

International insurers 'cool' heels as Latham firm wins port deal

BY BARBARA PINCKNEY
THE BUSINESS REVIEW

Cool Insuring Agency Inc. has put together one of the biggest deals in its 149-year history, with a company that was at the heart of a national political fire storm earlier this year.

The Latham firm wrote over \$1 billion in property and equipment coverage for the 22 U.S. ports operated by **P&O Ports North America**, with premiums "well into the seven figures," said Ira Neifeld, senior vice president of Cool. While this may not be the agency's largest overall account, it is the biggest policy it has written for a single line of coverage.

"It was definitely the most whirlwind account," said Paul Hennessey, a Cool account executive.

WELL-KNOWN CLIENT

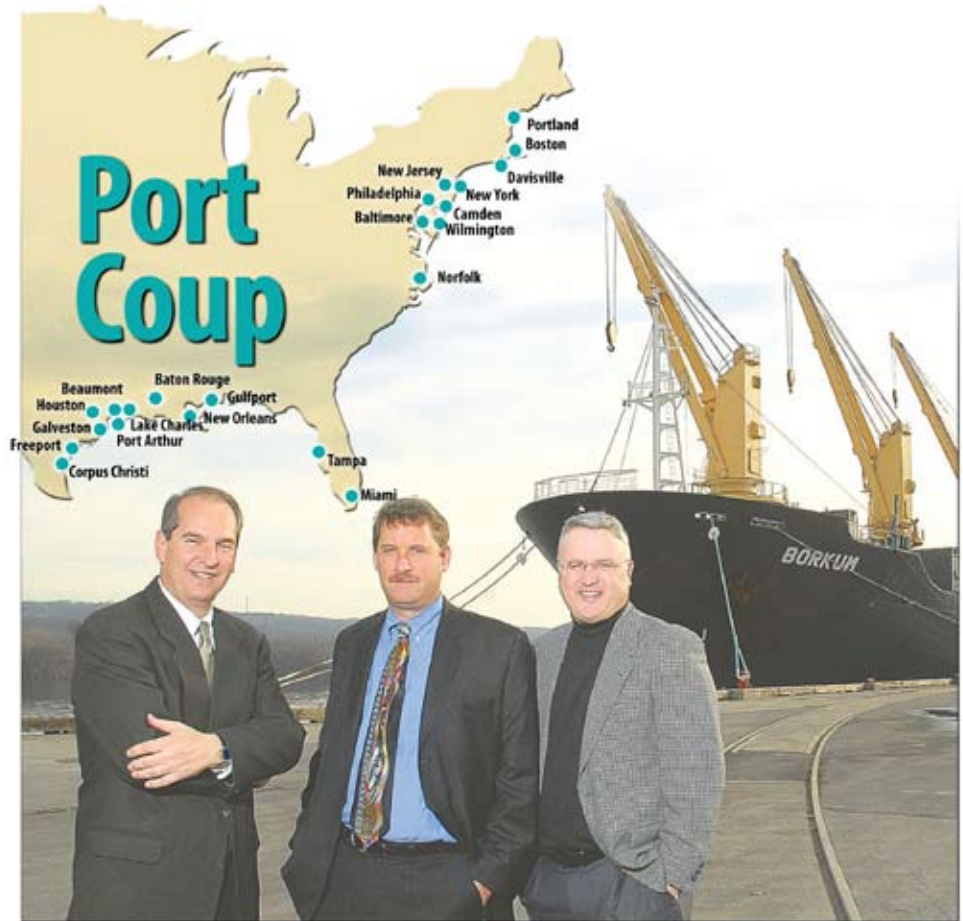
P&O, one of the nation's largest terminal operators, is part of DP World, which is based in Dubai in the United Arab Emirates. DP is, in fact, owned by the UAE. The U.S. operation, however, is up for sale and has been segregated from the rest of the company under an agreement with the U.S. government.

The political brouhaha began in January, when President George Bush OK'd DP's purchase of The Peninsular & Oriental Steam Navigation Co., P&O's London-based parent. That meant the Arab company would take control of ports in such major cities as New York, New Orleans, Baltimore and Miami. Congress rebelled, and Bush vowed to veto any effort to block the deal.

Finally, the UAE said it would separate the U.S. operations, based in Iselin, N.J., and seek a U.S. buyer for them. DP's \$7 billion purchase of the London company closed in March. The company said Nov. 28 that it would take bids on the U.S. subsidiary within two weeks.

