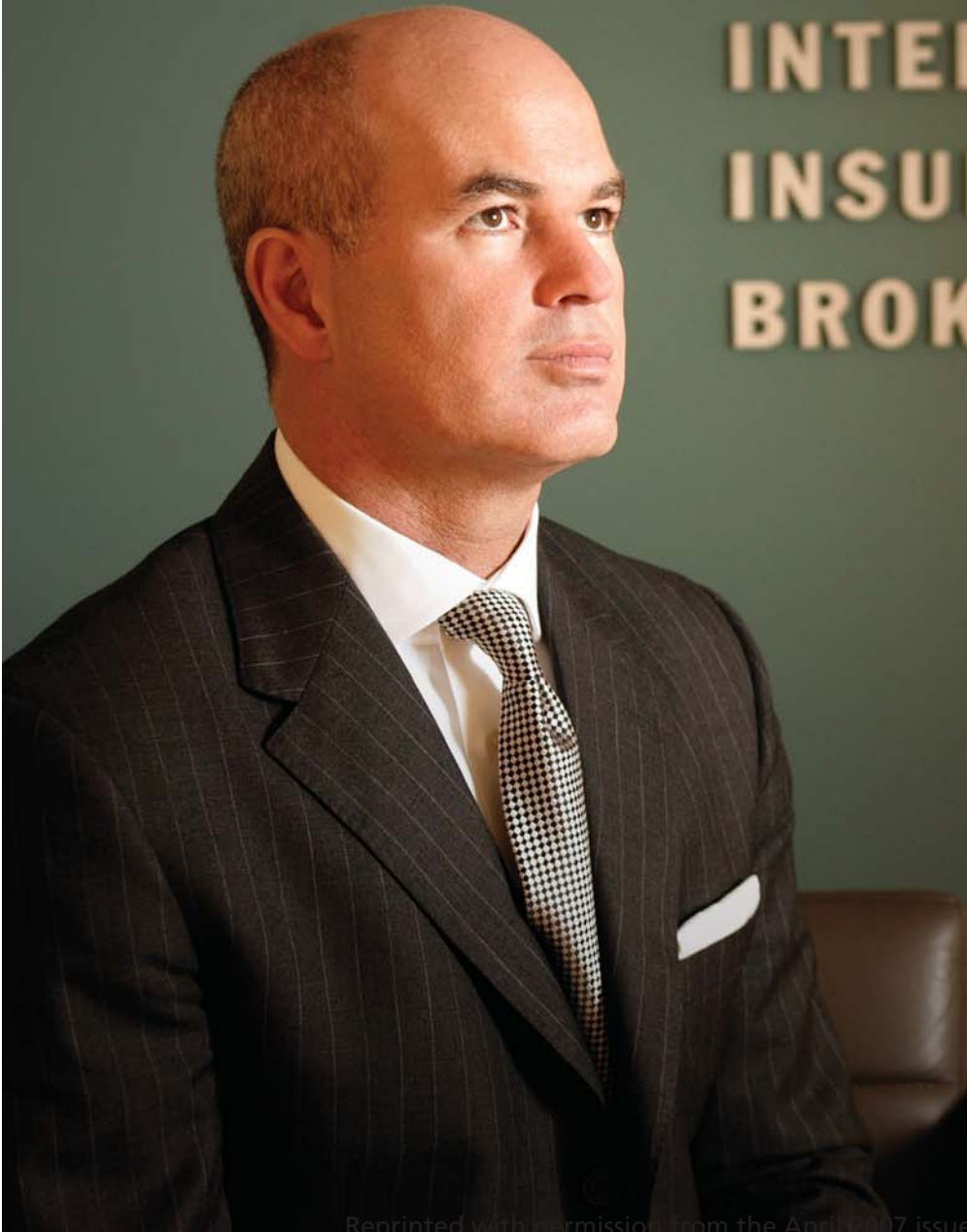




**INTERNATIONAL
INSURANCE
BROKERS**



Greg Belton

HKMB

CLIMBS THE LADDER

Hunter Keilty Muntz & Beatty Leapfrogs the Competition

By Barbara Aarsteinsen

When Gregory Belton set out at the age of 29 to open his own commercial brokerage in partnership with his 24-year-old business partner, John Hawkrigg, the consensus was that they were “doomed to failure.” Their enthusiasm and ambition notwithstanding, Belton recalls, they were warned by the brokerage community that they were too green and inexperienced; they had never run any kind of a business, let alone a brokerage, so what could they be thinking.

