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IN FOCUS

MESSAGE FROM THE CHAIR

STRATEGIC PLANNING: A THREE-YEAR COMMITMENT

By Kathleen Ann Rake

Dear Members:

The RCCAQ is convinced that efficient management practices are the key drivers of business success and peak performance. As a result, we are committed to promoting these practices and implementing them within our own operations.

In this regard, the strategic planning process plays a crucial role. Taking the necessary time to carry out an in-depth review of your business is no longer just an option; it's a must! This process is a key part of ensuring the future viability of your firm insofar as it provides a basis for action and a clear definition of business goals and how to achieve them.

The RCCAQ devoted the week of January 16 to its strategic planning process, which will determine the main areas of focus that will guide our efforts over the next three years. I would like to take this opportunity to take a look back and share with you the main findings of the RCCAQ's previous three-year plan (2014-2017), which served as the basis of our analysis.



POLITICALLY ENGAGED

There's no doubt about it: the shift we made three years ago aimed at refocusing on the RCCAQ's political lobbying role has paid dividends. Back in early 2014, our communications, activities and service offer were primarily those of a "non-political" association, so this shift in focus literally reshaped our future! By placing renewed emphasis on our lobbying role alongside key decision makers, we not only boosted the impact of our political initiatives, but also clarified our role within the industry, burnished our reputation in the eyes of insurers and government agencies and enhanced our service offer by making it more consistent with our mission.

We stepped up our lobbying efforts to ensure that brokers' voices would be heard loud and clear. But we also wanted to make sure that brokers' concerns would be attended to and their views solicited. We also clarified our policy positions, forged deeper ties with regulatory bodies and lawmakers and expanded our public initiatives.

A good deal of these efforts occurred "behind the scenes" as part of a long-term strategy. Nevertheless, three years later, the RCCAQ serves as the official voice of insurance brokers and defends its members' socio-economic interests effectively. Does that mean our work is finished? Not at all! But we've come a very long way. Now it's up to us to maintain this momentum and keep building on our solid base.

FINANCIALLY STABLE

Ensuring the RCCAQ's financial viability (and thus ensuring our ability to fulfill our mandate in the optimal manner) was our second area of focus. Directly linked to our role as a politically engaged professional organization, our activities now have a fundraising component, while the membership renewal process is akin to an investment that the member firms make in themselves. That doesn't mean we have a blank cheque: the RCCAQ is committed to telling you what's going on, providing you with the numbers you need and reporting on its activities and end results. All of this is done on your behalf!

Ensuring our future viability also means calling into question our business model, which must be just as viable. If it is not, changes have to be made, as seen in the RCCAQ's new membership rates. We also reviewed our service offer and optimized our processes thanks to strict budget discipline. On the latter point, the RCCAQ has definitely taken a step in the right direction.

CALLING INTO QUESTION AND TAKING ACTION

The RCCAQ's progress over the past three years is in large part attributable to the determination of the previous chairs and board members. Every single one of them worked to forge the RCCAQ's current role within the industry. Without the dedication of the board and the management team and their desire to keep moving forward, the RCCAQ's future would be much less secure. By establishing management committees and reviewing its bylaws, the RCCAQ has been quick to call certain practices into question and to optimize its member-oriented activities.

Our membership is the final point I'd like to address. Brokers and brokerage firm managers are our central focus. As we look back on the past three years, some key findings emerge. For one thing, the evolution of the broker profession obliges us to keep adapting our communications so we can reach out to you. In light of the issues that have dictated our work and the meetings we've had with you, we're pleased to note that there is a widespread commitment to fulfilling the RCCAQ's mission and an overall sense of belonging that we would do well to build on.

WHAT'S NEXT?

The strategic planning process for 2017-2020 was conducted based on those findings. The RCCAQ team must now work to develop a dashboard, including various strategies and initiatives to be carried out over the next three years. Our new strategic plan will be submitted to the board in February and adopted with the appropriate timeframes and budgets in the spring.

The implementation stage will come shortly after that. In this regard, the participation of all stakeholders will be required; everyone will have to make an investment and take on the goals we have set. Working together, the RCCAQ will be stronger and even more solid in the future!

THE CLIENT APPROACH: A PRIORITY FOR THE AMF AS WELL!

