

## Should the Life Insurance Agent Handle General Insurance Matters?

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Résumé de l'article

Notre collaborateur étudie ici un problème courant dans la pratique : la participation de l'agent d'assurance-vie aux affaires d'assurances en général. Doit-il s'en écarter comme beaucoup d'assureurs-vie le préconisent ? Mais s'il s'en occupe, à quel domaine doit-il se limiter et pourquoi ? Voilà le sujet que notre collaborateur a traité récemment devant les membres de l'Association des Gérants des assureurs-vie de Montréal. Nous présentons son texte à nos lecteurs qui s'intéressent à la question étudiée.

# Should the Life Insurance Agent Handle General Insurance Matters?

by

MICHEL PARIZEAU

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*Notre collaborateur étudie ici un problème courant dans la pratique: la participation de l'agent d'assurance-vie aux affaires d'assurances en général. Doit-il s'en écarter comme beaucoup d'assureurs-vie le préconisent? Mais s'il s'en occupe, à quel domaine doit-il se limiter et pourquoi? Voilà le sujet que notre collaborateur a traité récemment devant les membres de l'Association des Gérants des assureurs-vie de Montréal. Nous présentons son texte à nos lecteurs qui s'intéressent à la question étudiée.*



I have been asked to deal with the subject of the advisability for life insurance agents to handle general insurance matters. It is a question which very often arises nowadays and which should be looked into very carefully.

Presently, two different trends are noticeable, which at first sight might appear contradictory:

a) On the one hand, a certain number of life insurance companies are endeavoring either to enlarge the scope of their activities in view of subscribing to other fields than insurance of the person, i.e. insurance on property, liability insurance and surety matters; or either to make arrangements with general insurance companies in order that their own agents might be allowed to place their general insurance business with such companies.

b) On the other hand, a certain number of life insurance agents feel that they should limit their activities to their own field, i.e. insurance on the person.

A more detailed study of these two trends will show that they are not really incompatible:

222 a) In the first instance, i.e. the trend of life insurance companies, it stems from a legitimate desire to develop their volume of business and to have on hand different activities which might bring about a levelling of results, in the case of a bad experience in a particular year or period in one specific field. A problem will arise however, depending on the sources from which the general insurance business will come. If the company is obtaining the majority of its general insurance business from the normal intermediaries in the field, i.e. the brokers, the trend appears to me as very good. If however, the bulk of the business is brought in by the life insurance agents, then some difficulties have to be expected. We will see a little later that the approach and the knowledge required are vastly different in the two fields and that, consequently, business handled by persons not properly trained can bring about results which were not thought of initially.

b) In the second case, i.e. the trend of certain life insurance agents, the situation most probably stems from a "prise de conscience" in front of the complexity of modern business (and particularly in life insurance and in general insurance), bringing about the necessity to specialize, both from an increase in the standards of the profession and the service to the public points of view.

It is to be noticed however that this second trend is partly counterbalanced by the desire of certain agents to handle general insurance in view of developing their income and also in view of obtaining possible openings and future

prospects for life insurance, which they still consider as their main preoccupation.

They are also influenced by the encouragements of certain life insurance companies which desire to broaden the scope of their activities.



In order to see clearly in the midsts of these numerous elements, it is essential to distinguish between the two types of intermediaries which are found in the field: the life insurance agent and the general insurance broker.

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1 — It is to be noted right from the start that both these intermediaries are regulated in their activities by the necessity of the service to the insured.

2 — However, there is a great difference in the legal nature of their respective function:

a) The life insurance agent, whether he is called as such or whether he presents himself as a chartered life underwriter, is definitely, in my mind, the mandatory of the insurance company. Even though, ethically and professionally, he should think before anything else of his client's interests, I do not believe that he can be considered as the representative, the mandatory of the insured. His obligations towards the client is more of a moral than of a legal nature.

b) The general insurance broker, on the contrary, is beforehand the mandatory of the insured. He is not as such tied to any particular company. Of course, he might have been given by some companies an agency contract which enables him to bind such companies or to act as their representative within a certain margin of activities described in the contract. But I submit that any arrangements of this sort

are purely accessory to his principal occupation, i.e. taking care of his clients' interests and executing their instructions.

3 — Because of the above mentioned difference in the nature of the mandate, the legal obligations to which the broker is subject (and I insist on the word "legal") are much broader.

224 i) not only does he have to find a solution to the problem of his client (as it is the case also for the life insurance agent) but he has to present to his client the solution which in his mind is the best in the existing normal market.

ii) Moreover, he has the obligation to see that the claims which are made by the insured are settled in a way which corresponds to the contractual stipulations of the policy.

We will see a little later, the immediate consequences of the application of these two factors.

4 — Because of the different nature of the mandate and the different obligations which such mandate implies, the general insurance broker needs a different training, a different mentality, a different approach to his work and especially a knowledge based on different elements.

We all agree that both the life insurance agent and the general insurance broker must be competent, the era of high pressure salesmanship becoming outmoded and certainly due, as such, to a definite decline. The professional approach is now essential but we will see that such an approach must necessarily have different facets when one considers the two types of intermediaries which we are now contemplating.

