

The state of Canadian general insurance in 1980

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Volume 48, numéro 2, 1980

URI : <https://id.erudit.org/iderudit/1104084ar>

DOI : <https://doi.org/10.7202/1104084ar>

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Éditeur(s)

HEC Montréal

ISSN

0004-6027 (imprimé)

2817-3465 (numérique)

[Découvrir la revue](#)

Citer ce document

Robey, C. (1980). The state of Canadian general insurance in 1980. *Assurances*, 48(2), 187–204. <https://doi.org/10.7202/1104084ar>

The state of Canadian general insurance in 1980

by CHRISTOPHER J. ROBEY⁽¹⁾

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One cannot help but feel that the state of Canadian general insurance at this time, viewed from the underwriter's office, is a sorry one, with the underwriting loss in 1979 reaching \$185.7 million and the loss ratio the fourth highest of the decade and seemingly heading higher. Nonetheless, the view from the treasurer's office is considerably more encouraging, with investment income of \$707.1 million more than offsetting this underwriting loss and giving an operating profit of \$521.4 million, a little over 10% of the net premiums written. The following table shows the results of private property and casualty companies during the decade of the seventies⁽²⁾. It is interesting to note that, despite the loss to the private industry during the decade of a considerable volume of automobile business, the line with the lowest expense ratio, the break-even point appears to have increased from about 65% at the beginning of the decade to closer to 67% at the end.

Year	Net premiums written	Net premiums earned	Underwriting result	Loss ratio
1970	1,877	1,808	+ 1.7	65.71%
1971	2,079	1,978	+ 0.7	65.31%
1972	2,346	2,218	- 31.2	68.39%
1973	2,595	2,498	- 135.8	73.06%
1974	2,745	2,615	- 290.9	76.91%
1975	3,461	3,130	- 142.4	71.48%
1976	4,262	3,961	+ 3.7	66.66%
1977	4,836	4,550	+ 72.7	64.16%
1978	4,733	4,682	+ 46.1	64.95%
1979	5,138	4,946	- 185.7	70.26%

All figures in millions of dollars.

- (1) Mr. Christopher J. Robey is senior vice president and general manager of leBlanc Eldridge Parizeau, inc., a member of the Sodarcap group.
- (2) All statistics are taken from the annual statistical issues of *Canadian Insurance magazine*, unless otherwise stated.

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It is important to note that the basis of reporting company results has changed during the course of the last decade, consequently comparisons from year to year are not entirely accurate. No attempt will be made in this report to reconstitute figures from earlier years on the basis used in 1979.

Although the private industry made a profit in 1978, government insurance companies lost over \$40 million and, in 1979, followed the trend of the private companies, losing more than twice as much as in the previous year. The results of the industry as a whole, including government insurers, have been as follows over the last five years:

188	Year	Net premiums written	Net premiums earned	Underwriting result	Loss ratio
	1975	3,869	3,514	- 237.5	74.26%
	1976	4,859	4,535	+ 52.5	67.04%
	1977	5,450	5,142	+ 31.6	66.71%
	1978	5,384	5,328	+ 4.3	67.38%
	1979	5,851	5,556	- 282.8	72.76%

All figures in millions of dollars.

The deterioration of results in 1979 can be seen by a comparison of the results quarter by quarter. While the first quarter produced an underwriting loss, as is usual in Canada's worst winter months, the second quarter produced a reasonable profit and, at the end of the third quarter, the industry's result was slightly better than break-even. It was the fourth quarter which, according to Statistics Canada (compiled on a different basis to Canadian Insurance magazine), produced a combined ratio of 111.3%, compared with a combined ratio for the first nine months of the year of 96.4%. The deterioration continued into the first quarter of 1980 with an underwriting loss generally worse than that of the last quarter of 1979.

Nonetheless, in examining the results of individual companies, it is interesting to note that over a third of them showed an underwriting profit and six of the hundred listed by Canadian Insurance, writing 14.58% of the total premium, produced, between them, total losses of over \$128 million, or nearly 70% of the industry total.

