

CORPORATE VISION



Andrew Kemp and
Peter Casey

POSITIONED FOR *Progress*

CMW READY TO GROW WITH B.C.

By Barbara Aarsteinsen

Officially speaking, the provincial bird of B.C. is the Steller's Jay — or *Cyanocitta stelleri*, a close relative of the blue jay. More appropriately, perhaps, it should be the crane — as in construction crane.

The good times are rolling in Western Canada, and it's not just in Alberta, with its oil-boom prosperity. B.C. is likewise thriving and the evidence is everywhere in Vancouver and

even Victoria, which has in the past been made fun of as a haven for civil servants and the “nearly dead.”

Vancouver is still an easy-going oasis compared with many other Canadian cities. But laid back? Not so much anymore. Building projects abound, adding more and more glass towers to the skyline. There is not just one Sky Train line but two now, with a third one going to the airport currently under construction.

Chi-chi Holt Renfrew recently opened a new store considered by many to be the jewel in the crown of the Canadian retail chain. Tourists are everywhere. And down the road is the shimmering prospect of the 2010 Winter Olympics.

All that bodes well for home-grown brokerage CMW Insurance Services Ltd., which has been focusing on niches in the industries that are driving B.C.'s growth — first and foremost, construc-



tion, and then real estate, manufacturing, strata (condo) business, hospitality and some selected programs.

Consider that the firm started out with five employees in 1994 and now has a staff of 60. It recently moved into a new headquarters, consolidating its offices under one roof. Moreover, annual premium volume has soared to \$50 million from \$900,000 in the early days. Growth has doubled over the past three years, and the expectation is that that momentum will continue, says Andrew Kemp, partner, sales manager, and chief operating officer.

“Over the last number of years, we’ve been one of the fastest growing brokers in B.C. My role is to keep that curve going,” he says. “It gets tougher as the numbers get bigger, but we’re continuing to expand at a very rapid rate. I am confident about the goal of doubling in five years and continuing that pattern.

“I have the \$100-million mark in mind. I will relax and feel really successful when we reach \$100 million. Getting there is a challenge but you have to shoot high. If you look at the past three years, we’re on track for doubling in five years, so I’m pretty comfortable with that number — even though we’re in a soft market right now, which means that you’re peddling twice as fast.”

Some might also consider it an advantage that the Burnaby-based firm is completely independent, with no financial ties to insurers. Indeed, until BFL and HKMB came to town more recently, it was the only large independent commercial brokerage in the Lower Mainland, the rest gobbled up by consolidators like Hub International. Even with the two Eastern relative newcomers, CMW can still boast that it is the sole B.C.-born and bred independent commercial brokerage of its size in its region.

“CMW is in a unique position in Vancouver — in fact, in Canada, if you think about it,” notes Steve Frye of Cookson Walker Consulting Group, pointing out that there are few independent commercial brokerages across the country that are virtually an island in a sea of consolidator-owned competition. “Yes, Lorenzetti and HKMB have now come to

town, but CMW isn’t too worried about them. It has carved out an interesting marketplace and it has excellent practitioners running the show.”

Indeed, CMW is led by refugees from the big institutional brokers, who were chafing under the yoke of bureaucracy and wanted to take a more entrepreneurial approach — the two managing partners, Peter Casey and Chris Waters, who founded the firm, and Kemp, who was brought onboard in 2004. Management also makes it a practice to hire people like them with years of experience and, often, an alpha-house background.

“I saw too much conflict in a large company between the shareholders and the employees and the clients, and I couldn’t work under that,” says Kemp. He had been at the same major firm as Casey and Waters and when the pair left to go out on their own, he took over Casey’s office and competed against him for the next decade. He recalls with a laugh that he actually had the phone number for Casey’s wife on his speed dial because he never got around to removing it.

“So I wanted to go to a place where that conflict wasn’t so great. It was something that had built up over the years. I looked for a company that had what I needed, which was that independence plus a broad base of insurance capacity,” he explains. “You have to have a certain quality to be able to do the kind of accounts that I like to look after. So CMW was the right mix for me, and Peter and Chris gave me a great offer, so I joined.”