The life insurance agent, very often, is faced with only one problem: the financial security of the family or the continuity of the business enterprise, following the death of the insured. This does not mean that said agent needs less

knowledge. On the contrary: he has to know a lot about civil law (marriage covenants for example), about income tax and estate duties, about the "loi de l'assurance des maris et des parents", about the insurance act, about company law, about principles and practice of accounting; but all this knowledge always being related to one single element: the death of the insured or the security for his later years.

The general insurance broker on the other hand is faced with a great number of possible risks: fire and related perils, theft, burglary or robbery, transportation, boiler explosion, loss of profits, bad debts, loss of important documents or books of accounts, public, employers' or professional liability, motor-vehicles, planes, vessels, dishonesty, forgery, breakage of glass, earthquake, bonds of various natures (contract bonds, lost documents bonds, court bonds, excise tax bonds, etc.). Moreover, he is faced with a great number of companies, with various specialties, using policy wordings which can vary considerably from one company to another (I remind you that only in automobile insurance do we find mandatory forms approved by the Superintendent of Insurance; even here, problems arise since the number of approved forms and endorsements is very large. In fire insurance, the general conditions are statutory but such general conditions have to be modified very frequently in order to take care of the specific risks submitted).

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The general insurance broker must be in the position of being able to determine ahead of time the possible risks in order to help the client, first to chose the proper coverages available and also to diminish the physical hazards involved.

He has to examine the policies which have been prepared by the insurance company and see if such contracts are properly adapted to the specific risks involved for this particular client. I cannot over stress the importance of a well written

document in such matters. Even a comma placed erroneously could change the whole meaning of a particular sentence and therefore create not only possible ambiguities but also determine whether or not the insured is afforded a proper coverage.

226 Finally, the insurance broker is very frequently asked to give an interpretation of the policy, to state if a specific risk would or would not be covered. I should be surprised to hear that a life insurance agent has often to do so; if he is presented with such questions, he usually finds little difficulties since the wording of a life insurance contract is fairly standard and has been subject to a well established jurisprudence. In general insurance matters, jurisprudence, in many fields, is very hesitant to say the least if not, very often, contradictory.



Now that the different elements of the problem have been put to light, let us try to see our way clear through them:

a) As a matter of principle, I cannot but approve entirely of the attitude of those life insurance agents who have decided not to handle general insurance matters, considering that it is already difficult enough for one to keep informed of one specific field, without getting mixed up in another one.

b) For those who still want to broaden their field of activities (for personal reasons or at the request of the companies for which they are acting), it is of the utmost importance that said persons do make the following choice: either to continue as agents or either to act as brokers and present themselves as such.

In the first case, they have to know their limits. Here, I would suggest to restrict the activities to personal lines, i.e. automobile, dwelling buildings or contents, and leaving aside the commercial establishment where more problems arise and where more knowledge is required. Going head on in

any type of general insurance without a proper training could bring about very serious consequences, not only for the client who might find himself not properly covered, but also for the agent who is putting at stake the confidence of his clients, for the company he represents which will inevitably suffer in its reputation, and also for the industry as a whole. There has been enough protests in the public towards supposedly strict and unwarranted attitudes on the part of the companies, without increasing the number of "amateur" intermediaries, which have been responsible very often for the bad impression which some people have of the industry.

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In the second case, then, there is only one proper solution, in my mind, i.e. making an association of some sort with a general insurance broker, under which said broker would handle the general insurance business of the life insurance agent and the latter would handle the life insurance business of the broker.

The service to the public is fundamental and without it, there would be no reason for the existence of brokers or chartered life underwriters. Said service to the public requires necessarily a proper training and proper knowledge which in my humble opinion eliminates the possibility for one man to handle properly both aspects of our fascinating industry.

To end these comments and to enable you perhaps to understand a little more what is an insurance broker, I would like to read to you a short text prepared by an anonymous author, apparently from the Lloyd's organization in London. I should however, before reading this text, explain to you that Lloyd's is not an insurance company, but a group of individual persons associated under a certain number of syndicates, some of them handling marine insurance and other taking care of non marine matters. Other persons, known as brokers (and which are the equivalent of our general insurance



brokers) are authorized to present to the mandatories of such syndicates, the underwriters, the risks which they want to place.

The said text is as follows:

“A Marine Underwriter is a man  
Who knows very little about a great deal  
and he continues to learn  
less and less about more and more  
until in the end he knows nothing  
about everything.

A Non-Marine Underwriter is a man  
Who knows a great deal about very little  
and he continues to learn  
more and more about less and less  
until in the end he knows everything  
about nothing.

But a Broker is a man  
Who gets a great deal for very little  
and he continues to get  
more and more for less and less  
until in the end he gets everything  
for nothing.”

I would like to stress here that said anonymous author was certainly not thinking about the extent of the work of of the broker when he was referring to “getting everything for nothing”, but that he was putting the accent on the fact that a broker is always trying to get as much coverage as possible for the insured at the least premium possible.

Gentlemen, I hope that these few thoughts will enable you, not necessarily to find positive answers to some of the questions which you have in mind presently, but at least to understand more fully the extent of your decision to encourage or not to encourage your agents to broaden the scope of their present activities.