Following are the results of some selected companies, with the 1978 combined index in brackets:

Company	Net premiums written	Underwriting result	Combined index (%)
Royal Insurance	481,817,825	- 38,462,630	107.90 (101.40)
Lloyd's	203,113,647	+ 5,172,730	97.51 (85.27)

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Commercial Union	192,497,126	- 3,868,035	102.01 (100.24)
Allstate of Canada	171,381,700	+ 9,965,696	94.89 (97.08)
Travelers	149,698,258	- 15,778,226	108.69 (101.91)
Zurich	137,515,147	- 13,972,312	110.64 (99.43)
Wawanesa Mutual	133,776,423	+ 5,540,778	95.94 (98.18)
Co-operative Fire	111,137,718	- 734,683	100.15 (83.13)
Dominion of Canada	106,315,301	- 1,876,949	101.80 (101.16)
Prudential Assurance	101,892,132	+ 5,211,164	95.14 (98.98)
Groupe Commerce	98,150,523	+ 1,764,899	98.20 (94.20)
Groupe Desjardins	93,055,495	- 17,260,151	118.06 (103.19)
Canadian Gen. Group	88,144,686	- 5,363,285	106.65 (102.94)
Les Prévoyants du Canada	82,223,647	- 5,764,680	107.80 (96.58)
Factory Mutual System	66,479,268	- 27,827,455	153.33 (105.66)
Canadian Indemnity	61,627,287	+ 6,794,445	88.06 (93.35)
Le Gr. La Laurentienne	59,009,398	- 3,642,430	106.13 (103.63)
Pilot Insurance	49,050,810	+ 2,434,194	95.45 (96.50)
Canadian Home Group	39,643,702	- 301,141	100.80 (103.37)
U.S. Fidelity Group	34,718,659	+ 2,109,797	94.29 (80.01)
Guarantee Co. of N.Amer.	32,470,669	+ 4,582,464	87.77 (89.56)
L'Union Canadienne	30,427,494	- 1,488,033	105.09 (98.83)
Western Union	24,516,297	+ 1,657,193	93.46 (91.03)
Sovereign General	24,271,858	- 1,316,797	103.87 (97.16)
Belair	23,983,095	- 2,343,007	110.72 (103.34)
Simcoe Erie Group	19,033,841	- 208,016	101.24 (99.27)
Commonwealth	18,762,351	- 131,227	100.77 (96.53)
Federation Ins. Group	18,659,245	- 236,910	101.30 (97.61)
Equitable General	17,205,927	- 1,127,114	106.80 (102.63)
Chateau Insurance	16,415,734	- 5,099,707	133.27 (100.94)
Provinces-Unies	14,931,659	+ 2,226,941	84.48 (98.08)
American Home	12,710,428	+ 4,462,597	65.07 (78.29)
Northumberland	8,836,497	0	100.00 (96.96)
Scottish & York	8,760,978	- 1,442,971	116.56 (99.44)
La St. Maurice	8,681,403	- 658,561	107.71 (131.55)
Les Coopérants	7,657,886	- 968,621	110.52 (100.17)
Canada West	7,482,163	- 177,018	103.06 (100.98)
Markel Insurance	6,415,761	- 942,442	115.08 (106.21)
La Capitale	5,853,466	- 356,897	106.71 (99.84)
Security Mutual	5,577,874	- 552,014	110.01 (111.20)
Nova Scotia General	5,289,962	+ 535,604	89.30 (81.54)
L'Industrielle	5,081,268	- 699,673	113.53 (104.62)
Pitts Insurance	4,982,217	- 210,698	103.65 (99.96)

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One might have thought that, in such a competitive market as was the Canadian property/casualty market in 1979, rapid growth would have been a guarantee of poor results, however statistics do not bear this out. The most rapid growth of all was Motors Insurance Corporation, at 102.51%, however their combined index was only 91.63%. Amongst other companies with rapid growth and combined indices better than the average were the Co-operative Fire and Casualty, with a 38.78% growth and a combined index of 100.15%, Aetna Casualty and Security with 41.21% growth and a combined index of 97.41%, Commonwealth Insurance with 49.93% growth and a combined index of 100.77% and Cabot Insurance with a growth of 31.94% and a combined index of 99.17%. However, nor did rapid growth invariably produce better than average results, with Les Prévoyants du Canada growing at a rate 37.53%, with a combined index of 107.80%, Chubb & Son growing at 49.12%, with a combined index of 112.87%, Bélair 30.87% growth, 110.72% combined index, Waterloo Mutual, 32.46% growth, 120.30% combined index, Les Coopérants, 93.88% growth, 110.52% combined index, Eagle Star 45.83% growth, 181.39% combined index.



While rapid growth did not, at least in 1979, produce the universally poor results one might have anticipated, cutting back on volume seemed to be a surer way of performing better than the market, with twelve of the twenty companies with reduced volume in 1979 having a combined index below 100% and four of the other eight with a combined index better than 105%. Of the four with a combined index of more than 105%, two were specialty companies — Mortgage Insurance Company of Canada and Ecclesiastical Insurance Office.