During the RCCAQ convention last November 23-24, Eric Stevenson, Superintendent of Client Services and Distribution Oversight for Quebec's financial regulator (Autorité des marchés financiers/AMF), talked to brokers about the client experience. Mr. Stevenson agreed to be interviewed on the same topic so that all RCCAQ members would have an opportunity to acquaint themselves with his views.

DURING YOUR SPEECH AT THE RCCAQ CONVENTION LAST NOVEMBER, YOU MENTIONED THAT ONE OF YOUR TEAM'S PRIORITIES WAS THE CLIENT APPROACH. WHAT DO YOU MEAN BY THAT AND WHY IS IT A PRIORITY FOR THE AMF?

At the AMF, we have relationships with a wide variety of groups, including consumers, insurance firms, among them insurance brokers, securities brokers and insurers. Each of these groups has a specific set of needs and generates a wide variety of situations that require our involvement. Every request is unique and needs to be dealt with thoroughly with sound judgment. That's a real challenge for an organization with 700 employees.

As consumers, we are exposed to increasingly sophisticated client experiences every day, which means that our expectations in this area are getting higher and higher. These same expectations crop up whenever consumers come into contact with the AMF. Our clients expect personalized service; they expect the person they are dealing with to have access to their file and to respond swiftly to their requests.

The AMF seeks to meet these expectations. Since we are committed to making continuous improvements to our services, we launched this initiative with a view to moving forward with our client approach, in the knowledge that we can do even better in this regard.



Eric Stevenson

WHAT DOES THAT MEAN IN PRACTICE?

We want to offer more personalized service. To that end, each client request will be handled by an agent who will oversee the follow-up from start to finish. For example, when prospective brokers begin their careers, the same person will be responsible for their file before and after the probationary period. That way, a trust-based relationship will be forged between the candidate and the AMF agent, and the benefits will be mutual. The same logic will be applied to all other situations in which we can make that happen.

WHAT ARE THE ADVANTAGES FOR THE AMF?

In addition to fulfilling our moral duty to serve our clients effectively and fairly, the main advantage of this approach will be to obtain a more sophisticated view of our operations from our clients' perspective. Since each of our agents will be handling users' requests from start to finish, they will be better able to see any irritants or inefficiencies and will be able to propose solutions to eliminate them.

We also want our agents to feel more involved and we hope they will share their opinions so we can continuously improve our services. That's why I was so happy to have the chance to speak with insurance brokers at the RCCAQ's last convention. Based on the feedback I received, which I've shared with my team, we have already improved a number of our processes.

WHAT WILL THE IMPACT BE FOR BROKERS?

Brokers should notice the impact of our new practices at all points of contact with the AMF. In parallel with our efforts to prioritize the client approach, we have made a huge investment in our IT systems. In the insurance sector today, we have a system in which all information is centralized. That means we have complete access to the file of each client who contacts us.

WHEN DO YOU EXPECT TO ROLL OUT THIS NEW APPROACH?

The rollout will begin in February 2017, with an initial pilot project in one department. The rollout in the other departments will take place gradually in the following months. For example, in April, insurance firm managers will receive a copy of the renewal notices for certified representatives working as insurance brokers. This is a very practical improvement that stems directly from this new approach; it will have a direct effect on firms' day-to-day management.

We have also developed various measurement tools, including a series of performance indicators. We will be following them very closely to make sure we achieve our goals.

IN YOUR SPEECH AT THE CONVENTION, YOU MENTIONED TWO OTHER IMPORTANT INITIATIVES FOR THE AMF. WHAT ARE THEY?

As I mentioned, one initiative has to do with information technology and is designed to update our systems and centralize data from multiple systems within a single platform so we have an overall view of each user's file. This change will also give us access to data aggregated by economic sector, profession, etc.

The other initiative is known as Fintech. For people who aren't familiar with it, Fintech has to do with emerging technology used in the financial sector. We set up an advisory committee in December 2016 that will look into all innovations in that area. The committee will also draw up an approach enabling us to oversee these new practices in the future. I'm also thinking of the auto insurance sector, where data on consumers' driving records can be collected so insurance rates can be based on individual behaviour. But how will clients' personal information be handled or safeguarded? That's one of the issues our committee will be looking into, along with the topic of self-driving cars.

ANY FINAL COMMENTS FOR OUR BROKER MEMBERS?

