

Desjardins deal began as search for growth partner



FEATURE

By Ron Shorvoyce

It wasn't supposed to turn out the way it did. What's being regarded as a watershed deal in Western Canada – the purchase of High River, Alta.'s

Western Financial Group by Montreal's Desjardins Financial Corporation – actually started out much differently.

The largest insurance and financial services retailer in Western Canada, Western was looking simply to partner with another company, not to sell.

The objective was to gain some clout so it could extend its reach into the larger urban centres across the West.

When it originally set up shop, West-

grow that business.”

The Bank West talks quickly extended to Western's desire to move into metropolitan markets, especially for home and auto risks. Desjardins also had strengthened life insurance and other products that Tannas thought would appeal to Western customers.

“We started to develop quite a broad, strategic partnership that centred on the bank but also included a plethora of other products. Those documents culminated in a set of terms this past November and a document we felt pretty comfortable about.”

Around the time things were being finalized for a partnership, Western was approached by another party with an unsolicited takeover offer. Desjardins got wind that something was going on. Not wanting to lose Western to another party, it presented its own takeover offer.

“Even though it was not Desjardins' intention to own our company, it decided to make a bid for us. So we actually wound up with two bids to consider. And through that process we chose Desjardins.”

ern was only planning to operate brokerages in the smaller centres of Manitoba, Saskatchewan, Alberta and B.C. – the quaint and friendly venues, as Scott Tannas, president and CEO, liked to describe them. At the same time, however, he didn't rule out the prospect the company would some day do business in the cities.

That time has come. The deal with Desjardins is set to close at the end of



Tannas

March. For \$443 million, including the assumption of \$56 million in debt, Desjardins is buying a network of 121 owned and affiliated brokerage offices that gives it an entry into Western Canada in one stroke of the pen. The agreement also includes a virtual bank called Bank West,

a pet insurer and a life insurer.

Desjardins has deep pockets. The leading co-operative financial group in

Tannas says the deal is good for both sides.

“(Desjardins) believes Western Financial Group is a success story in its own right; that we're on the right track with multiple products such as banking, insurance and investments, and that we've got a strong brand name we can build

on. Its intentions are to let us continue to develop as a strong regional, multidisciplinary financial services organization.”

Tannas said the takeover of Western, a company with 1,400 employees and almost \$1 billion in annual sales, will not



Danyluk

change the way the company does business. Western wants to remain a member of provincial brokers' associations. Its branding will remain the same. All employees are secure in their positions, head office will continue to be located in High River and Tannas retains his position.

“In terms of our core insurance brokerage business, it's business as usual.”

“We are delighted that Western Financial recognized the value of our offer,” says Monique Leroux, chair of the board,

Canada and the sixth largest in the world, it has assets of more than \$175 billion and 42,000 employees. It specializes in wealth management, life and health insurance, p&c

cover, personal services and business and institutional services.

The strength of Desjardins Financial appealed to Tannas and his group as far back as the fall of 2009, when talks between the two were initiated. Western had been hunting for a partner to help it enter larger urban markets. In the beginning the talks focused on Bank West.

“Those discussions progressed over the winter of last year and into the spring,” Tannas says. “The first idea was a partnership with Bank West. That was something we had identified after the financial crisis. We'd come to the conclusion we really needed help with our banking division, and that we needed a partner to help us



Leroux

president and CEO of Desjardins Financial Group. “We fully intend to provide Western with the necessary latitude and additional financial resources to pursue its exceptional growth and development in Western Canada. It will do so under its own brand name, with the support of its

management, valuable employees and board of directors.”

The news of the takeover caught the insurance industry by surprise. And now there seems to be a wait-and-see attitude toward the deal. Dan Danyluk, CEO of the Insurance Brokers Association of Canada, said most brokers

will not be concerned about any direct competition as a result of Western moving into cities. But they will be upset if it turns out it's not operated independently. That would mean a huge risk to Desjardins' reputation, he said.

Ernie Gaschler, executive director of the Insurance Brokers Association of Saskatchewan, said it's great that Western has sent signals that it wants to continue its relationship with the provincial associations. But whether they remain full members or associates, he said, is something that has yet to be discussed. **iw**



Gaschler