Of the thirty-seven companies which showed an underwriting profit, there does not seem to have been any particular pattern for others to follow. Overall, they wrote a general book in all lines, with no particular specialty showing up, except perhaps that those with a substantial volume of fidelity and surety business had more chance of making an underwriting profit and those writing mortgage business virtually none. Some of the companies wrote almost exclusively property business, while others, such as Allstate and Safeco had substantial volumes of automobile. Nor did there seem to be any particular part of the country more likely to produce profits than others, many of the profitable companies writing from coast to coast with others specializing in particular provinces or regions, for example the Commerce Group in Québec, State Farm in Ontario, and Canadian Indemnity

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and Safeco having substantial portfolios in the West. Other profitable companies writing entirely or primarily in one province were Western Union and Alberta Motor, in Alberta, Cabot in Newfoundland, Nova Scotia General in Nova Scotia and New Brunswick, North Waterloo Farmers and Ontario Mutual in Ontario.



Of the companies with more than \$1 million of net written premiums in 1979, the following six have made an underwriting profit in every one of the last ten years.

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<u>Company</u>	<u>Net premiums written</u>		<u>1970 - 1979</u>	
	<u>1970</u>	<u>1979</u>	<u>Net premiums written</u>	<u>Underwriting profit</u>
Emmco	975,518	1,666,931	14,517,885	4,570,964
Grain Ins. & Guarantee	1,040,867	3,207,108	21,511,287	1,985,941
Ontario Mutual	7,666,451	30,708,790	166,024,630	17,201,430
Pafco	805,143	6,479,332	53,676,744	8,200,751
Pilot	13,095,411	49,050,810	292,650,054	14,565,091
Western Surety	458,338	2,329,959	11,731,606	659,304

It is interesting to note that these companies specialise at least to some degree, either in product line or territory or both.

Both Emmco and Grain Insurance and Guarantee write across the country, but 90% of their book is property business and they write no automobile liability. The Ontario Mutual is in fact a grouping of Ontario Farm Mutuals, writing almost exclusively rural property business, only in Ontario.

The Pafco also writes only in Ontario and have made their profits during the seventies from what others would classify as sub-standard automobile business. They are now branching out into property business and it will be interesting to see if they can extend their profitable formula to this branch.

The Pilot is the third of the six to write only in Ontario, writing a highly selective portfolio outside of urban areas, about three quarters in automobile and the bulk of the remainder in property.

As its name implies, the Western Surety writes almost exclusively surety business, more than three quarters of their volume coming from the Prairie Provinces and British Columbia.

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192 Seven other companies showed an underwriting profit in nine of the ten years, two of them, the American Home and Boiler Inspection not having had a loss since 1970. The others, with their loss year in brackets, are the Co-operative Hail (1975), New Zealand (1979), Safeco (1974), Transport Insurance of Dallas (1973) and United States Fidelity (1974). Others which may have found the secret of success out of adversity are Portage La Prairie, which lost money from 1970 to 1974 and has made money every year since, Saskatchewan Mutual which lost money from 1970 to 1975 and has made a profit since, Motors Insurance Corporation, which lost money from 1970 to 1976 and has made money since, even while more than doubling its volume in 1979, and Gerling and Allstate which made money in 1979 after nine consecutive years of losses.

While too many companies to mention made an underwriting loss in nine of the last ten years, only two, the Canadian General and Employers of Wausau, lost money in each of the ten. It is of course dangerous to draw too many conclusions from these figures, however it is interesting to note that these two companies are more or less the opposite of the six which made a profit in each of the ten years, in that they write a general book of business right across the country.



Apart from the very beginning of the decade, reinsurers have performed consistently worse than the market as a whole and 1979 was no exception, as the following table shows (1)

<u>Year</u>	<u>Net premiums written</u>	<u>Underwriting result</u>
1970	85.7	+ 1.7
1971	88.2	+ 1.9
1972	97.2	+ 4.4
1973	109.4	- 7.3
1974	132.1	- 20.8
1975	205.8	- 23.7
1976	308.4	- 18.1
1977	341.2	- 0.4
1978	336.7	- 12.2
1979	362.4	- 21.0

All figures in millions of dollars.

(1) Statistics on reinsurance are taken from *Canadian Underwriter magazine*.

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The 1979 results were in fact far worse than these figures show, since if the General Re is excluded, the loss becomes \$27.3 million on net premiums written of \$340 million. However, the Universal Re group alone produced a loss of \$12.6 million and four of the twenty-four reinsurers, Universal Re, Mercantile & General, Reinsurance Management Company of Canada and Prudential Re, writing 30% of the total net premiums, produced total losses of over \$20 million between them.