Flying solo

Casey, who was born in Alberta but moved to B.C. with his family when he was in high school, has spent his entire career in the insurance industry. He put in two decades, from 1974 to 1994, with the same institutional firm, starting in the mailroom and working his way up the ladder.

At the 20-year mark, however, Casey felt the itch to be his own boss and implement his personal vision of how a brokerage should work. With co-worker Waters, he purchased a Vancouver-based

agency, Anthony Bennett Insurance, to have a bit of a head start instead of struggling from ground zero. The firm, which was 60-per-cent commercial and 40-per-cent personal lines, was fairly small, he says, but “it was a launching pad.

“Our objective initially was to be very good in niche areas and be very good in the mid-market business that perhaps the large brokers weren’t entirely focused on,” Casey recalls. “Then we wanted a common theme amongst the staff. We were looking for very experienced people who wanted to change to a company like ours that is independent and entrepreneurial, with basically all the decisions made in one place. If they were hardworking and successful, they would be directly rewarded for that.”

Three other acquisitions followed. First, CMW bought North Vancouver-based Harbourview Insurance in April 2000. Next, it added McGregor Insurance, which was located in Vancouver, in July 2000, and then came Underwriters Insurance Brokers, also headquartered in Vancouver, in January 2002.

“In the early part of our existence, we felt that it was a priority to get to a certain size because there is a trend towards insurance companies requiring minimum volume levels. So we needed to get to a certain level and we wanted to expedite that process,” says Casey. “We aggressively sought out acquisitions. We didn’t want to make too many because we had to manage our growth too, and we wanted to make ones that were primarily commercial brokerage firms. From day one, our focus was commercial insurance, with some personal lines to support our commercial clients.”

The acquired firms brought three things to the table, Casey outlines. They had good books of business, talented employees and established niche areas. For instance, McGregor and Underwriters had some program business that launched CMW into a number of different programs, leading it to build a substantial business in this area.

Digesting those deals took a lot of time and effort, Casey says. Once they were amalgamated into CMW’s structure, the firm decided to then focus on



luring more producers. “We felt that we were growing quite well so our next step was to add experienced sales people. We had got large enough to have the number of companies we wanted onboard and large enough to attract new people. So our approach since then has been to develop the people side of the business.”

Casey says he doesn't rule out further acquisitions but he doubts that there are many attractive opportunities at this point in time. On the other side of the coin, the brokerage regularly gets “expressions of interest” from would-be buyers, but “we are determined to stay independent,” he says. “We feel we can make more efficient decisions and move more quickly.”

“As an independent, we can concentrate on the issues at hand without worrying about bureaucracy and answering to public shareholders. We can focus on what we need to focus on, which is insurance company relationships and helping our clients.”

As Kemp points out, the firms' partners and employees are grateful to have escaped the large, multinational brokers and the last thing he wants to do is to return to a similar scenario. “We weren't happy in that environment and that's why we're here,” he says. “We certainly work better in this environment and we want to keep it that way. So becoming

part of a larger conglomerate isn't part of my plans.”

Cutting ties, building alliances

When CMW embarked on its trio of acquisitions, it took on an insurance company as a minority partner to help finance its expansion. In 2004, the firm decided to end that relationship and introduce more key staff members as partners and investors.

“We thought it was a good idea to change our direction and part ways with the insurance company. The insurer had an interest in doing it too,” Casey remembers. “We wanted to be considered a truly independent brokerage firm. We are proud of the fact that we are fiercely independent, and we think a good strategy for maintaining that is to diversify our shareholdings amongst a number of employees.”

“You have more of a personal interest in the success of the company and you're rewarded more directly too as an investor, as a shareholder. So there's definitely more of a commitment from the employees.”

At around the same time, CMW struck a strategic partnership with Capri Insurance, a brokerage based in Kelowna. Capri is a well established, well run firm but it is not a competitor because it's based in a different geographic location, Casey explains. “We

found that the management has similar philosophies about running a firm, and we thought that by having an investor that's another independent broker but not a competitor we could share ideas and perhaps work together on accounts.”

