the issues related to the Port Authority liability insurance program and risk financing needs, and, upon consideration of its cost proposal was determined to be the "best buy."

In order to address certain concerns in connection with the Attorney General's lawsuit, the RFP required potential brokers to provide a number of disclosures, including details of the brokerage firm's sources of compensation, the existence and nature of investigations and/or litigation against the firm and potential conflicts of interest.

The brokerage fee was originally estimated at approximately \$1 million for the initial period, consisting of administration of the current program expiring on October 27, 2005 and the placement and administration of the insurance program for the October 27, 2005 to October 27, 2006 policy term. In addition, the brokerage fee was estimated at approximately \$1 million for placement and administration of the insurance program for each of the two subsequent one-year policy terms, if renewed. Retention of the broker would provide for continuity in the administration of the program and timely placement of the coverage upon expiration of the current program.

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

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 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 Marsh USA Inc., effective April 1, 2005, to administer the current public liability insurance 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 agreement for two one-year policy terms, based upon satisfactory performance, at a brokerage fee estimated at \$807,000 for each of the initial period, consisting of the administration of the current program expiring on October 27, 2005 and the placement and administration of the program effective October 27, 2005 to October 27, 2006, and each subsequent one-year policy term, if renewed; and it is further

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

Whereupon, the meeting was adjourned.

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Secretary