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Bulletin de documentation⁽¹⁾

par

Monique Dumont⁽²⁾

The purpose of this review of insurance documents, prepared by Miss Dumont, Manager of the Documentation Centre of the Sodarcan Group, is to summarize the most pertinent articles collected over the preceding quarter. A monthly Bulletin containing the full-length review may be obtained at a cost of \$80 per year for Canadian orders and \$75 U.S. per year for foreign orders. Here are some excerpts of July and August 1985 Bulletins (Volume II, No. 7 and No. 8).

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1. Extraits du numéro de Juillet 1985

Actualité/News in Brief

Le nombre d'accidents de la route ayant fait des victimes a augmenté de 22% au cours des cinq premiers mois de 1985, comparativement à la même période, l'année dernière. Ces accidents ont fait 21,191 victimes ; on enregistre 408 morts, 2,314 blessés graves et 18,469 blessés légers. Le nombre des victimes a augmenté dans toutes les catégories d'utilisateurs.
(*Le Devoir*, 12 juillet 1985)

Investigators are trying to unravel the complicated affairs of a failed insurance company that owes claimants in Canada and the US about \$170 million. Indeed, the post-mortem on **Northumberland General Insurance Co.** is bringing into sharp focus some of the problems of regulating an industry facing increasing difficulties because

⁽¹⁾ Nous publions, dans cette chronique, des extraits du *Bulletin mensuel des Assurances de juillet 1985 et d'août 1985*. Tout intéressé pourra obtenir les Bulletins complets paraissant tous les mois, au coût de \$80 par an (\$75 U.S. à l'étranger), en s'adressant au secrétariat de la Revue « Assurances ».

⁽²⁾ Mlle Dumont est directrice de la documentation chez Gérard Parizeau Ltée, membre du groupe Sodarcan.

of stiff competition and rising losses. The assets of Northumberland were put under Mr. Hammond's control Tuesday after the company served notice that it was halting payments on all insurance claims. One of the issues is the role played by offshore reinsurance companies in the orbit of Northumberland's parent **Ivanhoe Insurance Group Ltd.**

(The Globe & Mail, July 4, 1985)

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Bankrupted insurance firm leaves policyholders in air. Robert Hammond, Canada's superintendent of Insurance, said **Laurentian** will take over coverage of policyholders temporarily, but will not cover claims. He said no claims will be paid until a liquidator is named by the Ontario Supreme Court.

(The Gazette, July 18, 1985)

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The Supreme Court of Ontario has approved the federal Government's application to wind up **Northumberland General Insurance Co.** Federal officials were given leeway to investigate a more efficient way of liquidating the company. Paying policyholders in full before other parties is a company priority.

(The Globe & Mail, July 25, 1985)

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L'Association des consommateurs du Québec craint que la faillite de la compagnie d'assurances générales **Northumberland** ne soit pas un cas isolé et que la chose puisse se répéter à plusieurs exemplaires parmi les assureurs faisant affaires au Québec. Elle a identifié **18 compagnies** dont les pertes des dernières années préfigureraient, selon elle, des difficultés pouvant virtuellement conduire à des cas de faillites, soit la Canadienne Universelle, la Gibraltar, la Canada Unie, le Cercle d'Or, la compagnie Château, la Citadelle générale, la Constitution du Canada, la compagnie Hypothèque du Canada, l'Indemnité, la compagnie Markel, la Souveraine Générale, la Victoria du Canada, la compagnie Ireland, la compagnie Transport d'Amérique, la compagnie Arkwright Boston, la compagnie Protection et la compagnie Utika. Notons que la nouvelle ne tient pas compte de

bien des faits que l'Association et le journal ignoraient. Sans quoi, ils n'auraient pas fait une pareille affirmation.

(*La Presse*, 18 juillet 1985)



Quebec official scoffs at group's danger list of 18 insurance firms. Guy Monfette said all companies on the list made public last week by the ACQ, except for the Gibraltar Insurance Co. had been granted a 1985 licence after being given a clean bill of health by Jean-Marie Bouchard. Most of the companies are owned by huge corporations such as Canadian Pacific, Thomson Newspapers or Power Corp.

