

Triple Play

Long Island brokerage successfully merges three firms

BY LEN SCIOSCIA, PRESIDENT AND CEO, COOK, HALL & HYDE, EAST HAMPTON, N.Y.

MERGING TWO agencies is tough enough —but when a merger involves blending three established businesses, the odds against success are even higher.

In 1998, three Long Island, N.Y., agencies decided to buck the odds and formed what is known today as Cook, Hall & Hyde, a \$20 million multiline broker selling commercial, personal and group benefits, with 125 employees operating from offices in Fairlawn, N.J., Melville, N.Y. and East Hampton, N.Y.

President and CEO Len Scioscia attributes the agency's success to planning for the long haul, developing a diversified, market-proof book of business, and nurturing a dedicated staff that has been "pulling the boat in the same direction for almost 10 years now."

In the beginning

All three of the original firms were more or less started and built in a single community—Hall near New York City on Long Island, Hyde on the north shore of Long Island, and Cook on the eastern end. Don Hall and Ed Cook came back from World War II and started their agencies, which mostly focused on local individuals and businesses. Hyde had roots dating back to the late 1800s in Port Washington, a wealthy suburban community on Long Island. They did what all agencies did in those days: sold everything to anyone who walked in the door.

All three firms had excellent long-standing reputations in the industry. Cook represented about half the merger, being twice as large as the others. His predecessor, Bob Denny, had always invested in infrastructure, so line man-

agers, IT and HR were already in place, which allowed for a quick merger and continued growth afterwards.

Additionally, Hyde had an expertise in captives; Hall in commercial sales and telemarketing and untapped personal lines potential. The merger gave us the



Len Scioscia's staff at Cook, Hall & Hyde joined forces almost 10 years ago.

"horses" to actively pursue all of these niches.

The actual merger took two meetings and no more than six hours total to reach an agreement in principle. The attorneys and accountants ended up taking another 10 months, but we agreed to stick to our basic principles: eliminate all references to our predecessor agencies, seek a single best procedure that would serve the larger firm, and create an executive committee that would lead us through our next stage of growth.

Growing pains

We quickly merged four offices into two, went from four automation systems to one, hired a marketing manager, established line and service managers, and went through a quick transition in less than 18 months from start to finish.

As luck and timing would have it, we then had to deal with the collapse of the construction market in New York. We managed to quickly tap into our partners' expertise and put together our own construction captive based in Bermuda for a safe haven for our customers. Of course, now a more stable market is back for construction, but we still maintain the captive, which has proved to be a great alternative over the years.

We also navigated through the financial and operational implications associated with the retirement of two of our partners, Don Hall Jr. and Bob Denny.

Six years after the merger, we added a New Jersey operation by carving three producers out of a bank and purchasing their books of business. We added a surety operation, which is a nice extension to our commercial lines construction practice. The producer came with his own book of business, which he doubled in three years,

largely from internal referrals.

Branching out

We always had a group benefits operation, but it was just a small three-person team. About four years ago, we merged with the benefits firm Nuzzi & Arnstein. The merger allowed us to launch an aggressive team-selling strategy which now accounts for more than 30 percent of our new sales. We now have sufficient scale in our three businesses—commercial, personal and group benefits, allow-

ing us to operate each as a stand-alone profit center.

Each profit center has its own dedicated sales force, service team, service manager and executive leader. Although we sell as specialists, we also sell in teams. At our firm, 30 percent of our new sales in a typical year come from cross-selling, which is one of the characteristics that define our culture very well.

Planning for the future

We believe that all of our top salespeople and key leaders should be part of the ownership structure of the firm. Currently, we have 22 direct shareholders of Cook, Hall & Hyde Inc. stock. Most are senior sales executives or members of our executive committee. Because we have a program that allows our top salespeople to buy discounted blocks of stock from the corporation, two-thirds of our owners hold various

Our stockholder profile is varied, ranging from principals in their late 20s to late 50s. We're very aggressive about turning over the company's stock—it's the first order of business if we're going to have perpetuation options besides selling to another firm.

We've utilized an employee stock ownership program since 1986, which has allowed us to cost effectively transition from one generation to another. ESOPs are great because they minimize the impact of taxes on perpetuation and allow all employees to participate in the growth and success of the firm. The ESOP has also helped greatly with recruiting and retention, because the employees know they have a stake in the success of the company.

