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## Bulletin de documentation<sup>(1)</sup>

par

Monique Dumont<sup>(2)</sup>

*Each quarter, "Assurances" publishes a review of insurance documents prepared by Miss Monique Dumont, Manager of the Documentation Centre of the Sodarcac Group. The review summarizes the most pertinent articles collected over the preceding quarter. A monthly bulletin containing the full-length review may be obtained at a cost of \$60 per year including postage for Canadian orders and \$70 U.S. for foreign orders.*

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Volume 11 no 5 – Mai/May 1985

### Nouvelles publications/New Publications

**L'art et l'assurance.** Munich Re. Excellente monographie. L'on y décrit l'oeuvre d'art en tant qu'objet de valeur engendrant un besoin d'assurance. Les valeurs atteintes par des oeuvres et collections d'art. La dépréciation. Les marchés. Les types d'assurance. Les techniques. Les mesures de prévention. Aspects propres à la réassurance.

**Rapport du surintendant des Assurances du Canada/Report of the Superintendent of Insurance for Canada au 31.12.83.** Compagnies d'assurance de biens et risques divers et compagnies d'assurance vie et des sociétés de secours mutuels/Property and casualty insurance companies and Life insurance companies and fraternal benefit societies.

**Rapport annuel/Annual Report 1984. Affaires 1983/Business of 1983. Nouveau Brunswick/New Brunswick.** Surintendant des Assurances/Superintendent of Insurance.

(1) The intent of the Documentation Centre of the Sodarcac Group is to summarize, in a few lines, the contents of the articles or books reviewed in this bulletin. The Centre is not responsible for the ideas expressed as it provides excerpts only of the original texts.

(2) Mlle Dumont est directeur du service de la documentation chez Gérard Parizeau Ltée, membre du groupe Sodarcac.

**Institutions financières/Financial institutions.** Statistique financière/Financial statistics. Quatrième trimestre 1984/Fourth quarter 1984. Assurance biens et risques divers et assurance-vie/Property and casualty insurers and life insurers.

**The insurability of punitive damages /** John W. Morrison. Table of American and Canadian jurisdictions reviewed. 1984.

**Captive insurance company Directory 1985.** Darien : Risk Planning Group. 1985. 233 p.

380 **The Financial Post 500.** Toronto : Financial Post. 1985.

**Budget 1985-1986 du Canada/Canadian Budget 1985-1986.** Ainsi que tous les documents afférents et analyses de différents bureaux d'experts-comptables.

**London Market 1984.** The publication sets out to present figures for UK insurance companies. Major Lloyd's syndicates and major insurance brokers for the latest year available (in most cases 1983).

#### **Actualité/News in brief**

**TORNADO** victims begin rebuilding. "Worst natural disaster since 1954". The impact of Friday's storm has yet to be fully understood but some numbers are now fixed : 12 dead, between 400-500 injured, 300 houses destroyed, thousands homeless, 20,000 people without electricity. There is no official damage estimate, but the insurance industry expects the cost in Barrie alone to be \$100-million (*The Globe & Mail*. June 03, 1985).

Sept des 17 membres du **GROUPE ASSURVIE** viennent d'annoncer leur décision de quitter ce réseau mis sur pied il y a quelques années. Ces sept agences générales, en assurance-vie, se regrouperont maintenant au sein d'une nouvelle entité : **MULTI COUR-TAGE INC.** La firme a déjà conclu des ententes avec 5 compagnies d'assurance-vie : Abbaye Vie, Aetna, Colonia, Souveraine et Westbury.  
(*Les Affaires*. 1<sup>er</sup> juin 1985).

A Vancouver-based company that wants to do for insurance agents what Century 21 did for real estate brokers is being organized behind a curtain of silence. Even the British Columbia superintend-

ent of Insurance is still waiting to hear from **INSURANCE NETWORK SYSTEMS INC.**, after rejecting its prospectus because of deficiencies; INS principals were reluctant to provide anything other than the most general information on the company. Its silence has led to some skepticism about the claims INS has made. INS is reluctant to reveal which insurers INS deals with: Advocate General Insurance Co. and Wellington Insurance Co. have been identified.