“We were told it was completely unrealistic to believe we could acquire a brokerage and be a success,” Belton recalls with a laugh. “The prognosis was gloomy.”

Belton can well afford to look back with amusement. The privately held Toronto-based brokerage that he and his partner bought 20 years ago has evolved into Hunter Keilty Muntz & Beatty, a leader in the commercial p&c industry. The founders had high hopes when they brushed aside the skepticism of the naysayers and hung out their shingle but they moved even further up the ladder than they initially dreamed of.

Today, HKMB has more than \$300 million in premiums and expects to reach \$400 million within the next two years and top \$450 million some three to four years down the road. The business is about 93-per-cent commercial lines with the remainder being about largely VIP personal lines and some employee benefits, which is a small but fast-growing part of the portfolio.

HKMB is also a partner in Assurex Global, the largest privately held global risk management and commercial insurance network, giving it an international profile, exposure to foreign clients, and a window on the world.

“We just think we’re ideally posi-

tioned in the Canadian market. People want more than two or three alternatives,” says Belton, president and managing partner. “We think the economy here is diverse — growing and dynamic. So we see lots of opportunities in our immediate market as well as tremendous opportunity in Vancouver and elsewhere in Canada.”

Thanks to its recent acquisition of the Toronto and Vancouver offices of Morris & Mackenzie Inc., which were shed when Morris & Mackenzie merged with Dale-Parizeau LM, HKMB now has a formal Western base. That deal constitutes its third acquisition over the years and the priority now is to absorb and integrate the latest addition.

“Our plan would be to just grow organically now — to digest this and expand organically. We’ll look at something if it comes along but it’s not really something we’re out looking for,” says Belton. “We may open offices in other cities. We also think we have a big opportunity in the employee benefits area, which, although quite small here in terms of our overall size, has had a significant rate of growth.”

“In each of our specialty practice areas we see significant opportunities as well as possibilities in setting up new disciplines. And then we’re just going to be very opportunistic in all other areas.”

BAPTISM BY FIRE

Some may think that Belton was destined to work in the insurance field, his father being industry guru Ted Belton, who published *The Belton Report* before he retired. But the son studied political science, not business, and when he graduated he debated his career choice. He considered banks and other financial institutions. As well, he interviewed

with a number of insurance companies but he was discouraged by the prospect of enrolling in a five-year training program “where you’d be stuck in this one job forever and maybe you could move eventually.”

Then Belton was offered a job as an adjuster with Crawford & Co., which included being sent to Atlanta for training. Attracted by the idea of traveling and working in the U.S., he took the position in 1981. When he subsequently returned to Canada, he was assigned to London, Ont., where he decided that smaller town life wasn’t for him. “I saw the writing on the wall,” he remembers. “Crawford has hundreds and hundreds of little offices and they just keep sending you all over the place.”

Moving back to Toronto, Belton joined Firemans Fund Insurance Co., working in claims until he “forced” his way, he says, into underwriting and then marketing because the company didn’t have a formal training program that allowed employees to move around in a structured way. Trilon Financial Corp. ended up buying Fireman’s Fund, which became Wellington Insurance.

At that point, Belton was in a marketing position dealing with brokers and that exposure convinced him that he was better suited to the intermediary side of the business. He and John Hawkrigg, an underwriting trainee, put their heads together, got licensed and decided to go out on their own as brokers. Previously, Hawkrigg had worked for CIBC, after having graduated from McMaster University with a Bachelor of Arts degree.

The pair found a suitable acquisition, a downtown Toronto, largely commercial lines brokerage called Muntz Beatty Inc., which traced its roots back to 1889 and had been held in the same family for

ROYAL CONNECTIONS

Greg Belton is involved in a raft of worthwhile causes, charitable and professional, active in his community and in the business arena. He is a director of St. Michael's Hospital Foundation in Toronto and a member of the board of Salt & Light Television. Previous directorships include the Toronto General Hospital Foundation and the Toronto Insurance Conference. He is a member of the Young Presidents' Organization, which is made up of business leaders from across the globe, and he was chairman of the Upper Canada Chapter in 2000/2001.

But perhaps one of Belton's most rewarding involvements — and certainly his most high profile — has been with the Duke of Edinburgh's Award, a non-competitive self-development program for young people around the world aged 14 to 25 years old. The youth work on activities that help nurture life skills and are recognized with bronze, silver and gold awards that are often presented by a member of the Royal Family. The program was founded in 1956 by Prince Philip and now operates in more than 100 countries. Some 30,000 participants in Canada join annually and about six million young people worldwide have participated.