Results of individual reinsurers are as follows with their 1978 combined index in brackets:

Company	Net premiums written	Underwriting result	Combined index (%)
Munich Re	55,340,237	+ 332,926	99.05 (103.79)
Universal Re	53,478,999	- 12,597,625	124.80 (106.16)
Canadian Re	49,862,511	- 1,503,926	102.96 (111.33)
Gerling Global Re	34,062,960	+ 250,830	99.21 (100.51)
Mercantile & General	29,899,752	- 2,833,827	109.30 (106.60)
General Re	21,403,365	+ 6,385,569	67.67 (114.90)
Reinsurance Mgt. Co. of Canada	17,948,326	- 2,908,986	117.75 (—)
SCOR Re of Canada	13,536,911	- 93,569	101.05 (103.39)
Skandia	12,371,961	- 1,448,365	112.02 (—)
American Re	12,032,627	- 539,162	104.40 (87.54)
Employers Re	9,599,820	+ 263,168	95.55 (93.00)
Prudential Re	7,284,627	- 2,449,696	134.30 (—)
S.A.F.R.	6,929,964	- 506,509	107.47 (94.97)
Farm Mutual Re. Plan	6,073,878	- 352,421	105.97 (98.74)
Kanata Re	6,061,184	- 629,802	110.94 (109.30)
Nationwide Mutual	6,009,816	- 784,477	112.20 (94.30)
AGF Reassurances	5,310,462	- 982,160	120.59 (92.08)
Philadelphia Re	4,860,443	- 897,771	122.30 (—)
Great Lakes	2,716,957	- 110,927	104.16 (98.39)
Co-operative Ins. Society	2,378,141	- 446,481	118.70 (96.50)
Continental Casualty	1,805,750	+ 1,106,148	72.84 (69.70)
General Security of N.Y.	1,572,179	- 11,044	100.50 (107.30)
Reinsurance Corp. of N.Y.	1,270,933	- 150,149	111.71 (—)
Hartford Steam Boiler	622,123	- 86,782	114.50 (106.70)

It must be remembered that these statistics include only reinsurance placed with companies licensed in Canada and writing reinsurance only; it

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does not include reinsurance written by insurance companies, such as Lloyd's (1979 gross direct premiums written \$155.3 million; net premiums written, i.e. including reinsurance assumed, but excluding reinsurance ceded: \$203.1 million; Citadel gross direct premiums written \$50.8 million; net premiums written \$59.8 million). In addition, it does not include reinsurance ceded to the unlicensed market, which was probably about the same volume in 1979 as the net premiums written by the licensed professional reinsurers. Altogether, the reinsurance ceded by companies operating in Canada in 1979 probably reached a total premium volume of \$800 million.

194 The development of the reinsurance market in Canada can be seen even more graphically in the following table, which shows the results of reinsurance companies in 1970:

Company	Net premiums written	Underwriting result	Combined index (%)
Sterling Offices	21,712,565	- 500,965	102.04
Canadian Re	19,910,960	- 467,981	99.62
Mercantile & General General Re	10,726,186	+ 411,557	95.44
Gerling Global Re.	9,396,905	+ 1,878,287	—
Munich Re	9,239,038	- 279,590	103.16
American Re	4,929,575	- 445,829	108.96
Nationwide Mutual	3,889,752	- 27,080	110.20
Employers Re	3,059,758	502,345	82.59
Hartford Steam Boiler	1,994,554	302,071	82.71
Co-operative Ins. Society	441,661	494,273	—
General Security of N.Y.	335,360	- 169,038	140.95
	36,806	+ 4,164	91.63

As can be seen, the number of reinsurers reporting has doubled, from 12 to 24, and there are still more foreign companies presently seeking a licence.

The performance of the Munich Re during the decade is particularly worth noting, in that it has grown in size from the sixth of twelve to the first of twenty-four, and, while it has only had two profitable years, 1977 and 1979, since 1975 it has consistently performed better than reinsurers as a whole.



