

Shared Life

Managing General Agencies bulk up

INTERVIEW BY MARK NOBLE

Just like mutual fund dealers, managing general agents (MGAs) face the need to obtain scale in order to negotiate with life agents and insurance carriers. Reporter Mark Noble spoke to Caron Czorny, incoming president of the Canadian Association of Independent Life Brokers and executive vice-president and COO at Peak Insurance Services to see where this industry will be in the future.

Q How did you get started?

A At age 22, I started my career as an underwriter working with Commercial Union, which is now part of the Manulife family. Then I went into marketing at Commercial Union. I became a life-marketing manager before moving on to various sales and marketing roles.

Some of my more recent history includes president with a direct marketing company that specialized in insurance, called Remark.

Then I was at Equinox as senior vice president of sales and marketing. It was owned by Maritime Life, and when Manulife bought Equinox a couple of years later, they wound that down. Manulife said they didn't need

[Equinox], because they already had three distribution systems. Now, I've been at PEAK for three and a half years running its MGA, as executive vice president and chief operating officer of PEAK Insurance.

Q How devastating was the loss of Equinox for PEAK in 2006?

A It wasn't devastating but it did make us stop and think. Here we were – at that time an MGA for about 16 companies – and we had

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Caron Czorny



to determine how we were going to qualify for all of our contracts (because four of our major contracts were under the Equinox banner: RBC, AIG, Standard Life and Manulife). We had one production requirement for the four of them, and now each one of them had individual requirements.

[At the time] I added up all the individual contracts that PEAK

had and if each company was to get serious about individually qualifying our contracts and maintaining production at certain minimum levels, we would have needed about \$5 million in first-year commissions in order to validate those contracts. Although most carriers weren't enforcing it, you could see that they were head-

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ed in that direction. For PEAK, we had to ask ourselves: are we going to be able to do this over the next couple of years? At that time we were doing about \$2 million per commissions. Total.

I had to decide where we are going. Are we just going to be a niche player with just a couple of companies, or more?

It was a major moment of reflection where we had to determine where we are going in this industry. We were not the only one. It was a major moment for a lot of MGAs or, as they were called, Equinox marketing centres.

Q Have many ceased to exist as a result?

A Many of them have now been purchased. A couple of them were purchased by Financial Management – Jim Virtue's company, which is based in Calgary. Some of them ceased to be MGAs. Three others are still MGAs for a couple of companies but still do their business with me.

Q How did you end up as a partner in AgenZ?

A I actually called a meeting of all the Equinox managing partners in July 2005 – when it was announced that Equinox was going to be wound down. We got together at the Sheraton Airport in Toronto, 19 marketing centres showed up and we discussed where we could go. We discussed whether we could recreate a new Equinox, and if we did, what would it look like?

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We had preliminary discussions and started to create some work groups. It didn't seem to be moving very fast and it was difficult with all of these marketing centres all across the country to find common ground with what we wanted to do and how it would work.

Réal Bolduc, president of AgenZ, had already started discussions with 10 marketing centres in Quebec. I said, 'Réal, I want to join forces with you. Let's talk to the Quebec people about doing this because I don't think this national version of Equinox Two – which is what we're calling it – is going to work.'

[That's when] we sat down with the 10 marketing centres in Que-

bec. After a few meetings, three of us realized we had an affinity and a trust, as well as a vision to move forward.

All of us realized that we can't just ask carriers to pull our production weight, that's not going to work. We need to really get a synergy so that we can create something that makes sense. That way the carriers will say, "yes I see where you're going. You're saving us money and we can work together."

Réal and I went to the four carriers – the four initial Equinox carriers: Standard Life, AIG, RBC and Manulife – and said here's our vision: we would like to put our administration together and we would like your blessing.

They said yes. Although, Manulife was pretty clear that they didn't just want this to be a pooling together concept. They said they wanted to make sure we are actually putting your administration together, you will have one president and the partners are partners we approve of – they also told us, by the way, we would have given you a contract anyway after the wind-down of Equinox.

We were pretty excited. We were all on the same administration system, which is CoVirt, and we started to work and put our companies and systems together.

We opened the doors on June 4, 2007 – a year ago. We've done nothing but grow from there.

Our business has grown, as have the partners. I spend more time on business development and business relationships, since we've each kept our front office – which is our sales and marketing, so we still compete.

Actually we've now put more carrier contracts under the AgenZ Group banner. We've moved up a Transamerica contract from PEAK, we've moved up the Canada Life contract to AgenZ and Empire Life as well. So there are now seven companies where the contracts are held by AgenZ group, and the other carriers I have deal with PEAK.

Q Has the shared back-office with AgenZ allowed you to attract new advisors to your MGA?

A It has, because we've added depth to the team. For example, initially PEAK Insurance was primarily known as the insurance provider for the mutual fund side of the business because PEAK is large on the mutual fund and securities side of the business. But one of the new people we have access to is very good at underwriting review and rating cases that are substandard or declined.

