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## How a scattered army of insurance brokers outmuscled the Big Five

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They're not household names or Bay Street powerhouses, and their companies don't top the TSX 60.

But in the rural and suburban ridings across the country that are key to the Conservatives, Canada's 33,000 insur-

ance brokers are a force to be reckoned with.

Finance Minister Jim Flaherty's move this week to block banks from marketing insurance on their websites caps a furious lobbying campaign by the insurance brokerage industry.

The brokers have practised retail politics so assiduously

that their network of members in towns and cities across Canada now matters dearly to Conservatives. While banks often focus on building relationships with ministers, brokers have concentrated their friend-making skills on Parliament's grassroots: the 308 MPs across the country, and in particular on the 143-MP Tory caucus.

The strategy has allowed the group to out-politic Canada's big banks. The Tories even made a 2006 election pledge to ban banks from marketing insurance via their vast network of branches - a promise directly aimed at the brokers.

When the Liberals were in power, the brokers had equal clout with the Liberal caucus.

The brokers were able to spur this week's change despite fierce opposition from the much bigger banking sector. The move puts a sizable dent in the banks' aims to push further into the insurance business, with Canadians increasingly shopping for financial products online.

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Dan Danyluk of the Insurance Brokers Association of Canada played down the role of the lobbying effort. AARON HARRIS FOR THE GLOBE AND MAIL

## Flaherty says he didn't cave in

» When Mr. Flaherty notified the banks of his decision yesterday in a letter faxed to each of the chief executives ahead of his announcement, he noted that "this is an issue of importance to insurance brokers and agents in Canada."

Both Mr. Flaherty and the industry group representing the brokers played down the role of the brokers' lobbying efforts.

But in recent months, since a regulatory ruling that bolstered the banks' case for marketing insurance on their sites, the brokers' industry group has stepped up its pressure on MPs. At the riding level, insurance brokers have been raising the issue with their local MPs.

The trigger for the campaign was a decision by Canada's financial services regulator that effectively went against insurance brokers. The Office of the Superintendent of Financial Institutions announced in

June that bank websites could not be considered branches under existing federal law, meaning that banks weren't breaking the rules by marketing insurance through their main online portals.

Sources say Mr. Flaherty has for months felt the legislation needed to be updated to forbid banks from marketing insurance on their banking websites because he viewed bank websites as effectively branches. "That's a 2006 campaign promise and it's not open for discussion," one government source said.

Mr. Flaherty told reporters yesterday that "I'm not caving in to anybody. We are trying to do the right thing in line with government policy."

Dan Danyluk, chief executive officer of the Insurance Brokers Association of Canada, disputed the idea that Mr. Flaherty was responding to a powerful lobby group. "I think this was the right thing to do,"

he said. "There is a profound cynicism about the political process that I don't share. The fact of the matter is that ... parliamentarians want to do the right thing."

When a consumer shops around for insurance online, they are supplanting some of the work a broker traditionally does for their client. Royal Bank of Canada offers consumers a 5-per-cent discount if they buy their insurance online, and there are insurance industry websites that allow consumers to check around for a better price.

"There should be no surprise in this for anybody. We've never entertained the position that this policy was open for discussion," one government source said.

"They've been trying to push the boundaries and find a loophole in the legislation ... they can sell insurance on websites but these have to be separate and distinct" from their bank-

ing sites.

The move to curtail online insurance sales has prompted some bankers to talk about looking into whether they can lodge a complaint with the Competition Bureau or even take legal action, according to industry sources.

Those preliminary ideas were being bandied about at a number of banks yesterday, where officials said they were shocked by the government's move. "The industry is trying to figure out what options it has in reaction to an outrageously political move," said an official in Toronto at one of the big banks. "Part of the challenge we have right now is we're not sure what we're dealing with."

For example, bankers say the Finance Department has not made it clear whether the rules will apply to all of their websites, or only the portals where banking customers sign in.