Automobile and property business, of course, are the major components of the Canadian general insurance business, representing 53% and 34%

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respectively of total premium. In 1970, the corresponding percentages were 57% and 31%. Not surprisingly, in the circumstances, the ups and downs in the results of these classes more or less mirror the results of the market as a whole, as the following two tables show:

AUTOMOBILE

<u>Year</u>	<u>Net premiums written</u>	<u>Net premiums earned</u>	<u>Loss ratio (%)</u>
1970	989,296,583	947,557,950	70.89
1971	1,066,256,993	1,032,814,784	71.07
1972	1,223,025,890	1,174,360,876	75.52
1973	1,398,705,682	1,367,123,280	79.34
1974	1,557,723,724	1,510,511,531	85.91
1975	1,913,193,141	1,711,309,602	78.57
1976	2,435,443,543	2,192,972,015	71.09
1977	2,495,627,865	2,409,561,141	69.94
1978	2,367,296,081	2,433,318,273	72.11
1979	3,007,751,909	2,854,433,394	81.07

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PROPERTY

<u>Year</u>	<u>Net premiums written</u>	<u>Net premiums earned</u>	<u>Loss ratio (%)</u>
1970	546,562,469	527,801,764	61.40
1971	628,773,673	594,568,796	61.06
1972	693,196,117	664,087,672	63.20
1973	787,060,447	751,687,495	67.78
1974	919,052,936	870,685,754	75.23
1975	1,110,247,734	1,069,828,377	66.57
1976	1,479,641,283	1,381,188,591	59.77
1977	1,768,010,669	1,619,522,690	52.28
1978	1,818,590,277	1,758,731,290	54.14
1979	1,946,725,060	1,872,138,043	63.68

Interestingly enough, while the results for automobile as a whole deteriorated drastically in 1979, the liability section alone showed a substantial improvement, producing the lowest loss ratio achieved since 1970, a result which would seem to be attributable to more than the release of unusually high IBNR's and case reserves set up in 1978, the last year of profit

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limitations under anti-inflation controls. It was the damage to the vehicle section, representing 33% of the total automobile premium (compared to 26% in 1970) which showed a disastrous deterioration, producing the worst loss ratio of the decade. Results of the two sections over the decade have been as follows:

AUTOMOBILE-LIABILITY

196	<u>Year</u>	<u>Net premiums written</u>	<u>Net premiums earned</u>	<u>Loss ratio (%)</u>
	1970	593,886,014	507,302,256	70.75
	1971	661,127,631	646,749,180	74.44
	1972	750,124,355	733,531,788	78.06
	1973	889,652,611	870,843,818	79.98
	1974	1,009,620,256	983,793,666	87.75
	1975	1,078,402,782	972,568,970	79.96
	1976	1,417,384,203	1,316,096,305	78.38
	1977	1,489,932,220	1,432,586,755	79.62
	1978	1,368,294,834	1,444,035,835	76.97
	1979	1,282,694,028	1,262,696,412	72.27

AUTOMOBILE-DAMAGE TO THE VEHICLE

<u>Year</u>	<u>Net premiums written</u>	<u>Net premiums earned</u>	<u>Loss ratio (%)</u>
1970	255,031,816	243,677,856	64.74
1971	335,267,464	315,951,078	70.93
1972	388,214,091	370,744,193	71.53
1973	443,861,820	431,719,282	78.92
1974	482,669,197	464,094,518	85.76
1975	628,237,989	546,129,610	76.08
1976	782,899,429	719,029,457	60.35
1977	901,720,986	870,061,778	55.56
1978	900,424,557	892,255,708	65.10
1979	998,413,124	968,303,090	84.87

In addition to the effect of inflation on the cost of parts and labour, the deterioration in 1979 undoubtedly reflects the full impact of the direct compensation agreement in the Province of Québec, which produced an in-

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crease in the number and average cost of claims for vehicle damage totally unanticipated when rates were established.

Breakdown by type of risk for property business is not readily available, however there seems little doubt that the results in 1979 reflect the fact that the total written premiums in that year were only 10% higher than the 1977 figure, despite the level of inflation which has existed in recent years and the fact that the slow down in economic activity did not really begin to be felt until the end of 1979. The only explanation for such a slow increase in volume must surely be that rates have not only not been increased but in many cases have in fact been reduced for competitive reasons. While part of this was undoubtedly caused artificially by the anti-inflation board, the industry itself must bear much of the responsibility for it.

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Surprisingly, liability, the third of the general lines of business, representing 7% of the total premium in 1979 (6% in 1970), has shown a steadily improving trend over the last three years, the loss ratio dropping from 86.37% in 1977 to 60.20% in 1979, the best it has been since 1970. The results of liability business over the last ten years have been as follows:

LIABILITY

<u>Year</u>	<u>Net premiums written</u>	<u>Net premiums earned</u>	<u>Loss ratio (%)</u>
1970	100,187,712	98,873,665	59.11
1971	115,295,835	110,066,078	63.60
1972	132,852,026	126,744,410	54.69
1973	151,292,026	144,709,199	64.30
1974	168,001,941	163,531,353	63.44
1975	201,860,763	191,420,607	61.01
1976	276,156,823	256,012,916	72.89
1977	347,939,449	318,188,772	86.37
1978	370,724,857	357,907,277	77.84
1979	403,749,524	380,543,511	60.20

Since this pattern is the same as found in automobile liability business, one can speculate on the effects of high IBNR's and case reserves, however it is also tempting to suggest that claims inflation may not be as severe a problem as had been thought, although this would be most difficult to substantiate.

