

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

COMMITTEE ON FINANCE

MINUTES

Thursday, May 20, 2004

	Page
Action on Minutes	1
Purchase of Property Damage and Loss of Revenue Insurance	2

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY**MINUTES OF COMMITTEE ON FINANCE****225 Park Avenue South****New York, NY****Thursday, May 20, 2004****PRESENT:**

Hon. Bruce A. Blakeman
Hon. Henry R. Silverman
Hon. David S. Steiner
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, General Counsel-Elect
Timothy Castano, Senior Business Consultant, Office of the Chairman
William R. DeCota, Director, Aviation
L. Jay Hector, Senior Policy Advisor to the Vice-Chairman
Paul Higgins, Policy Advisor to the Vice-Chairman
Robert F. Lurie, Chief of Strategic Planning
Charles F. McClafferty, Chief Financial Officer
James E. McCoy, Manager, Board Management Support, Office of the Secretary
Catherine F. Pavelec, Manager, Administration, Protocol and Executive Correspondence,
Office of the Secretary
Edmond F. Schorno, Chief of Staff
Emery J. Ungrady, Deputy Chief of Staff

The Committee meeting was called to order in executive session by the Chair at 11:50 a.m. and the meeting ended at 12:20 p.m.

Action on Minutes

The Secretary reported that the Minutes of the meeting of October 23, 2003 had been signed and distributed to the Commissioners.

Whereupon, the Committee unanimously approved the Minutes of October 23, 2003.

PURCHASE OF PROPERTY DAMAGE AND LOSS OF REVENUE INSURANCE

It was recommended that the Committee on Finance authorize: (1) the purchase of property damage and loss of revenue insurance (the Insurance) with appropriate available limits, deductibles and other terms, including coverage for terrorist acts, for all property of the Port Authority and its subsidiaries, for a one-year term effective June 1, 2004, the expiration of the first one-year term of the current three-year coverage program, at an estimated premium cost of \$20 million; and (2) payment of a brokerage fee not to exceed \$400,000 to Willis of New York, Inc. (Willis) in connection with the purchase of this Insurance. The Executive Director, the Chief Financial Officer or the Treasurer each would be authorized to take action to effectuate the Insurance purchase. This authorization would be contingent upon receipt of a letter from an authorized officer of Willis stating, in connection with this purchase of insurance by the Port Authority, whether Willis has received or expects to receive any fees, compensation or other financial consideration from any insurance company. Such letter also shall provide that, in the event that Willis has received or will receive any such fees, compensation or other financial consideration, the amount of the brokerage fee to be paid by the Port Authority shall be reduced by the amount of such fees, compensation or other financial consideration.

At its meeting of April 27, 2000, the Committee authorized the purchase of property damage and loss of revenue insurance through broker Willis for a three-year period, effective June 1, 2000, with appropriate coverage limits, self-insured retentions, and other terms (the Three-Year Program), at a first-year premium not to exceed \$5.5 million (subject to further Committee authorization of premium expenditures for the second and third years of coverage) and a broker fee not to exceed \$1.2 million over three years. Willis was chosen through a publicly advertised Request for Proposals process. The actual premiums paid for the three years of coverage were \$4.75 million, \$6.06 million and \$12.201 million, respectively. Also in the third year, another \$25 million of terrorism insurance coverage was purchased separately for an additional \$2.5 million.

It was agreed, at the November 30, 2000 meeting of the Committee, that at the expiration of the Three-Year Program on June 1, 2003, there would be a three-year renewal of that program (the Three-Year Renewal Program) with the current broker, Willis, assuming satisfactory performance. At its meeting of May 29, 2003, the Committee authorized the expenditure of \$20 million for the purchase of property damage and loss of revenue insurance for the first year of the Three-Year Renewal Program, including terrorism coverage under the Terrorism Risk Insurance Act. At the present time, it was the recommendation of staff to seek authorization with respect to the second year of the Three-Year Renewal Program.

The estimated premium reflects the continuance of a very difficult insurance market for the Port Authority. Discussions with brokers have revealed that, although the insurance market as a whole has stabilized somewhat, capacity remains limited, particularly with respect to the properties of the Port Authority and its subsidiaries. The estimated cost also assumes that the Port Authority will be able to purchase insurance with limits at least equal to the expiring policies' \$500 million. Notwithstanding the present insurance environment and the unique problems the Port Authority exposures present to the insurers, it is presently expected that the Port Authority can persuade present and/or additional insurers to participate in the second year of

the Three-Year Renewal Program, so as to enable the Port Authority to accomplish its continuing goal of protecting against financial loss attributable to damage to its properties and resultant loss of revenue.

The Committee has 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 Blakeman, Silverman and Steiner voting in favor; none against:

RESOLVED, that the purchase of property damage and loss of revenue insurance with appropriate available limits, deductibles and other terms, including coverage for terrorist acts, for all property of the Port Authority and its subsidiaries, for a one-year term effective June 1, 2004, the expiration of the first one-year term of the current coverage program, at an estimated premium cost of \$20 million, and the payment of a brokerage fee not to exceed \$400,000 to Willis of New York, Inc. in connection with the purchase of this insurance, be and it hereby is authorized; and it is further

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 take action to effectuate the foregoing; 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.