

Always in the Family

The years have been kind to Sobel Affiliates Inc., which has bucked consolidation to keep growing as a family owned brokerage.

by Barbara Bowers

Irwin Labadorf's career in insurance began on the run. He was just 17 when he started working for his grandfather, Henry Sobel, founder of Sobel Affiliates Inc., then in its 38th year as a commercial insurance brokerage operating in the heart of Manhattan's financial district.

That was 1942, and Irwin was hired as a runner—someone who hit the streets, moving from building to building, one insurance company office to another, his arms bulging with all-important binders that required signatures from company representatives to seal deals on policy changes and new insurance coverages. True to the family tradition, his two sons, Alan and Michael, performed the same task when they were students in junior high school, high school and college—only they ultimately were able to substitute faxes for footwork.



"The fourth generation that we are, we are completely entrenched in running the business."

—Michael Labadorf

That's just one of a great many changes that the firm has witnessed over the years. While many other brokerages it once competed with, and insurance companies it once did business with, have long faded from the scene, Sobel will be marking its 100th anniversary in 2004, still family owned and operated. Moreover, the company has seen its greatest growth, all of it organic, in the past 10 years.

Irwin, 79, the third-generation Sobel executive, still comes to the office now located in Garden City, N.Y., several days a week but, through a succession plan, has passed on virtually all of the business to his sons, the fourth generation.

"They are incredibly hard working, and sometimes I think it's through sheer will that they will keep going," said Gigi Cabasso, senior vice president, of Alan and Michael. "They could have easily sold this business 100 times over and kicked back and relaxed. But it seems to be something that is really in their blood."

Making It Work

For their parts, the Labadorfs cite a lot of reasons for the success of the company, beginning with old-fashioned hard work, a virtue for succeeding at any calling, according to patriarch Henry Sobel.

The fact that their revenue has tripled in the past 10 years, primarily through adding new customers in all areas—general commercial, specialty niches and employee benefits—reflects the principals' hands-on approach, Michael said.

Key Points

- Sobel Affiliates Inc. remains a family owned insurance brokerage as it approaches its centennial.
- The agency has carved out niches in areas such as summer camps, health care and nonprofit organizations, while maintaining a broad-based offering of products.
- Sobel's principals credit the agency's success to a strong work ethic and a tradition of personal attention to customers' needs.

"We're not the kind of guys who come in at 10 and leave at 4," Alan said. "It's important, because we are actively involved in the business, and nobody cares more about your business than you do."

This attitude also sets an example for their 65 employees, he noted. "Those people who do well here do well because they have a common work ethic—they take what they do seriously, they care about what they do, they take ownership, and we look to encourage that," he said. "We put no more pressure on others than we put on ourselves. So it comes from the top. It either works for you or it doesn't."

To a large measure, Irwin also thinks their success is driven by "very strong, conservative financial management," something that a lot of other brokerages may lack, he said.

Alan cites Sobel's retention rate of long-term accounts. On average, he noted, brokers tend to retain accounts for five years. "I have to believe that our account longevity is far in excess of that," he said. "We've got more than a few that have been with us for a long, long time, and that speaks for the service philosophy of the firm, which we try to ingrain in the people who work for us. It's the service to the client that basically helps us all prosper."

With the recent spurt in business,

the challenge is to maintain that level of service, Alan said. To that end, the firm has created and staffed a new position—vice president of commercial lines—"to help us continue this effort for quality control through the whole system, and in our relationship with insurance companies," Michael said.

About 85% of Sobel's business is commercial, and the rest is personal lines and life/health. Within its commercial book of business, the brokerage has very strong niches in children's summer camps, health care and non-profit/social service. "We've been doing them for a long time, so we know the market very, very well," Michael said.

Michael's primary focus is on camps, the brokerage's largest niche business—Sobel says it is one of the two largest brokers in the United States in this field—and one that it established 75 years ago. "This is an area full of risks that most insurance companies hate," Michael said. "It's a very, very limited market." In addition to the potential for injuries to children and property damage, there also are sex-abuse issues, he noted.

Alan concentrates on the health-care, social service and general commercial segments of the business. "We think the clients also benefit from hands-on service here," he said. "Many

of these social-service agencies don't have the personnel, sophisticated risk-management departments or resources, so they rely on a strong broker to provide the insurance services that they don't have the money for internally."

Sobel also has a niche program for community health centers, which wraps around coverage provided by the federal government. "This is a unique product that came about as a result of our experience with these health centers," Alan said, adding that Sobel may be among only two companies in the country to offer this product.

The brokerage has a very diverse book of commercial insurance, based heavily on middle-market accounts. The industries that Sobel deals with range from real-estate firms and pharmaceutical manufacturers to food wholesalers and computer/technology businesses. "We think the two factors—the strong niche market and the broad-based commercial business—work hand in hand," Alan said.

