

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

COMMITTEE ON FINANCE

MINUTES

Thursday, October 19, 2006

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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, October 19, 2006****PRESENT:**

Hon. Henry R. Silverman, Chair
Hon. Bruce A. Blakeman
Hon. Anthony R. Coscia
Hon. David S. Steiner
Committee Members

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

Veronica Biddle, General Manager, Risk Management, Treasury
A. Paul Blanco, Chief Financial Officer
Francis A. DiMola, Director, Real Estate
Iran H. Engel, Assistant Treasurer, Treasury
Michael G. Fabiano, Deputy Chief Financial Officer/Comptroller
Ziomara Y. Foster, Senior Administrator, Office of the Secretary
Aaron Graham, Senior Business Consultant, Human Resources
Francis J. Lombardi, Chief Engineer
Michael G. Massiah, Director, Management and Budget
John P. McCarthy, Director, Public Affairs
James E. McCoy, Manager, Board Management Support, Office of the Secretary
Anne Marie C. Mulligan, Treasurer
Jose Rivera, Engineer of Projects, Engineering
Douglas L. Smith, Deputy Director, Management and Budget

Guest

Sonia Frontera, Authorities Unit, Office of the Governor of New Jersey

The Committee meeting was called to order in executive session by the Chair at 11:10 a.m. and ended at 11:40 a.m. Commissioner Coscia was not present for the vote.

Action on Minutes

The Secretary reported that the Minutes of the meeting of July 27, 2006 had been signed and distributed to the Commissioners.

Whereupon, the Committee approved the Minutes of the meeting of July 27, 2006.

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, 2006, 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, the Director of Procurement or the Treasurer each would be authorized to take action to effectuate the purchase of insurance.

At its October 20, 2005 meeting, the Committee authorized the purchase of public liability insurance with appropriate limits, self-insured retentions and other terms, including coverage for terrorist acts, for all Port Authority facilities and its wholly owned corporate entities for a one-year term effective October 27, 2005, at an estimated cost of \$30 million.

The Board of Commissioners, at its March 30, 2006 meeting, authorized the formation of a Port Authority-owned insurance entity (Captive) that will function as an insurance company for the purpose of insuring certain risk exposures of the Port Authority and its wholly owned corporate entities. The Captive will include certain risks to reduce the Port Authority's dependence on the commercial insurance market, provide greater access to reinsurance (which could increase insurance limits in the purchased layers of coverage), and potentially provide a financial benefit in the course of its operation. It is anticipated that the Captive will be operational in the fourth quarter of 2006 in order to provide additional capacity and supplement the renewal of the Port Authority public liability insurance program (Program).

The estimated cost of \$30 million for public liability insurance provides for the purchase of terrorism insurance coverage under the Terrorism Risk Insurance Extension Act of 2005 (TRIEA) through the insurance underwriters under the Program or through the Captive. The estimated cost is inclusive of any premium that would be made to the Captive, or as premium paid to insurance carriers.

The brokerage fee for Marsh to place and administer the Program for the October 27, 2006 to October 27, 2007 policy term, pursuant to the exercise by the Port Authority of the first of two one-year renewal options, based on satisfactory performance, under its brokerage services agreement with Marsh (authorized by the Committee at its March 31, 2005 meeting), is \$775,000. Various Program options have been discussed with Marsh and insurance underwriters in an effort to place the most comprehensive Program at the best available price. The estimated premium reflects current market conditions and assumes the purchase of insurance at the limits of the expiring Program.

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, Silverman and Steiner voting in favor; none against:

RESOLVED, that the Executive Director, the Chief Financial Officer, the Director of Procurement or 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, 2006, 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 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