(*The Globe & Mail*. May 21. 1985)

Le rôle de la **SOCIÉTÉ CENTRALE D'HYPOTHÈQUE ET DE LOGEMENT** pourrait être diminué dans le secteur de l'assurance prêt hypothécaire. En '84, la part des dépenses consacrée à ce secteur était de 17.9% ; elle ne sera que de 0.1% en 1988. Une telle décision serait prise suite à l'ampleur du volume de prêts assurés par le secteur privé depuis 5 ans environ. Le gouvernement désirerait plutôt fournir une réassurance.

(*Finance*. 20 mai 1985).

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En appliquant sa nouvelle **TAXE** de 9% sur les primes d'assurance, le ministre Duhaime privilégie dorénavant la rémunération des courtiers par **honoraires** plutôt que par commissions. Cependant, la législation gouvernementale interdit, à toute fin pratique, cette pratique, selon M. Marcellin Tremblay, de l'ACCAP. Un bulletin d'information, émis le 8 mai, précisait que « les frais financiers et les honoraires payés ne sont pas des primes et, par conséquent, ne sont pas sujets à la taxe ». D'où un avantage concurrentiel aux consultants indépendants rétribués à honoraires.

Le ministre a annoncé des **mesures de transition**, pour faciliter la mise en place de la taxe de vente de 9% sur les primes d'assurance.

D'autre part, l'Association provinciale des assureurs-vie du Québec s'oppose à cette taxe, faisant remarquer l'absence totale de consultation, et différents opposants se sont alliés dans un mouvement d'opposition à cette taxe et ont entrepris une vaste campagne d'information auprès de l'industrie et des consommateurs.

(*Le Devoir*. 9 mai 1985 ; 14 mai 1985).

L'intégration des services financiers : ne pas manquer le bateau, selon Jacques A. Drouin, de la Laurentienne Générale. La clé : la **distribution**. Il est tout à fait plausible que les distributeurs (courtiers

en valeurs mobilières, agents d'assurances. etc.) s'associent à des assureurs, banques et sociétés de fiducies pour offrir aux clients de ces derniers une gamme élargie de services. Il est toutefois peu probable qu'on assiste à des déplacements rapides de marchés entre les diverses catégories d'institutions.

(*Revue Commerce*. Mai 1985)

### Assurances – Canada/ Insurance in Canada

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Only 12 of the 82 casualty-insurance firms that participated in a trade-paper survey turned a **PROFIT** in 1984 from Canadian operations and all but one of those 12 firms are based in Quebec. Belair Insurance Co. by far outperformed the others. In absolute terms, however, Groupe Commerce posted the largest underwriting profit. Both forms part of the **COMASSUR INC.** group and Commassur had the largest Quebec volume of the groups surveyed, with premium income of \$167 million, down 3.7 per cent from the 1983 figure.

(*The Gazette*. May 1. 1985).

70 assureurs ont affiché des **PERTES TECHNIQUES**, l'an dernier ; même que neuf d'entre eux ont affiché une perte nette, laquelle tient compte des bénéfices de placement.

(*Le Devoir*. 2 mai 1985)

A concern for the Ontario Risk & Management Society is the rapidly developing domination of the entire commercial business field by a few **LARGE BROKERS**, who have substantial power in dealing with insurers. Most insurers forecast further decline in the Canadian insurance industry in 1985.

(*World Insurance Report*. 3.5.85).

A sluggish 4.1 per cent growth in earned premiums, coupled with a sizeable increase of 14.8 per cent in losses incurred, resulted in an **UNDERWRITING LOSS** of \$916.7 million (112% operating ratio) last year for the P/C industry in Canada. The three major classes of business all deteriorated in 1984. Indications for 1985 are not favourable relative to the 1984 results at the base.

(*Canadian Insurance*. April 1985).

**FAMILY LAW REFORM ACT** and legal decisions involving awards of many millions of dollars are likely to affect market availability. Impact of the Borland case on the new SEF 44. The Wyle case

and the doctrine of reasonable expectation. Rates of the Facility Association are expected to increase of 37%. Market capacity problem, (*Canadian Insurance*, April 1985).

The Canadian general insurance market has been suffering in recent years from significantly, large awards in bodily injury and motor liability settlements. Michael Hughes (Victory Reinsurance Canada) considers the continuing **DETERIORATION OF RESULTS** in the direct market and suggests it is already too late for steps to improve the 1985 results. (*ReActions*, April 1985).