Supporting Clients and Employees

Cabasso said that Sobel has doubled the number of its employees in the 15 years that she has been with the firm. Like two other managers at the agency, she has worked her way up through the ranks. "We have a lot of people who have moved within the organization—they really try to promote from within," she said. "And certainly they've brought up more women."

The Labadorfs always have stressed the importance of their employees to the business, because they see them as the first line of contact with clients, Cabasso said. "In this industry, turnover is always an issue," she said. "For customers, it's always frustrating if they're calling someone and hear that that person is not there anymore and not handling their

account. But we really don't have that problem here. Most of the people have been here for quite a long time."

As a result, Sobel employees build relationships with clients that can be more than just business, Cabasso said. "We know about them personally, so it makes it much different," she said. The agency tries to arrange visits with most of its clients at least once a year, no matter where they are located.

In the case of summer-camp clients, for example, Sobel will arrange visits with the camp owner at the camp during preseason and again when the camp is in full operation. "I've gone to camps," Cabasso said. "Those on-site camp visits are a lot of fun." With so many camps on its roster, Sobel senior account executives can't get to every one every summer, but they try to make a visit at least every other summer, she said.

Michael Marcus, owner of Camp Greylock, a boys' summer camp in the Massachusetts Berkshires, said his business has used Sobel as its broker for 69 years. In 1973, when a fire destroyed the camp's dining hall, Sobel obtained advance money from the insurance company. Within two days the camp was able to set up a temporary kitchen to prepare meals and a circus-size tent to serve as a dining room for the 350 campers.

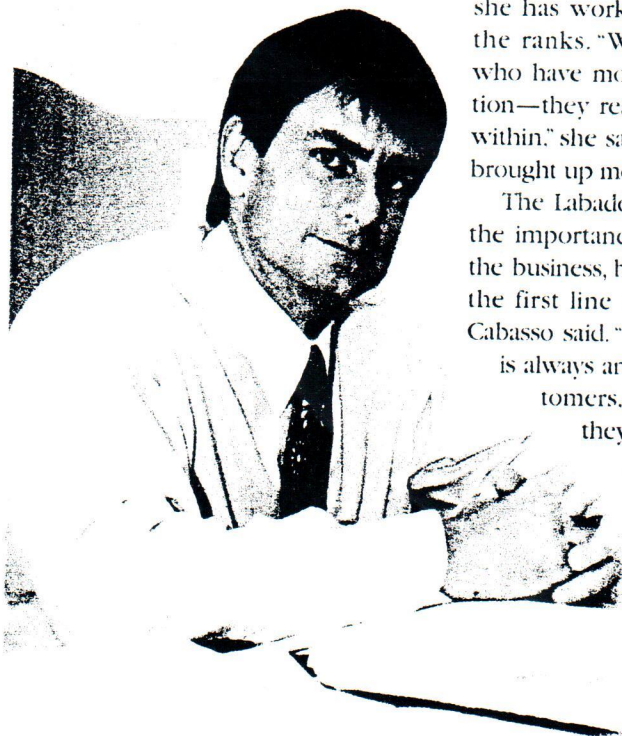
Marcus, who wasn't the owner at that time, said he has heard that life at the camp "barely missed a beat."

He often is approached by other brokers and major insurance companies but has remained with Sobel because of the firm's expertise in children's summer-camp coverage. "Sobel has designed things specifically for the market—high-level umbrella policies, coverage like that—that are very valuable," he said. "I do look at everything that comes my way, but in doing so, I've never found a product that I thought was even close."

Marcus finds that he is on the phone

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with Sobel executives two or three times a month. Every time a building is constructed or a bus parking area is leased, for example, he has to obtain a certificate of insurance. At Sobel, he's been dealing with the same people for years, and they know a lot about his business, he said. "They've been to the camp many times, they know the facility, they know the kind of person I am," he said. "It just makes it very easy."

With 400 sports-playing boys now at the camp each summer, there's always the potential for nicks, cuts, bruises and broken bones. Marcus said. Every injury requires reporting to the camp's insurer. Sobel assists there by advising on the reporting process and by keeping copies of the forms in the event of a change in carriers. In one case, Greylock's insurance company became insolvent, so it was helpful to have Sobel as a depository for the camp's documents, Marcus said.

The past few years have been tough for the summer-camp insurance market, he said. "I've been through very bad markets with Sobel and very good markets," Marcus said. "They've handled them both as professionally as possible, and they've been helpful in trying to find ways to maximize my premium dollar."