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An alternative explanation, at least for liability business, considering the steady increase in premium volume, while the volume for property business, with which it is frequently written in package policies, has been much slower, is that Canadian underwriters are preparing in their current rating for importation from the United States of the severe casualty problems which insurers have experienced there. Whether or not such problems will cross the border and, if they do, with what severity, still remains to be seen, however, should the market indeed be preparing for it, it would be a pleasing example of insurers for once acting rather than reacting.

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The other lines of business each represent less than 1% of the total premium volume and require, to a varying extent, a greater degree of specialization than the three major lines. As a result, their loss ratios from year to year tend to reflect more their own particular environment than the competitiveness of the property and automobile business.

The results of these branches over the last ten years have been as follows:

Class	Year	Net premiums written	Net premiums earned	Loss ratio (%)
Boiler & Machinery	1970	19,526,524	18,239,225	27.60
	1971	19,818,671	17,929,382	31.08
	1972	24,984,362	21,556,358	34.56
	1973	21,708,647	22,654,198	46.16
	1974	29,744,132	25,691,332	78.06
	1975	37,751,582	30,246,806	45.49
	1976	41,972,586	36,434,469	56.13
	1977	49,556,774	41,555,979	45.99
	1978	48,866,799	46,997,115	38.09
	1979	59,571,285	53,726,596	61.97
Surety	1970	20,110,755	20,034,072	42.39
	1971	24,509,843	24,258,699	21.82
	1972	26,391,137	25,359,813	18.31
	1973	32,695,254	27,883,056	26.60
	1974	37,688,403	33,722,504	29.88
	1975	43,046,839	38,837,575	24.01
	1976	45,455,685	43,819,166	34.16
	1977	50,149,765	44,115,510	36.77
	1978	57,684,358	50,854,144	19.11
	1979	56,979,470	56,912,760	26.38

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Class	Year	Net premiums written	Net premiums earned	Loss ratio (%)
Mortgage	1970	484,856	502,540	1.62
	1971	3,045,471	787,476	25.86
	1972	7,111,305	1,462,604	3.82
	1973	18,381,433	3,524,115	.58
	1974	19,472,892	5,444,881	4.39
	1975	23,388,775	8,560,394	22.36
	1976	28,560,792	11,400,461	38.32
	1977	43,462,624	16,304,221	69.35
	1978	57,363,950	23,010,563	119.46
	1979	53,269,683	26,296,285	132.18
Marine	1970	24,281,543	22,807,227	52.75
	1971	26,678,543	25,319,873	52.92
	1972	31,613,907	31,968,364	57.37
	1973	33,629,066	33,140,212	59.51
	1974	38,161,856	37,864,410	67.08
	1975	41,685,370	40,349,075	85.28
	1976	41,740,800	40,794,062	66.07
	1977	38,164,155	37,104,861	74.95
	1978	36,626,792	36,838,482	88.22
	1979	43,694,460	42,520,129	74.09
Aircraft	1970	21,120,970	19,995,451	74.37
	1971	30,761,926	30,817,598	40.64
	1972	26,942,503	27,899,935	46.14
	1973	23,028,629	23,820,658	76.95
	1974	26,570,949	26,111,889	89.26
	1975	31,573,124	29,090,743	57.45
	1976	34,524,198	33,582,751	92.64
	1977	27,626,070	29,336,092	60.49
	1978	24,781,018	23,926,830	97.57
	1979	37,077,045	35,181,123	97.83
Fidelity	1970	9,087,064	9,047,216	58.09
	1971	10,223,349	10,528,853	41.49
	1972	12,691,056	11,612,620	30.91
	1973	12,637,489	12,483,416	49.96
	1974	13,726,764	13,550,946	15.30