Belton was doing corporate fundraising for the provincial Conservative Party in 1992 when somebody he met through that endeavour put him forward as a chairman for the volunteer board of the Ontario division.

"My predecessors had always been the chairmen of banks or elder statesmen so I was a bit of a departure because I was a younger entrepreneurial choice," says Belton. "When I came in I really didn't know anything about the program and I asked a lot of questions, the answers to which didn't always make sense. So I ended up making a lot of changes, which turned out to be quite positive."

Belton went on to become national chairman in 1994, during which tenure he pressed even harder for change, urging the program to reach out to members of the younger population who were being overlooked — inner city youth, aboriginal youth, disabled young people, youth at risk, and kids in detention centres.

"I observed that this award program had not over the 35 years that it had been in Canada properly adapted to the changes in our youth population," Belton recalls. "I



Greg Belton with HRH Prince Philip

thought they had more of a need for this program than any other young people. The program is available to all young people, rich or poor, whatever, but it seemed that it wasn't getting to those communities really in need."

So Belton started a new initiative to raise money to allow the Canadian operation to hire staff to tap into those less mainstream communities. The board was resistant to his efforts but Belton persevered, reaching out to Prince Edward for support.

"Three months later, we had five CEOs of some of the largest companies in Canada at a two-hour lunch at Buckingham Palace, at which we raised \$750,000. That was the beginning of this initiative, which has now grown to involve some 48 major Canadian corporations," says Belton. "We raised millions and millions of dollars, exceeding the budget they had had heretofore by many multiples. We really expanded the program to the at-risk community. It was something that I had started against the wishes of the board but I just thought it was the right thing to do — and it was the right thing to do."

Indeed, Belton remembers one recognition ceremony with particular poignancy and pride. He had been traveling across Canada with Prince Philip, handing out hundreds of awards in big cities like Montreal, Toronto and Vancouver, when he asked His Royal Highness to accompany him up north to the tiny Arctic tundra community of Iqaluit.

"There were these two aboriginal kids whom their teacher had picked out and put in the program — the most disadvantaged kids in the school, truants with drug abuse and sexual abuse in their background," Belton explains. "Here they were, kids who their entire life were recip-

ients of community service, now having to give community service and realizing in doing that that no matter how badly off they are, there is somebody who is worse off than they are, and that they have capabilities that they never realized. So that was a big eye-opener for them.

"The other thing is that participants have to plan and execute an expedition," Belton continues. "Most urban kids go on a camping or hiking trip in some remote rural area but these kids live in one of those areas. So their expedition was to actually go to a city — Calgary. They had never seen a traffic signal before or an office building or an intersection. It was a whole other world. It got them out of the circle of self-pity and drug and alcohol dependency; it broke that circle. And they've both gone on to be incredible successes."

Following his tenure as Canadian chairman, Belton was asked by the Duke of Edinburgh to become a trustee and help run the worldwide charity. At the time, there were three Royal Family members and five non-royal trustees. Now he has been recruited as chairman of the program, a role that he formally assumes in September.

Prince Philip, as patron and founder, had served as chairman until 2000, when he stepped down and was replaced by the chairman of the Hong Kong Stock Exchange and the Hong Kong Jockey Club. After six years, that individual is giving up the helm and Belton has been given the honour of taking over.

"The term is a little unclear because Prince Philip was chairman for decades, so there really is no precedent. Given my relatively young age, it's possible I could be chairman for awhile," he says. "At any rate, it's all very exciting. It gives me a global lens on just everything. I have a great appreciation for all the opportunities it gives — the traveling around is wonderful. I've met the most amazing people."

In fact, not only does Belton regularly meet and travel with the Royals but Prince Edward and his wife Sophie helped inaugurate HKMB's newly redecorated offices last year.

"I think it's important to have an outside perspective on our business," he says. "It's also important, obviously, to give back to the community."

almost a century.

“The same ambition that led us to buy a firm at that age and to believe in ourselves carried through the rest of our thinking in general — that we would continue to get bigger and bigger and bigger and become more and more of a player in the marketplace,” says Belton. “But to reach the position where we are now in the industry relative to our competition, we never expected that.”

Muntz Beatty became partners with Trilon’s Trivest Insurance Network Ltd. Trilon later decided to exit that business and Trivest asked Muntz Beatty to buy back its 25-per-cent minority stake. The timing was good, Belton says, because the brokerage had paid off all its debt and was growing nicely. “That was our one and only outside investor. That helped us get into the business in the first place and they were very good partners.”

