

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

**COMMITTEE ON FINANCE  
MINUTES**

**Tuesday, December 7, 2010**

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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**

**Tuesday, December 7, 2010**

**PRESENT:**

Hon. Henry R. Silverman, Chair  
 Hon. Anthony R. Coscia, Vice-Chair  
 Hon. Raymond M. Pocino  
 Committee Members

Hon. Virginia S. Bauer  
 Hon. Stanley E. Grayson  
 Hon. Jeffrey A. Moerdler  
 Hon. David S. Steiner  
 Commissioners

Christopher O. Ward, Executive Director  
 William Baroni, Jr., Deputy Executive Director  
 Darrell B. Buchbinder, General Counsel  
 Karen E. Eastman, Secretary

Veronica M. Biddle, Assistant Treasurer  
 Steven J. Coleman, Assistant Director, Media Relations  
 Michael G. Fabiano, Chief Financial Officer  
 Glenn P. Guzi, Senior External Affairs Representative, Government and Community Affairs  
 Mark D. Hoffer, Director, New Port Initiatives, Port Commerce  
 James A. Keane, General Manager, Operations Safety, Operations Services  
 James E. McCoy, Manager, Board Management Support, Office of the Secretary  
 Sanjay S. Mody, Advisor to the Chairman  
 Anne Marie C. Mulligan, Treasurer  
 Michael Nestor, Director, Office of Investigations  
 Steven P. Plate, Director, World Trade Center Construction  
 Alan L. Reiss, Deputy Director, World Trade Center Construction  
 David B. Tweedy, Chief, Capital Programs  
 Andrew S. Warshaw, Chief of Staff to the Executive Director

The Committee meeting was called to order by the Chair in public session at 10:58 a.m. and ended at 11:05 a.m. The Committee met in executive session prior to the public session. Commissioners Holmes and Sartor were present for the portion of the meeting held in executive session.

**Action on Minutes**

The Secretary reported that the Minutes of the meeting of October 21, 2010 had been signed and distributed to the Commissioners.

Whereupon, the Committee approved the Minutes of the meeting of October 21, 2010.

## **WORLD TRADE CENTER SITE – EXTENSION OF OWNER CONTROLLED INSURANCE PROGRAM**

It was recommended that the Committee on Finance (Committee) authorize the purchase of an extension of the project-specific Owner Controlled Insurance Program (OCIP) through the authorized broker, Aon Risk Services, with appropriate available limits, alternate risk financing approaches, and other terms, including coverage for all losses arising out of the construction of all Port Authority-managed projects at the World Trade Center (WTC) site that are currently provided insurance coverage through the OCIP, for an approximate 60-month term, effective December 31, 2010 for the Environmental Liability, Builders' Risk and Terrorism coverage, and effective January 31, 2011 for General Liability and Workers' Compensation coverage, at an estimated total premium of \$217,519,000.

At its July 28, 2005 meeting, the Board authorized the purchase of insurance coverage for the WTC Transportation Hub (WTC Hub) Project, as part of the authorization of the project. During ongoing discussions with the Board and the Committee between July 2005 and December 2005, the Commissioners directed staff to take the necessary actions to procure insurance for the WTC Hub Project, subject to review of the final terms of the insurance program with the Committee. In December 2005, the Committee concurred with staff's recommendation to purchase environmental insurance coverage for losses arising from environmental exposure for the WTC Hub with a five-year term effective December 31, 2005, at an estimated cost of \$2,557,698.

In February 2006, the Committee concurred with staff's recommendation to purchase an OCIP for the WTC Hub Project, for losses arising from general liability, workers' compensation, builders' risk and terrorism, with a five-year term effective January 31, 2006, at an estimated cost of \$103,406,593. Thereafter, at its February 22, 2007 meeting, the Committee authorized purchase of the OCIP coverages for the One World Trade Center and National September 11 Memorial and Museum Projects. Finally, at its April 24, 2008 meeting, the Committee authorized the extension of the OCIP to include the Vehicular Security Center, Tour Bus Parking Facility and West Bathtub Vehicular Access Projects.

The estimated premium for the extension of the OCIP coverage reflects the extended duration of all Port Authority-managed projects at the WTC site that are currently provided insurance coverage through the OCIP and their "hard cost" construction value, the current construction insurance environment in New York, and the specific risks and exposures to the Port Authority at the WTC site. It is in the agency's best interest to utilize a combination of risk transfer and retention strategies to achieve the most comprehensive program available for the WTC site at the most competitive pricing. As part of this approach, the Port Authority is seeking to retain the underwriters that are presently providing coverage and solicit additional insurance companies to participate, to better leverage pricing of the insurance layers. The use of the Port Authority's captive insurance entity (Port Authority Insurance Captive Entity LLC) also could offer cost benefits without increasing risk to the Port Authority. The integration of self-insured retentions on various aspects of the program has also been considered as part of the extension.

The Committee has power to act in this matter under Article VIII, Section B(3) of the By-Laws.

Pursuant to the foregoing report, the following resolution was adopted by the Committee with Commissioners Coscia, Pocino and Silverman voting in favor; none against:

**RESOLVED**, that the purchase of an Owner Controlled Insurance Program (OCIP), through the authorized broker Aon Risk Services, including coverage for all losses arising out of the construction of all Port Authority-managed projects at the World Trade Center site that are currently provided insurance coverage through the OCIP, for an approximate 60-month term, effective December 31, 2010 for the Environmental Liability, Builders' Risk and Terrorism coverage, and effective January 31, 2011 for General Liability and Workers' Compensation coverage, at an estimated total premium of \$217,519,000, substantially in accordance with the terms outlined to the Committee, be and it hereby is authorized; and it is further

**RESOLVED**, that the Executive Director, the Chief Financial Officer and 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.

Whereupon, the meeting was adjourned.

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Secretary