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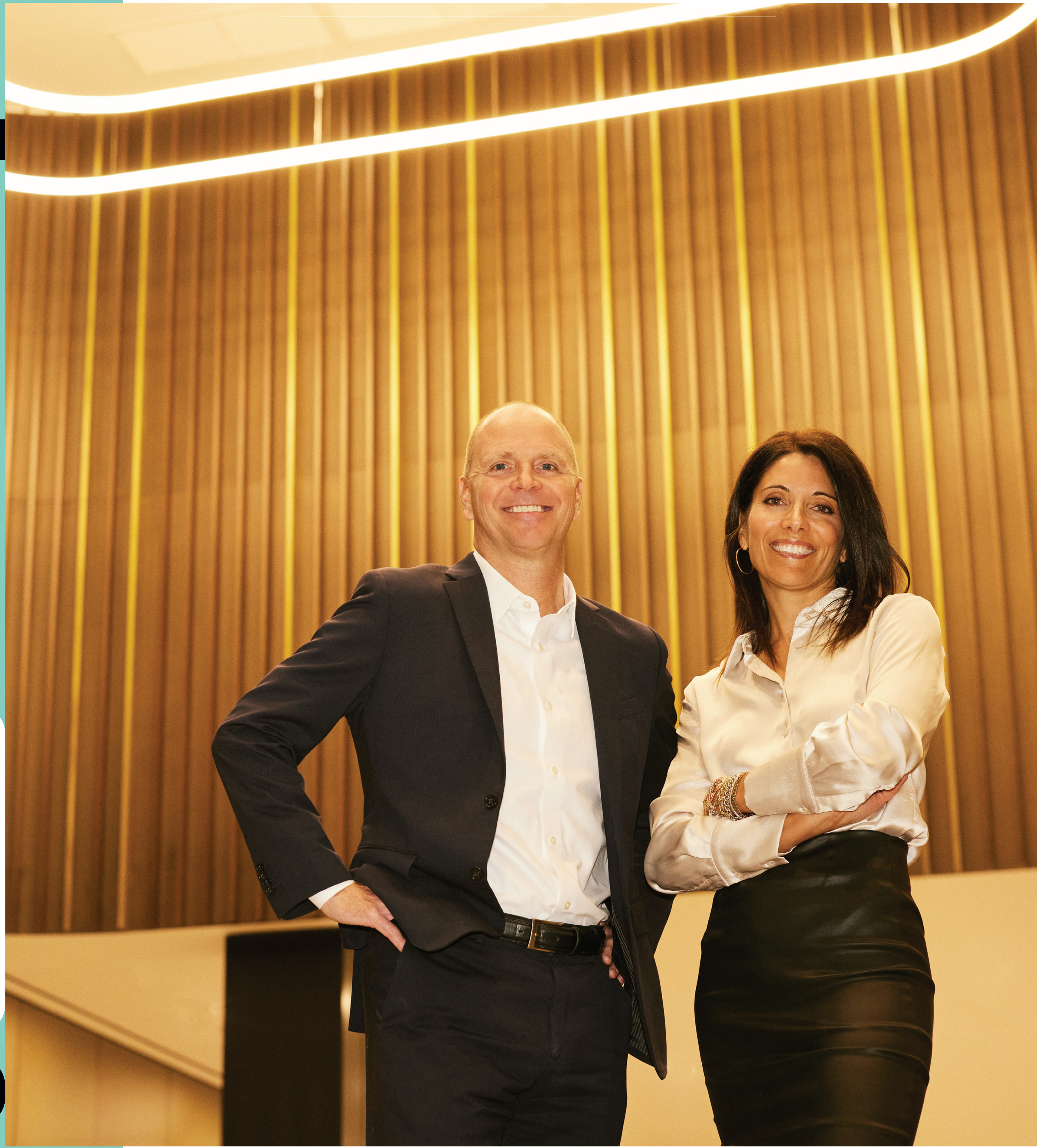
PHOTOGRAPHS BY KATHERINE HOLLAND