Consumers should be more familiar with insurance products. These products are often regarded as commodities, even though they are actually one of the main tools available to consumers seeking coverage against various risks. In other words, the advisory role of stakeholders in the insurance sector, particularly brokers, is crucial. I'd even go so far as to say that they should help to educate consumers, especially in a world in which technology is increasingly dominant.

So, I'd encourage brokers to fulfil their advisory role. They should not hesitate to engage in discussions with clients to get a clear understanding of their respective situations and needs. In addition to providing consumers with improved protection, they're sure to have a better client experience!



PMT ROY: CLIENTS AS THE STRATEGIC CORNERSTONE

By RCCAQ

André Roy, CEO of PMT ROY Assurances et services financiers, is a man of strong passions. After receiving his bachelor’s degree in business administration, he kicked off his career by joining the insurance firm operated by his father, Rémi Roy. The son soon fell in love with the sector, focusing his efforts on understanding the subtle differences between certain products and on forging trust-based relationships with his clients—an essential step!

After working for years as a broker as well as in a managerial capacity, Mr. Roy acquired an in-depth understanding of the sector. But while leafing through the AMF’s annual report on the insurance industry some three years ago, he came across a diagram showing that the market share of auto insurance brokers (passenger vehicles) had shrunk by 5% over the previous decade (2004-2014), benefiting the direct insurers. As a result, premiums fell by 12% over the same period.



André Roy

Mr. Roy found that statistic highly disturbing, particularly since his firm’s payroll had risen by nearly 30% over the same period. “I realized we were faced with a fundamental problem. If premiums keep going down industry-wide while the cost of doing business goes up gradually each year, you have to wonder about the future viability of the brokerage sector!”

BROKERS’ ADVISORY ROLE

Mr. Roy and his team set out to analyze the situation. Convinced that the brokerage model is essential and that consumers are better served by this distribution method, they sought to determine why brokers were losing ground. Here’s what they came up with: “Consumers have a hard time distinguishing between insurance agents and brokers; they see each group as equal in value,” says Mr. Roy. “But growing numbers of consumers want immediate answers to their questions, rather than having to wait for an appointment with their usual broker.” He adds, “You also have to keep in mind that the world is getting more complex, as are consumers’ insurance needs.”

IN 2003, RÉMI ROY ASSURANCES (FOUNDED IN 1927) AND GROUPE PMT (FOUNDED IN 1946) MERGED TO FORM PMT ROY ASSURANCES ET SERVICES FINANCIERS. PMT ROY OFFERS PERSONAL AS WELL AS COMMERCIAL INSURANCE, IN ADDITION TO FINANCIAL SERVICES. THE COMPANY MADE HEADLINES IN 2016 WHEN IT ACQUIRED TWO LEADING FIRMS (GROUPE VIAU IN MONTREAL AND FERNAND H. CYR ASSURANCES IN THE ÎLES-DE-LA-MADELEINE).

KAIZEN APPROACH: THE FOCUS OF CLIENT EXPERIENCE INITIATIVES

The Kaizen approach forms the basis of every transformation that PMT ROY has embraced. Originating in Japan, this philosophy is based on a continuous improvement process placing considerable emphasis on employee involvement. It consists of a series of simple and cost-effective steps that can be implemented on an ongoing, day-to-day basis.

“This initiative really transformed our way of operating,” notes Mr. Roy. “But you have to be willing to question certain practices that might seem cast in stone. For example, to boost our availability, we extended our business hours and are now open from 8:00 AM to 8:00 PM. We had to switch from a compartmentalized mode of operation to a team-based approach. That also included a top-to-bottom review of our compensation practices.”

FOUR-PART PHILOSOPHY BASED ON COMMUNITY INVOLVEMENT

Mr. Roy and his team have put together a four-part client experience that guides their business decisions:

- Availability, so we're there whenever clients find the time to discuss their insurance needs.
- Competence, so our brokers have the knowledge they need to give clients the best possible advice.
- Efficiency, so the process for clients is as short as possible.
- Dedication, so clients really feel we're doing as much as we can to safeguard their assets.

According to Mr. Roy, although management is delighted with the firm's progress, much work remains to be done. “Throughout this series of transformations, we've kept on investing in technology. But I'm convinced we will have to pick up the pace in this regard. If we don't have state-of-the-art technological tools at our disposal to serve young clients, they'll quickly find other alternatives. The way I see it, we clearly have to adapt. That's where the future lies!” He adds: “The same goes for training. Along with other firms, we've made a huge investment in a 48-week training program focusing on the client experience. Every one of our personal insurance employees completed that training in 2016 and we hope to adapt it to commercial insurance in 2018.”