TERMINAL SOLUTION

Cool's relationship with P&O grew out of its work for the New York City Economic Development Corp., a client of four years. Neifeld recalled a time when even the NYCEDC seemed out of its league. A "pre-broker" meeting to screen candidates included Marsh Inc., the world's largest risk management firm, four other large, international brokers, and Cool.



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From left, Cool Insuring Agency executives, Stephen Ventresca, vice president and Ira Neifeld, senior vice president, and account executive Paul Hennessey.

QUICK INFO

Cool Insuring Agency Inc.

784 Troy-Schenectady Road, Latham
783-2665

www.coolins.com

Founded: 1857

Premium: \$225 million

Employees: 110

Offices: Latham, Queensbury, Binghamton

Specialties: Insurance for contractors, health care concerns, municipalities

"We were kicking each other, like maybe we were in over our heads," Neifeld said.

Still, Cool, which was invited because it works with the state, made a proposal and took the business from Marsh. It was not the lowest bidder, but city officials liked the level of service Cool promised.

In June, the NYCEDC asked Cool to find coverage for the Manhattan Cruise Terminal, which is owned by the city but operated by P&O. P&O handled insurance for the port, but had told the city that premiums could triple when coverage was renewed Oct. 1.

"There is a very difficult property market out there," said Mark Cummings, vice president of risk management for P&O. "We've been buy-

COOL: 'We spent hours on the phone with companies. There were a lot of long nights,' says Neifeld

ing property coverage throughout the U.S. for years, and have never found it as bad."

He said P&O decided to separate out the New York City terminal to see if it could do better on its own.

"The EDC gave Cool the ball, and they ran with it very quickly," Cummings said.

Cool spent a few weeks calling carriers, who were not sure they liked the idea of covering coastal property in one of the nation's highest-risk cities. The firm sent its own engineers, part of its risk management unit, to prepare a report on the terminal. The results made some carriers more comfortable--until the London subway attack put nerves on edge and a few backed out.

In the end, Cool put together a deal to insure the terminal's \$250 million in property and equipment, with added wind, flood and terrorism coverage, for about the same price the city had been paying.

RUSH ORDER

That prompted a call from Cummings, congratulating Cool and asking "who are you?"

A few days later, on the Friday before Labor Day, the phone rang again.

"They said, 'We've got 21 other ports, can you help us?'" Neifeld said. "We were stunned."

The agency, which works mainly with small

and mid-sized businesses, also was overwhelmed. Normally, it would take months to put together such a large, complex policy. In fact, Marsh had been calling carriers for five months and had been unable to come up with a better rate.

"[P&O] said, 'We'll give you two weeks,'" said Stephen Ventresca, vice president of Cool.

It took Hennessey a full day just to open the e-mails P&O sent, and to get the "reams and reams" of information printed and organized.

The P&O properties had a combined value of about \$1 billion, a risk far too large for one carrier. Cool used a process called "layering," in which one carrier acts as the lead and others piggyback. The agency contacted about 30 insurers to find 15 who were willing to take part in covering P&O.

"We spent hours on the phone with companies," Neifeld said. "There were a lot of long nights."

Cool had to overcome P&O's "notoriety," Neifeld said, and the fact that all of its properties are coastal, one of the hardest types of coverage to place. It tore apart the P&O policy, presenting different exposures to different carriers. It also raised P&O's deductibles, lowering the risk for the carriers. The resulting policy is priced higher than what P&O had been paying, but far below what it was facing. Both Cool officials and Cummings declined to provide figures.

FINAL DETAILS

Putting together the P&O coverage dominated life for Neifeld, Hennessey and Ventresca for nearly a month.

"It came down to hours before the [Oct. 1] inception date before everything was nailed down," Neifeld said.

Even after Oct. 1, there were "t's to be crossed and "i's to be dotted. In fact, two months into the policy, the agency still is negotiating some terms with the lead carrier. And it has no plans to rest now. It already has sent its engineers to inspect the Port of New Orleans in an attempt to lower P&O's premiums for next year.

Cummings said he was pleased to see Cool outbid larger rivals, but not necessarily surprised.

"I've experienced that before," he said. "Sometimes a smaller broker knows how to navigate the underwriting world and get things done better than a big broker does. You have to be a bit creative, know the right underwriters and know how to get their attention. Cool might be a parochial insurance house, but they are certainly capable of handling a national risk like us. I would expect we'll have a long relationship with them."

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