Facing industry headwinds and an evolving future, CPAs **Andy Taylor** and **Lyndsay Monk** helped drive a bold transformation of **Gore Mutual,** aiming to push the venerable insurer towards a future of innovation and growth

THE 184-YEAR-OLD START-UP



Nothing was wrong with Gore Mutual Insurance Co. per se. It had a billion-dollar balance sheet and was a profitable, albeit unexciting, medium-size property and casualty (P&C) insurance company. But given the long-term challenges facing the industry, business as usual suggested a possible downward trajectory for the firm, which was founded in 1839 and is headquartered in Cambridge, Ontario. Perhaps it would become an acquisition target for another member-owned mutual insurer, or it would just eventually become obsolete.

By 2018, the writing was on the wall. The brokers who sold Gore Mutual policies were changing, consolidating into regional and national chains and increasingly accustomed to better tech from some publicly traded insurance companies. And, to thrive in future eras of catastrophic climate events and potentially stricter industry-wide regulatory changes, insurers are expected to require increased capital, business model diversification and scale.

Gore Mutual was often lumped in with farm mutual insurers, perhaps due to its co-operative roots (even though it doesn't write farm business), and viewed as a regional player without room to grow. Though valued at about $475 million in premiums five years ago, Gore Mutual was competing against companies with $2 billion to upwards of $10 billion in premiums to attract customers, broker recognition and top workplace talent. That's why in 2018 executives started discussing its future with new urgency. Central to the conversation was a riff on a question fresh graduates get at job interviews: Where did they see themselves in 10 years?

A theme emerged among the concerns that employees, board members and other stakeholders shared about Gore Mutual's future.

"The worry was that we almost had a sense of complacency," says Andy Taylor, chief executive officer and a CPA. That because the company had done well in the past, the same would hold true in the future. Taylor, 50, is used to planning ahead. After working in KPMG's insurance practice, he joined Gore Mutual in 2005 as part of a succession plan to become chief financial officer. He became CEO in 2020.

Though looking a few years down the line was normal at Gore Mutual, in October 2019, the company announced its Next Horizon expansion plan, extending this view to a decade. Executives felt incremental improvement would not be enough to keep up with changes within and outside the industry. Their solution? A commitment to infuse 10 years' worth of capital investment into three years to refashion the company. "Rather than renovating one room at a time, we decided to rebuild the whole house in three years," Taylor says.

Gore Mutual premiums have increased by about $300 million since the launch of Next Horizon. Its workforce has nearly doubled. The company refreshed its branding and opened a new Toronto office in part to shed the farm mutual misconception. With 10,000 square feet overlooking a bustling downtown corner, the company is stepping into the spotlight, symbolizing its new ambition: to become a top 10 national P&C insurer by 2030.

But insurance is an industry slow to embrace change, so Gore's rapid growth has involved steep learning curves, especially for a company not accustomed to a start-up's mindset and pace. But Taylor and his team view this risk as leading to big rewards if they keep their eyes on Next Horizon.

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Ask an executive to list companies that inspire their corporate decision-making and Apple, Google and Uber—known for their growth, innovation and industry dominance—are bound to come up.

Not for Taylor, who says Gore Mutual drew lessons from companies that didn't innovate to meet the moment, losing influence or vanishing entirely. He didn't want to head the next BlackBerry, Blockbuster Video or Nokia.