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Class	Year	Net premiums written	Net premiums earned	Loss ratio (%)	
	1975	13,878,239	14,633,364	43.54	
	1976	15,959,716	15,763,838	55.05	
	1977	20,843,633	18,169,484	100.98	
	1978	21,191,441	20,849,809	53.83	
	1979	24,088,783	23,436,076	35.03	
200	Hail				
		1970	5,419,638	5,421,048	50.69
		1971	6,777,144	6,781,154	68.23
		1972	7,535,328	7,496,812	44.75
		1973	7,332,747	7,342,411	61.00
		1974	10,267,228	10,258,532	54.29
		1975	9,714,513	9,712,546	95.36
		1976	6,756,862	6,748,808	71.72
		1977	10,494,632	10,518,779	64.45
		1978	13,461,294	13,190,280	64.78
	1979	16,059,656	16,037,730	85.89	
Credit		1970	1,350,801	1,348,321	50.11
		1971	1,147,776	1,099,143	68.09
		1972	1,415,718	1,475,804	32.75
		1973	1,534,951	1,548,924	28.08
		1974	1,772,788	1,779,620	45.74
		1975	1,903,801	1,931,685	42.83
		1976	1,305,488	1,312,864	48.41
		1977	1,362,179	1,386,054	58.81
		1978	1,954,270	1,830,472	56.62
		1979	1,720,306	1,768,597	10.34



Canadian owned companies are finishing the decade of the seventies with a substantially larger share of Canadian business than they had at the beginning. In 1970, property/casualty business was divided between Canadian, British and other foreign companies as follows:

Canadian	: 27%
British	: 28%
Foreign	: 45%

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In the middle of the decade, in 1974, the percentages had not changed at all, however the second half of the decade saw a gradual increase in the share of the market held by Canadians, at the expense of foreign companies, particularly the non-British companies. In 1977 the percentages had changed to:

Canadian	: 31%
British	: 29%
Foreign	: 40%

By the end of the decade, in 1979, the Canadian companies had the largest share of the three and the division of premium was as follows:

Canadian	: 39%
British	: 24%
Foreign	: 37%

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Interestingly enough, British companies have had the lowest loss ratio of the three in each year of the decade, although this may be rather a result of the mix of their portfolio between property and automobile, the latter having a substantially lower expense ratio, than a reflection of a greater underwriting expertise. Canadian companies had higher loss ratios than other foreign companies in every year except 1973 and 1975, however this again is probably because automobile business represents a greater portion of their book than it does for other companies. The Royal wrote the largest volume in Canada in 1970, with \$117,213,121, 5.58% of the total business written, and they still ranked first in 1979, with net premiums of \$481,817,825, 7.25% of total business written. Lloyd's and Commercial Union were also in the top five companies at the beginning and the end of the decade, Lloyd's share of the market being almost unchanged at 3.12% in 1970 and 3.05% in 1979, while Commercial Union slipped a little from 3.42% in 1970 to 2.89% in 1979. The other two in the top five in 1979 were Allstate of Canada, with 2.58% of the market, almost unchanged from 1970, when they ranked seventh with 2.40% and Cooperators Insurance Association, with 2.57% of the market in 1979, up from 1.64% in 1970.

While the Royal has maintained its position as the largest writer and increased significantly its overall share of the market, less encouraging for it is that in 1970 it had the largest dollar profit of any company in Canada, whereas in 1979 it had the largest dollar loss.

There has certainly been some concentration in the Canadian market during the decade, however it does not appear as great, statistically, as the impression that is left after ten years of activity. While only 23 companies had 1% or more of the total business written in 1979, compared to 28 in

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1970, the top ten companies in 1979 wrote 28.4% of the business, compared to 30% in 1970.

Although Canadian companies have increased their share of the insurance market, this is not the case on the reinsurance side, which is still very much dominated by Canadian subsidiaries or branches of the major British and European professional reinsurers.

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Twenty-four reinsurers are listed on page 193, however Universal Re underwrites for seven and Reinsurance Management Company of Canada for five, bringing the total to thirty-four; of these thirty-four, only The National Re (managed by Reinsurance Management Company of Canada) and Farm Mutual Re Plan are Canadian owned and nine of the Canadian branches of foreign companies have no more than a token presence in Canada. Certainly an increasing number of Canadian insurance companies are opening reinsurance departments, however this is as much to write foreign business as to write pure Canadian accounts — indeed, two of them, Simcoe & Erie and Canadian Union, have recently opened branches in New York. Nonetheless, as Canadian companies look more and more towards assuming reinsurance to diversify their book, it may well be that the eighties will see the increase in their share of this market which the seventies saw on the direct side.



The goings-on inside the Canadian insurance market in the 1970's were little different from those of the fifties or sixties, as indicated by this headline from the statistical issue of Canadian Underwriter in 1956:

“Overall loss ratio rises for third consecutive year”

“Rate reductions with broader covers taking heavy toll”

By 1958, speaking of the 1957 year, the headline had become “a bleak picture”. A year later, “a loss year but 1958 overall underwriting result far improved over 1957”. The 1961 issue, commenting on 1960 results said “Underwriting profit hits \$42 million — best overall loss ratio in five years”.

