

Hunter McCorquodale becomes a division of Simmlands Insurance Services

TORONTO

Five years ago, **Ken Hunter** and **Stephen McCorquodale** started thinking of a succession plan. Mr. McCorquodale had turned 60, and they knew the day would come when he would want to retire. The problem was that no obvious buyer was in sight.

"We're such a unique operation that anyone who buys us would be swallowing a lot of stuff that's new and different," Mr. Hunter said.

Created by the two partners in 1997, Toronto-based **Hunter McCorquodale Inc.** (HMI) is a special-risk product developer and distributor.

It is the exclusive distributor of two products for **Reliable Life**: Transition LTD, disability insurance for those who lose their group LTD coverage due to job termination, and SecureDI, individual disability insurance for those turned down for medical reasons.

HMI is also the exclusive distributor of an **ACE INA Life** product, SecureLife, which provides individual life insurance for those denied for medical reasons.

Disability and accident products

HMI has also designed and distributes eight personal disability and personal accident products on the **Lloyd's of London** platform for clients who can't be served by the regular market.

"One option was for me to buy Steve out," Mr. Hunter said, "but that would just postpone the succession plan issue for when I retire down the road."

They decided to test the market to see if there was a buyer that would give them a fair price for the business. This past April, they hired **Klein Farber Corporate Finance Inc.** to scout the market. "Klein Farber first made sure we really wanted to sell," Mr. Hunter said. "They forced us to think about such things as, 'Do you really want to give up control?' and 'What if the buyer

doesn't want you to stay on?'"

Klein Farber asked the partners for a list of possible buyers – and then came up with one they hadn't considered: **Jones Brown Inc.**, a national P&C insurance broker. Klein Farber arranged an initial meeting between the two parties in early July, and HMI provided a seven-page summary of its business.

Aggressive expansion strategy

"When I walked into that meeting, my expectations weren't high," Mr. Hunter said. "I'd seen their website and thought, 'Where's the fit?'"

What he didn't know was that Jones Brown had mapped out an aggressive strategy for expansion. Less than a year before, **John Barclay** had joined the company's subsidiary, **Simmlands Insurance Services**, as its president. He has been charged with growing the division, which until then had focused exclusively on the golf industry. His plans include introducing new product lines and acquiring other firms.

HMI also had a small retail employee benefits business that had been one of Mr. McCorquodale's focuses. By another stroke of good luck, Jones Brown had plans to build a retail life and benefits division.

"Klein Farber approached us in late June," Mr. Barclay said. "We looked at HMI's summary statement, and saw several compatibilities including strength of brand, strength of distribution channels and strong underwriting."

HMI offered Simmlands diversification "from the P&C space into the life and health space, and in a business model we understood," he added. "The products they bring to the market are very niche, and products we bring are also very niche."

Fifteen minutes into the initial meeting, Mr. Hunter said he got the impression that Jones Brown had already made up its mind to buy HMI. "In less than an hour, they said they wanted to proceed and asked for a two-week exclusivity period, at the end of which they said

they envisioned signing a letter of intent to buy the company with a closing date of Aug. 31."

Jones Brown produced list of due diligence requirements, including financial information and business profiles. And at the end of that meeting, a date was set for a second meeting two-and-a-half weeks later.

"We actually came to an informal agreement two days before the second meeting," Mr. Hunter said. "I was standing on the dock at my cottage in Haliburton (Ontario cottage country north-east of Toronto) speaking on the phone to Chief Financial Officer **Richard Dowling**. So we essentially had the broad details of the deal, including the purchase price, in place when we got the meeting. That gave us six weeks to put the framework in place. Our lawyers told us it couldn't happen in that time. But it did."

Quick work? "That's the beauty of being a nimble business," Mr. Barclay said. "If both parties are of like minds, we can get things done

"If both parties are of like minds, we can get things done without becoming overly complicated."

— John Barclay

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Hunter McCorquodale Inc. is now a division of Simmlands. At the end of October, Mr. Hunter and Mr. McCorquodale moved into Jones Brown's Toronto offices with their four support staffers. Mr. Hunter became Simmlands' vice president, responsible for leadership of the life and health business. Mr. McCorquodale is heading the development of a group and individual life retail business at Jones Brown, and he's also looking to hire and train his successor.

"For us, one of the key elements was that the deal ensures the ongoing employment security of our staff," Mr. Hunter said. "Other buyers might not have needed them."

And the deal gives each party a platform to expand its business. Simmlands adds a new product line to its offerings, and will start building a retail life and benefits business.

And HMI hopes to double its business in the next five years. Being part of a larger organization will take the administrative work off the desks of its founders, allowing them to develop new products and new channels of business.

"And we'll have the financial resources to acquire new talent, perhaps talent with expertise in other niche areas," Mr. Hunter said. "We've always managed our growth conservatively, but sometimes you have to take on more risk in order to grow."

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THE INSURANCE & INVESTMENT JOURNAL



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