

NY to expand access to state's captive law

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ALBANY — Governor George E. Pataki and New York City Mayor Michael R. Bloomberg are pushing legislation that will allow a wider range of businesses the opportunity to utilize captive insurance companies to retain, fund, and manage some of their risk.

The proposed bill will also allow for the formation of a pure captive insurance company by New York City to provide coverages for liability relating to or arising out of activities in or near the World Trade Center site in response to the attacks of September 11, 2001.

"The new legislation will mean New York City will now have important insurance coverages it greatly needs relating to the tragedies of September 11th," Governor Pataki said.

Pataki said the Federal Emergency Management Agency specifically authorized the creation of a New York City captive. The city explored various options before deciding that the formation of a captive insurance company was the best answer for claims arising out of the clean-up effort at and near the World Trade Center.

New York City Mayor Michael Bloomberg said that city and state officials along with the New York Congressional delegation have "fought long and hard for federally-paid insurance to protect the city and its contractors" for claims arising from the debris removal work done in the World Trade Center.

He said the legislation is necessary for the city to expedite the payment of these claims.

The new state captive legislation contains several provisions to help the state's business community. The bill provides a new risk transfer vehicle, known as a sponsored captive insurance company, which permits various participants to use the same vehicle to self-fund their risks.

In addition, the bill creates additional flexibility by lowering the threshold for businesses to form single parent captives and to participate in a group captive. Public entities that meet appropriate standards will be permitted to form captives as well.

Congress recently passed legislation directing FEMA to provide New York City with up to \$1 billion in coverage for the city and its contractors for claims arising from debris removal performed after the collapse of the World Trade Center buildings. The federal legislation also directs the City of New York to use such funds to establish a captive insurance company or other such appropriate insurance mechanism.

"The new state captive legislation also creates greater flexibility and allows businesses and public entities new opportunities to avail themselves of greater choices for more efficiency in managing and financing risk. Given the contraction of the commercial insurance market around the country, the new legislation affords even more of New York's businesses a valuable option by offering the use of captives as an alternative form of insurance," explained Superintendent of Insurance Gregory V. Serio.

The department has a Web site designed to fast-track applications for captive formation. It can be found at www.NYCaptives.com. □