At the same time, the brokerage decided to hook up with Trivest’s other Toronto partner, Guthrie Keilty Bickerstaff, with which Muntz Beatty had become “friendly competitors,” Belton says. The two firms bought out Trivest’s respective stakes in their operations, joined forces and became Keilty Muntz Beatty in July 1994 — more than doubling in size and going from 10 employees to 28. Premiums were about \$20 million.

“We really took off after that,” says Belton. “We were bigger and that additional size enabled us to go after larger accounts and to get more resources and attract more people — to leverage ourselves better. We were all playing chief cook and bottle washer before and we could now push the business down to other people and to continue to elevate the role that we had within the company and play to our strengths.”

Describing their relationship as a “textbook partnership,” Belton attributes a large part of that success to the camaraderie and rapport between the four HKMB principals — himself and Hawkrigg plus Robert Keilty and Neil Morrison, who turned the original duo into a quartet with the merger. Keilty, who received a Bachelor of Arts degree from the University of Western Ontario, came on board with several years experience at a major Canadian insurer and with a broker in the Lloyd’s market. Morrison had previously worked for Continental

Corp. as a commercial underwriter, relationship manager and group leader.

“The four of us got along really well. We were all ambitious and hard-working,” Belton explains. “It’s been an incredibly successful partnership by every measurement. Ask anybody in the industry — the compatibility of the four of us has been our greatest asset. We’re all roughly around the same age — I am the oldest, having just turned 49 — and we have similar lifestyles and similar needs.

“It’s not like we have a 63-year-old shareholder who’s thinking about exiting and a 40-year-old shareholder who’s thinking about the next 20-year horizon, which you often see in brokerages,” he elaborates. “You’ll have this dichotomy and the principals may have different priorities. It’s hard for them to come up with a long-term vision and plan for the company because they’re looking at it through such different lenses.

“We’re all in our mid- to late forties. We have similar ambitions and our outlook on the future is very compatible. That’s been a considerable advantage.”

Another key to success, Belton reflects, has been HKMB’s philosophy of not paying commission and offering, instead, the opportunity for profit sharing and ownership. That fosters a more cooperative approach, he suggests.

“There is no disincentive to bringing in the D&O team to help you, for example. In a commission shop, somebody might want the D&O person to come in on an account but then they have to split the commission,” he says. “Here, people bring in whomever they need; they get a lead in a specific area and if appropriate they will refer it to someone else in the company who has more of an expertise. That collaborative environment is very important.

“I honestly think that most brokers are a collection of individual, commission-paid producers who come together for the purpose of having access to the insurance markets. They act like a company whereas we actually are a company. We would never have 50 people leaving and taking all their business with them.”

ONWARDS AND UPWARDS

Following that first merger, Keilty Muntz Beatty went on to double its business again over the next four years. In 1998, with staff of about 60, the firm acquired Hunter Rowell Ltd., another older bro-

kerage that dated back to 1888, increasing its workforce to 100 people and once more doubling its size. The momentum only built, with HKMB growing 300 per cent organically over the next five years. At the same time, the management team was strengthened, Belton says.

David Sharpless, a former partner with Blake Cassels and Graydon LLP and a former chairman of Newcourt Credit Inc., came on board as chairman. After 17 years in public accounting, most recently with a high tech company in Southern California, Rick White became chief financial officer. Charles Lee, previously with MacLean Hunter Ltd., was named “chief people officer” and put in charge of human resources.

“We hired some very strong non-insurance management people, which has allowed us to build the insurance side of the business while feeling comfortable that we have a very strong infrastructure behind us,” says Belton. “Our governance is in order and our financial well-being is in order. We have two lawyers on staff. We have a number of chartered accountants and MBAs. We have a very diverse and strong pool of smart and talented people.”

HKMB’s third acquisition — the commercial business of the Toronto and Vancouver offices of Morris & Mackenzie — was made late in 2006. Morris & Mackenzie is “another wonderful old Canadian firm,” Belton says, primarily commercial with “a great reputation, and good people — all the things that you would look for.” Particularly appealing was the opportunity to set up a physical presence in Western Canada.

Belton points out that there really aren’t a lot of suitable takeover targets for a company with the size and profile of HKMB so when the Morris & Mackenzie opportunity came up the firm didn’t want to miss out on what seemed a perfect fit.

“We got what we wanted, which was a commercial book of business, a little bit of employee benefits and a little bit of VIP personal lines — but, overall, 98 per cent commercial,” Belton outlines. “We were confident because we thought that we were probably the best home, the most compatible place for those people and that book of business. But there was competition.”

