

## Opportunity knocked, TorQuest answered

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Three months back, buying a financial services company was probably the farthest thing from the mind of TorQuest Partners, a Toronto-based manager of private-equity funds.

TorQuest, founded last year by Brent Belzberg and backed by a number of financial institutions, had been focusing its search efforts on other areas of business, particularly in manufacturing. Indeed TorQuest's investment vehicle -- TorQuest Partners Value Fund L.P. -- made its first investment in manufacturing last December when it **acquired Granby Steel Tanks, from Carrier Corp., for \$32.7-million.**

But along came the 15% jump in the C\$, along came the decline in value for certain parts of the financial services business -- and along came management from Gerling Canada Insurance Co. Management of the local company --which established a Canadian presence in 1955 to service the needs of European clients -- had been granted a window from the German parent to try to put a bid together to buy the operation that wrote \$206-million in gross premiums last year.

Time was of the essence. "We worked within their schedule," said Belzberg, whose fund will end up with control of the local insurer that has four Canadian offices (Montreal, Toronto, Calgary and Vancouver) and almost 120 employees. "Financial services is the right space. It is a sector that has been ignored by the private-equity firms. It has been beat up. It has been through some pain and Gerling is one of the great companies," said Belzberg.

Aside from TorQuest, two other entities invested in GCAN Holdings Inc., the private company formed to acquire Gerling's Canadian operations. The two are Newport Capital Insurance Limited Partnership, a private-equity fund managed by Newport Capital; and CIBC Capital Partners., CIBC's merchant banking arm. Gerling's management is also for a chunk of the company now renamed GCAN Insurance Co.

Belzberg was full of praise for the Gerling's Canadian management. "They have done a great job. The Canadian arm has always done well. It has made money every year even when the others were hurting. And it has been independent of the German parent," said Belzberg, a managing partner at TorQuest, noting that pressures at home prompted the German parent to put the Canadian unit up for sale.

"The Canadian unit is a great property and casualty insurer that operates in a niche area of the market," said Belzberg. That niche is in boiler insurance -- in essence providing insurance to those companies that have boilers on site, either in office buildings or industrial companies. While boiler insurance is a niche business, Gerling focuses on commercial and industrial insurance written through a network of independent brokers.

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As with all things in the world of private equity, the process of getting the deal done was a large part of the story. After Gerling's management was given time to find partners, it looked around for an adviser to help it through the process. They turned to Newport Partners Inc. -- "an independent provider of personal and corporate wealth management services to entrepreneurs and business owners." Peter Wallace, a managing director at Newport, said Gerling's management team, led by its president Andy Henke, was the key reason why it invested. "We are always looking for excellent private equity investments for our clients and ourselves. And Gerling fit the bill perfectly," said Wallace whose firm manages \$400-million for its clients.

Initially Newport approached Ontario Teachers' Pension Plan Board. Teachers concluded the deal was too small. With Teachers deciding to pass, the way was opened up for another set of potential investors. Calls were made to TorQuest and CIBC Capital Partners. "The German parent wanted the transaction done quickly. We had to act quickly," said Belzberg, who was in Hawaii when he got a call from Wallace.

"We retained a team of consultants. Everybody geared up and we got the deal done."