

Contact: Gregg Sgambati

NJCIA

Phone: (201) 252-2444

Email: gregg.s@njcia.org

P.O. Box 202

Mahwah, NJ 07430



New Jersey Captive Insurance Association

PRESS RELEASE

New Jersey Finishes 2011 with Three Captive Insurance Companies Including a Re-domestication

Mahwah, NJ, January 20, 2012: New Jersey finished 2011 with its third captive insurance company and first re-domestication. The state's captive insurance law went into effect midyear. After one of the United States' largest insurance companies formed the first captive in the state in July, captive regulators approved a re-domestication of a captive insurance company owned by the largest terminal operator and stevedore in the United States.

Ports America moved its New York pure captive to New Jersey in December. The captive, Ports Insurance Company, Inc., covers longshore workers compensation and liability exposure. According to Ports America, the largest risk transferred to the previous captive was U.S. life and health. In addition, the captive has provided "deductible indemnity coverage" for most other liability exposure, including general liability and Stevedores/terminal operator's liability. The company is authorized by the U.S. Department of Labor to underwrite longshore workers compensation coverage.

The first New Jersey captive insurance company was formed by the Prudential Insurance Company of America. With assets in the billions and as one of New Jersey's largest corporations, the Prudential captive was an excellent first entrant. The selection of a domicile for a large captive insurance company is a consequence of analysis of expected values, financial or otherwise. Gregg Sgambati, President of the New Jersey Captive Insurance Association believes that Prudential also accounted for the social and community impact of domiciling in its home state, in essence fulfilling the company's corporate social responsibility mission. "In my mind, Prudential looked at the financial benefits of domiciling in New Jersey and combined that with its impact on the state in terms of tax revenue and development. They decided to build a captive here in New Jersey. That is good for Prudential and good for New Jersey."

It is conceivable that Ports America considered this aspect in its decision to re-domesticate to New Jersey as well. Ports America's home office is in Jersey City. "By my estimate, the annual premium taxes for these first three New Jersey captives will eventually grow to exceed \$450,000," said Sgambati.

The second captive was formed by the new owners of Bayonne Medical Center and Hoboken University Medical Center. Shortly after the two institutions were acquired, the owners formed an industrial captive for liability insurance. As a nonprofit medical center, its risk characteristics were different from those of for-profit institutions. Traditional insurance vehicles did not account for these characteristics and their insurance rates were unattractive. Forming a captive insurance company in New Jersey was more cost effective and expedient. The captive managers were impressed by the speed, efficiency, and professionalism of the Captive Insurance Section of the New Jersey Department of Banking and Insurance.

###