

**Mammoth Support for Insurance Mergers—  
Contingent on Protection of Competition**

**Chamber Weekly CEO/Business Leader Poll  
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**COMPAS Inc.  
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## Introduction

Canadian CEOs and business leaders were asked to share their thoughts on insurance company mergers in the days that followed press releases of a potential merger between Manulife and Canada Life. Business leaders express virtually the same opinions about insurance company mergers as they did about bank mergers last month, indicating that perhaps the rules that the government should impose on mergers could be the same for all organizations.

Business leaders are in favour of insurance company mergers in general, but also express desire for at least as much competition after mergers as experienced now. Most respondents see merit in the advocates' argument that insurance companies need to be larger in order to play in global markets.

These are the key findings from the current web-survey of CEOs and other business leaders conducted by COMPAS on behalf of the *National Post* under sponsorship of the Canadian Chamber of Commerce.

## Mammoth Contingent-Support for Insurance Company Mergers

Contingent-support for insurance company mergers is immense:

- 67% of business leaders and CEOs support mergers if the present level of competition is protected—71% of those who have an opinion on the matter
- 92% of business leaders and CEOs support merger if competition is enhanced as a result—98% of those who have an opinion on the matter.

The pattern of support for insurance merger resembles the pattern of support for bank mergers reported last month in the Financial Post except that support for insurance merger is at least a strong (table 1). More than a third of respondents (39%) feel insurance company mergers in general should be permitted irrespective of its apparent impact on competition. This proportion is only nominally greater than the number of respondents who believe bank mergers in general should be allowed (table 1). Support rises dramatically if the present level of competition is protected, and it rises again if competition is enhanced. As is the case with bank mergers, virtually no respondents feel the mergers should not be allowed, as demonstrated in table 1.



Respondents had the following comments to add on the discussion of insurance company mergers:

Open competition between all companies, Canadian or otherwise would be ideal. Governments should not regulate other than to insure competition.

My concern is the ongoing viability of the insurance companies. Too often companies get into an expansion mode where expansion is undertaken for the sake of expansion and not necessarily for good financial reasons resulting in collapse of the whole structure. The government's role should not be to restrict mergers but rather to insist that safeguards are in place to protect the private investment of the general public.

Table 1: Which of the following opinions is closest to your own?  
[ROTATE, CHOOSE ONE]

	Insurance Companies Dec 13, 2002	Banks Nov 8, 2002
Insurance companies/banks mergers in general should be allowed	39	28
Insurance companies/banks should be allowed to merge only if the insurance/financial services industry is re-organized to guarantee as much competition as there is today	28	32
Insurance companies/banks should be allowed to merge only if the insurance/financial services industry is re-organized to create more competition than there is today	25	34
Insurance company/bank mergers should not be allowed	2	5
One Insurance company/bank merger should be allowed	0	1
DNK/No opinion	6	0



## Mergers Necessary for Global Competition, Canadian Competition a Slight Concern

As in the arguments for bank mergers, the most persuasive reasoning for insurance company mergers is that the Canadian economy needs insurance companies to be allowed to grow large enough to be true competitors in global markets, cited by 56% of respondents (table 2). Far behind as a persuasive reason is the opinion that mergers are necessary so that the insurance companies can protect themselves in Canadian markets from foreign competitors many times larger than themselves (table 2).

When asked what reasoning was the most persuasive *against* insurance company mergers, 38% volunteered “none” (table 3), thereby corroborating the general conclusion that business leaders can indeed feel very comfortable with insurance mergers. More respondents say that anti-merger arguments are unpersuasive (38%, table 3) than that pro-merger arguments are unpersuasive (21%, table 2). Once again, the main reason to be sceptical about mergers is the concern to protect domestic competition (table3).

Table 2: Which of the following reasons FOR insurance company/bank mergers do you find the most persuasive? [ROTATE, CHOOSE ONE]

	Insurance Companies Dec 13, 2002	Banks Nov 8, 2002
Canada's economy needs insurance companies/banks to be allowed to grow large enough to be true competitors in global markets	56	61
Canada's insurance companies/banks need to be allowed to get bigger so that they can protect themselves from foreign competitors many times larger than themselves	14	17
Ottawa has no right to stop the mergers because doing so harms the insurance and benefit plans of thousands of people/Ottawa has no right to stop the mergers because doing so harms the life savings of thousands of people who invest in banks for retirement	6	2
None of them are persuasive	21	18
DNK/No opinion	4	2



Table 3: Which of the following reasons AGAINST insurance  
company/bank mergers do you find the most persuasive? [ROTATE,  
CHOOSE ONE]

	Insurance Companies Dec 13, 2002	Banks Nov 8, 2002
Canada has too little competition among Canada's insurance companies/banks as it is	28	29
The insurance companies'/banks' continuing profitability shows that they don't need to double in size to be viable	15	24
Some of the insurance companies'/the banks' successes abroad shows that they can be very successful without merging	12	8
None of them are persuasive	38	37
DNK/No opinion	7	3

## Methodology

The *National Post*/COMPAS web-survey of CEOs and leaders of small, medium, and large corporations and among executives of the local and national Chambers of Commerce was conducted December 10-12, 2002. Respondents constitute an essentially hand-picked panel.

Because medium and small companies are more numerous in the economy and hence among Chamber membership, the actual respondents in this consultative panel are drawn more from these strata than from the stratum of the largest companies. Because of the small population of CEOs and business leaders from which the sample was drawn, the study can be considered more accurate than comparably sized general public studies. In studies of the general public, surveys of n=170 are deemed accurate to within approximately 8 percentage points 19 times out of 20. The principal and co-investigators on this study are Conrad Winn, Ph.D. and Jennifer McLeod.

