In a period of merger and consolidation, when companies disappearing from the map is the norm, a new kid appearing on the block stands out. That this recently arrived insurer is a purely made-in-Canada operation only heightens the contrast.

However, don’t confuse being a new entrant with being a novice player. Trisura Guarantee Insurance Co., which will specialize in corporate risk and surety, is the brainchild of p&c veterans Robert Taylor, Michael George and John Garner. Not only do they have years of experience and a track record of success behind them, but they have been in a start-up situation before. Moreover, they are being backed by a heavyweight investor, Brookfield Asset Management Inc., which has some $50 billion (US) in assets under management.

“Most of the competitors in our space — the corporate risk arena, directors and officers liability area, the fidelity and the surety world — are, in fact, owned abroad. They’re owned by U.S. companies, they’re owned by European companies,” says George, who is serving as president and chief operating officer. “So our thought was that there is room for a Canadian play — a company that is Canadian-owned, Canadian-managed, Canadian-controlled, with decisions made right here in Canada.

“It’s something that I think our brokers really appreciate — the fact that the decisions that are going to be made in this organization aren’t going to be made in Baltimore or Hartford or Paris or places that really have no feel for the Canadian marketplace.”

Canada cannot be considered an extension of the U.S., agrees CEO Taylor. “It works differently here. Relationships are different. The business is conducted differently and to take a box that is designed in the U.S. and impose it upon your underwriting approach here is frustrating, I think, for the brokers because it disenfranchises them as far as being able to handle their business.”

In fact, to emphasize its Canadian roots, Trisura has adopted as its logo a white pine tree derived from the nature.
paintings of the Group of Seven artists. As well, the genesis of the company's name is inspired by its intended focus on providing a high level of service.

“We had to come up with a name, obviously, for the new venture. A lot of people have assumed that because there are three of us as founders, that yields the “tri” portion,” explains George. “But, really, in a lot of ways, it refers to the three-party relationship between the broker, the client and ourselves. So we definitely thought that that tracked well and made a lot of sense. The ‘sura’ represents the middle four letters of the word insurance so we’re the guts of insurance as well.”

There is another twist to the moniker, adds Taylor. “Mike had come up with “Trisure” but John said we should Canadianize that. Why don’t we call it ‘Tisure, eh.’ The point is that we will strongly support our broker partners. That’s about working together to help them achieve their objectives because if we help them they will help us.”

Indeed, broker Brian Jones, president of Jones Brown Inc., hails the entry of Tisure into the marketplace and salutes Taylor, George and Garner as “the best of breed, the best of class.

“With their timing in coming to market and the three of them working together, it doesn’t get much better than this. It’s a phenomenal story — a Cadillac operation from start to finish,” says Jones. “This is the best start-up I’ve ever seen — well-capitalized, great business plan, segmented market, quality people. It just reeks of success. I would never seen — well-capitalized, great business plan, segmented market, quality people. It just reeks of success. I would say that I was talking about versus where I was looking.”

**Past Lives**

After graduating from the University of Waterloo with a chemical engineering degree, Taylor started off his working life with consumer products giant Procter & Gamble, running a soap plant and an edible oil refinery while, at the same time, studying for his MBA. Family friend Frank Cowan of the Guarantee Company of North America, however, ended up wooing him to consider GCNA in Montreal and he joined that firm in 1975, intrigued by underwriting.

At the end of the seventies, Taylor was transferred to Toronto to run Guarantee’s operations outside of Quebec. He stayed there for 14 years until 1989, when he agreed to help start up a new division, Wellington Guarantee, for Wellington Insurance Co.

“We attracted some talent from the Guarantee Company of North America, who also were interested in the direction that I was talking about versus where GCNA wanted to go at the time,” Taylor recounts. “GCNA was not that growth-focused and I just thought that there were opportunities coming.”

