

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

**COMMITTEE ON FINANCE**

**MINUTES**

**Thursday, October 23, 2003**

Action on Minutes	1
Purchase of Public Liability Insurance	2
Purchase of Property Insurance for Port Authority Office Space at 225 and 233 Park Avenue South, New York City	4

**THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY****MINUTES OF  
COMMITTEE ON FINANCE  
225 Park Avenue South  
New York, NY  
Thursday, October 23, 2003****PRESENT:**

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

Joseph J. Seymour, Executive Director  
Jeffrey S. Green, General Counsel  
Karen E. Eastman, Secretary

Veronica M. Biddle, General Manager, Risk Management, Treasury  
Bruce D. Bohlen, Treasurer  
Darrell B. Buchbinder, First Deputy General Counsel  
Timothy Castano, Senior Business Consultant, Office of the Chairman  
William R. DeCota, Director, Aviation  
Jay Hector, Senior Policy Advisor to the Vice-Chairman  
Lawrence S. Hofrichter, Deputy General Counsel  
Edward L. Jackson, Director, Financial Services  
Robert R. Lurie, Senior Policy Advisor, Office of the Chairman  
Charles F. McClafferty, Chief Financial Officer  
James E. McCoy, Manager, Board Management Support, Office of the Secretary  
Sean P. Walsh, Director, Government and Community Affairs

The Committee meeting was called to order in executive session by Commissioner Silverman as Acting Chair at 10:32 a.m. and ended at 11:54 a.m.

**Action on Minutes**

The Secretary reported that the Minutes of the meeting of May 29, 2003 had been signed and distributed to the Commissioners and staff.

Whereupon, the Committee unanimously approved the Minutes of the meeting of May 29, 2003.

## **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 subsidiaries, for a one-year term at a premium cost not to exceed \$31 million, unless any additional premium cost is approved by the Chair of the Committee on Finance. The expiration date of the current coverage program is October 27, 2003. The Executive Director, the Chief Financial Officer or the Treasurer would each be authorized to take action to effectuate this insurance purchase.

At its meeting of October 25, 2001, the Committee authorized the Executive Director to renew the brokerage arrangement with Marsh, Inc. (Marsh) for the Public Liability Insurance Program for a three-year period, subject to satisfactory performance, at an annual fee not to exceed \$400,000 and to purchase public liability insurance with appropriate limits, self-insured retentions and other terms, covering all operations of the Port Authority and its subsidiaries, for a one-year term effective October 27, 2001 at a premium cost estimated at \$20 million. The actual cost of the coverage then placed, including separate terrorism coverage and the broker's fee, was \$17.3 million. On October 24, 2002, the Committee authorized the expenditure of \$24 million for public liability insurance coverage for a one-year term effective October 27, 2002 through broker Marsh. The actual cost of the insurance placed pursuant to that authorization was \$22.1 million. At its meeting of January 15, 2003, the Committee directed staff to pursue certain actions related to insurance coverages made available under the Terrorism Risk Insurance Act (TRIA) of 2002. Subsequent to that direction, the Committee authorized the expenditure of \$6.3 million for TRIA and aviation war risk insurance to supplement the Public Liability Insurance Program. The actual cost of the insurance acquired in February 2003 pursuant to that authorization was \$6.07 million.

Staff indicated that it seeks to utilize the services of Marsh in securing public liability insurance for the final one-year period of the three-year renewal of the brokerage arrangement at a fee that will not exceed \$360,000.

Last year, at the request of the Committee, Deloitte & Touche was retained to do a quantitative review of the Port Authority's risk exposures and to explore alternative options to the current program. Those findings were reported to the Committee at its September 19, 2002 meeting. Staff continues to discuss those options presented with Marsh and various underwriters, with the overall goal, in reviewing and negotiating this coverage, being to secure the most comprehensive public liability insurance program for the Port Authority and its subsidiaries at the best available price. The estimated premium reflects the continuance of a difficult insurance market.

The Committee has power to act on 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, Coscia, 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 (and its wholly owned subsidiaries), to take action to effectuate the purchase of public liability insurance for a one-year term 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 subsidiaries, at a premium cost not to exceed \$31 million, with any additional premium cost subject to the approval of the Chair of the Committee on Finance; 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.

**PURCHASE OF PROPERTY INSURANCE FOR PORT AUTHORITY OFFICE SPACE  
AT 225 AND 233 PARK AVENUE SOUTH, NEW YORK CITY**

It was recommended that the Committee on Finance authorize the Executive Director to purchase property damage insurance covering Port Authority personal property and Port Authority improvements and betterments at 225 and 233 Park Avenue South in New York City, for a one-year term effective November 1, 2003, at a total premium cost not to exceed \$150,000.

In the fall of 2001, by two separate transactions, staff purchased tenant insurance coverage packages for Port Authority space in 233 Park Avenue South and 225 Park Avenue South (the Premises), from Atlantic Mutual Insurance Company (Atlantic Mutual), through broker Marsh Advantage America (Marsh), at costs not to exceed \$31,000 and \$86,000, respectively. These packages included coverage for general liability insurance as well as property damage insurance. Coverage was necessary to comply with lease obligations.

Last fall, staff was authorized to purchase property damage insurance for the Premises from Atlantic Mutual through broker Marsh for a one-year period commencing November 1, 2002, at a premium cost not to exceed \$96,500. At that time, the Port Authority was able to self-insure liability coverage required by its lease agreement for the Premises.

It was recommended that the renewal of the insurance program for the Premises be maintained with the current broker this year, consistent with the practice of maintaining program renewal for a total period of three years assuming satisfactory performance. Staff believes that the current proposal from Atlantic Mutual, through broker Marsh, provides appropriate coverage for a one-year term at the most cost-effective premium. The Port Authority will again self-insure liability insurance coverage required by its lease agreement for the Premises. However, under its lease agreement the Port Authority does not have the option to self-insure property insurance coverage.

Currently, the value of Port Authority property at the Premises is approximately \$34 million, an increase in value of approximately \$8 million from October 2002. Payment of an additional premium in connection with the proposed purchase of property insurance may be necessary as the insurable values increase during the term of coverage.

The Committee has power to act on 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, Coscia, Silverman, and Steiner voting in favor; none against:

**RESOLVED**, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to purchase property damage insurance from Atlantic Mutual Insurance Company through broker Marsh Advantage America covering Port Authority personal property and Port Authority improvements and betterments at 225 and 233 Park Avenue South in New York City, for a one-year term, at a total premium cost not to exceed \$150,000; 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