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Wawanesa CEO Jeff Goy says he believes customers want a wide selection of insurance options. The acquisition of Western Financial Group and Western Life Assurance is expected to add more than 1,700 employees to the company.

Insurance giant acquires Western Financial Group, Western Life Assurance for \$775M

Wawanesa makes mega-deal

MARTIN CASH

IN what is the largest deal in its 121-year history, Wawanesa Mutual Insurance Company is acquiring Western Financial Group and Western Life Assurance from Desjardins Financial Corporation for \$775 million.

The transaction includes Western Financial Group's brokerage network, Western Financial Group Insurance Solutions and Coast Capital Insurance Services in B.C., as well as Western Life Assurance.

The acquisition will add 157 locations and more than 1,700 employees to Wawanesa's current workforce of 3,000, who work out of 50 locations in Canada and the U.S.

Wawanesa CEO Jeff Goy said there will be no changes in the Western companies' operations and the brokerage network will continue to operate under the Western Financial Group (WFG)

name. There are no plans to close or relocate any of Western's existing brokerage locations and its High River, Alta., management head office will also remain in place.

Goy said it's a big deal for Wawanesa. "We're very excited about it," he said. "We are a proud Manitoba company, founded here in 1896. This is a statement that we want to enhance our profile in this province, grow here and increase our presence nationally."

Wawanesa has about 700 employees in Winnipeg and with the addition of WFG, it will have close to 1,000.

Wawanesa is seen as a broker-friendly company in the \$54-billion per year property and casualty insurance business. It relies on the independent distribution network to distribute its insurance products — except in Quebec, where Wawanesa sells directly to consumers — and the acquisition of the WFG will solidify that commitment.

"The majority of our product is sold through the independent broker network," said Goy. "We believe in that channel and as a mutual company, the policyholders own the company so we are all about what is best for our customers. And we believe our customers want to be served by independent brokers who offer a wide variety of products and a wide range of insurer options and this investment is to help support that model."

So that is to say the acquisition of WFG is not a strategy to push more Wawanesa policies but to bolster the independent network.

That ownership model is different than the one Desjardins deployed during the six years it owned it. Desjardins grew WFG to 127 locations from 120 and to 800,000 customers from 500,000.

"We were gradually thinking about introducing our products and our solu-

tions and to build the information technology to make it successful in distributing our products within the network," Denis Berthiaume, Desjardins Group's chief operating officer, said.

Desjardins is the third-largest property and casualty insurer in Canada, with two-thirds of its business outside Quebec, and is Canada's fifth-largest life and health insurer.

The acquisition by Wawanesa means WFG is strongly back in the independent brokers fold.

David Schioler, CEO of the Insurance Brokers Association of Manitoba, said this is good deal for Wawanesa and good news for insurance brokers.

"There's no question Desjardins' intentions was to eventually turn those operations (WFG's) into a direct-to-consumer operation (selling Desjardins insurance product). That was not a good ownership for us as brokers

in terms of where we thought it was going," said Schioler. "The Wawanesa announcement is good news. We know they will run it as brokerage. They have a lot of credibility in that regard."

The transaction is scheduled to close in the third quarter of 2017.

The deal is being done between two co-operative/mutual companies — both Desjardins and Wawanesa are owned by their members/policyholders.

Wawanesa is one of the largest property and casualty insurers in Canada with \$3 billion in annual revenues and assets of more than \$9 billion. It also operates Wawanesa General, a subsidiary that offers property and casualty insurance in California and Oregon, and Wawanesa Life, which distributes life insurance products and services throughout Canada.

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