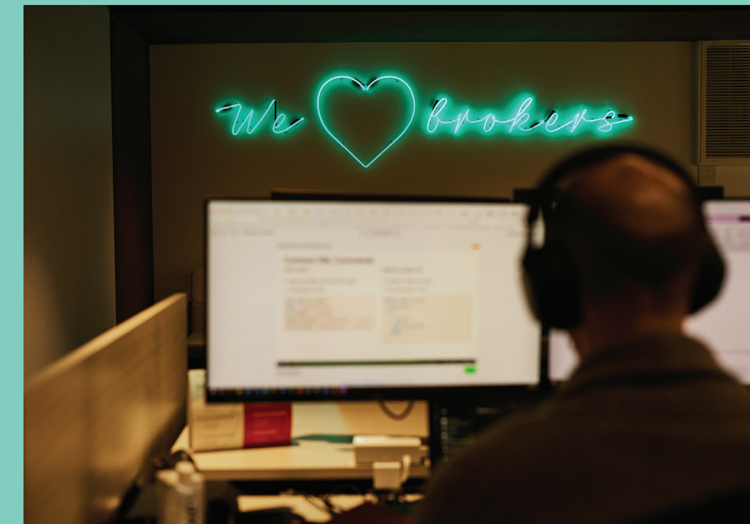
The goal of staying relevant is less challenging than that of becoming a top 10 Canadian P&C insurer. These firms control about 70% of the market, with the balance held by nearly 200 other firms. According to insurance credit rating and data firm AM Best, Intact Group topped the list at year-end 2022 with $14.2 billion in direct premiums written and 16.7% of market share. (During the same period, Gore Mutual had $670 million.) Second-ranking Desjardins Group has less than half of Intact's market share ($6.15 billion, 7.2% market share). To crack the top 10 currently requires achieving a similar footprint to Allstate or Northbridge Group, in the $3.27 to $3.51 billion range.

Lyndsay Monk, Gore Mutual's CFO and a CPA, says to avoid falling behind, the company had to act fast, with foresight and pragmatism.

"We don't have as much time and we can't make as many mistakes as other organizations that can access capital," says Monk. Her CPA experience helps her focus on the company's financial performance and risk management, which is critical in Gore Mutual's accelerated growth phase.

During the first phase of Next Horizon, Gore Mutual focused on updating its technology, creating operating efficiencies and infusing the company with new specialized talent. The company had struggled to update its tech for a decade, though it wasn't alone. In 2022, Deloitte reported three out of five Canadian insurers rely on legacy software instead of faster cloud technology.

