Life Company Central initiative discontinued!

The industry initiative looking to find a common electronic platform for life insurance has come to a halt. After two years of witnessing various changes in leadership, direction and insurance company support, the remaining members in the Life Company Central (LCC) project have decided to stop the project. The main reason is cost: over $10 million to develop.

Standard Life, **Manulife**, **RBC Life** and **Sun Life** – the remaining four members of the original seven – came to a unanimous decision regarding the project's end. The decision came after phase two of the project was rejected.

The purpose of phase two was to understand the distributor and carrier readiness and to obtain a more detailed understanding of the costs associated with LCC. Most importantly, the phase two goal was to make a decision to proceed or to discontinue the initiative. As a result, each member company agreed to bury the project since a considerable capital investment would be needed to fund LCC.

Darren Denomme, Director of Business Management, Retail Life insurance at Sun Life and a member of the LCC Executive Steering Committee, says that to date the insurers invested roughly $1.3 million, which he says covered the cost to build the business plan and to analyze it. He points out that there was an equal amount spent internally in terms of time used to analyze the project, "there were significant internal resources allocated."

He explains that the cost to build LCC was quite significant and says that a rough estimate stood at between $6 and $10 million.

"There were two other major costs. One was establishing our connectivity to LCC. So you build LCC and then you have to build links between the carriers and LCC and links from the distributors to LCC...so you have to build something and then you have to build something for the data flow." Mr. Denomme estimates that the cost to establish connectivity would be another several million dollars.

He adds that "The LCC business plan showed that there would be significant transaction fees from carriers and distributors to use LCC, so it was not free to use... once you even build it there would be transaction fees that became prohibitive." He highlights that the transaction fees would have varied between $0.20 and $5 dollars per transaction.

Overall, Mr. Denomme says that the $1.3 million were well spent. "All the carriers went in with the best of intentions.... We needed to do the work to thoroughly understand what the issues were. We come away with some real significant learning that each of the carriers can now carry forward to deal directly with strategic partners. We really have brought closure to this, it is not like we took a quick look and walked away, we looked at many alternatives and did a thorough analysis. At this point in time, we decided not to go ahead, but it is not to say that in couple of years that would not change."

The Insurance Journal also contacted **Tracey De Leeuw**, the Project Planner and the Consultant hired for the LCC initiative. Ms. De Leeuw confirmed the news, however due to a confidentiality agreement, was unable to provide further details.

The LCC website located at www.lccexchange.net will no longer be available. (D.C.)

Canada Life closes doors on its new distribution concept

Canadian Worksite Marketing Group (CWMG) will cease its operations as of no later than the end of May because it did not live up to **Canada Life**'s financial expectations, says **Chris McAulife**, a Senior Communications Consultant.

Launched in October 2002, CWMG was a wholly-owned subsidiary of **Canada Life** that worked with group insurance brokers and employers to distribute individual products within group plans.

"Basically, we had a really strong commitment for the project," says **David Fear**, President and CEO of CWMG. "Staff did a great job but the market response was not what was expected and in line with what we had hoped for." Last year, the company met roughly with 1,500 employees and sold approximately 400 policies.

"It was purely a business decision," says Mr. McAulife, "and we are currently in the process of communicating with companies involved." Aside from Canada Life, CWMG offered products from **Unity Life**, **Transamerica Life Canada** and **UnumProvident Canada**. "We'll be working with all the partners," assures Mr. Fear, "it will all be taken care of case by case."

Aside from Mr. Fear, two other people ran the company including **Paul O'Keefe**, CWMG's Vice-President of Sales and Marketing, whom *The Insurance Journal* had contacted before the company decided to close shop. Mr. O'Keefe had assured *The Insurance Journal* that if **Great-West Life**'s acquisition of Canada Life went through, he was confident that it would not affect its operations and that Canada Life was supporting it entirely. Mr. Fear clarifies that Great-West did not cause this fall through and it was an entirely independent decision made by Canada Life.

According to Mr. O'Keefe, this concept of selling insurance at the workplace was brand new in Canada but had been around in the U.S. and in the U.K for quite some time. Mr. Fear explains why this concept failed in Canada while it had gained such popularity in the U.S.

"They are different markets and employee benefit programs in the U.S. are offering more opportunity. The employers in the states are more accepting to open their doors to this type of company."

Mr. Fear further clarifies that there is a difference in philosophy in the U.S. as opposed to Canada, mainly in the federal programs and in government programs. "It's just more viable in the states."

But, Mr. Fear has not entirely given up on this concept. "There should be a better demand for it in a couple of years but the timing was wrong." Mr. Fear says Canada Life has no other similar projects planned at the moment and he will go on to assume his usual position of Credit Insurance Vice-President of Canada Life. (C.S.)

Brokers unruffled over Maritime Life's acquisition of Liberty Health

Maritime Life's acquisition of **Liberty Health** is not causing much of a ruckus in the broker community since there are no changes to date, but worries of a consolidated market remain unchanged.

Steve Moffatt, Vice-President of Integration at Maritime, says that most of the company's management and the distributors it deals with will remain the same. As for the products, he says the company is still in the planning stages and all will be clearer in July when the acquisition is set to be finalized.

Maritime Life is acquiring the health insurance business of Liberty Health, a line that is new to them. "We have a lot to learn but the important thing is to maintain and respect the contracts that Liberty Health has with its current customers," affirms Mr. Moffatt.


Tamara Adamson

Tamara Adamson, a broker and CEO of **Link Insurance and Financial Services**, says mergers and acquisitions have become all too common. "I don't see it as being such a big deal because it happening so much now;" she expresses, "more and more companies are being eaten by bigger companies; it's becoming common. I don't think it really affects people."

But she maintains that mergers and consolidations remain a problem. "Brokers and clients are getting less choice making the market more limited. There are fewer companies to do business with so the clients are not getting much variety or a difference in pricing and coverage as they would get if they had more companies to deal with."

Even though everything will remain the same for now at Maritime Life, **Jim Botterill**, a broker for **Enterprise Integrated Financial Group**, is worried consolidations are shrinking the market. "Everybody seems to be buying everybody else these days; it reduces the number of opportunities that advisors have." (C.S.)