As with its two earlier acquisitions, HKMB would now like to digest its latest purchase for a while and pursue further

PAPAL HONOUR

Last fall, Greg Belton was knighted — but that investiture was not related to his involvement with the Duke of Edinburgh's Award. This was a special papal recognition, the highest honour that the Catholic Church can confer upon laity — becoming a member of the Equestrian Order of the Holy Sepulcher of Jerusalem. The chivalric order is one of the oldest continuous knighthoods in existence, tracing its roots back to the First Crusade.

“Out of the blue I was called by the Cardinal's office here in Toronto and informed that I had been nominated for this recognition. I had no idea whatsoever why I was chosen or who nominated me,” says Belton. “I have learned since that people who are chosen are, of course, all practicing Roman Catholics. There are millions of those in Canada.

“They are also typically people who are very successful in whatever their field of endeavour is, whether it is academics or business or whatever; they're at the top of their game. And again, there are many, many people who are Roman Catholics who are successful,” he explains. “So the dividing line, I guess, is that it is people who have significant involvement in charitable works, often on a global scale — not necessarily for the Catholic Church. And that really narrows the field down — successful Roman Catholics who do global charity work.”

A formal ceremony was held in Toronto and Belton remembers the event as “extremely moving — a once-in-a-lifetime kind of thing.”

organic growth. If an appealing opportunity were to arise, the firm would certainly consider it, Belton says, but it's not out looking. He thinks it's probably best to stick with HKMB's tried-and-true formula of pacing its transactions.

“Our thing when an opportunity has come along has always been to make the acquisition and absorb it. Then on the heels of every one that we've done we had just tremendous organic growth,” he notes. “If you look at our total revenue now, a third of it has come from business that we have acquired and the remaining two-thirds has been organic. So while some people may think we have grown largely through acquisition, it only represents a third of our revenue.”

With the Morris & Mackenzie deal, HKMB will not only be adding people in Vancouver but another 50 in its Toronto office. That talent will help strengthen some of the firm's existing practices and, in some cases, create new ones. “They have a book of business, we have a book of business and then we have enough of that business in a particular industry sector to create a new specialty,” he says.

“All of the specialties are growing in the double digits — or in some cases more — and they're all totally dedicated practice areas. For instance, we're not just saying that because we have a bunch of entertainment business we have a practice area. Our sports and entertainment practices totally does sports and entertainment, nothing else.”

INTERNATIONAL

Thanks to his involvement in charitable causes, Belton travels the world frequently and extensively. That experience on the personal front inspired an interest in somehow making his business life more international. The chance to realize that aspiration came in 1996, when HKMB was approached by Assurex Global Partners, which was looking for a new Toronto partner.

Assurex, which was founded in 1954 in Columbus, Ohio, brings together in a global network more than 20,000 insurance professionals at 118 independently owned insurance brokerages on six continents, generating premiums in excess of \$23 billion (US).

“The partner that Assurex had here had been sold and that triggered a search for a new firm. Unbeknownst to us, it had gone to the major carriers and asked which were

the top privately owned commercial insurance brokers,” says Belton. “They interviewed us and six or seven other firms. We were probably the smallest at the time but I think they saw in us that we had a lot of potential. We were quite enthusiastic about the opportunity.”

As a result of its Assurex membership, HKMB has more than 600 foreign-based accounts that it services for its partners around the world. But that exchange of business is only part of the benefit of the association, Belton says. Equally important is the sharing of best practices, benchmarking and joint problem solving that goes on, he adds.

“We are peers in non-competing, non-overlapping territories, so we try to reach out and help each other,” he says. “There's a lot of networking. Assurex will have an annual conference for chief financial officers, an annual conference for sales managers, an annual conference for claims managers. Then, the network owns an errors and omissions captive insurance company and several other companies in the U.S, so we have premium financing, we have errors and omissions insurance, we have a company that does perpetuation loans for its partner firms.”

From 2003-2005, which spanned the fiftieth anniversary of Assurex, Belton became the group's first non-American chairman, having previously served as chair of the international executive committee, the sub-board responsible for developing the global business. He served two terms — another first in the organization's history — and is currently chairman emeritus.

“We have a unique ability in Canada, I think, among the privately owned firms to handle multinational business, both foreign-owned firms with Canadian operations but also Canadian companies that have operations in other countries,” says Belton. “We're continuing to work with our international partners around the world to strengthen that capability because it really sets us apart.

“It allows us to compete with the multinationals. That's one of the Achilles' heels, of course, of a private firm — you don't have the ability to service business outside of your own borders. Well, we do have that ability. So it allows us to compete with them and we think that's a huge competitive advantage over other private-run firms.” 