By 1963 the comment on the 1962 year was “Red ink for fire & auto” and the following year “fifty-seven all over again”. Two years later, “The result was a modest profit for 1965 with the pendulum swinging in the right direction for 1966”. By 1968, the headline on 1967 experience was “Beautiful!” but two years later “Auto was awful, fire was foul, personal property was poor”.

1970 was referred to as “a year of recovery and marked improvement” but in 1971, automobile and property were described as “troublesome”. Correctly, so it would seem, since a year later the headline was “auto, pro-

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erty lines turn sour", following the loss in 1972. 1973's loss was a record, at least until 1974 came along when results were so bad that the 1975 results, although worse than 1973, nonetheless prompted the headline "experience improves".

By 1978, reporting on 1977, the headline was "property insurance has outstandingly good year", but two years later, in the latest issue, the headline is "the profit leaves underwriting".

It might be fair to say that insurers in Canada have incredibly short memories, but it would be kinder to say that Canadian business is nothing if not consistent in its inconsistency.

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The major influence on the market in the seventies came from outside, in the form of more direct government involvement. Manitoba was the first province since Saskatchewan, which did it in the forties, to take over automobile business, acting in 1972, followed in 1974 by British Columbia and in 1978 by Québec.

Intervention by the Federal Government also was felt severely in the application of anti-inflation controls for 1976, 1977 and 1978, which effectively forced companies to maintain and even reduce rates, through the return of excess profits to insureds, which, while adequate in 1976 and 1977, had ceased to be by 1979.

Anti-inflation controls came off at the end of 1978, although the effect on rating did not disappear until the end of 1979. As far as concerns the take-over of automobile business, there have been suggestions in both Manitoba and British Columbia that the government monopoly might be ended, although this has not yet come about. Indeed, in British Columbia, companies were invited back to compete with the government firm, however on conditions which the industry felt gave an unreasonable advantage to the government.

With the end of anti-inflation controls and no further immediate threat of government take-overs, companies have gone into the eighties more able to concentrate their efforts on problems of their own making. High interest rates are undoubtedly still having an influence, however there seems to be an increasing realization now that the fierce rate-cutting must come to an end. While attempts to introduce rate increases in the second part of 1979 by various companies resulted in the increases being withdrawn soon after, when the companies were faced with a virtual loss of all renewals, increases introduced in 1980 so far have stood. Indeed, with the demise during the seventies of tariff organizations and with companies now making their own

rates, albeit with the aid of the Insurers Advisory Organization, the old style of annual rate increases has gone by the board and companies now adjust their rates up or down whenever it seems appropriate to them. At present, the movement is up and some companies are already contemplating their third increase of the year.

It is probably too late for this to save 1980 and the return of some discipline is not yet sufficiently widespread for total optimism as far as concerns 1981, but the signs are at least strong enough for some cautious optimism once the industry has put the present year behind it.

De quelques revues de France, du Canada et des États-Unis

Voici sept revues fort intéressantes. D'abord, *L'année économique et financière en 1979 en France*: oeuvre des services de documentation du Crédit Commercial de France. Puis, la *Revue de l'année*, faite par «Commerce», l'organe de la Chambre de Commerce de Montréal. Les deux présentent en rétrospective l'exercice 1979, dans le premier cas en France et dans le second au Canada.

Avec les cinq autres, on est devant d'excellentes réalisations typographiques. D'abord, *Hand-in-Hand*, cette revue dont le titre ne correspondrait pas à l'intérêt qu'elle présente s'il ne rappelait la notion la plus ancienne de l'assurance, la solidarité (1). Vivante, très bien présentée, elle est un bel exemple de la curiosité que l'on montre en Europe pour la connaissance d'un sujet, aussi bien que pour la présentation des textes eux-mêmes. On sent dans certains milieux, en particulier, le souci d'une mise au point technique, extrêmement soignée. C'est cela également que l'on constate dans les quatre dernières publications dont nous voulons dire un mot ici. D'abord *France Informations* (numéros 107, 108 et 109). Abondamment illustrés, ces numéros présentent respectivement le «temps des gares», c'est-à-dire un aspect de l'histoire des chemins de fer, la «déclaration des droits de l'Homme en 1789» et la «fête du 14 juillet à travers les ans». Et puis, *Vie des Arts et Forces* — deux assez extraordinaires exemples de savoir-faire au Canada français. Ne faudrait-il pas mentionner, enfin, la grande revue américaine *Fortune*, qui allie recherche typographique et intérêt des articles?

(1) *Hand-in-Hand* a d'ailleurs été le nom d'une des premières compagnies d'assurances anglaises.