

## Daystar boosts presence in Western Canada

The deal reflects a general trend toward consolidation among smaller MGAs

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By Gavin Adamson

Daystar Financial Group Inc., a mid-sized managing general agency based in Winnipeg that serves life insurers, has expanded its footprint in Alberta by buying a smaller, Calgary-based MGA founded in 1982.

Daystar has acquired Calgary Brokerage Life Marketing Inc. from owners Rani and Serge Lally, a husband-and-wife team. The deal, closing this month, is consistent with a general trend toward consolidation in the industry.

The acquisition delivers another 100 advisors to Daystar, bringing the number of advisors that it services regularly to about 300. (Daystar does business with at least another 900 advisors, on a less active basis.) Daystar president Rene Pereux estimates that Daystar, which he founded after a 27-year career with Sun Life Financial Inc., is among the top 10 MGAs in the country.

For the past two years or more, Calgary Brokerage has served as Daystar Alberta's back office, sharing overhead in areas such as filing claims with insurers. The Lallys recently decided to sell their firm's book outright to Daystar. Keith Brown, senior manager and principal of Daystar, who along with Pereux owns 90% of Daystar, says the deal was a key acquisition in the important Alberta market. The deal bolsters Daystar's Calgary operations.

Calgary Brokerage will also immediately increase Daystar's revenue, adding staff and services that will make recruiting advisors easier in booming Calgary.

"Starting from scratch is expensive," says Brown, who is based in the firm's Vancouver office. "So, by acquiring this agency, we get some very talented people who can fill all those roles. It has an established service-fee base and producer group."

Rani Lally will remain part of the management team at the Calgary office, as will key employees and managers who will continue to recruit and serve advisors, adds Brown.

This is the latest in a long string of mergers and acquisitions in this mostly small, often family-owned sector of the MGA industry.

Full-service firms such as Toronto-based DundeeWealth Inc. and Mississauga, Ont.-based Investment Planning Counsel own their own MGAs. But independent MGAs, including Daystar, and larger firms such as Chicago-based HUB International Ltd., Mississauga-based IDC Financial Inc. and Calgary-based Financial Management Brokerage Inc. are on the lookout for growth and economies of scale.

Smaller firms have their own reasons for selling. One of the chief motivations is that insurance companies are starting to enforce long-standing contractual production minimums.

Bill Maclean, vice president of corporate accounts at Manulife Financial Corp. in Waterloo, Ont., acknowledged in late 2007 that many carriers, including Manulife, are enforcing production and profitability levels. It makes for less pressure on the carriers' wholesaling teams. Manulife deals with about 50 MGAs, including Calgary Brokerage before it moved under the Daystar umbrella.

Another factor fuelling the consolidation trend appears to be the attractions of retirement or, at least, semi-retirement — which is in keeping with the common theme in the insurance industry that the advisor population is aging.

The MGA market is competitive. So, it's important to attract enough new young advisors to generate fees to pay for key requirements such as technology, training and marketing.

Besides, every advisor in the industry does business through an MGA of some sort and, says Byren Innes,

senior vice president and director with insurance consultancy NewLink Group Inc. in Toronto, every advisor will be asking what the MGA brings to the table to build the advisor's business.

Among Daystar's first priorities following the acquisition will be the deployment of its Virtgroup Inc. software to staff and advisors and training them on it. Virtgroup is one of three main software providers to the insurance industry, along with Winfund Software Corp.'s W. and WealthServ, which Winsoft Software Inc. licenses to SOLCORP, a subsidiary of Electronic Data Systems.

Browns says it's the goal of every MGA in the country to deliver contract processing, data for in-force business and investment accounts to their advisors in a Web-enabled platform. However, none of the software providers has yet been able to assimilate the various data systems from the insurance carriers.

"Right now, we employ people to cut and paste and flow data between different systems," he says. "We share the same goal as every other MGA in the country. Nobody is there yet."

Also on the technology front, Daystar delivers a series of illustration packages that have been developed internally. David Faulkner, who owns a portion of Daystar Edmonton, has developed the modules, which compare insurance providers' products in various advanced markets. Faulkner distributes these modules, called "FP solutions," through his company, Financial Plan Advantage Ltd.

The latest module is a Monte Carlo simulation, which compares various portfolio types against the raft of guaranteed minimum benefit withdrawal products being distributed by the insurers.

"These products," Brown says, "are really taking the industry by storm."

Daystar's internal surveys of advisors have shown that training is critical for advisors to meet licensing requirements and their own education goals every year.

"It's financial planning, it's compliance and product information, and it's marketing training," says Brown. "Those will be among the first priorities, so that everyone that does business with us can keep up with the business."

By moving administrative roles to Winnipeg, Brown says, the Calgary office will be free to provide the marketing service that advisors and their teams require. All insurance contracts will be scanned and sent to the Winnipeg offices.

Daystar employs about 35 people, most of them based in Winnipeg, where office leases are relatively cheap. In addition, the locale's lower cost of living goes a long way toward helping a medium-sized business make a profit while paying competitive salaries in the market.

Daystar concentrates mostly on the western market, with offices in Nanaimo, B.C.; Vancouver; Calgary; Edmonton; Mississauga; and London, Ont., plus a marketing office in Lethbridge, Alta.

Daystar maintains contracts with 16 insurance carriers, chief among them Manulife, Sun Life, Canada Life Assurance Co. and Standard Life Assurance Co. of Canada. IE

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