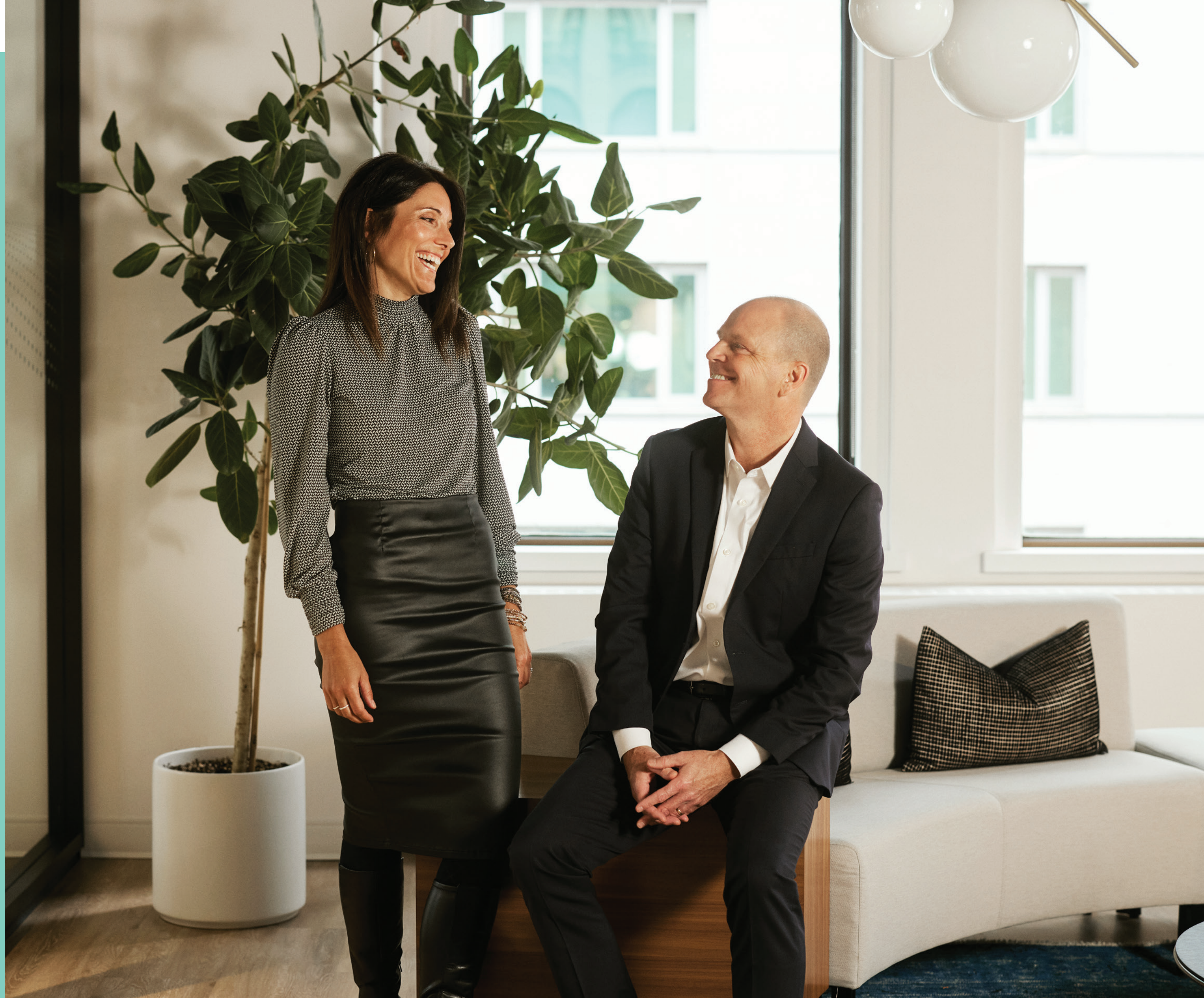
Monk says Canadian mutuals, often smaller than publicly traded insurers, are more likely to use legacy tech platforms instead of Guidewire, a cloud-based platform commonly used by market leaders. "That was really the foundation," she says. "If we're going to be a scalable, viable business in the future, we need to be on the leading platform."



↑ While some staffers left during the transition, about one-third of Gore's workforce is made up of legacy employees

In 2021, Gore Mutual became the first Canadian insurer to use the full Guidewire suite across its policy, billing and claims services. The move helped Gore Mutual automate claims processing—previously a highly manual task—so now more than 90 per cent of its personal lines business gets processed automatically. "We would have measured our processes in days and weeks and now we're talking about minutes and hours around service times," Taylor says.

Mutuals, which can return profits from insurance lines and investments to policy holders through dividends or policy fee reductions, are under less profit pressure than publicly traded firms to meet earnings targets. This allowed Gore Mutual to self-fund its transformative efforts. "We probably wouldn't have been able to do that if we were a



public company because we wouldn't have been able to generate the earnings that would have been required," Taylor says.

The firm worked with McKinsey and Company consultants on aspects of the Next Horizon changes. While McKinsey is notoriously private, senior partner Alex D'Amico expressed bullishness on the future of mutual insurers in a podcast interview. "We think that mutuals have, by dint of their capital structure, a unique opportunity here to help push the industry forward."

Despite this, some view becoming a publicly traded company as the clearest path to growth for a mutual insurer. Companies achieve this through a complex long-term process called demutualization, which converts mutual-owned companies to exchange-listed firms, providing disbursements to mutual owners and selling new shares to investors.

Though several Canadian life insurance companies demutualized in the 1990s, Economical Insurance (now with a parent company called Definity Financial), the first Canadian federally regulated P&C insurer to demutualize, only recently completed the process.

