



LEGISLATIVE POSITION

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“Wrap-up” insurance programs

PIANY strongly opposes legislation that would circumvent the current prohibition against “wrap-up” insurance programs, whereby the owner of a public construction project imposes a predetermined insurance program on the contractors.

**Memorandum in opposition to: S.4952-A—by Sen. Seward
A.7839-B—by M. of A. Bing**

AN ACT to amend the Insurance Law, in relation to authorizing any city with a population of one million or more to provide wrap-up insurance programs and surety bonds for their public building and construction projects; and providing for the repeal of such provisions upon expiration thereof.

New York Insurance Law Section 2504 prohibits public contracting entities generally from obtaining insurance for public contracts or from requiring a contractor or sub-contractor to obtain insurance or surety bonds from a particular insurer, agent or broker.

There is good reason why this law is on the books. Outrageous abuses were common in the designation of insurance brokers and companies to handle large public jobs when the law was enacted. Any relaxation of the prohibition would just open the door to new scandals.

Moreover, wrap-up programs could make it extremely difficult, if not impossible, for our members to properly insure their contractor clients working on the job. Wrap-up programs also preclude many good New York domestic insurers from benefiting from the state’s public construction business, since only the largest national carriers would be financially equipped to handle the entire job on a wrap-up basis.

Any projected cost savings from a wrap-up program are just that—projections. Since these large programs are retrospectively rated, it’s anybody’s guess what the true cost will be. What *is* known is that a wrap-up program involves considerable administrative expenses, normally borne by the contractors, which must be included in the calculation.

For all these reasons, PIANY urges legislators to oppose this bill.

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