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(*The Gazette*, July 20, 1985)



Assurance – Marchés, Produits/Insurance – Markets and Products

Description sommaire de la nouvelle police globale pour **habitations** de la Royale. Cette nouvelle police couvre en valeur à neuf le bâtiment et son contenu selon une formule « tous risques ». Étendue de la garantie. Paiement mensuel de la prime.

(*Regards*, mai-juin 1985)



Les **hôpitaux** du Québec dépenseront \$6 millions de plus cette année pour s'assurer contre les possibles poursuites de patients lésés, soit **trois fois plus** qu'en 1984. Cette hausse de 300% des primes d'assurances touche aussi les médecins qui, depuis cette année, doivent déboursier près de \$2,000 au lieu de \$400 pour se mettre à l'abri de pareilles poursuites. Ces hausses sont la première manifestation de l'arrivée au Québec de cette vague de largesse des tribunaux avec laquelle sont aux prises depuis déjà plusieurs années les États-Unis.

(*Le Devoir*, 17 juillet 1985)



Accountants face higher costs. It's the big firms that are particularly hit this summer as annual renewals are negotiated. Some cases in point : Price Waterhouse, Ernst & Whinney, Deloitte Haskins & Sells, Doane Raymond. Smaller firms, meanwhile, are getting

off relatively easily, at least for the moment. Rates are rising. Settlements in the US are soaring.

(*Financial Post*, July 27, 1985)



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Large banks exploring coverage alternatives. The study, conducted by the Wyatt Co. for 23 banks, will consider establishing one or more captive insurance companies, either domestic or offshore, and creating multiple pooling arrangements. The study will address both D & O insurance and bankers blanket bonds. Almost all banks are being asked to take larger deductibles and lower limits, but at higher premiums (U.S.).

(*Business Insurance*, July 22, 1985)



Compagnie d'assurance/Insurance Companies

L'Industrielle recherche activement des entreprises oeuvrant dans le même domaine au Canada, en vue d'acquisitions, selon le président M. Robert Bégin. D'autre part, elle cherche à prendre de l'expansion hors Québec où elle détient, pour le dernier semestre de 1984, 28,5% des primes et cotisations, 55% des polices nouvellement émises et 35,5% du montant total des polices en vigueur.

(*Le Devoir*, 4 juillet 1985)



NAIC is prepared to monitor insurers' solvency. The short-term survival of almost 400 insurers is threatened, according to the preliminary report of the NAIC team of examiners. Another 276 insurers may face financial problems in the future. An insurer is identified as requiring immediate regulatory attention when the analysis indicates that the insurer's short-term survival is threatened. The examiners found some 186 p/c insurers and 205 life insurers were in need of immediate attention – USA. Il faut être très prudent avant d'avancer de pareils chiffres ; ce qui est notre commentaire.

(*Business Insurance*, July 7, 1985)



Dominion of Canada and Canadian Indemnity joined together under **E-L Financial** banner. Dominion of Canada President sees operations expanding, but admits Canadian Indemnity liability claims could have a long-dangling tail. Interview with Hal Jackman, President of E-L Financial Corp. Ltd.
(*Canadian Underwriter*, June 1985)

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Wellington agents are here to stay. Trilon connection promises more scope for the agency force, says Wellington President James Kirschbaum. **Trilon's** marketing strategy is to operate, not as one-stop shopping centre, but more on a boutique basis, with each company using its own marketing forces and distribution networks to do what it does best.
(*Canadian Underwriter*, June 1985)

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The possibility of **insurer insolvency** has become a recurring nightmare for many risk managers, but few in the industry can agree on a reliable method for identifying these troubled companies. The concept is that individual company performance is a random movement instead of a market norm. There are some early warning signs (sudden change in surplus, in the company's gross written premium and major changes in management or business strategy). Some of the issues that a policyholder must consider if an insurance company does become insolvent – USA.
(*Risk Management*, June 1985)

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2. Extraits du numéro d'Août 1985

Nouvelles publications/New Publications

TRAC 1985. Toronto : Colander Publications, 1985. Données financières et de souscription sur toutes les compagnies d'assurance I.A.R.D. à enregistrement fédéral au Canada. 7 tests de solvabilité sont utilisés, soit le test de préavis d'insolvabilité ; la réassurance cédée ; le bilan sommaire ; l'analyse des investissements ; la répartition des primes par classes principales sélectionnées ; la répartition provinciale ; l'analyse des taux de sinistres et de frais ; l'analyse des si-

nistres en suspens nets et le taux de rentabilité. Il y a là une publication utile, mais qui, parfois, arrive bien tard.



