

RSA CANADA WILL BANK ON ITS ORGANIC GROWTH OVER THE NEXT FEW YEARS

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By Hubert Roy, February 24, 2015

After making a number of acquisitions, RSA Canada is investing heavily in order to grow organically. The insurer wishes to increase its footprint both nationally and with brokers.

For **Rowan Saunders, CEO of RSA Canada**, general insurance currently offers an environment full of challenges. "This is a very mature market, with low returns on investment," he told the *Journal de l'assurance*. "Right now it's a battle to achieve profitable growth, not to mention the bad weather Nature has heaped upon us, especially the catastrophes of 2014 *and the severe winter we have just been experiencing.*"

He added that the regulatory environment also remains a challenge for insurers, particularly with the rules surrounding the Ontario auto insurance market. "These requirements will continue. We just have to think of Ontario, where the government has just asked insurers to reduce their rates by 15%."

Mr. Saunders also noted, "All this is happening in a highly competitive market, where new players are entering the Canadian Market." He added, "Consumers are also more demanding and insist on more expertise. They are also asking for more digital and technological interaction."

Strategy maintained

In spite of these shifting circumstances, RSA is sticking to its strategy in Canada. The insurer always aims to outperform the market. Mr. Saunders points out, "We are pursuing our multi-segment distribution approach, with our subsidiary RSA Insurance in the brokerage field and Johnson on the direct distribution side. We want to grow in both these streams. We see ourselves as a segmentation insurer, not a general insurer."

He now wants his organization to make every effort to create a national brand image for itself. "We are achieving good organic growth in Quebec, particularly through the acquisition of L'Union Canadienne, whose integration is now complete. We want to increase our revenue in the province. It is important for us to be a national player."

Mr. Saunders affirmed, "In the field of personal insurance, RSA has done its homework to deal with the losses that this segment has experienced in recent years. We have also made sure to have enough reserves to deal with the situation in the future."

RSA has also made substantial investments both in developing a more sophisticated rate structure, and in improving its underwriting. The insurer is therefore in recruitment mode throughout the country, looking to hire actuaries.

"Our results are positive in the Ontario auto insurance market, where we are making profits," Saunders noted. "We are expecting to see growth in this area."

From 15% to 20% more brokers

It is not just with Canadian consumers that RSA wants to become better known. The company also wants to get closer to brokers in both personal and commercial insurance. Mr. Saunders revealed that in the next few years, RSA hopes to be dealing with 15% to 20% more brokers than it currently does.

In commercial insurance, RSA is a presence in three large segments: SMEs, mid-market (intermediates risks) and large-scale risks. He said RSA has a large appetite for each of the segments.

In the SME market, RSA is looking to improve its policy management system. "We want brokers to have their bids more quickly," he noted. "We have to improve this process."

In the mid-market, RSA is active in five segments: professional and business services, the manufacturing sector, construction, real estate, as well as the transportation and warehousing sector. In terms of large-scale risks, RSA has expertise in dealing with machinery. However, the insurer wants to move into surety bond insurance. Mr. Saunders declared, "We expect to have success in the energy market in 2015, even though this industry will have to deal with the fallout from the drop in the price of oil."

Major investments

Mr. Saunders also told the *Journal de l'assurance* that his company will be making massive investments in its structure over the next few months. "This is something that is going to transform the business. In selling our **Noraxis** network to **Gallagher**, we have generated a record profit per commission in North America. We will use this profit to invest in our Canadian business. We've also hired a consulting firm, **McKinsey & Company**, to produce a diagnosis of our company. From that diagnosis, we will be able to see more clearly where to invest, particularly in technology."

Mr. Saunders explained that the investments will be made over a period of four years. "We want to have a flexible technological platform that will allow us to be even more competitive. We feel very competitive in some segments, but less so in others. We want to change that. We also want to refresh our customer experience. We will therefore be introducing some new things in telematics and in bidding, as well as digital innovation."

Like **Charles Brindamour**, CEO of **Intact Financial Corporation**, he said he is expecting major changes with the advent of the digital age. "One of the benefits of being part of a big international company is seeing what is being done elsewhere. We have seen changes take place in the United Kingdom, where our company has its head office. We believe that some of these changes will shake things up in Canada. Perhaps they will have less of an impact given the regulatory environment, but there will definitely be changes."

Rowan Saunders also wants to create an organization that will have the ability to generate organic growth. "We have had a lot of success up to now, but our growth largely comes from our acquisitions. We will continue to be open to making acquisitions, but our priority will be organic growth. We have to bulk up to achieve this."

Mr. Saunders knows that this challenge will require investments over several years, and he says that he is happy to have the support of the parent company in the United Kingdom. As he puts it: "They have great confidence in the Canadian market. Things have been rough over the past few years, but we are optimistic about the future. There is a strong potential for growth in Canada."

Consolidation will continue

Rowan Saunders thinks that the industry will continue to consolidate. However, this consolidation will occur more quickly in distribution than among manufacturers. Looking at the top 10 insurers, it is hard to see where consolidation could take place. However, insurers will try to acquire brokerage firms to have control over distribution. New players are investing in this direction. "Brokerage consolidation is not a phenomenon that is unique to Quebec," Saunders noted.

However, RSA still refuses to take this route. "We will offer brokers financing, help them in their succession and may take minority interest in them," he concluded, "but we don't want total control over any brokerage firm."