In 1995, Wellington Insurance Company was sold by London Insurance Group to ING Canada but Wellington Guarantee was excluded from the transaction. The division was transformed into London Guarantee Insurance Co. and carried on. Two years later, the London Insurance Group was bought by Great West Life Assurance Co. and London Guarantee became part of the Great West family, operating as an autonomous entity.

The consolidation trend was not over yet: In 2002, St. Paul Travelers Companies Inc. acquired London Guarantee’s operations.

“So the day that closed, I was terminated and I had a three-year non-compete clause. But they hired me back to help with some run-off issues with part of the business that St. Paul didn’t buy, and also to help with the merger,” recalls Taylor. “Over the next three years, I was helping St. Paul really on behalf of Great West — helping Great West, working through St. Paul, to run off some of the issues that were left.”

George, meanwhile, got into insurance after a stint in banking. He played pick-up hockey with some GCNA employees and they encouraged him to join their ranks. He came on board in 1988, a green recruit working for Taylor. After Taylor left in late 1989, he followed shortly thereafter, attracted by the idea of helping build a start-up venture.

When London Guarantee was sold, George was asked to stay on for three years to help assimilate the business. He says he could have remained longer after the transition but had concluded that he didn’t want “to be part of a great big, huge U.S. operation.”

CFO Garner started out as an accountant with Clarkson Gordon (now Ernst & Young) in the firm’s Montreal offices in the late seventies. He came to Toronto at the end of 1979 and joined a group within Ernst & Young called the Toronto Business Advisory Group (TBAG), which was run by Walt Stothers, who Garner describes as “the consulting guru to the insurance brokerage consulting industry in the seventies and eighties.”

In 1988, he went on to sign up with a client, Trivest Insurance Network Ltd., which invested in insurance brokerage operations across Canada. It was controlled ultimately by Trilon Financial Corp., which is now Brookfield. When Trivest ceased business in the early nineties, Garner went over to Wellington for a brief stint as vice president of broker operations support, a job he didn’t really enjoy. He was considering going into consulting when Wellington
Guarantee brought him in to help with an accounting problem. When Wellington was acquired by ING, Garner became CFO of Wellington Guarantee and then London Guarantee. He stayed through the St. Paul sale and then returned to consulting for a brief period with Cookson Walker Consulting Group.

So in the spring of 2005, with all three pretty much free agents, the trio started brainstorming about what they could together do next.

**Forward thinking**

“When I realized that there was a chance to do something with these two again and maybe try to create something new based on what we learned at LG that was maybe better — that should be better because of that learning curve — I got really excited,” says Taylor, explaining that having seen firsthand consolidation in the surety arena, the trio felt that there was definitely room for another player.

As Taylor, George and Garner created a five-year pro-forma and fleshed out a business plan, uppermost in their minds were some of the lessons they had learned at Wellington Guarantee and London Guarantee, one of the most important being the need to develop and nurture the right broker relationships.

“The secret to our success had been the very close working relationship with our brokers. That also is being selective in who you work with — that they had similar philosophies and approaches — and getting to a basis of trust between the underwriter and the broker,” Taylor analyzes. “I think the feedback that we had was that London Guarantee evolved with the St. Paul ownership; it became a different company than what it was. And I think we thought that given that feedback from our broker friends there was room for a market that had those beliefs about service — very high service levels — problem solving — putting expertise up against the brokers’ problems.”

With a business plan in hand, Taylor approached some connections in New York for support. They actually went well down the road working with these potential U.S. backers when Brookfield expressed an interest. It was a matter of happenstance: Taylor was having lunch with some senior people at Brookfield relationships that had been established during his time at London Guarantee — when he happened to mention what he was up to. Brookfield asked to see the business plan and then a 15-page outline looking ahead for the next five to 10 years. They liked what they saw and the firm became Trisura’s principal investor.

“These were the people we really preferred to deal with — Canadian money, a Canadian company that understands the insurance business, people that we knew and trusted,” says Taylor. “The New York people were more lay people, and it took us a lot of explaining for them to realize this was all about — that an insurance company is not a quick-flip investment. It’s a long-term investment. It takes time to build the value. Brookfield did understand that.”