CMW was similarly motivated last year to join the Canadian Brokers Network, a group of large, like-minded commercial brokers from across the country who have banded together to share experiences and solutions as well as to develop best practices and benchmarking guidelines. They come from different regions and are not direct competitors. Cookson Walker helps facilitate their meetings and activities.

“CBN is a great organization for us to be part of. It really helps to see what we're doing and compare it to others. The whole benchmarking aspect of it is tremendous as well as the sharing of ideas. We're all facing similar issues,” says Kemp. “We've just had an audit done by an independent firm to review all of our procedures; there have been a few recommendations there.”

“We certainly want to be proactive and look at all these things to improve how we operate and how we treat our people,” he continues. “We're working pretty hard to be an employer of choice, too. We've done a survey of benefit plans and what we can do to enhance that aspect. We've also introduced on a trial basis the flex hour concept, the first broker here to do that.”

Marshall Sadd of Edmonton-based Lloyd Sadd Insurance Brokers helped recruit CMW to CBN. He says the that the brokers network was looking to add a Lower Mainland member and as he surveyed the market and talked to insurers, CMW's name kept coming up again and again.

“I talked to a number of suppliers and CMW kept popping up in the conversation as the movers and shakers in the Lower Mainland,” says Sadd. “The firm is aggressive and growing, it has a great reputation, and the principals and staff have a solid background with lots of experience. They are doing a lot of interesting things, particularly in the property and real estate areas, so the firm seemed a good fit for us.”



Strategic planning

In 2004, CMW had grown such that the need was felt to bring in somebody to serve as more of an overall manager. Waters and Casey knew Kemp and felt that he fit the bill. After 18 years with a big broker, Kemp, meanwhile, was ready for a change.

“Chris and I had built up quite a large volume of clients and we felt that we needed help in moving the company forward from two standpoints — assisting in the management and then taking the business to the next level, driving growth,” says Casey. “We realized that if we were going to focus on spending more time with clients, we should bring Andrew in to help us better manage the process.

“While Chris and I had certainly built up the business, we recognized that there had to be a transition and we needed to add another person to the equation. And Andrew has done an exceptional job.”

While Kemp is chief operating officer, he is still involved in sales, striving to nurture what he describes as a sales culture. “We’re growing at a greater rate than we’re adding to our

staff, meaning that our sales people are becoming quite a bit more productive and quite a bit more active,” he elaborates. “We’re working on tools, techniques, training — they’ve got all the incentives they need.

“We have a weekly sales meeting come hell or high water every Tuesday morning, and very few organizations have the discipline to do that,” he says. “We’ve been at it now for 18 months and I don’t think we’ve ever missed a meeting. If I’m not here it still happens. It’s always only half-an-hour so it’s brief. We share ideas and we help each other out.”

Kemp also notes that CMW is run by committee. The management team routinely convenes every two weeks and considers decisions on the basis of one person, one vote. “We allow that to rule, which is a bit different than with a traditional partner setup,” he says. “People work well under that. Sometimes it’s time consuming but, in the end, five minds think better than one.”

Technology

To streamline operations, CMW has also been upgrading its technology, Casey and Kemp relate. One big project is a

central data bank of account information. The firm looked at what outside IT vendors had to offer but concluded that it had to come up with its own tailor-made solution.

Casey says that while efficiency is obviously the major goal, CMW wants to also make sure that the end product looks sophisticated. The brokerage prides itself on its submissions and he worries that “with some of the off-the-shelf products you get a very off-the-shelf sort of look.”

Kemp says that CMW has spent the last year-and-a-half building its own customized client data system and is now rolling it out month by month. “The idea is to have a single point of entry so we’re not writing the same details in multiple places. We looked at the systems out there in the market but they didn’t match our commercial focus.

“We spend a lot of time here developing the best submissions possible. There is a standard so that everything that goes to the insurance markets looks exactly the same. So we perfected our solid submission first and then we needed our database to plug into that. ∞