

UP State NEW YORK **DOWN** State NEW YORK

Terrorism or floods? *New Yorkers won't trade problems*

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Although the differences between the insurance industry in upstate New York and downstate New York are considerable, one thing they have in common is that neither area is having an easy time right now.

Statewide the industry seems to be struggling, as the Long Island area faces issues dealing with flood insurance, Manhattan deals with new challenges posed by terrorism insurance and the Buffalo area is experiencing a no-growth economy

Grass Isn't Greener

Industry insiders from each of these areas seem happy to be where they are though, and generally convey attitudes that they know the grass isn't any greener on the other side.

"Certainly the upstate opportunities are different from in the City, but I wouldn't necessarily say that they are any easier or any more lucrative because of the added costs of doing business there," said Paul W. Babbitt, CEO of Buffalo-based Niagara National, and state national director of Independent Insurance Agents Association of New York.

Babbitt also said he sees another advantage to insurance in the upstate region.

"As far as terrorism exposure and reaction to that potential risk, it's significantly different here," he said. "Through the eyes of the consumer and through the eyes of the underwriter, very few people find it's worth the cost, and they're not feeling like it's a significant risk."

Terrorism Coverage

Sharon Emek, managing director of CBS Coverage Group, which has offices in Manhattan and Long Island, said the fact that nobody is buying terrorism risk insurance in upstate New York, makes it more expensive to purchase in the City.

"When the government passed the Terrorism Risk Insurance Act they made it optional, so outside the City nobody's buying it and businesses in higher risk areas are paying more money because the risk isn't being spread," she said.

And not only is it more expensive, but a lot of her clients are having such difficulty finding the coverage that they are going to wholesalers. Other companies seek their terrorism insurance under the Standard Fire Policy, which at press time, still includes acts of terrorism within its coverage.

"The marketplace is less available," said Emek. "Getting insurance in the Empire State Building is not as easy as it is in other areas."

Emek said other concerns include concentration of a company's employees and how spread out the organization is, as well as what floor they're on, if they have a disaster recovery plan and if their records are accessible in the case of emergency.

"A lot of businesses in the City feel very frustrated," she said. "The economy is down and they're paying so much for insurance."

Flood Insurance

Where clients in Manhattan are having difficulty finding a good deal on terrorism insurance, Long Islanders are facing the same problem with flood insurance.

John Stype, a partner at Aquebogue-based Neefus-Stype Agency, and president of the Independent Insurance Agents Association of Suffolk County, said like terrorism insurance, a lot of companies don't want to write flood insurance because they are so susceptible to large losses.

"It's more likely that a hurricane is going to hit around here so a lot of insurance companies just won't write a house that's a certain number of feet from the water," he said.

He said although this issue is bothersome, he enjoys the industry better in Suffolk County than in the City.

"Being out on the east end of the island we're not as susceptible to the amount of traffic and crime figures than the City," he said "I also think, apart from insurance, people's attitudes are different. They're more laid back here."

Common Issue

One issue that unites the entire state of New York is the limited availability of general liability insurance to contractors. Section 240 and 241 of the labor law impose "strict liability" on owners and contractors, which means that they are liable whenever a worker falls from any height for any reason, and is injured. Legislation has been introduced to amend these sections in the past, but with little success.

"Courts are giving high awards for these cases," said Stype. "We have a hard time writing contractors because when an employee goes onto somebody's site there's such a strict liability that if anything happens the contractor is responsible, regardless if he's negligible or not, and that's one of the main problems we have."

Babbitt agreed.

"This is driving a lot of business out of New York," he said. "Underwriters are not excited to write that kind of business, but at the same time this is forcing certain aspects of the business to be done by out-of-state contractors, who are exposed to the same risks that in-state contractors are exposed to but the underwriters aren't as restrictive. Time will tell whether or not they wake up to it or not."

Buffalo Economy

Babbitt said his area can't afford to lose business because the economy has been so horrible in Buffalo.

"We're in a much deeper recession than in downstate New York," he said. "Payrolls are deflated, sales are down and there are fewer opportunities. As I look at the marketplace we're trading business with neighbors. Instead of any growth, there is just no new business in the industry."

As Buffalo has transitioned from a manufacturing society to a more service oriented society, Babbitt said his company sees a lot less money coming in.

"Steel mills in Buffalo that employed thousands of people also produced very high workers comp and liability rates," he said. "Now with white collar businesses there are much lower rates and the premiums are a lot less."

Although business is slow, Babbitt said he wouldn't trade it for the busy Manhattan market, because Buffalo is "a great place to live."

"We're all looking at other opportunities in this world we live in and it's much easier to do business in a wider demographic," he said. "Many of our companies operate manufacturing facilities outside the state now and we're lucky to be able to write some of their businesses." □