She's added a depth of knowledge there and this has also helped attract advisors. They see the depth this team has and realize that we are stronger players, who are going to last. They are not worried about PEAK being a small to mid-size player.

Q Do you intend to recruit any more MGA members to AgenZ?

A We are in discussions with two. We are not sure what our next partner should look like and what profile they should bring.

We are certainly interested in providing back-office services to other, perhaps smaller, MGAs or maybe a niche player. We're exploring how we can do that, and what we would charge for that service.

We are considering another full partner. It would have to be a partner who could bring us enough volume, a carrier we are not dealing with or has other representatives across the county.

Q How do you manage to keep competition of the partners separate from the running of the back-office?

A We still compete, but when it comes to back-office operations we have so far been very unanimous in how we want to run the business. We each own a piece of the business, PEAK Insurance, HBO, Financière S_entiel, which is Réal Bolduc's company.

Q How important is it for MGAs to increase their scale in today's marketplace?

A Either you have to decide that you are going to remain a smaller niche player and work with only a couple of companies. You can consolidate. Or, you can find a solution like ours where you choose to focus on the front end and the marketing and you leave the administration to someone else.

I think it's very costly to do it all if you're small.

Q Do you think AgenZ will provide a template for other MGAs struggling to increase scale?

A Absolutely, in fact, at the Advisor Group's recent MGA Symposium, I got quite a few questions from players in Ontario whom I know quite well, saying they are considering the exact same model.

We were the first [in this space but] the banks have been doing it for years, with the bank machine systems, etc. Banks are really good at this.

Q Is the relationship with carriers more strained today?

A Not necessarily. It's become more formal. There are more rules, and I think compliance has had something to do with that. I wouldn't say they are necessarily worse though.

Q As president of CAILBA, what are some goals you have for that organization and the industry?

A Certainly one of the things that CAILBA has been working on before I arrived on the scene is having a platform and benchmark for technology standards. That's the CITS project. I hope to forward that, so data and format are standardized across the industry from the carrier to the distributor to the supplier, like in medical services. I think that's a very important issue.

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The other issue – and how I came to work with CAILBA – is the inability of MGAs to enforce some of the requirements of an MGA contract.

We've already begun very positive discussions with some of the carriers after a lawyer examined most of the major contracts and said, "here are the similarities, and here are the differences. Here are points that could be contentious." We are working with the carriers to come up with not a standardized MGA contract, but language and wording that's acceptable for both parties.

We also have a debt-monitoring system – referred to as DMS for short. We are trying to get more members to use it and report if they are unable to collect, mostly charge-backs from advisors, so that we can try and eliminate advisors moving from one MGA to another and leaving behind a debt.

Of course, there are always issues around compliance and we are working to ensure our members meet all of their compliance requirements, such as the new FINTRAC requirements for anti-money laundering.

We are also working hard at increasing membership – I've gotten such good value out of membership with CAILBA. We'll be looking to increase membership, particularly in Quebec. I'm going to be personally working on that.

Q What proportion of Canadian MGAs are members of CAILBA?

A We've got probably around 95% of the top MGAs in the country, there may be one or two who are not. However, I think we've only captured about a third of the total MGAs across the country, so we need to work on that.

Q Could you go into more specifics about what improvements you want CAILBA to make in technology?

A Certainly, I would like to see us influence the standardization and move that forward. There has been discussion for many years about standardizing data feeds between the carriers and the MGA. That has been a very difficult process. I think most of the major carriers are on-side to do it. I would certainly like to see it come to fruition thanks to the efforts of CAILBA and others. We would all be saving a lot of time and effort if we could get that done.

Q What would that look like for the MGA-affiliated advisor if a system like this were in place?

A It would certainly make it easier for the advisor to understand the information they are getting and not have to go into each carrier's website to download information. Some of the carriers now think they have a competitive advantage when it comes to their website, and they do when it comes to marketing material and product – and I agree with that. When it comes to what's going on with an individual case, I think this would just make it easier for them, so they can focus on their main job, which is providing a needs analysis for planning and sales.

Q Can you elaborate on the contentious areas on creating standardized language for MGA contracts?

A I wouldn't use the term standardized, because they are all going to use their own wording. The one issue is [the usage] of "supervision" versus "management" of advisors. That is a contentious issue.

What does it mean to supervise your independent advisors versus manage independent advisors? We have concerns about that on the CAILBA board.

Q What is the difference?

A We are worried about responsibility and how you would be responsible. For example, there is one contract that says you have to supervise their activities. If they are an independent advisor sitting in the office of a client doing a needs analysis and deciding what product the client needs and what carrier they should use – how would we possibly supervise that?

Whereas, we are quite happy with managing the business.

Q Do you see much more consolidation happening in the MGA industry?

A I don't know about a lot more, but there will be more. I expect there will be a lot more partnerships. There will also be consolidation so there will be more purchases definitely. **AER**