Trisura raised $25 million to get underway. Brookfield put up the bulk of the cash but Taylor, George and Garner have a stake in the common shares as does their management team.

**Setting up shop**

From then on things moved quickly as the team was eager to open Trisura’s doors and start doing business. Taylor and Garner started work Sept. 7, 2005, followed by George a month later. At the beginning of October, they went to Ottawa to meet with officials of the Office of the Superintendent of Financial Institutions. OSFI seemed impressed by their agenda and plans and Taylor pressed to receive letters of patent by the end of the year.

“One of the people within OSFI mentioned that this presentation was a step above what they would normally see; then that person’s boss said no, this was actually a step above ‘a step above’ what they would normally see,” remembers George. “So we’ve used ‘a step above’ as our tag line on some of our material. “I think that’s what we’re trying to do and be — a step above not only the expectations of our brokers and clients but, hopefully, a step above the competition as well — or at least a step ahead.”

OSFI was doubtful that things would proceed as fast as Trisura wanted but the company persevered and was granted letters patent on Dec. 23rd. “It was a matter of time because we were burning money — legal, accounting, actuarial, staff costs — so the faster we could hit the ground the less of an impact those start-up costs would be,” says Taylor.

“But also, we wanted to get going in the New Year, to get going early so that we would be available to write business in March, which was our target.”

With letters patent and permission to open, the next step was to approach the provinces for licensing. Some jurisdictions were “painfully slow” in processing Trisura’s application, George says, but, one by one approvals came in.

“Going through the whole process, that six or seven months, was really like running a hurdle race,” he elaborates. “We had to find capital and get that put in place. We had to meet OSFI and get the letters patent and the permission to open. We had to incorporate and capitalize the company. Then we had to have the supervisory branch of OSFI come in and do an on-site inspection, which we did in January. We got our permission to open on Jan. 23.

“Then we had to go to all the provinces and start waiting. After two or three weeks, the first ones we got in were PEI, Nunavut and the Northwest Territories. We were doing cartwheels in the hallways. Then finally we got traction on the other ones. Along the way, you’ve also got the reinsurance issues,” he adds. “You have to go through all those things before you can turn your sights on actually doing business and starting to hire people and talk to brokers and their clients about doing some business. So it’s quite an exhaustive process.”

One big operational bonus is that Brookfield is helping on an outsourcing basis with Trisura’s administrative tasks — premises, personnel issues, human resources organization and the like.

“We are able to get away without a lot of the baggage that goes along with big companies sometimes,” George notes. “One of the intriguing things is that even though Brookfield is such a huge company, the people there are excited about this investment. They’re hands-off in terms of the operational side and the decision-making around bringing on staff and the execution of our business plan. Those decisions really entirely reside with us. But they’ve been interested, for example, in helping us with our software development.”

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As Taylor puts it, “we want to manage the insurance business, not an IT department or a HR facility or even a big accounting operation. Whatever we can outsource to make things more efficient, all the better so that we can focus on the business. It’s allowed us to really concentrate on developing the back office, and it’s come together quite quickly.”

Scope
Trisura’s headquarters is in Toronto and it has opened offices in Calgary and Vancouver, with Montreal on the drawing board for this fall. By the end of the year, it expects to have 28 to 30 employees in those four locations. The company is targeting about 100 brokers across the country, with a total of 150 to 200 locations and maybe 1,000 people. “That’s manageable,” says Taylor. “You can really focus your attention.” As they learned in their previous incarnations, he points out, 80 per cent of the business will probably come from 20 per cent of your broker force — “and I think we knew who that broker force was at LG.

“Those are the people who we’re going to talk to because we know we’ve had relationships that work in the past and we believe that we can replicate that. There’s some efficiency in starting off with the right selection of brokers to deal with. We know who we want to deal with. Trust in that relationship is very important to us.”