↑ **Monk and Taylor each leaned on their CPA experience to guide the company through its accelerated growth phase**

Because it involved creating new government frameworks, it took about a decade for the renamed Definity, now the eighth-largest P&C insurer in Canada, to demutualize. Yet in 2021, that effort paid off with $1.4 billion in shares being sold—Canada's largest initial public offering of that year. Its market cap as of late 2023 was $4.36 billion.

Gerald Hooper, then-chairman of Economical's board of directors, said in 2015 the demutualization would allow the company to "unlock its full potential" and compete with top industry players. Though Gore Mutual decision-makers discussed demutualization, Monk says they did not view it as necessary.

"We made a conscious decision based on our size, our focus on purpose and the expense of demutualization that it really wasn't in the best interest of all our stakeholders."

Taylor also disagrees with the contention that demutualization is key to unlocking potential. Instead, the firm is opting for what he calls a "modern" mutual model.

"Our view is that if we could actually combine the benefits of the mutual model but modernize them with access to capital through a combination of high-performing business and inorganic opportunities, we can achieve the same outcome in the coming years."

Recent regulatory changes may help Gore with this quest—including temporarily increasing debt allowances for P&C insurers beyond their previous two per cent limit. Though not only mutual P&C insurers benefit, this shift allows them in particular greater access to capital than before.

Still, it's impossible to undergo a transformation like Gore Mutual has without growing pains. Taylor says the biggest is that the company didn't plan for rapid growth early on, thinking they'd transform for three years before entering a growth phase. Yet the new employees, enhanced broker relationships and operating model updates paid off quicker than expected. Even in Gore's first full year of the plan, business grew 17 per cent. Monk says typical industry growth is closer to six to eight per cent annually.

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Then there is the transformation of their workforce to consider. Gore Mutual now has just over 600 employees, compared to about 350 when Next Horizon began.

"Standardization and specialization equals scalability," says Monk. "So we started breaking down roles that would have been generalists."

For instance, the company can break a general claims adjustor role into multiple specialized roles with increased benefits to the company, she says. Claims was a primary area for this, which offered opportunities for cost savings—including through a new special investigations unit for insurance fraud.

Today about a third of Gore Mutual's workforce are legacy employees—some leaving due to natural attrition and retirements—and others exiting because they "preferred the old Gore Mutual," Taylor says. "That's natural when you go through a change on the scale that we've done."

Taylor says the company has attracted "entrepreneurial" and "ambitious" employees. "We have really changed the culture of the organization to be much more high performance driven," Taylor says.

Today a majority of employees don't know a Gore Mutual prior to the Next Horizon plan. Taylor says the plan helps with this culture change as new employees join the firm knowing its ambition and vision. "We talk very openly and excitedly about being a purpose-driven, digitally led national insurance company."

Gore Mutual is now entering phase two of Next Horizon. After the digital transformation and workforce buildout, Taylor says this era of change focuses on performance and harvesting the benefits of the company's unprecedented investments in the business.

Taylor expects the firm will end 2023 with around $715 million in gross premiums, up from about $475 million at Next Horizon's outset. Within the next three to five years, the company plans to harness organic growth opportunities to reach $1 billion. The third phase is what Taylor calls the "true north star of national scale," harnessing M&A or strategic partnerships to reach $2 billion. Taylor says it's unrealistic to take a mutual insurance company from $500 million to $2 billion organically, because of capital and profitability constraints.

"We may actually end up merging with another organization that's as large as or larger than us," Taylor says. But there's a caveat. "We would only do it if it's in the best interest of the company and if we could continue the journey that we're on."

With an average lifespan of S&P 500 companies being two decades, many come and go, and Taylor takes inspiration from Gore Mutual's staying power.

"There's something unique about our own organization, in our DNA, that we're highly resilient," he says. This includes surviving the Great Depression and Recession, wars and pandemics. "We've been able to reinvent ourselves for 180 years." In that sense, Gore Mutual's Next Horizon is as much a plan for the future, as it is business as usual. ◆