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**Volume 11 no 5 – Juin / June 1985**

**Assurances – marches, produits/Insurance – Markets, products.**

Bus and truck industry hit hard by rise in liability insurance premiums. Not only are premium rates rising (by an average 40 to 200 per cent on buses, and 20 to 300% on trucks) but markets are drying up as many insurers retreat from these volatile and claims-prone sectors. Trucking companies which formerly could buy insurance at rates of 1.2 per cent of gross receipts, now have increase of 3 per cent and up to 7 per cent in some cases, depending on a trucker's claims experience and use of deductibles. Reinsurers have been taking a hard line on all types of commercial liability insurance in recent months. (*The GM*, June 10, 1985).

Aetna Life & Casualty is offering a home computer endorsement for homeowners policies ; it is an all-risk coverage including software packages and miscellaneous equipment – US. (*The Marketplace*, June 1985).

**Assurance sur la vie/Life insurance**

Filiale de Dun & Bradstreet, Services d'assurance du Canada, projette une percée sur le marché québécois. L'objectif : offrir au PME une gamme d'avantages sociaux concurrentiels avec ceux des grandes entreprises. (*Finance*. 17 juin 1985).

L'assureur-vie au Québec : caractéristiques socio-démographiques et professionnelles. Extrait d'une monographie préparée par un groupe de travail de l'Université Laval. La production des assureurs-vie, leur formation, le nombre de compagnies représentées, la répartition du placement des contrats d'assurance-vie. (*Prospective*, mai-juin 1985).

### **Compagnie d'assurances/Insurance companies**

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Lonvest Corp., the wholly owned subsidiary of Trilon Financial Corp. that holds a 98% interest in London Life Insurance Co., plans to go public with an offering of units of common shares and warrants. Lonvest's stated aim is to become Canada's leading diversified insurance services corporation, with interrelated operating units. (*The GM*, June 4, 1985).

L'optimisation de l'exploitation n'est pas encore complétée à La Laurentienne, assurances générales. La fusion a provoqué des coupures de personnel et de dépenses. Afin de faciliter la fusion La Prévoyance-Les Prévoyants, on a procédé par étapes. Commentant les résultats de la division assurances générales, M. Jacques Drouin souligne qu'une partie importante des affaires se faisant à l'extérieur du Québec, on ne peut comparer réellement les résultats qu'avec des compagnies à charte canadienne ou ontarienne (*Le Devoir*, 3 juin 1985).

Scottish & York, a p/c insurer, had a loss of \$5.1 million in the first three months of this year, compared with profit of \$225,000 a year earlier. The loss was linked to increased frequency and severity of auto insurance claims. However, subsequent quarters are expected to show improvement as the impact of premium increases is felt. (*The GM*, June 11, 1985).

L'avoir des actionnaires du Groupe Commerce a poursuivi sa progression extraordinaire en 1984, pour une troisième année consécutive. Toutefois, en dépit d'un dividende accru en raison de la très bonne performance de 1983, le bénéfice net de la compagnie a régressé quelque peu. (*Le Devoir*, 13 juin 1985).

Dominion of Canada General Insurance Co. has bought Canadian Indemnity Co. The first company is strong in motor/

residential personal lines in Ontario and Quebec ; the second has strong commercial business in B.C., Alberta and the Atlantic provinces. The acquisition effectively doubles the size of Dominion of Canada group, which also includes a major interest in Empire Life Insurance Co.

(*WIR*, June 14.6.85 ; *Canadian Insurance*, May 1985).

Empire Life Insurance Co. of Halifax and Halifax Insurance Co. have constructed a deal that will allow Empire to take over Halifax Life's group Life & Health operations over a period of time. (*The GM*, June 25, 1985).

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Albany Insurance Co. (NY) has acquired the control of the business carried on by Talbot, Bird and Co. (BC) Ltd. (Burnaby, BC) which provides management services for a pool of ocean and inland marine insurance companies.

(*The GM*, June 4, 1985).

### **Courtier d'assurance/Insurance Brokers**

Broker's annuals forecast challenge and profits. Comments of the executives of the Crump Cos, Frank B. Hall., Marsh & McLennan, Corroon & Black, Alexander & Alexander Services Inc., Arthur J. Gallagher.