Les pages d'assurance/The Insurance pages. Toronto : Colander Publications, 1985. Annuaire de marketing des risques ou classes d'affaires inusités ou difficiles à placer.



528 **Best's Insurance Reports 1985.** Newark : A.M. Best Co. 1985. Il y a là un des groupes les plus sérieux.



1985 Tables d'assurance vie/1985 Life Insurance Tables. Toronto : Stone & Cox, 1985. Un excellent instrument de travail.



Lloyd's Market 1984 ainsi que **London Market 1984.** London : Risk Research Group, 1984.



Property Liability Insurance Accounting / R. Strain. New York : College of Insurance, 1985.



A passion for excellence : the leadership difference / Tom Peters et Nancy Austin. New York : Random House, 1985. Par les auteurs de *In Search of Excellence*.



Assurance automobile/Car Insurance

Insurance companies discriminate against young, male drivers by charging them higher car insurance premiums than women, married men and male drivers over 25, the Ontario Human Rights Commission has ruled. The decision's effect on the insurance industry

will not be known until the board reconvenes in September to determine what penalty, if any, **Zurich Insurance Co.** will face.
(*The Globe & Mail*, August 9, 1985)



D'autre part, dans une déclaration, la Commission des droits de la personne au Québec énonce que le législateur a prévu une exception au principe de l'égalité, dans le cas de l'assurance des personnes, c'est-à-dire celle qui porte sur la vie, la santé et l'intégrité physique de l'assuré. Par contre, aucune exception n'est prévue dans la Charte au principe de l'égalité dans les contrats d'assurance de dommages, incluant l'assurance automobile.

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Un jeune conducteur peut ainsi contester une prime plus élevée en alléguant discrimination. Cependant, en vertu d'une disposition de la Charte qui n'est pas encore en vigueur, cette situation est sur le point de changer.
(*Le Devoir*, 16 août 1985)



Les automobilistes québécois peuvent s'attendre à déboursier de 18 à 20 pour cent de plus que l'an dernier pour assurer leur véhicule. La hausse des primes est due à une augmentation de 3% à 4% de la fréquence des accidents et de 12% à 13% du coût moyen par sinistre.
(*La Presse*, 29 août 1985 ; *The Globe & Mail*, September 4, 1985)



Assurances/Insurance

Help for claimants of failed insurers moves a step closer. The Insurance Bureau of Canada is now putting the finishing touches on a plan for an industry-financed **compensation fund** to submit to Ontario Superintendent of Insurance. It will then be presented to the provincial superintendents of Insurance on Sept. 23. The IBC plan proposes that each insurer be a risk taker, in that it would retain a set percentage on the business it took on. The study said a company should be required to retain at least 10 per cent of its total gross premiums and this figure should rise to a minimum of 25% within

three to five years. Un article de M. Jean Robitaille précise le projet dans le présent numéro d'*Assurances*.
(*The Globe & Mail*, August 5, 1985)



530 The Canadian Medical Protective Association paid out almost \$13.8 million in settlement last year to patients who successfully sued. The amount was up considerably from the \$10.9 million the previous year. The report says 679 new actions involving 1,266 doctors were launched compared to 595 actions launched in 1983. Last year, doctors faced premium increases of as much as 50%. Among the high-risk groups are anesthesiologists, cardiovascular surgeons, neurosurgeons, obstetricians and orthopedic surgeons.
(*The Globe & Mail*, August 5, 1985)



The Lloyd's Act of 1982 established the Council "to have control over the management and regulations of the affairs of the Society". A broad look at the Syndicate Accounting Rules recently issued by the Council.
(*ReActions*, August 1985)



The Federal Department of Insurance is examining an application by a Canadian insurance company that wants to guarantee securities issued by companies with less than top credit ratings. The company wants to guarantee bonds and debentures issued by Canadian companies. With credit insurance guaranteeing repayment of an issue, a company would be able to get a better credit rating. At present, there is a credit insurance vacuum in Canada. Robert Hammond said earlier that he believes credit insurance is an appropriate area of coverage for insurance companies.
(*The Globe & Mail*, August 14, 1985)



Courtier d'assurances/Insurance Brokers

Alexander, Reed Stenhouse complete merger agreement. Holders of Reed class C shares have already accepted the offer. A & A

also announced its intention to offer Canadian investors additional Reed Stenhouse class A common shares. Reed Stenhouse also announced expected changes in Canadian income-tax consequences for its shareholders as a result of the federal budget.