With 15 offices across Quebec, PMT ROY has a strong presence province-wide, with management seeing deep community ties and regional involvement as essential attributes. In Rimouski, for example, PMT ROY provides financial support to Maison Marie-Élisabeth, a palliative care facility, and employees are personally involved in the organization's fundraising march each year. “We have to give something back to each community in which we do business. It's a sign of gratitude and respect. It's also a way of thanking people for placing their trust in us,” says Mr. Roy.

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PORTFOLIO MANAGEMENT: UNDERSTANDING THE CORE-SATELLITE METHOD

What's the best way to grow your assets? Of course, we all know that there's no magic formula, only strategies that can be adjusted based on your financial situation, future projects, and risk tolerance. Among these strategies, do you know about the "core-satellite" method? Here's what you need to know.

REACHING GOALS WHILE PROTECTING YOUR NET WORTH

Generally speaking, the investor or professional advisor who adopts the core-satellite method builds the portfolio around a core of basic assets – mostly passive and following the main indices, such as the S&P 500. This is the core of the portfolio.

The satellite portion is made up of more actively managed investments, which carry greater risk than the more passive core, but have the potential for greater returns.

The key for a good portfolio manager is to have the assets in the portfolio working together in a way that both encourages strong performance and keeps clients within their comfort zones.

"The arrangement of the core and satellite investments will mostly depend on the client's risk tolerance and their personal situation," says Alexandre Viau, Vice President of Private Banking 1859, a division of the National Bank. "If a client isn't comfortable with an asset class, it probably isn't a good choice for them."

"It's like building a hockey team," he says. Mr. Viau illustrates the role of the core assets by asking a question. "You know Carey Price, the Montreal Canadiens' star goalie? He's important to the team, but Carey Price doesn't score the goals."



WHO IS THE CORE-SATELLITE METHOD FOR?

Core-satellite portfolios are one of the investment strategies that are particularly well-suited to wealthy and ultra-high-net-worth clients. These clients want to protect their assets at all costs, but can afford to take risks with a small percentage of their so-called "satellite" investments. The percentage of assets that will form the core of the portfolio will depend on the client's liquidity requirements and their risk profile. "In general, it varies between 75 and 100%," notes Alexandre Viau.

DIFFERENT CASES, DIFFERENT STRATEGIES

"A core-satellite strategy is an update of an earlier strategy called "core-and-explore," says Toronto financial author Sandra Foster. With this approach, the satellite holdings were mostly invested in emerging markets."

"Today, the core of the portfolio will usually consist of investments in infrastructure, direct real estate, or private equity. The satellite investments will be added to increase diversification, risk and, hopefully, the long-term performance." For example, it could be targeted in infrastructure investments or real estate. These assets usually require a higher initial investment and are less liquid.

Another way to look at a core-satellite strategy is to consider it as a form of “mental accounting,” says George Christison, a British Columbia-based retirement and financial planner and founder of IFM Planning Services and the InvestingForMe.com website. “We divide our savings into different pots and assign different jobs or purposes to each pot,” he says.

“For most investors, the main difference will be the proportion of their whole portfolio that they assign to the core portion, adds Mr. Christison. The more conservative the investor and the higher the investment income they will require, the higher the percentage assigned to the core.”

He recalls one investor who was in her 40s and ran a successful business that generated \$20,000 a month in investible profit. “Her goals dictated that her core portion should represent 90 per cent [of her portfolio] and be invested only in bonds,” he says. “She achieved her financial goal in 12 years, five years earlier than she planned.”

MUSIC TO YOUR CLIENTS’ EARS

“A portfolio is the sum of the different asset classes,” concludes Alexandre Viau. “It’s a bit like when you’re attending a concert: you hear all the instruments in the orchestra, not just the piano, the violins, or the brass section. In much the same way, a portfolio forms a whole. It shouldn’t be analyzed by focusing on a single asset class.” This is a principle that fits in perfectly with the core-satellite method... as long as you have an advisor who like an orchestra conductor is capable of leading well!

Do you have significant assets to manage or questions about your investments? Make an appointment with an advisor at Private Banking 1859 today. They will offer you strategies for achieving your long-term goals while controlling the risk to which your portfolio is exposed.

National Bank