Sobel also specializes in working with nonprofits. Jenny Morgenthau, executive director of the Fresh Air Fund, has looked to Sobel as the fund's insurance broker for 20 years—in fact, since Alan and Michael were in their 20s, she said. The Fresh Air Fund, an independent, not-for-profit agency established in 1877, takes 10,000 children out of New York City's roughest neighborhoods every summer and provides them with a free summer vacation.

Morgenthau first called the brokerage after deciding it was time to leave a major insurer. "We were too small and too nonprofit for them," she said.

"I was looking for someone who would actually be interested in our

business and who understood our business," Morgenthau said. The Labadorf brothers do, she added: they attended summer camps as youths. "I love working with them," she said. "They've always been very responsive. If I need some insurance for some last-minute thing or an event, I can call them and they have been very helpful."

Going It Alone

Before she came to work at Sobel, Cabasso had two other brokerage jobs. One former employer, a smaller firm also on Long Island, recently was purchased by a larger broker. "They were in existence for quite some time and the owner retired, but his son did not want to go into the business," she said. Her other former employer, a larger firm in Manhattan, has also been "gobbled up" through acquisition, she said.

But the principals at Sobel have steered a different course. At first, Alan said, their late mother had worried that operating the same company might cause friction between her sons. But the brothers have been working side by side now for 23 years, and they say it's gone smoothly. They credit this to the perpetuation plan that Irwin instituted when they came into the business.

"He's a selfless father. He set us up," Michael said. "The fourth generation that we are, we are completely entrenched in running the business. We don't have these perpetuation issues or these family infighting issues which prevent many firms from going past the second, let alone the third or the fourth generation."

It also helps that their wives happen to get along, Michael added.

"No, that's the most important thing—that's why it

works!" Alan said, laughing. "If they didn't get along, there'd be problems."

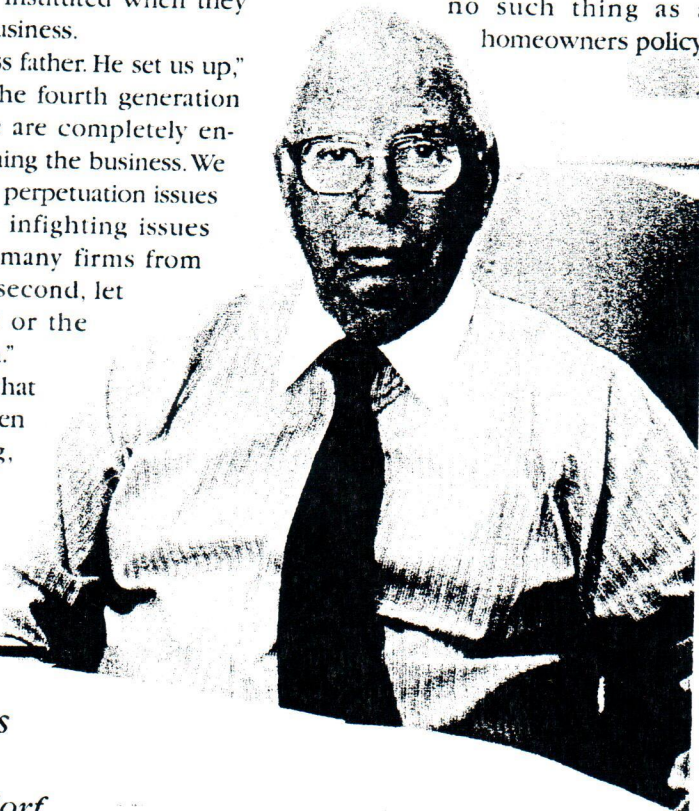
The Labadorfs plan to host a party in September to celebrate the brokerage's centennial. They will invite about 200 guests, mostly employees and representatives of insurance companies, basically "all the people who, on a daily basis, make this all happen," Michael said.

It's bound to be a night of sharing memories. For Irwin, the way that brokers operate has changed so much since the early 1940s on John Street. "Today, we mostly deal directly with insurance companies," he said. "In those days, we dealt primarily with agents of the insurance companies. Today we are both agents and brokers."

Back then, most of Sobel's clients were clothing manufacturers. John Street was still a cobblestone street, with six or seven major buildings rising 30 to 40 stories high. Inside the buildings, hundreds of company agents had their offices. Most of these agents had small operations and represented only one or two carriers.

Insurance Then and Now

The insurance business, itself, was different, too. For example, there was no such thing as a homeowners policy.



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"You wrote individual policies on specific risks—you wrote a fire policy, a burglary policy, a water-damage policy and a personal-liability policy," Irwin said. "Today all of those coverages are packaged in one policy. And there was no such thing as an umbrella liability policy until years later."

In the early 1940s, automobile insurance consisted of two parts: a physical damage policy that covered fire, theft and collision, and an auto liability and property damage liability policy. "There were agents who wrote only physical damage policies, as ridiculous as that may seem today," he said.