(*The Globe & Mail*, August 2, 1985)



Profile – Willis Faber oil and gas division. Oil and gas is a very technical branch of insurance where brokers are very involved in individual large contracts with the necessary analysis of the resulting risk and the development of tailor-made wordings. The new Willis Faber team.

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(*Marine & Aviation Insurance Report*, July 1985)



L'assurance : un service financier de pointe ? Bilan des changements et incidence sur le rôle du **courtier d'assurance**. La responsabilité civile professionnelle des courtiers. Le professionnalisme.

(*Regards*, juillet-août 1985)



Crump Cos. is planning to form a new facility which will provide insurance and risk management services to the **energy industry**. Other brokers taking new initiative in the energy field include A & A, M & M (C.T. Bowring), Corroon & Black, Johnson & Higgins. Energy underwriting, in fact, was one of the few lines to show a profit over the last six-year property-casualty price war – USA.

(*Journal of Commerce*, August 15, 1985)



L'incompatibilité de la conduite du courtier. Revue de la jurisprudence, en particulier, Corpaco Inc. contre Société d'Assurance des Caisses populaires.

(*Regards*, juillet-août 1985)



La solvabilité des assureurs : rôle du courtier en rapport avec les trois principaux critères : la réassurance, les provisions et les créanciers.

(Regards, juillet-août 1985)

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Courtier en réassurance/Reinsurance Broker

532 Legally redefining the role of reinsurance intermediaries. Recent developments in the US point to a redefinition of the role of intermediaries by legislatures and courts.

(Canadian Insurance, July 1985)

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Réassurance/Reinsurance

The assessment of security of insurers : a look at proprietary security assessment services : A.M. Best, NAIC, ISI (Insurance Solvency International) and IIFSC (International Insurance Financial Service).

(Reinsurance Market Report, July 1985)

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Sixteen reinsurers are asking a federal court to rescind their treaties involving errors and omissions insurance policies issued by the Home Insurance Co. in 1983 and 1984. At issue are E & O policies with limits up to \$5 million written for law firms, real estate agents, accountants and other professionals in the US and Canada.

(Business Insurance, August 26, 1985)

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Occidental Petroleum Corp. is suing broker Baily, Martin & Fay Int'l for more than \$120 million, claiming that BMF failed to properly place a portion of Occidental's worldwide property insurance program. Occidental thought that property reinsurance for its Bermuda-based captive had been placed with Phoenix Assurance PLC. However, the coverage was actually placed with another reinsurer that Occidental claims is not "a bona fide insurer capable of

providing the reinsurance". L'accusation est grave. Nous en laissons l'entière responsabilité à celui qui la rapporte.
(*Business Insurance*, August 26, 1985)



Réassurance – Canada/Reinsurance in Canada

Reinsurance in Canada 1985 – still on thin ice? Retrocessionnaires are telling the market what can and cannot be done as to form, risk, price and the capacity available, explains Donald Batten (Reinsurance Research Council). Survey of **specific classes** : automobile, general liability, property. The work of the Council.
(*Canadian Insurance*, July 1985)

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Claims : a reinsurance perspective. The settlement of claims is a critical function of the business. It is even more a problem for reinsurers when inflation and the impact of court decisions are taken into account.
(*Canadian Insurance*, July 1985)



Canadian Life reinsurance. Read how the Canadian Life Reinsurance market has become as sophisticated and diversified as any in the world.
(*Canadian Insurance*, July 1985)



Résultats 1984 des réassureurs : un marché de \$2,6 milliards. Les cessions à des réassureurs agréés ont augmenté de 20,3% en 1984, alors que les cessions à des réassureurs non agréés ont diminué de 4,4%. 46 réassureurs sur 50 montrent un **bénéfice net**.
(*Le portefeuille d'assurances*, juillet 1985)

