

Adept Insurance Services Inc.
806-3000 Creekside Drive
Dundas, Ontario, L9H 7S8
Tel: 289-238-9392

June 27, 2013

Richard Boivin
Assistant Deputy Minister, Policy Pertaining to
Financial Institutions and Corporate Law
Ministère des Finances et de l'Économie
8, rue Cook, 4e l'étage
Québec, (Québec) G1R 0A4

Dear Mr. Boivin

Re: Proposal 49 of the Report on the Application of the Act Respecting insurance and the Act respecting trust companies and savings companies

With respect, this submission addresses Proposal 49 of the above noted report for the purpose of challenging the Proposal.

I am writing as an interested professional insurance person who has served the insurance industry for over 50 years in various levels of management and for the past 25 years as General Manager/Attorney for two reciprocals.

In the mid-1980's, the liability insurance crisis spawned a number of insurance reciprocals formed by school boards, universities, municipal electrical associations, municipalities, hospital and healthcare facilities and lawyers. These reciprocals have operated successfully for over 25 years. Since the 1980's, the number of reciprocals has continued to grow until there are now over 25 in Canada. A number of reciprocals have added additional lines of insurance to serve their members. The reciprocal movement is now a significant part of the insurance industry in Canada. It has saved millions of premium dollars for its subscribers. This is especially relevant for public bodies which depend upon taxpayers.

The strength of a reciprocal is the long-term commitment made by its subscribers through a subscribers' agreement to pay premiums and to support the reciprocal in the event of catastrophic losses. Reciprocals reduce the likelihood of a further assessment by entering into reinsurance contracts to protect the interests of the reciprocal and its subscribers.

It is a fact that reciprocals are not part of the Property and Casualty Insurance Compensation Corporation (PACICC). PACICC does not include reciprocals because they have determined that reciprocals have their own unique guarantee program through the subscribers' agreement as a reciprocal can call for an assessment. Individual insurance companies cannot make an assessment upon its policyholders. Thus, insurance companies formed and contribute to PACICC to protect policyholders in the event of the failure of one of its members.

While capitalization requirements are different than those of an insurance company, sound business practice requires the subscribers to provide a substantial capital fund to protect the reciprocal in the event of a major operating loss.

While some subscribers may object to a call for additional premium or funding, it is no different than when an insurance company calls for increased premiums when it suffers operating losses. Policyholders object to premium increases but must bear them if they wish to carry insurance. Although a few reciprocals may have experienced some difficulties since the 1980's, so have insurance companies. If one were to say that because a reciprocal somewhere had a financial problem and thus reciprocals should not be licensed in

Québec, then it would follow that insurance companies should not be licensed as a number of them have failed over the years. The writer has been involved with the wind-up of some insurance companies in the past.

While there is a public insurance plan for the agricultural sector in Québec, it may not provide for all types of losses. However, more importantly, that plan is absolutely of no value to non-agricultural sectors such as school boards, universities, etc. etc. So, that is a moot point.

Québec has always been and continues to be a leader in co-operative movements. A reciprocal is another form of co-operative and fits in perfectly with the Québec culture.

It is a fact that the insurance act in Québec provides for the licensing of reciprocals under certain conditions. Despite that fact, the Autorité des Marchés Financiers has unilaterally decided that reciprocals should not be issued licences as insurers in Québec even though they have received a legal opinion from their own lawyers that a license can be issued. For over four years, the Autorité has persistently placed roadblocks in front of reciprocal applicants to forestall the issuance of licences to reciprocals. Certainly, this is not in the spirit of the insurance act to prevent the people of Québec from benefiting through participation in an insurance reciprocal. Now the Autorité wishes to authenticate its position by having the clause enabling the licensing of reciprocals removed from the insurance act. Why?

To remove the clause permitting the licensing of reciprocals in Québec would be a disservice to the people of Québec as it would remove the opportunity for many of its people and public bodies to protect themselves and save premium dollars. Given that reciprocals can generate new business and add to the economy of Québec, it behooves Québec to amend the wording to enable reciprocals to be domiciled and licensed in Québec.

I submit, therefore, that the licensing of reciprocals not be removed from the insurance act, but rather expanded in scope.

Yours truly,

Stan Lasanowski
President