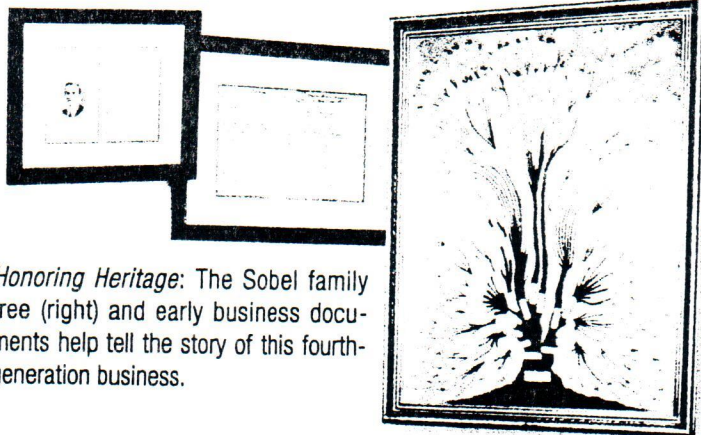
Marketing departments didn't exist, and brokers such as Sobel had what they called a "placer." His job simply was to go out and place the difficult coverages, "to smooth out our relationships with the underwriter, see if there was a problem and help get it right," Irwin said.

Many of the placers would gather with the underwriters most every morning for breakfast in Sweet's Restaurant at the old Fulton Market. Sweet's, founded in 1850 and no longer in existence, was a neighborhood favorite. Sobel's placer used to do his day's business there, solving any problems that might crop up and managing to get all his binders signed by 10 a.m., Irwin recalled. He laments that that sort of personal interaction is missing from relations between brokers and underwriters today.

It's true that underwriters generally don't stay on at insurance companies for 25 years or more, the way they used to, making it harder to forge broker-underwriter ties, Michael noted. "But it's still a people business," he said. "Today, as it was 50 years ago, our ability to negotiate with these companies and get things done is a big part of the function of our relationship, as it is with any broker. You've got to foster these relationships today."

After 80 years in Manhattan, Sobel

Honoring Heritage: The Sobel family tree (right) and early business documents help tell the story of this fourth-generation business.



moved its operations in 1981 to its current suburban location in Garden City. As Irwin sees it, the biggest reason for the change was the firm's difficulty in recruiting employees. Many prospects wanted to live closer to work but not in the city. The Labadorfs realized that their greatest potential pool of employees was on Long Island, he said.

For Alan and Michael, however, the chief reason for moving was skyrocketing rents at a time when the business was expanding. "The impetus was we needed more space, we were growing, the rent was quadrupling," Michael said.

To this day, their biggest challenge remains finding qualified people to work in the agency. "I think we're all victims in the business of not publicizing how good a business this really is, on the brokerage side and the carrier side, so that you entice college graduates," Michael said. "But they just don't come into the business, companies and brokers don't recruit them, and we have a shortage of trained, college-educated people."

In their cases, Alan and Michael were exposed to the brokerage business early on, beginning at about age 13. "We worked in every facet of this business over the summers—first we started by filing papers, and then graduated into being able to go to the insurance companies and get the binders signed," Alan said. "But it was more just a summer job." Alan, the elder brother, didn't think seriously of this as a career until he was about to graduate from college, he said. For

Michael, joining the firm also was a conscious decision.

Once they were on board, Irwin wanted his sons to gain experience outside Sobel, so they took jobs at other insurance practices. Alan worked for a time at John Hancock, selling life insurance. Michael was with Marsh & McLennan Cos. in its Washington, D.C.,

office. "Neither one of those firms knew what our ultimate ambition was: working for Dad's business," Michael said.

They realize that their father didn't have the same opportunity they have had—to enter a direct, family owned business. When Irwin started work in 1942, his bosses were his maternal grandfather and uncles. Irwin's father, who had died when Irwin was a teenager, had never worked in his father-in-law's business.

In 1942, Irwin's starting salary was \$9 a week. He soon felt that he was working harder than his co-workers and asked his grandfather for a \$1 raise. "He looked me right in the eye and fired me—the audacity after one month to come to him and ask for a raise," Irwin said. "It took my uncle a couple of days to get my job back at \$9 a week." By 1947, after serving in the U.S. Air Force during World War II and then finishing college, Irwin returned to Sobel.

To this day, he has high admiration for his grandfather, an outgoing, successful businessman who also was active in a number of political and civic movements, including charitable efforts to help New York City's poor. "He was a fantastic salesman, and he was very family oriented," Irwin said. "He was kind of an inspiration for me."

If his grandfather were alive today, what would he think of Sobel Affiliates now? "He would be amazed at how we've grown and how we do business," Irwin said. "And I think he would revel in the success of his grandson and great-grandchildren."

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