Recruitment and retention

Typically, we don't have to recruit a lot of senior managers because most come through our ranks; we're primarily focused on growing our own. For salespeople, we have a dedicated sales manager who spends all his time recruiting new talent in a variety of traditional and unorthodox ways. He casts a very wide net—asking for referrals from new hires, attending job fairs, hitting the college circuit, even reaching out to high school coaches in the community to see who graduated six years ago as captain of the basketball team. We're not particularly interested in what a headhunter might bring us, or someone else's retreat. We would rather build on our culture from scratch.

Building relationships

We make it our business to know what our customers need. On the employee benefits side, we provide value-added services such as COBRA administration and other services offered by progressive benefits brokers. On the commercial side, we provide value-added services like risk management, but also earn our keep by being proactive on renewals.

Personal lines clients are our bread and butter, and we've spent a lot of money delivering service to our customers the way they want it—either through a single dedicated contact person or the first available service representative in

our call center. We have five salespeople in personal lines alone, two of whom deal with accounts greater than \$15,000 in premium. The other three handle everyone else.

Cultivating the carriers

Developing and maintaining outstanding relationships with all of our carriers is an important part of our overall strategy. In fact, we endeavor to have a personal relationship with the president and CEO of all our top companies. We



The customer is at the center of each transaction, and we need to make the best of every marketplace to get them what they need.

spend a lot of time on agent councils at a national level as well as with local regional teams because that's how complex deals are done. We also like to build strong relationships with the underwriters because it's the right thing to do to say thank you for a job well done. We have at least \$5 million in premium with all of our companies, except for regionals or smaller companies on the rise.

Because of our size and reputation, we're not the kind of company that's always swimming upstream against an insurance carrier. We look for classes of business where we can move quickly and be very productive for both our clients and carriers, rather than trying to make the impossible possible. That philosophy has worked well with us over the years.

We also work with wholesalers for about 10 percent of our commercial business, mostly for specialized lines where we don't have an expertise or can't shop the market as easily as others. For instance, construction coverage has been problematic in New York over the last five years, so if it's a complicated risk we might go to the E&S market—or for D&O, E&O or medical malpractice.

A simple philosophy

Doing a great job on a stand-alone basis is a big part of our success, but having such a deep relationship with our customers contributes to our high retention. We don't have an area of the business where our retention is less than 93 percent, and in some areas it's as high as 95 percent.

BY THE NUMBERS

Cook, Hall & Hyde by the Numbers

The **three** firms merged in **1998** and made the transition in less than **18** months.

This **\$20 million** multiline broker currently has **125** employees in Fairlawn, N.J., Melville, N.Y., and East Hampton, N.Y.

There are **22** direct shareholders. **Two-thirds** of owners hold sales positions.

30 percent of Cook, Hall & Hyde's new sales typically comes from cross-selling.

In all areas of business, the company's retention is at least **93** percent.

sales positions. This ownership culture supports the type of strong management that an agency needs to bind its best people to the company.

In today's soft market, it's too easy to get trapped in a cocoon and stop focusing on new business and sales. The fact that we are so diverse in our revenues has been a great help here. Because only half of our revenues come from commercial lines, and personal lines and group are very profitable businesses for us, we have the luxury of investing in new commercial salespeople when most agencies can't afford to.

We deliberately built the business this way to avoid the problems associated with the cyclical nature of the commercial insurance business. Group and personal lines are more predictable, and are now still in high single- and low double-digit growth figures. This gives us more maneuvering room during times like these.

We have an uncomplicated culture for

Stay Connected

With Carriers:

- Cook, Hall & Hyde **maintains a personal relationship** with every president and CEO of their top companies.
- They **participate on national agent councils** and local regional teams.
- The company **builds a relationship** with underwriters.

With Customers:

- Five salespeople are **dedicated to personal lines** at Cook, Hall & Hyde.
- On the employee benefits side, the company **provides value-added services** such as COBRA administration.
- The company **provides risk management services** for commercial operations.

our rank and file: The customer is at the center of each transaction, and we need to make the best of every marketplace to get them what they need. Whether the market is soft or hard, we must deal with the realities on the ground and find the best deal out of that environment for our customers. Insurance can be complicated, but our mission is very simple. A&B