

**COMMITTEE ON FINANCE
MINUTES
Thursday, October 25, 2001**

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**MINUTES OF
COMMITTEE ON FINANCE
Port Authority Technical Center
Thursday, October 25, 2001**

PRESENT:

Hon. Alan G. Philibosian, Vice-Chair
Hon. Bruce A. Blakeman
Hon. William J. Martini
Committee Members

Jeffrey S. Green, General Counsel

Bruce D. Bohlen, Treasurer
Linda C. Handel, Assistant Secretary
Lawrence S. Hofrichter, Assistant General Counsel
Charles F. McClafferty, Chief Financial Officer
Emil J. Petrick, General Manager, Risk Management, Treasury
Margaret R. Zoch, Comptroller

The Committee meeting was called to order in executive session by the Vice-Chair at 11:40 a.m. and the meeting ended at 12:17 p.m.

Action on Minutes

The Assistant Secretary reported that the Minutes of the meeting of May 31, 2001 had been signed and distributed to the Commissioners and staff, whereupon the Committee approved the Minutes of the meeting of May 31, 2001.

PURCHASE OF PUBLIC LIABILITY INSURANCE

It was recommended that the Committee on Finance authorize the Executive Director to renew the brokerage arrangement with Marsh, Inc. 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, the expiration date of the current coverage program, at a premium cost estimated at \$20 million.

At its meeting of September 24, 1998, the Committee authorized the purchase of such insurance for a term of up to three years effective October 27, 1998, at an annual cost not to exceed the then expiring premium of \$7,860,924, through broker J&H Marsh & McLennan. J&H Marsh & McLennan, now known as Marsh, Inc., was chosen through a publicly advertised Request for Proposal process. The actual annual cost of the coverage then placed, including the broker's fee, was \$4.6 million. Consistent with a discussion with the Committee at its meeting of November 30, 2000, it was determined to negotiate a new three-year arrangement with Marsh, Inc. rather than re-bid the program again.

Even prior to the World Trade Center terrorist attacks, the world-wide insurance markets had been hardening, which has resulted in higher premiums for reduced coverage. The events of Tuesday, September 11, 2001, have resulted in an immediate and unprecedented change to the world insurance markets. It is already apparent that the losses have triggered a severe constriction in the capacity of the insurance marketplace to accept risk, with concomitant premium increases and coverage reductions.

Pursuant to the foregoing report, the following resolution was adopted by the Committee in executive session, with Commissioners Blakeman, Martini and Philibosian voting in favor; none against:

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority (and its wholly owned subsidiaries), to renew the brokerage arrangement with Marsh, Inc. 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 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, the expiration date of the current coverage program, at a premium cost estimated at \$20 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.

Assistant Secretary