

THE KOZ TAX GIVEAWAY: WHO GETS THE BREAKS?

W-B insurer saved \$2M, created jobs

Company expands, remains downtown

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WILKES-BARRE — At the end of the 1990s, Guard Insurance Group was poised to expand.

The Guard companies, which primarily specialize in workers' compensation coverage, could have followed the industry trend by setting up regional centers scattered across the country.

But the KOZ program, which has saved Guard more than \$2 million in state and local taxes since 1999, helped convince the group that it could serve its expanding customer base best by staying put in Wilkes-Barre.

"We probably would have grown, but there's no sure bet that it would have been here," said Carl J. Witkowski, executive vice president of information systems and chief administrative officer.

"Southeastern states have been approaching us for years. But we centralized a lot of operations here and part of the reason was the KOZ."

"It's taken that question off the table."

Guard, founded in 1983, has added 91 jobs since acquiring KOZ tax-exempt status in 1999, bringing its local work force to 245. It employs 62 at five other locations along the East Coast. Entry-level jobs pay \$30,000 per year in salary and benefits.

Active in eight states in 1998, it now writes policies in 20 and is licensed in 23 more.

Guard has spent \$4.5 million on computer hardware, software and equipment to handle the bulk of its business in Wilkes-Barre.

"We have invested so much here at this point to develop a national presence," Witkowski said. "We've eliminated the need to look for other opportunities because we can do it so effectively

and efficiently here."

Under the KOZ program, the Guard companies have saved about \$1 million in local property taxes on their four-building complex near the foot of the Market Street Bridge. The companies also are exempt from most state taxes, including a tax on insurance premiums that would normally cost them, about \$200,000 per year.

The Guard Center complex houses a matrix of insurance, financial and service companies, all controlled by Guard's founders, Y. Judd and Susan Shoval of Kingston, with some ownership vested in trusts in the names of the couple's four children.

Each of the 19 companies is eligible for and has applied for state and/or local tax breaks under the KOZ program. The insurance companies are also eligible for job-creation tax credits that were added to the program in 2001 for certain insurance, transportation and natural gas companies.

The Showals serve on the boards of a variety of nonprofit, educational and economic development organizations.

Witkowski said the company's KOZ status presents an obligation to give back to the community, citing recent employee campaigns that raised \$48,600 for the United Way, 30,000 pounds of food for the needy and \$40,000 for victims of Hurricane Katrina.

That obligation extends to keeping up appearances at the Guard complex, which sits on a tidy, carefully landscaped corner directly across West Market Street from the ramshackle Hotel Sterling and an empty lot that once housed the Perry Block

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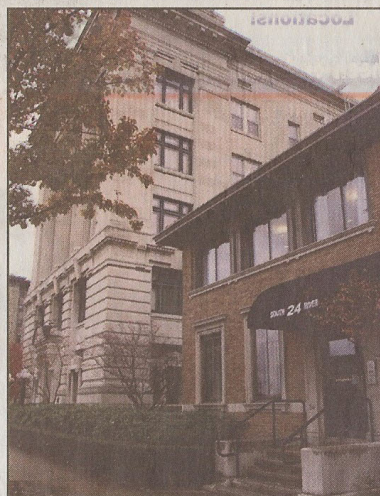
The Guard Center, built in 1908 to house a coal company headquarters, stands out in a section of Wilkes-Barre that has its share of old, vacant buildings, including the 108-year-old Hotel Sterling. The vacant Sterling, just across West Market Street, is the object of a proposed \$24 million restoration project.

building. The latter, which once enjoyed KOZ status, had to be torn down when it threatened to collapse earlier this year.

The 108-year-old Sterling remains stubbornly boarded up despite its own KOZ status. Y. Judd Shoval is chairman of CityVest, a nonprofit developer that hopes to revive the main hotel building by attracting \$15 million in private capital to supplement \$9 million in public funding already secured.

Guard's five-story main building, a former coal company headquarters built of stone in 1908, stands out in a downtown teaming with older, abandoned buildings.

"We're proud of the way we've tended this corner of Wilkes-Barre," Witkowski said.



The Guard Insurance complex at South River and West Market streets houses 245 employees. Ninety-one jobs have been created at Guard since the complex was included in Wilkes-Barre's KOZ area in 1999.