(*Business Insurance*, June 3, 1985).

Tomenson Inc. seeks expanding role. Today, after mergers involving associated international brokerage firms, the company targets a growth to 1989 at the rate of 10 per cent compounded annually. Revenue in 1985 is expected to be similar to the 1984 level as the internal refining process continues. Tomenson's prime target is to develop its North American presence, especially in soliciting those Canadian corporations with US subsidiaries. For the long haul, Tomenson is segmenting its accounts into three separate categories : personal lines, small commercial accounts and the large institutional commercial industrial sector.

(*Canadian Underwriter*, May 1985).

The increasing complexity of insurance products and the high level of human and communicative resources needed to effectively deliver them have brought about a rethinking of the ways in which brokers operate. The global company is looking to access global services. This month, M & M announced plans to form its first global



operating company that would serve marine and energy clients from London. A & A had similar plans.

(*Journal of Commerce*, May 28, 1985).

14th annual agent/broker profiles issues. Brokers' revenues rebound. Commercial insurance brokers report that their revenues are growing by double-digits this year on rising insurance prices. Canadian-based Sodarcen Ltd. claimed the 19th spot, from 20th last year, bumping Bain Dawes down to the 20th spot. Only two of the 20 largest brokers reported losses in 1984.

386 (*Business Insurance*, June 24th, 1985).

Sodarcen Inc. is strengthening its commitment to providing brokerage services in Canada while it de-emphasizes its role in underwriting. Growth from sectors other than the reinsurance and insurance management group was strong. The direct insurance brokerage and employee benefits operations of Sodarcen are devoted to Canadian operations for the next three or five years. There are no plans to expand into the US. But the reinsurance brokerage group is looking to spread across the US.

(*Business Insurance*, June 24th, 1985).

### **Actualité juridique/Legal News**

Directors and officers' liability insurance. The risks : the Canada Business Corporations Act, the Ontario Business Corporations Act 1982, the Quebec Companies' Act. The Income Tax Act. The coverage : the single policy and the tandem policy. Policy analysis 1. Corporate objectives 2. Policy period problem 3. "Wrongful act" 4. Degrees of negligence and intent generally 5. Intent and the dishonesty clause 6. Intent and the "rogue director" 7. Indemnification of uninsurable loss 8. The effect of allegations of dishonesty. Conclusions.

(*Canadian Journal of Insurance Law*, May-June 1985).

Brokers' errors and omissions (1st part). The liability 1. Procuring coverage 2. Renewal 3. Delay to cover 4. Adequate coverage 5. Exclusions 6. Analysis of risk 7. Identifying the assured 8. Misinterpretation 9. The insolvent insurer 10. Liability to insurers 11. Claims management.

(*Canadian Journal of Insurance Law*, May-June 1985).

Un courtier d'assurance a un devoir légal de renseigner ses clients. Il est personnellement responsable envers son client, si la police émise ne couvre pas un risque que celui-ci a mentionné verbalement mais expressément. Ce type de jurisprudence obligera les professionnels à prendre, à l'avenir, de plus en plus de précautions dans leurs relations envers leur clientèle.

(*Les Affaires*, 29 juin 1985).

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### T.R.A.C. 1985

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Le Rapport d'assurance T.R.A.C. 1985, pour les chiffres de 1984, est maintenant disponible.

Le Rapport contient des données financières et de souscription sur toutes les compagnies d'assurance I.A.R.D. à enregistrement fédéral au Canada.

Cette édition du T.R.A.C. présente un nouveau test de solvabilité. Le test des Recevables remplace le Rapport de l'Exposé des Placements en tant que Test 7.

Le livre est valable, mais il a des faiblesses difficilement contrôlables. Ainsi, dans le cas d'une société tombée en faillite en juillet 1985, la cote D en 1982 est passée à A en 1983 (ce qui est excellent), puis D à nouveau en 1984. Malheureusement, la nouvelle cote fut disponible en août 1985, après que la faillite de l'entreprise eut lieu. Voilà un exemple d'un instrument de travail excellent, mais qui arrive trop tard. Voilà également un exemple à citer à ceux qui voudraient tenir le courtier responsable de la faillite de l'assureur.