To help build that rapport, Trisura is promising to deliver “exceptional service,” management says. For instance, the company pledges that someone will respond to any broker inquiry within 24 hours.

“For the broker, from our research, part of the frustration is that you have a client that you need to serve. So you put his risk out for tender, out for a quote, and you wait for the market to respond. But you have to follow it up to do your due diligence. And when you follow up, you find out that market, in fact, is not responding because it doesn’t meet their criteria or whatever,” Taylor says. “So the frustration level builds up.

“You will hear from us and we will tell you if we can’t help you and who might be able to help you,” he vows. “We will let you know early on if we can help or not. If we can help, we will try to turn that risk around as fast as we can. We get that because in our shop are a number of people who were on the brokerage side. My dad was a broker. So we are placing a high priority on servicing brokers.”

To help meet that service guarantee, Taylor says that Trisura is putting heavy emphasis on technology and developing innovative systems. Because it is a start-up, he notes that the company doesn’t have to deal with any legacy issues and is in position to go with state-of-the-art IT right out of the gate.

“Technology is going to be an important strategic issue going forward — being able to deal over the Internet through a browser to be able to help our brokers serve our clients is absolutely where it’s going. We have to be there,” he says. “We have to be capable of matching the capabilities of the AIGs of this world and the ACEs, these huge companies that are here and competing with us.”

On the surety side, the predominant clientele is construction contractors and developers. Noting that Canada is currently “very robust” from an economic standpoint, with construction booming, George says there’s “tons of business out there” on this front and submissions are “pouring in” on a daily basis.

On the corporate risk side of the business — D&O, E&O and fiduciary liability — Taylor says that Trisura is looking at the middle-market — under half a billion dollars in assets. “Corporate Canada is really the target market, with few exceptions,” he says. “That’s more mature today than say when we started up LG 15 years ago, but we still believe that there is room for a company that provides innovative solutions.” E&O, in particular, is a growing category because as North America increasingly becomes a service economy there has been a rise in the type and number of quasi-professional individuals and companies providing service and needing protection.

“We’re gaining ground. Corporate risk takes a little longer,” says Taylor. “Even going back to LG, it builds over time because you have to work with the brokers on some accounts, demonstrate what you can do, and get the opportunities that come as you go through the renewal year and as you head to December, which tends to be a big renewal month for that business.”

In terms of expansion, the Trisura trio says that they intend to stick to their knitting. They don’t have any plans to take over any other companies although if a suitable opportunity came along they wouldn’t absolutely rule it out. However, growth is expected to come more from the development of new products and programs and perhaps the acquisition of books of business.

“Don’t rush into opportunities that may seem to be attractive from a premium standpoint or whatever, but you don’t really necessarily understand,” warns George. “I think we learned that the hard way a couple of times in the past. We will look at broadening our product spectrum over time but we’re going to do it intelligently.”

Taylor says that Trisura’s business plan left blank what one-fifth of the business will be for five years for now — that is “at the end of five years, there will be 20 per cent of the business we write that we don’t have any idea what it will be.

“For the three of us, it’s our responsibility to isolate those businesses and make sure that they are adjacent, and then put together the underwriting teams to do it,” says. “We can get more financial wherewithal if we need to make the acquisition of a book of business or if an acquisition comes up that makes sense. There are fewer and fewer of those opportunities.

“Surety is an interesting product in that it doesn’t look like any other insurance product. When companies are focusing in and there’s surety parked over here, there may be opportunity. When we had LG, we picked up three surety books of business as markets re-focused. That could happen here.”

As for being an acquisition target, the management team says no way. “We’re tired of being sold,” sums up Garner.

“We’re not doing this to flip it,” agrees George. “That’s the beauty of the Brookfield deal. They understood that this is a long-term prospect as opposed to some of the other U.S. companies that we met with that we’re looking for an exit strategy in five years. That’s not what this is about. We’re looking at this as a long-term solution and a long-term enterprise.”

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